

Western Cape Government

Medium Term Budget Policy Statement 2016 - 2019

and

Adjusted Estimates of Provincial Expenditure 2015

Speech

Dr Ivan Meyer
Minister of Finance

20 November 2015

Provincial Treasury
Business Information and Data Management
Private Bag X9165
7 Wale Street
Cape Town
tel: +27 21 483 5618 **fax:** +27 21 483 6601
www.westerncape.gov.za

Afrikaans and isiXhosa versions of this publication are available on request.
Email: Paul.Pienaar@westerncape.gov.za

Honourable Speaker and Deputy Speaker

Honourable Premier Zille

The Honourable Leader of the Official Opposition

Leaders of other political parties

Honourable Members of the Legislature

Premier Zille has committed her Government to an open opportunity society for all. This Medium Term Budget Policy Statement builds on that foundation and will continue to focus on improving the quality of life of all the citizens in the Western Cape.

Honourable Speaker, we are living in tough, very tough economic times. Globally and on the domestic front people are experiencing difficult times. The geo-political landscape is changing rapidly and the political economy is also subjected to these global trends. These problems are complex and no singular approach can deal with the scale and scope of these complexities.

Honourable Speaker, but there is hope because together we are better, we are safer together, we are stronger together, we have more wisdom together and we are more resilient together as a nation and as people of this beautiful Province.

Honourable Speaker, I am tabling the Medium Term Budget Policy Statement of this Government under the theme, Inclusive Growth.

We are united in our approach that South Africa needs to grow its economy, create jobs and reduce unemployment. This MTBPS reconfirms and allocates resources to facilitate inclusive growth.

The 2016 - 2019 Western Cape Medium Term Budget Policy Statement provides the economic, fiscal and budget policy context for the next three years. This MTBPS provides us with levels of predictability so that we can create an enabling environment for economic growth.

Economic and fiscal context and outlook

Global economic and South African growth performance remains weak and growth projections have been revised downwards. The world economy is anticipated to grow at 3.1 per cent in 2015 and South Africa at half these levels at 1.5 per cent, which was the same in 2014. Growth is forecasted to accelerate to 1.7 per cent in 2016.

Growth in the Western Cape is forecast at 1.9 per cent in 2015 and 2.0 per cent in 2016 averaging at 2.7 per cent over the 2015 - 2020 period.

The most recent Labour Force statistics (as at the 3rd quarter, 2015) indicates that the narrow unemployment rate in the Western Cape is 20.6 per cent lower than the national average of 25.5 per cent as at the third quarter of 2015.

Low economic growth, translates to low levels of economic activity which translates into low levels of revenue for the fiscus.

Implications of the economic and fiscal outlook

Madam Speaker, the South African economy is under stress. The recent demands for above inflation wage increases and other additional funding pressures will put South Africa's fiscal policy in the danger zone.

Yesterday's announcement by the South African Reserve Bank's Monetary Policy Committee of a second interest rate hike for the year highlights the fragile state of our economy. The hiking of the repo rate to 6.25 per cent brings the prime lending rate to 9.75 per cent.

This announcement comes against the background of expected inflationary pressures due to the lagged effect of the severe drought on food prices, a weakening rand exchange rate and the prospect of rising interest rates in the United States before year-end and during next year. Further hikes in lending rates are forecast for 2016, which will cause debt repayments to increase, contributing to additional financial strain on consumers.

South Africa's economy can no longer absorb the demands placed on the national fiscus. Leading South African economists have warned that South Africa is facing a fiscal cliff if South does not change its fiscal policy. The public sector wage bill and the low levels of productivity in State Owned Enterprises need serious government intervention. South Africa needs a radical repositioning of its fiscal policy.

In the Western Cape, Madam Speaker our fiscal policy will focus on:

- Creating sustainable fiscal base for providing essential frontline services in Health, Education, and Human Settlements.
- Ensuring a fiscal buffer in 2015/16 and over the new 2016 MTEF; and
- Implementing our Game Changers and Provincial Strategic Plan deliverables.

Madam Speaker, we understand the severity of our fiscal position in South Africa. This government has therefore further committed itself to maintaining fiscal discipline.

During our recent MTEC engagements, every Minister in this Government recommitted their departments to the fiscal objectives of this Government.

Madame Speaker, I want to thank the Premier and the Ministers and their respective accounting officers for exercising fiscal discipline in their respective budget votes.

The WCG's identified "Game Changers", have the potential to be catalysts for substantial improvements in people's lives.

Game Changers are key areas for bold and focused interventions.

Energy Security: The Energy Security Game Changer is geared toward enhancing the uptake of rooftop PV and Solar Water Heaters, reduce energy usage in public and private buildings, facilitate economic growth by limiting electricity disruptions and essentially diversifying the energy mix.

Artisan and Technical Skills: The Artisanal and Technical Skills Game Changer is positioned to align the demand and supply of labour as it relates to artisan and technical skills. In effect it would focus on addressing the shortage of vocational skills in line with the increasing demand from industry particularly as it relates to the agri-processing, tourism and oil and gas sectors.

After Schools: The goal of the After Schools Game Changer is for 20 per cent of no fee learners to have access to quality after school programmes by 2019. This equates to 112 600 no fee learners by 2019.

e-Learning: The e-Learning Game Changer aims to create modern classrooms and improve teaching to enhance learning. E-Learning will increase access to ICT in disadvantaged communities, provide support to learners, contribute towards teacher training and professional development, and improve management and administration at schools.

Better Living Model: This Game Changer is to develop a replicable better living model of mixed use, mixed income, mixed tenure, residentially-led development that will address apartheid legacies.

Madam Speaker, a rather exciting partnership formalised as recently as two days ago with the signing of formal agreements will see the Western Cape and Dutch Governments working together on an innovative response that will show how change can address the apartheid spatial legacy of the City of Cape Town.

The momentous signing of the Two Rivers Urban Park and memorandum of cooperation is a significant step towards transforming this area into an innovative, sustainable, neighbourhood, characterised by high density mixed use development and the Live, Work, Play philosophy.

Alcohol Harms Reduction: The objective of the Game Changer is to achieve a 30 per cent reduction in alcohol-related motorist fatalities over three years. Community Intervention specifically aims to reduce alcohol related injuries in the high risk areas of Nyanga, Khayelitsha and Paarl East through the use of accredited Neighbourhood Watches. Another initiative is around Random Breath Testing as an integrated law enforcement and communication campaign.

Broadband: The Western Cape Broadband Initiative is aimed at laying the groundwork for the investments into broadband infrastructure and programmes and initiates the roll-out of telecommunication infrastructure.

Madam Speaker, let me now turn to the Medium term Provincial Budget Policy Priorities.

Create opportunities for growth and jobs

Creating opportunities for growth and jobs is the number one priority of the WCG. The Province recognises that without inclusive growth with our partners, reducing unemployment will be difficult.

Project Khulisa

Project Khulisa focuses on productive and enabling sectors that contribute to the regions competitive advantage and/or have the potential to be catalytic in growing the economy. Identified sectors include tourism, agri-processing, and oil and gas (rig repair). Five key enablers of growth and job-creation that will also be prioritised include water, energy, broadband, skills and ease of doing business.

Green Economy

The focus over the 2016 MTEF is to upscale the themes identified in the Green Economy Strategic Framework, namely smart living and working; smart eco-systems; energy security and efficiency; and resource efficiency. A focus on the green economy themes not only result in massive cost efficiencies for all stakeholders (government included), but will also see improved economic competitiveness and the rise of new industry opportunities.

Additional priorities under the green economy include the Western Cape Industrial Symbiosis Programme, improved waste management practices in municipalities through the waste economy project, water for economic development, 110% Green initiative and the Genius of Place project.

Nurturing Innovation

Innovation is a strategic enabler in fostering a competitive economy. Over the 2016 MTEF, a joint Innovation and Design Strategic Framework will be developed within the economic cluster departments of the WCG. The main emphasis will be on how to facilitate the application of innovative solutions in order to improve cost efficiency and service delivery. In addition, an innovation support toolkit will be developed to facilitate and support innovation in government, business and communities.

Ease of Doing Business

According to the World Bank 2015 study that compares business regulations for domestic firms in 189 countries South Africa is ranked 43. The identified Ease of Doing Business Programme is a key component in creating opportunities for growth and jobs. Attention will be placed on improving both the legislative and process components of services (e.g. EIAs, agricultural services) offered to business. As a cross-cutting transversal enabler, this intervention draws its agenda for action from the three priority sectors (i.e. tourism, oil and gas and agri-processing), other strategic priorities (e.g. land reform) and game-changers (e.g. Skills, Energy for growth).

Improve education outcomes and opportunities for youth development

A commitment to improve education outcomes is at the centre of the WCG's agenda for government.

The main goals of the Western Cape Education Department are to improve the level of language and mathematics in all schools; increase the number and quality of passes in the National Senior Certificate; and increase the quality of education provision in poorer communities.

Key focus areas over the 2016 MTEF include:

One of the more significant developments for 2014 was the expansion of the no fee school programme. About 216 schools, with 172 541 learners, in Quintiles 4 and 5, became “No Fee” schools, through applying for no-fee status.

The pro-poor emphasis in the WCED will be pronounced, albeit in a financially-constrained context. An optimal environment for teaching and learning will be provided and managed through infrastructure, fee relief, resourcing and transport plans. Planning and projections are informed by enrolment and population trends and data analytics. The purpose of all interventions is to provide the best possible education foundations and opportunities for all.

The Minister of Education will make further announcements in her Main Budget Address in 2016.

Increase wellness, safety and tackling social ills

The focus on '**wellness**' has highlighted the social determinants of health and the imperatives of addressing the upstream risk factors such as poverty, unemployment and overcrowding. Inter-sectoral interventions targeting upstream risk factors include initiatives to reduce the harms from alcohol abuse, the 1 000 days project, the Western Cape on Wellness (WOW) project and the integrated service delivery model in Drakenstein.

Inter-sectoral projects to improve wellness

Priority projects include:

- **First 1 000 Days**

The design and implementation of a campaign that raises awareness and facilitates action at a community and service provision level focusing on the first 1 000 days of a child's life. This period is the most critical period for a child's health, development and future chances of success in later life.

The campaign will also promote the important role of men as caring, engaged fathers, supportive partners and carers.

- **Western Cape on Wellness (WoW!)**

WoW is a partnership approach to prevent and reduce the burden of Non Communicable Diseases, including obesity, through enabling, promoting and activating increased physical activity, healthy eating and a healthy weight. Using a settings-based design; engaging worksites, schools and communities; the overarching aim is to co-create and expand a culture of wellness in the Western Cape.

- **Integrated Service Delivery Model**

Partnerships among the WCG include Local Government, NPOs and CBOs to create an optimally integrated service delivery model in Drakenstein that we can hopefully replicate in the rest of the Province over time.

Increasing Safety

Madam Speaker, I am tabling the MTBPS and the adjusted estimates against a fast changing geo-political landscape characterised by global acts of terrorism in different parts of the world and citizens are increasingly vulnerable.

Madam Speaker, citizens of the world no longer feel safe in their homes, on the streets, or within recreational spaces. Safety is a critical facet of human life. We will have to work together to restore the moral and ethical fibre of our communities. The Western Cape Government has prioritised the safety of our citizens.

The Provincial Community Safety Improvement Partnership (CSIP) is a response to give effect to national and provincial policy directives adopting the “whole-of-society” approach. The key basic priorities of the CSIP are to Promote Professional Policing (PPP), Promote Safety Partnership and Secure Public Spaces.

The CSIP aims, by means of a formal process of joint planning, to; clarify roles and responsibilities, initiate various projects with shared objectives and measurable targets between the main role-players within the field of safety namely the South African Police Service (SAPS), the Municipality, the Community Police Forums, the Neighbourhood Watch structures, the Department of Community Safety and other safety partners.

The CSIP planning is done through the Policing Needs and Priorities process which shall culminate in the drafting of a local safety plan, as well as a process aimed at the signing of a Memorandum of Understanding with the CSIP policing clusters and individual municipalities.

Transport safety is a high priority for the WCG and projects include the public transport safety implementation programme, safely home projects, traffic law enforcement training and public transport law enforcement.

Enable resilient, quality, sustainable and inclusive living environment

Integrated human settlements

Human Settlements priorities include:

- Upgrading informal settlements to improve the living conditions of many people in informal settlements and in backyards who continue to wait for housing;
- Prioritising the most deserving people like over 40s, the elderly, disabled, and child headed households in the allocation of Breaking New Ground opportunities;
- Increasing affordable housing opportunities to provide shelter for people that earn too much, excluding them from qualifying for free subsidised housing, and earn too little to qualify for bonds. The Department of Human Settlements has embarked on creating public private partnerships with financial institutions, developers and private sector to unlock this market; and
- Promoting security of tenure through the transfer of title deeds to beneficiaries.

Spatial and development planning

The aim of the Provincial Spatial Development Framework (PSDF) is to give spatial expression to the NDP and OneCape 2040. The PSDF advocates the sustainable use of our Provincial spatial assets through managing and protecting our biodiversity and ecosystems, safeguarding our coastal and inland water and managing our use of water. These assets also hold immense socio-economic development potential. Equitable access to services and opportunities is a keystone to building a strong regional economy.

Resource use efficiency and sustainability

The Western Cape State of the Environment Outlook Report (2013) indicated that in terms of our natural systems, land, inland water, biodiversity, and oceans and coasts are under significant pressure. Climate change also poses significant bio-physical and economic risks to the Province. The mainstreaming of sustainability, resource-use efficiency and climate change is therefore a strategic priority.

The investment in enhancing fire-fighting capacity in the Province resulted in the improvement in the ability to extinguish wildland fires.

Just yesterday we experienced a huge fire in the Simon's Town area.

However, the state of many fire services within the Province, especially outside the metropolitan areas is a matter of increasing concern. Investment in certain areas has been almost non-existent. The dire financial situation of most district municipalities has resulted in old and obsolete equipment not being replaced. The 2016 MTEF will allocate additional resources to expand fire-fighting capacity across the Province, Climate Change initiatives and disaster prevention. Key areas include management of wildfires at Cape Nature; climate change mitigation projects for agriculture to assist with

drought, water and food security; as well as hazardous material response/capacity along major routes, and fire-fighting capacity.

Regional Socio-economic Project/Violence Prevention through Urban Upgrading project

- The practical application of the development planning and integrated service delivery, with the aim of achieving planning led budgeting and spatial targeting, will continue to be implemented through the Regional Socio-Economic Projects (RSEP) and the Violence Prevention through Urban Upgrading (VPUU) Programme during the 2016 MTEF period. The main goal of the programme is to partner with active citizens to plan and implement upgrading and safety projects in poor neighbourhoods in the Province. Entering its second year of implementation, this Programme represents the combination of the WCG's RSEP/VPUU Programme.

The RSEP/VPUU Programme is being implemented in towns with high socio-economic needs. The Programme is based on the successes achieved through the City of Cape Town's VPUU programme in Khayelitsha since 2005. Through joint funding from the German Development Bank (KfW) and the WCG, the Programme is being piloted in five partner municipalities, namely Saldanha Bay, Swartland, Breede Valley, Drakenstein and Theewaterskloof, together with a Phase 4 in the City of Cape Town.

Implementation of Broadband

The Western Cape's broadband implementation plan is regarded as an enabling game changer for the Province.

This initiative will contribute to making high-speed broadband internet available to various stakeholders. It is also aligned to the goals of the NDP to improve broadband penetration across the country.

Broadband is to be implemented through 4 streams:

- **Stream 1** is responsible for driving Broadband infrastructure provision to the WCG. This will ensure that a scalable high bandwidth network connects all provincial government buildings (including schools) and that this infrastructure can be leveraged to support the socio-economic goals of the WCG.
- **Stream 2** is responsible for ensuring that the Economic/Value Added Stream goals of the WCG continue to take place. The major focus of Broadband Stream 2 is therefore to ensure leadership coordination and support; improving broadband access, readiness and up-take for connected citizens; and improving the competitiveness for connected business."
- **Stream 3** is an application development stream. This stream includes supportive systems, processes and other applications to run on the broadband infrastructure in order to maximise utilisation and thereby improve the efficiency and effectiveness of the provincial government.
- **Stream 4** consists of sector-specific initiatives, such as e-Education, which will leverage off the three streams as highlighted above and contribute to the outcomes contained in the Provincial Strategic Plan.

ICAN

Speaker, my recent oversight visit to the ICAN centre in Elsie's River highlighted the impact that broadband connectivity has on a community. Located in Halt Road it provides a physical space containing various focused interactive zones, which include separate areas for learning, quiet study zones; create zones and gaming zones. The primary goal of the ICAN centre is to improve community accessibility, readiness and usage of broadband. Additionally, it is

envisaged that via the use of Broadband connectivity, community members will acquire the skills to assist them to find employment, aid entrepreneurs in building businesses and assist students on their academic path. To this end, the ICAN centre project is envisaged to facilitate socio-economic inclusion, the closing of the digital divide; and the creation of opportunities for all the citizens of the Western Cape.

Kasselsvlei Comprehensive High School

Speaker, I was also inspired by what connectivity has brought to Kasselsvlei Comprehensive High School. The principal, Mr Bantom, and staff highlight the following recent wins.

- Essays which include pictures.
- Orals which are presented in video format.
- Learning which is presented in a multimedia format and can be accessed on demand. This is especially exciting in the potential it holds for Maths learning!
- Online planning and scheduling via Google Calendar.
- Learners teaching educators add-ons and extensions which make learning easier and more exciting. Learning is now collaborative.
- International collaboration and connections with overseas schools creating an “**anything is possible**” mindset.
- The school is starting a school food garden based on a **Google Challenge** to apply “moonshot thinking”. Simply put we are inspired to attempt the impossible.

- The school is for the first time in our history going to start a **School Alumni Association**, to help us build on the platform provided for us by the WCG and GOOGLE with the stellar support provided by Clouded Solutions.

Honourable Speaker, this is the educator and learners experience of our roll out of broadband.

Rural Library connectivity project

The Rural Library Connectivity Project provides internet access to rural communities in the Province. This forms part of the wider Broadband Initiative of the WCG, which the provincial Library Service is taking part in Expansion of Cape Access Centres.

The establishment of twelve Cape Access Centres is envisaged for 2016/17. The purpose of these centres is to provide access to ICTs and training to citizens in rural areas. The programme provides poorer and disadvantaged communities with access to government services and products. It contributes to optimisation of service delivery.

Infrastructure

Government will continue to invest in public infrastructure and housing. A Ministerial Infrastructure Committee headed by the Provincial Minister of Finance will meet on a quarterly basis to exercise oversight over the implementation of infrastructure projects in the Province. Medium term budget allocations estimated at R23.3 billion include:

- R8.9 billion in roads and public transport;
- R6.2 billion in public housing;
- R2 billion in general buildings;
- R3.9 billion in school buildings;

- R91 million for tourism facilities; and
- R2.2 billion in health facilities and equipment.

2015 Adjusted Estimates

Madam Speaker, I am now turning to the 2015 adjusted budget:

Application of Funds

The adjusted budget makes provision for additional net spending amounting to R240.596 million.

The salary adjustment, due to the 2015 Wage Agreement, R214.579 million from 2015/16 national equitable share funds, is the main revision to the expenditure estimates for this year, and is allocated as follows:

- R62.922 million to Vote 5: Education;
- R149.461 million to Vote 6: Health; and
- R2.196 million to Vote 8: Human Settlements.

R7.658 million was received from national resources for Vote 6: Health, due to the conversion of a portion of the National Health Insurance grant from an indirect grant to a direct grant.

R130.717 million for infrastructure related projects, will be allocated as follows:

- For the demolition of the Conradie Hospital, R11.076 million;
- For property rates and municipal services higher than the projected escalation, R12.102 million;

- For education infrastructure, R12.755 million (grant rollover);
- For the revitalisation of health facilities, R67.052 million;
- To acquire a property for a community health clinic in Beaufort West, R1 million and for health related lease agreements, R575 000;
- To Human Settlements for bulk services and eradication of the bucket system (Saldanha, Prince Albert, Calitzdorp and Witzenberg), R19.149 million;
- For routine road maintenance within the Eden District Municipality, R2.008 million; and
- To Cultural Affairs and Sport, R5 million, for library infrastructure and maintenance in the Metro.

R36.127 million, received for the traffic management function from the Road Traffic Management Corporation, has been allocated to Vote 10: Transport and Public Works.

With regards to the Global Fund, Vote 6: Health received the following:

- An additional R22.238 million from previous year own revenue to fund the Global Fund Anti-retroviral Treatment; and R4.949 million from rollover funds.
- The revenue to be received for the Global Fund has, however, been reduced by R27.136 million in the current financial year, due to attrition in posts, advances cleared earlier than required and a reduction of Global Fund sites.

With regards to e-Learning initiatives, the Department of Education will provide structured and focused support for:

- Improved learning in the foundation phase at schools as part of the 100 Schools Initiative R10 million;
- supplement experimental hubs at schools R10 million; and
- purchase tablets for schools R10 million.

Honourable Speaker, the Budget Policy committee gave serious consideration to the request for financial support for the risks associated with climate change, disasters associated with climate change and fires. To this end the budget allocates:

R26.5 million is allocated for climate change, disaster prevention and municipal fire brigade:

- R6.5 million to be earmarked for Disaster prevention measures: Management of wildfires at CapeNature through Environmental Affairs and Development Planning;
- R10 million for climate change mitigation projects for Agriculture to assist with drought, water and food security; and
- R10 million for hazardous material response/capacity along major routes, as well as fire-fighting capacity across the Province, to the Department of Local Government.

The Department of the Premier receives R18 million (as a shift from Vote 13: Cultural Affairs and Sport) for enabling of the procurement of an Open Text Enterprise Licence Agreement for the Enterprise Content Management System.

Agriculture received R1 million for the upgrading and access control to the Elsenburg Campus to ensure the safety of students, as well as a further R1.2 million for the development of a new student information system, for the academic and other relevant history of students.

Considering the constrained fiscal outlook and to facilitate fiscal sustainability and financial prudence, provincial budgets were realigned to allow for the reduction or reallocation of funds over the 2016 MTEF amounting to R217.307 million:

- R53 million reallocation of Broadband in the Department of the Premier to the 2016 MTEF.
- R5.244 million to decrease the transfer payment allocation to the Gambling and Racing Board.
- R78.634 million reduction in Transport and Public Works towards the provincial wage agreement shortfall.
- R80.429 million reallocation to the 2016/17 financial year at Economic Development and Tourism for the provincial CTICC contribution (R65 million), broadband and a Halaal Park (Project Khulisa Agro-processing project).

Conclusion

Honourable Speaker, the policies I table today is informed by a process which has seen my officials and I travelling the length and breadth of the Western Cape to share Government's budget priorities with local councils. The process has been further strengthened with the Finance MEC – Mayco for Finance Seminar and the recently held inaugural Western Cape Fiscal Policy Seminar which provided a platform for leading economists from the World Bank, the Financial and Fiscal Committee, National Treasury, researchers and academics to inform and enrich the Fiscal Policy decisions I present today.

Importantly, Honourable Speaker, the MTBPS 2015 it is our assurance to the people of the Western Cape that we will continue to pursue inclusive growth by mastering the science of deliverology, i.e. putting the correct systems in place and making the correct decisions to ensure irreversible change.

Honourable Speaker, during my recent Fiscal Policy seminar, Government was again reminded by leading economists from the National Treasury, the FFC, World Bank and universities that South Africa faces tough economic times. Our fiscal policy as a country is under severe risk. The potential of a fiscal cliff is now a real risk to South Africa as a country.

The bloated civil service has also been acknowledged by the President. We need as a nation the change the fiscal policy direction if we want to avoid a fiscal cliff. These are serious matters.

It is not a matter to laugh about in Parliament because we are dealing with people's lives. It requires leadership, real leadership, and Premier Zille is providing leadership.

*2016 – 2019 MTBPS and 2015 Adjusted Estimates
of Provincial Expenditure Speech*

Speaker, I hereby table the Western Cape Medium Term Budget Policy Statement, the Western Cape, Adjustment's Appropriation Bill 2015 and the Adjusted Estimates of Provincial Expenditure for 2015, Western Cape Gazette of Allocations to Municipalities and this speech for deliberation and consideration by the House.

I thank you.

Dr IH Meyer
Minister of Finance
Western Cape Government