

**Western Cape Government  
Provincial Treasury**

# **BUDGET 2012 SPEECH**

**Minister of Finance, Economic Development  
and Tourism**

**A Winde**

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Honourable Premier

Honourable Speaker

Honourable Members of the Provincial Cabinet

The Honourable Leader of the Opposition

Honourable Members of the National Assembly

Honourable Members of the Provincial Legislature

Heads of Provincial Departments

All the staff of the Western Cape Government

Mayors, municipal managers and CFOs of Local Government

Entrepreneurs and business stakeholders

Citizens of the Western Cape

Welcome to everyone here today. Mr Speaker, it is my pleasure to present the 2012/13 budget of the Western Cape Government to this house.

Before I begin, I would like to share a story with you, of a young man named Nkosi who was born in the rural village of Ncora in the Eastern Cape. His father was a construction worker and his mother was a hawker who sold meat and traditional beer in Cape Town. Nkosi was raised in his village by his grandmothers and spent his childhood in the fields tending to a herd of sheep and goats.

Like so many others, Nkosi didn't go to school when he was six because his family needed him to work so that they could survive. Despite facing ridicule from fellow learners, he finally joined the village school at the age of 10, and even then, he only went in summer because he didn't have winter clothes.

In 1995, Nkosi's parents brought him to Cape Town and enrolled him in grade three at Yomelela Primary School in Khayelitsha. At 13, he was considerably older than his classmates, but before long, he began to impress his teachers

and was allowed to skip grades. It was during this time that he developed a love of science. In grade six he got a bursary from the African Scholars Fund, and in grade 10, SAILI, an NGO that funds disadvantaged learners who show potential in maths and science, also began to contribute to his fees.

Nkosi matriculated from Joe Slovo High School at the age of 21, and with bursary support, he scraped funds together to study Chemical Engineering at UCT. In his second year, he faced further heartache when his mother died. Despite this setback, he persevered and after 6 years, he graduated.

After graduation, Nkosi couldn't find full-time work, until he saw an advert about a new initiative, the Western Cape Government's CAPACITI 1000 programme. We developed this programme in response to the dire need for local business analysts. For years, industry had been outsourcing these skills to India because we were not producing enough graduates to meet their demands. This meant that locals were losing out on jobs. In collaboration with UCT, who devised a special course to retrain graduates, and with forward-thinking companies like Old Mutual, Santam and Sanlam, who gave paid internships to those on the programme, we have managed to turn this around.

Nkosi went through a grueling selection process and became one of 40 graduates to win a place on the CAPACITI 1000 programme in 2011. After doing the course and an internship at Old Mutual, he received a large number of job offers. Despite being offered full-time employment with Old Mutual, he took a job closer to home and became a Project Manager specialising in Business Process Improvement at Coega in Port Elizabeth.

This intervention, which supported these 40 students and will support many more in future, cost the Western Cape Government only R500 000.

Today, against all the odds, Nkosi is earning in excess of a quarter of million rand a year, much of which he contributes to his proud family.

This story exemplifies the Western Cape's new "Better Together" approach that we launched two weeks ago. In her State of the Province address, Premier Zille remarked that no government by itself can guarantee a better life. She said that if we forge partnerships between government, business, civil

society and all our citizens, where we each accept responsibility for our roles, we can make progress possible for all.

The Western Cape Government's mid-term review has shown us how far we've come, but also the enormous tasks that lie ahead. As your government, we want to partner with you so that we can fast track our goal of becoming an open, opportunity society for all our people. This goal has defined our spending programmes for 2012/13 and beyond.

### **Economic and labour context**

For the third year running, Mr Speaker, we have been required to set our budget within very strict parameters, and once again, we have set out to achieve more with less.

Despite a better 2011 in which most advanced economies began to grow, albeit marginally, the health of the global economy remains subject to major risks. Uncertainty surrounding the possible debt default by Greece threatened the credibility of other highly indebted Eurozone countries. In December 2011, in response to an impending credit crunch, the European Central Bank offered €500 billion worth of low interest loans to European banks, almost all of which was accepted. A second bail-out package for Greece worth €130 billion was agreed upon just last week, averting a default in debt payments.

The US economy, on the other hand, has begun to show signs of real recovery due in part to higher investment and personal consumption expenditure. However, the American housing market continues to underperform and prices remain at levels last seen in 2003.

In addition, the dollar may be affected by the impending American elections.

In summary, the advanced economies are forecast to show a combined growth of 1.2 per cent in 2012, 0.4 per cent lower than in 2011. The Eurozone, however, is expected to see negative growth of 0.5 per cent.

While still relatively high, the growth rate of emerging economies is also expected to decline from 6.2 per cent in 2011 to 5.4 per cent this year.

In contrast, Sub-Saharan Africa continues to perform well, and is the only major developing region that is forecast to see faster growth in 2012 than in 2011, at a rate of 5.5 per cent.

An immediate concern across the world is the rising cost of Brent crude oil, which currently stands at around \$120 dollars per barrel. This has triggered month-on-month fuel price increases in the majority of economies. In South Africa, the average petrol price is 23 per cent higher now than at this time last year.

As the price of crude oil and other global economic pressures bear down on the South African economy, tensions between employers and workers, predominantly in our primary sectors, have continued to escalate.

Institutionalised industrial action - the so-called 'strike season' - and the unions' stranglehold on our labour laws have had far reaching effects on our economy. Despite this, the National Government continues to pander to their demands, placing an ever greater strain on the country's employers, and on our own fiscus following higher than expected government wage settlements. If we do not ease our labour legislation and make room for the unemployed to get jobs, civil unrest may become a far greater political threat for the ruling ANC government than COSATU currently is. The World Economic Forum ranks South Africa as the 7<sup>th</sup> worst out of 139 countries in the world in terms of its labour laws. According to a recent essay by Adcorp economist, Loane Sharp, this has led to us having the highest unemployment rate in the world, and, due to low productivity, a dismal rate of economic growth compared to our resource rich peers.

South Africa is also facing an election this year – for party president of the ANC.

The road to Manguang is expected to be rocky as various factions within the ruling party fight each other for power. Political instability is a major concern for our economy as it deters foreign investment. Leading credit ratings agency, Moody's, cited heightened political risk as a factor in their decision to downgrade our debt rating from stable to negative in the latter part of last year.

South Africa's economy is currently forecast to grow by 2.8 per cent this year and by 3.6 per cent in 2013.

The DA-governed Western Cape continues to outperform the national economy, and is forecast to grow at 3.5 per cent in 2012 and 4 per cent in 2013. In 2010, growth in our region was led largely by the manufacturing sector, which grew at 5 per cent, and the finance, insurance, real estate and business services sector, which grew at 3.6 per cent. These growth trends are expected to continue, but remain dependent on international developments. Further moderations in advanced economies' growth will impact negatively on our growth rates, especially from an export perspective.

Even though it is still too high, we have managed to return the Province's employment to pre-recession levels. This is in contrast to South Africa's employment total which remains 3.8 per cent lower than at its peak in the fourth quarter of 2008. In the last quarter of 2011, broad unemployment in the Western Cape stood at 23 per cent, 9.7 per cent lower than in the country as a whole. In our Province, young people and those without an education remain our most vulnerable. Unemployment amongst 15 to 24 year olds is twice the provincial average, and a third higher amongst those with primary or incomplete secondary education.

Job creation remains our region's biggest concern, and the driving force behind our strategic objectives. Between 2001 and 2010, the Western Cape's real economy expanded by close to 45 per cent, yet our workforce only grew by 16 per cent. Addressing jobless growth so that all our citizens have the means to live a better life is our foremost priority. In the "Better Together" society, government's role in achieving this is to create the conditions that enable the private sector to grow the economy and create jobs.

In the coming year, we have shifted more resources towards achieving growth and jobs without compromising the core services we provide to our citizens.

## **Creating the conditions needed for increased growth and job creation**

I am pleased to announce that in a little over a month, we will open the doors to the Western Cape Economic Development Partnership (EDP), a cross-sector body that will lead, coordinate and drive the region's economic delivery system to achieve greater levels of inclusive growth.

By bringing all the role players of our economy together to attain a collaborative advantage, and by putting our economy on the move and on the map, we believe that we can redefine the experience of doing business in the Western Cape.

In the coming year, we have invested R3.5 million as our share to establish the EDP. We envisage that in future years its funding will be a joint effort between government at all spheres and the private sector.

In its first year of operation, the EDP will:

- Map our regional economic delivery system to understand who is who and who is doing what;
- Develop a shared, long term vision and plan for our economy that includes an analysis of our risks and opportunities. We call this Future Cape 2040;
- Institute a regional economic development learning network to promote knowledge sharing amongst industry in South Africa's three largest economies; and
- Offer an executive programme on economic leadership in cooperation with one of our leading universities.

These initiatives will set us on a clear path toward increased investment and higher growth rates, a stronger economy that is able to absorb the unemployed.

On a cautionary note, Speaker, our economic partnership will only be as strong as its partners, and its success depends on the willingness of industry and all spheres of government to work with us to make our economy better, together. Because the whole of the Western Cape plays an important role in the economy, we will be conducting a series of information sessions across

the Province this month to promote widespread participation in the EDP prior to its launch.

Speaker, Premier Zille has outlined our plan to stimulate job creation through a multi-billion rand infrastructure investment programme. Included in this is an additional allocation to the budget of R1.097 billion over the medium term, which will be spent on the following special projects:

Firstly, we will ramp up our plans to reinvigorate Cape Town's CBD and Foreshore through the development of key new infrastructure.

On the 30<sup>th</sup> of March last year, we officially launched our first Regeneration Project, the doubling of the Cape Town International Convention Centre. CTICC phase II will include 10 000 square metres of retail space, a hospital, office space and several floors of basement parking. By 2018, this plan, to which we have allocated R80 million in 2013/14 and R81.790 million in 2014/15, will boost our business tourism offering, create 1 000 new sustainable jobs and inject R394 million into our economy in the construction phase alone. The City of Cape Town, our partners in this "Better Together" initiative, have also committed funding over the years ahead. This exciting project is gaining momentum, and will soon go out to tender.

We have also allocated R149.5 million over the next four years to develop the Artscape Precinct and Founders Garden. The former project includes additional parking bays that will be linked to the CTICC, while Founder's Garden will become a mixed-use, pedestrian-friendly public space.

Put together, the above developments will give our foreshore a major facelift and encourage the growth of our thriving tourism, arts and cultural sectors. All three play a vital function in furthering the sense of community in our city.

In September 2011, Cabinet approved that the development of the Somerset precinct be registered as a Public Private Partnership (PPP). In 2012/13, we have set aside R4 million to start relocating the National Health Laboratory Services, a vital step to unlock the redevelopment potential of this site. In the four years up to 2017, a further R99 million will be allocated to this project.

Provision has also been made for the acquisition of office facilities for government departments. From a cost-benefit perspective, we have

discovered that we can make significant savings over the long term if we own, rather than lease, office space for our employees. We therefore plan to purchase a building in the CBD to house some of our head office staff, and develop the Leeuwen Street site as a PPP project to house our Education Department.

Lastly, we have partnered with the City of Cape Town and Transnet to devise a strategic vision for the precinct around the Port of Cape Town. We are currently completing a study that will show us where we can intervene to ramp up the contribution of this asset to our economy. We have been very excited by the new world-class A-Berth facility, which has already attracted several high revenue, high job creation oil and gas vessel repair projects.

Our infrastructure programme in the central city will be linked by a development corridor to others along the West Coast, particularly the Saldanha Bay Industrial Development Zone (IDZ).

The establishment of a niche industrial hub in Saldanha Bay that offers real incentives to investors will contribute significantly to growth in our region and country. It will also boost our manufacturing position and enable us to become a preferred destination for the oil and gas industry.

The feasibility study for this project found that after 25 years, an IDZ in Saldanha Bay would generate between R11.2 billion and R31.6 billion for our economy each year. It would also create between 12 000 and 29 000 sustainable jobs. The study also found that there was sufficient non-environmentally sensitive land upon which the development could take place.

The economic growth and job creation potential of this project has been recognised by the relevant local, provincial and national authorities. We have therefore joined together to co-fund its establishment.

The Western Cape's contribution to operationalise the Saldanha Bay IDZ over the medium term is as follows: R5 million in the coming year, R5.28 million in year two and R5.57 million in year three.

We look forward to the promulgation of the SEZ legislation currently before national parliament as this will bolster our IDZ by allowing for additional

incentive support. It also reiterates the strong commitment of National Government to advancing our economy and creating jobs through infrastructure-led projects such as this, and we welcome this and look forward to their continued support and cooperation as we move toward the approval and implementation phases of the Saldanha Bay IDZ. We have set ourselves very tight deadlines and will be requesting national cabinet sign off by the end of the year.

All of these initiatives demand of us to explore new public and private transport solutions. In aggregate, we have earmarked R14.96 million in 2012/13, R158.832 million in 2013/14 and R126.208 million in 2014/15 for roads infrastructure along key transport routes. The following work has been recommended for our roads:

Firstly, we will upgrade the divisional road between Gansbaai and Bredasdorp. This road will increase tourism along the scenic route between Gordon's Bay and Cape Agulhas, creating short-term construction and medium-term tourism job opportunities for the rural communities it passes through. This project will cost the Province approximately R250 million.

Secondly, we plan to refurbish the Wingfield Interchange pre-stressed bridges. These bridges were built in 1961 and have exceeded their design life of 50 years. Approximately 260 000 vehicles pass through the Wingfield interchange on a daily basis, placing this infrastructure under immense strain. Its refurbishment is therefore essential. We have set aside R28.98 million for the initial phases of this project.

Lastly, we will improve the road network that will support the Saldanha IDZ and Port expansion. We have set aside R23.31 million over the medium term for planning and to complete the feasibility study required for this project.

With these additional amounts, our total provision for infrastructure in 2012/13 now stands at R4.049 billion, which is 9.47 per cent higher than the revised estimate of R3.698 billion in 2011/12.

All of the above initiatives reconfirm our commitment, and the commitment of those key stakeholders with whom we have formed partnerships. Together, we will create a better climate for investors, who will bring their businesses here and create jobs for our people.

Speaker, I would like to emphasise one particular project that will improve the lives of all Western Cape residents.

In 2012/13, we have set aside R10 million to kick start the first phase of our Broadband Telecommunication project, the details of which were outlined by Premier Zille in her State of the Province Address. Our vision is of a Western Cape where every citizen in every town and village has access to affordable high speed broadband and infrastructure, and the skills they need to utilise this infrastructure to improve their day to day lives.

We have fast tracked our telecommunications project through an additional allocation of R10.56 million in 2013/14 and R11.13 million in 2014/15. A further R100 million has been set aside over the MTEF for infrastructure related resources. It will be allocated based on the progress made toward implementation.

Work is also continuing on our other key Catalyst projects. We will finalise the urban design framework for The Fringe, our plan to transform the East City into Africa's premier location for design, innovation and entrepreneurship. In collaboration with the National Department of Science and Technology, we will also commission the full feasibility study for the Health Technology Park, our initiative to reduce the cost of medicines by co-locating health manufacturers into a shared hub at Ndabeni.

Mr Speaker, we have selected the above infrastructure developments after careful consideration of their potential to create jobs and grow our economy, and of the costs they will incur for the taxpayer over their full life span. Put together, our new Economic Development Partnership, and our capital investment programme, will become key levers to attract investment from foreign markets.

Mr Speaker, the world economy is undergoing an irrevocable shift. Within the next 20 years, the combined population of those living in the world's emerging market cities will be four times that of developed market cities. In addition, approximately 460 million people in emerging market cities will enter the middle class between 2010 and 2015, an increase of 70 per cent. Despite this, in 2009 China and India accounted for less than 2 per cent of Western Cape trade.

In 2012/13, we have allocated R18.5 million to Wesgro to actively pursue trade links with high growth emerging economies, specifically in the BRICS countries and along the Western corridor of Africa. In August 2011, I led a delegation of 21 Western Cape businesses on a trade mission to Angola, and as a result, Woolworths and the Oceana Group are already expanding into this market. In September, Minister Van Rensburg led an outward selling mission to Shandong Province in China and helped to facilitate the doubling of La Motte wine sales to that country. Other missions to Ghana, the UAE, Bavaria and Mozambique, to name a few, have served to strengthen our commercial and diplomatic ties and put our Province on the map.

In December 2011, we announced our intention to incorporate tourism, trade and investment marketing under one roof to bring greater efficiency and improved coordination to our outward facing marketing initiatives.

On the 1<sup>st</sup> of April, Wesgro will become the Western Cape Government's official implementation agency and begin to drive an aggressive international marketing campaign with a unified brand focused on promoting business and tourism trade.

Tourism currently contributes over 10 per cent to the region's GDP. We hope to grow this figure to 15 per cent by 2015. In the past year, our destination has garnered a number of international accolades including that Table Mountain was voted one of the New7Wonders of Nature. This has served to increase our exposure in markets across the world and make Cape Town and the Western Cape a must-see destination. Summer statistics for December 2011 reflect an increase in international arrivals at the Cape Town International Airport of 17 per cent compared to the previous year. Regional arrivals increased by nearly 27 per cent over this same period. We look forward to the final statistics, which we hope will show that we've had our best summer ever.

Speaker, in light of our growing population and increased need for energy, we must take active steps to transition from a dirty to a clean economy. If we do not, we risk falling into an untenable situation whereby we will not have access to the energy we need.

The **Department of Environmental Affairs and Development Planning**, which receives an allocation of R379.273 million in 2012/13, and Green Cape, which receives an allocation of R2.86 million in 2012/13, are devising several plans to ensure that the Province's green lights burn bright. In the coming year, we aim to publish a draft Sustainable Energy Bill to address these risks to our economy. We will also continue to support the development of the Atlantis Green Manufacturing Hub, and in 2012/13, this project receives an allocation of R250 000. I would like to call on all the citizens of the Western Cape to switch to energy efficient lighting at home. This small step will help us to reduce our carbon footprint and move to green.

Speaker, growth and job creation in our rural areas is of equal importance.

To incentivise rural development, the **Department of Agriculture** receives an allocation of R559.792 million in 2012/13 to:

- Intensify land reform in the Province;
- Support the Province's emerging and established farmers through land care projects;
- Provide skills training and market access programmes;
- Undertake several high level research studies on issues ranging from food security to the impact of climate change and water scarcity on this sector; and
- Ramp up our veterinary services so as to prevent future catastrophes like the one that cost our ostrich industry over R1 billion in lost exports last year.

Recent studies have shown that rural development gains true meaning once linkages are created between rural regions and urban centres. This is crucial in getting our produce to market, and underscores the importance of healthy road and rail networks. The work of the **Department of Transport and Public Works**, which receives an allocation of R4.609 billion in 2012/13, is instrumental here. In addition to the new roads that I outlined earlier, this department will continue to maintain our current roads, and repair roads and bridges that have been damaged by floods.

Speaker, all of the above growth and job creating initiatives would be futile if we ignored our Province's massive skills challenge. As Premier Zille declared in her State of the Province Address, we are committed to increasing the

number of skilled people in our Province, and to addressing our skills mismatch in partnership with academic institutions, labour, civil society and business. The Provincial Skills Development Forum is charged with coordinating these role players and devising skills development interventions that translate into real opportunities for our people.

While its work continues, we have also increased the reach and substance of our existing skills and training initiatives.

On a regular basis, we host Supplier Open Days, Emerging Contractor Indabas, SMME Roadshows, Cooperatives capacity building programmes, Career Workshops and small business training interventions in township and rural locations across the Province. At these events, we provide SMMEs and unemployed youths with information on jobs, dealing with SARS, accessing funding and tendering for government business.

Through these initiatives, we have dramatically increased the percentage of tenders that we award to businesses owned by historically disadvantaged individuals and women.

Between January and March 2009, shortly before losing power in the Province, the ANC-run Western Cape Government awarded bids to the value of R886 million. Of this amount, only 40 per cent, the equivalent of R358 million, was awarded to HDI companies.

Between January and March 2011, the DA-run Western Cape Government awarded bids to the value of R776 million. Of this amount, 89 per cent (R694 million) was awarded to HDI companies. This is a vast improvement in awards to HDI companies compared to when the ANC governed the Western Cape. Let me take this opportunity to convey to the opposition that actions speak louder than words.

We have also closed the loopholes for corruption by increasing transparency in the awarding of tenders through the re-development of our tender awards website, which can be viewed at [www.capegateway.gov.za/eng/tenders](http://www.capegateway.gov.za/eng/tenders).

Our Work and Skills for 100 000 Programme will also continue this year. In 2011/12, in a "Better Together" partnership with business, we secured experiential learning opportunities for 552 unemployed youths from rural

areas. We plan to call on the national government to support this programme so that we can give opportunities to more young people.

In conjunction with private enterprises and the national government, we have devised a partner network of 16 support centres across the Province that will assist our entrepreneurs to grow their businesses. Through this partnership, which includes the Small Enterprise Development Agency, entrepreneurs will have direct access to DTI incentives and grants in addition to the assistance we provide.

We have also partnered with the National Empowerment Fund to help grow mainly black, rural and township SMMEs by providing them with start-up funding. This will be achieved through our Enterprise Development Fund.

Through our Spatial Fund, we are supporting micro and medium businesses that are grouped together to apply for grant funding that improves their competitiveness, promotes their export readiness and strengthens their supply chain. Of the nine projects that we have approved thus far, six are from outside the CBD.

Speaker, through these initiatives and many others, we are providing continuous support to the entrepreneurs of small and medium enterprises in our Province. Many of the above programmes are being achieved in collaboration with stakeholders from national government and the private sector, exemplifying our "Better Together" approach.

The above growth and job creating programmes are co-funded by the **Department of Economic Development and Tourism**, which receives R291.117 million in 2012/13.

Mr Speaker, to radically alter the number of skilled people in our Province, we must continue to provide a quality education system that retains our learners and delivers more matric passes, and a quality healthcare system that allows more of our people to be active learners and employees.

## **Providing access to quality Education and Healthcare**

Over the Medium Term, the **Department of Education** will receive over a third of our budget - R45.381 billion - to achieve further progress in turning our education system around after six consecutive years of decline. In her opening address to this house, the Premier detailed the achievements that this Department has made over the last three years, but one statistic bears repeating.

Mr Speaker, the matric pass rate of our poorest schools in quintile one improved from 57 per cent in 2010 to 70 per cent in 2011. Among schools in the poorest 3 quintiles, the pass rate increased from 58 per cent to 70 per cent.

We are encouraging all our learners, but especially our poorer ones, to grasp at the opportunity to improve their circumstances instead of falling into the trap of poverty. This will help them to become active participants in the Future Cape economy.

Speaker, we will spend over 80 per cent of our Education budget in the coming year on public school education. In 2010, we extended our no-fee policy to all schools in quintile three, so that more learners in our Province receive free education.

Over the medium term, we have allocated R162.318 million to expand and improve our Grade R programme so that more of our children start grade one on a good footing. Our upgrade and additions budget, 34 per cent of which caters for the building of Grade R classrooms, will receive R391.601 million over the next three years.

To address the demand on our schools for learner placement, we will spend R1.596 billion on infrastructure for new schools over the next three years. In the coming year, we will spend R518.356 million to build new schools and replace others with inappropriate structures so as to improve the learner environment. The majority of these schools are in our poorer areas.

To improve our education outcomes and provide a text-rich environment for our learners, we will spend R144.301 million on the provision of textbooks in the new financial year, in addition to the norms and standards allocations to schools.

We have made an unprecedented commitment to ensuring that over the next three years, every child from Grades one to twelve will have a textbook in every subject that he or she is taking.

The Western Cape matric class of 2011 is one of our key success stories, and we would like to thank them, and their parents, for partnering with us to make the Western Cape better, together.

Speaker, we look forward to a future in which we can afford this same optimism to our health care system.

At present, 80 per cent of our Health Department's budget is being utilised to manage illnesses that could be prevented through more responsible behaviour.

Over 50 per cent of all injury related deaths in the Province are linked to alcohol abuse. "Lifestyle" diseases such as diabetes, hypertension and heart disease caused by smoking, a lack of exercise and poor eating habits similarly place an increasing burden on our health service.

In the 2012 MTEF, we will focus our Health Department's budget on initiatives that reduce the Province's burden of disease. This includes the launch of our High 5 Project, an initiative to reduce alcohol related violence in 5 high risk areas, namely Khayelitsha, Nyanga, Elsies River, Hout Bay and Khayamandi. This will be matched by our Healthy Lifestyles campaign that is targeted at encouraging healthy eating and physical exercise across all spheres of society.

But, Speaker, this project will not succeed if our people do not partner with us by looking after themselves and their families.

In the coming year, we will once again focus on improving maternal and child health outcomes through our saving-mothers-and-children plan. We will increase cervical cancer screening rates, improve access to and the quality

of our antenatal programme, and increase the number of pregnant mothers on anti-retroviral treatment so as to prevent mother to child transmission.

In total, we will provide ARVs to 135 000 patients in 2012/13. To prevent the spread of HIV and AIDS, and to curb unplanned pregnancies, we will distribute 105 million male condoms.

To improve the experience of patients, we have committed R2.793 billion to repair and develop health infrastructure over the next three years.

The Khayelitsha Hospital, which took in its first patients earlier this year, will improve access to quality healthcare for residents of the surrounding areas. We have allocated R169.5 million to complete the Mitchell's Plain hospital, which will open its doors early next year.

To improve mental health outcomes, we have embarked on a massive project to overhaul the Valkenberg Psychiatric Hospital at an estimated cost of R900 million. This upgrade will significantly reduce the forensic psychiatry backlog for prisoners awaiting trial, which will lead to quicker convictions and a reduced burden on our courts.

In 2012/13, we will spend R14.632 billion – a third of our Province's budget – on these and other wellness initiatives.

Speaker, our efforts to improve education and wellness will be futile if we do not address the state of our neighbourhoods and foster a sense of social responsibility.

### **Creating the conditions for increased Social Inclusion**

The Western Cape is rife with dangerous and disconnected neighbourhoods where the majority of citizens are trapped in poverty. Through the Departments of Social Development, Cultural Affairs and Sport and Community Safety, we will address the triple threat of drugs, alcohol and crime that provoke social dysfunction in our poorest communities.

In the coming months, we will appoint a Western Cape Liquor Tribunal and the board of the new Western Cape Liquor Authority. From the 1<sup>st</sup> of April, they will be responsible for enforcing our new Liquor Act. This piece of

legislation gives us the power to eradicate illegal liquor outlets from our communities, and to punish suppliers – large and small – who dare to service these establishments. We will do all of this so that our people can live peaceful lives. But, Speaker, legislation alone cannot turn the tide on our liquor abuse problem. We need communities, liquor traders, municipalities and the police, amongst others, to take up this fight to make our society better, together.

The **Department of Social Development** will receive R1.412 billion in the coming year to empower those who cannot help themselves to live lives of value.

In the past two years, we have increased the number of subsidised spaces in our substance abuse treatment facilities from 3 700 to 4 800. We will spend an additional R77.73 million in 2012/13 to escalate our fight against this scourge.

We will also expand our social welfare net to give direct support to children that do not have families they can depend on for food and care. To reduce the number of vulnerable children, we will embark on a programme to strengthen our families.

The **Department of Cultural Affairs and Sport**, which receives R1.244 billion over the MTEF, plays a vital supporting role in promoting a socially inclusive, creative and active Western Cape.

Through our libraries, we will provide safe learning and reading environments for our young people, and through our Mass Opportunity and Development (MOD) Centres, we will divert youths from gangsterism, drugs and crime by providing top class after school sporting and life skills programmes. In the next three years, we will expand the MOD Centre programme to more schools through an additional allocation of R13.27 million.

The **Department of Community Safety** will receive R385.414 million in 2012/13 to increase safety in our communities. Each and every citizen of our Province has the right to a life that is free from fear. We will take criminals head on through our whole-of-society approach to fighting crime.

In addition to this Department's budget, we have set aside R13.27 million to establish a security incubation partnership that will devise innovative solutions

to reduce crime in the Western Cape. This partnership will be made up of key players in the public, private and voluntary sector who are committed to improving safety in our communities in a true "Better Together" approach.

We are also determined to assume our oversight role of the South African Police Services, and will be tabling legislation that allows us to properly fulfil our mandate to do so. We will also continue to lobby for the reintroduction of specialised units that can expertly tackle specific types of crime.

Speaker, in 2012/13, we will deliver better living environments through an allocation of R1.921 billion to the **Human Settlements Department**.

In partnership with accredited municipalities, we will provide 10 615 serviced sites and 15 567 houses. We will also assist an increasing number of households to gain unrestricted access to basic services and security of tenure by 2014.

But, Speaker, in the coming years, we must also begin to use our Human Settlements funding more smartly. We cannot continue to provide free housing opportunities ad infinitum. Government simply does not have enough money or enough land to do so.

That is why we are encouraging citizens to work hard so that they can afford to take up gap housing opportunities and play a more meaningful role in society and the economy.

We will stimulate the delivery of housing opportunities to this market by increasing the gap market income threshold to R15 000, and by encouraging private sector investment in rental stock for this segment. These initiatives will make housing affordable for more people and enhance the supply of new rental stock.

The programmes that I have outlined above will all contribute to social inclusion and making our communities better places to live.

Speaker, one of our key strategic objectives is to become the best run regional government in the world. To achieve this, we are improving the way we work.

We believe that the “Better Together” approach starts at home. To streamline our efforts and reduce duplication, we have set up a provincial transversal management system. In contrast to the silo system we see in every other province and at national government, we have formed cross-sector committees that are meeting on a regular basis to discuss ways that they can work together to bring about better outcomes more efficiently.

To root out corruption within government, we have dramatically increased our forensic investigation capacity in the Department of the Premier. This unit has been tasked with staking out and catching government staff members who abuses taxpayers' money.

Yesterday, a Gauteng Legislature Member defined cadre deployment as follows: “Comrade appointed to divert resources elsewhere”. This practice is rife throughout South Africa. In the Western Cape, we are ensuring that staff members are appointed on a fit-for-purpose basis so that they can do the best possible job of delivering services to our people. Our transversal corporate services centre is setting these standards and ensuring that they are adhered to. In the coming year, we will make further improvements to this new HR system.

We will also intensify our move to e-governance by taking lessons from the government of Singapore. As opposed to the six months it takes to open a business in South Africa, it takes just 2 hours there. While this particular function falls under the control of the national government, we will explore ways to give more assistance to our citizens online and will encourage national to do the same. In total, the **Department of the Premier** is allocated R699.802 million in 2012/13.

The **Provincial Treasury** is working behind the scenes to close any loopholes for corrupt behaviour through the overhaul of all our accounting systems.

With its allocation of R154.286 million in 2012/13, Provincial Treasury will ensure that we continue to achieve the best audit outcomes in the country. We are extremely proud that for the past two years, every single department of the Western Cape Government has received an unqualified audit. However, we did see some slippage and have devised a comprehensive plan to reclaim former gains and take our audit results even higher. In the last financial year, we also ensured that we spent over 99 per cent of our budget to deliver

services to the people of the Western Cape – the highest percentage spend in the country.

In the coming year, Provincial Treasury will lead our departments and entities toward 3+ financial management capability, whereby all our officials have the correct training to carry out their functions effectively, and financial information is reliable.

We will also place far greater emphasis on assisting municipalities within the Province to achieve better financial outcomes and better leadership at local level.

The attraction and retention of scarce skills in financial and technical positions remains a challenge, especially in municipalities situated in rural areas of the Province. In the coming year, we will spend R13.922 million of the **Department of Local Government's** total budget of R155.228 million to develop capacity at the municipal level so that they can deliver effective public services.

The capacity support programme includes:

- A dedicated municipal bursary programme for youth in rural areas of the Province;
- A framework to ensure that the Province is able to move towards a "single window of support"; and
- Deployment of experts to support key technical projects.

We will also promulgate legislation that gives us the power to revoke money from municipalities that have failed to spend their allocations, or have breached the conditions of their funding. This should not be seen as punishment, but as an encouragement to improve their functioning and ensure better service delivery to their people.

### **How will we fund all of this?**

The Province will finance its proposed expenditure via three sources. The vast majority, 93.6 per cent, has been funded through the Provincial Equitable Share and conditional grants from the national government. The remainder is sourced from the Asset Financing Reserve and provincial own receipts, the latter of which accounts for 4.9 per cent of the total budget.

Our total estimated income for this coming year is R40.151 billion, which is R2.444 billion or 6.48 per cent more than last year's revised estimate.

Conditional grants amount to R8.809 billion in 2012/13.

This Province receives R1.042 billion in infrastructure grants, which must be split three ways, 46 per cent to roads, 41 per cent to education and 13 per cent to health.

Provincial Own Receipts are expected to increase to R1.966 billion this year, of which the main contributors are Motor Vehicle Licence Fees, revenue from casino and horse racing taxes and hospital fees.

In essence, over 80 per cent of our budget will once again be utilised to deliver services and a safety net to the poor.

## **Conclusion**

Today I have presented a largely statistical assessment of our Province, its people, our plans to reduce poverty and our mission to provide an even better, better life for all. But, Speaker, poverty and unemployment is not about statistics, it is about humans like Nkosi who once upon a time faced a future of uncertainty, of hunger and of little hope.

It is because of Nkosi and so many others like him that we have focused with laser-like intensity on creating jobs. A job is the only path toward a better life.

Because we know that we cannot create jobs by ourselves, and indeed that this is not our role, we are partnering with other spheres of government, industry and civil society to share this responsibility. By being "Better Together", we will restore the relationship between citizens and the state.

At the heart of this initiative is our firm belief that every person from Cape Point to Plett, Beaufort West and Vanrhynsdorp, is longing for or striving for a better life. If they know that it is possible, just as Nkosi did, and if they know that government is doing all it can to help them, as we are, they will play their part to make it happen.

Speaker, before I conclude I would like to thank the Premier and my Cabinet Colleagues for their continued support, strength of leadership and willingness to think out of the box. I would like to extend this thanks to every individual within and outside the Western Cape Government who has partnered with us to make our Province a better place to live for all.

Putting together a budget that truly addresses poverty and incentivises growth is a no mean feat. For this we owe our thanks to the Head of the Provincial Treasury, Dr JC Stegmann. He and his team, along with our HODs, CFOs and their teams, have worked around the clock to devise this budget and will continue to work hard throughout the year to ensure that results are delivered. To each and every one of them, my thanks.

My thanks also to my wife, Tracy, and two wonderful children, Jason and Lauren, and my staff in my Ministry. Every day, they provide me with the support I need to play my part in the running of our Province.

Speaker, it gives me great pleasure to table the 2012 Overview of Provincial Revenue and Expenditure, Estimates of Provincial Revenue and Expenditure, the Western Cape Appropriation Bill, the Western Cape Gazette of Allocations to municipalities, and this Speech, for discussion and consideration by this House.

I thank you.