

**Western Cape Government
Provincial Treasury**

Medium Term Budget Policy Statement

**Adjusted Estimates of Provincial Revenue and
Expenditure**

**Overview of Adjusted Provincial and Municipal
Infrastructure Investment**

Municipal Economic Review and Outlook

2021

Speech

“A Budget To Back You”

**Mr D Maynier
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06 December 2021**

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**Speech by David Maynier,
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Western Cape Government,
Medium Term Budget Policy Statement 2021,
Western Cape Provincial Parliament,
Cape Town,
06 December 2021**

“A Budget To Back You”

Honourable Speaker and Deputy Speaker
Honourable Premier and Cabinet Colleagues
Honourable Leader of the Opposition
Honourable Leaders of Opposition Parties
Executive Mayors and Deputy Mayors
Honourable Members of the Western Cape Parliament
Members of the Consular Corp
Heads of Department
Municipal Managers
Special Guests
People of the Western Cape.

1. Introduction

It was supposed to be a quiet day, because in the war between the virus and the vaccine, the vaccine was winning.

But the new Minister of Health, Joe Phaahla, was in a hurry because he was in a race against time.

News appeared to have been leaked, and so, he hastily convened a “really unplanned press conference”.

At that “really unplanned press conference”, the minister revealed to the world that a new variant had been discovered called “B.1.1.529”.

To provide “proper information” we were told:

- that the new variant “did surprise us”;
- that the new variant demonstrated a “big jump in evolution”, may have “enhanced transmissibility” and may be able to evade “innate immunity”;
- that the new variant “may already be circulating quite widely” and was “not isolated to Gauteng”; and finally
- that the new variant was “a serious concern” and posed “a major challenge” to South Africa.

Worse, we were also told that our response to the new variant would be determined at “meetings on the weekend”.

Not surprisingly, the “really unplanned press conference” was followed by global headlines screaming: “*New Super Variant from South Africa*”.

Which, in turn, triggered market meltdowns, travel bans, cancelled flights, postponed bookings, stranded passengers, lost revenue and lost jobs in South Africa.

Which goes to show just how dangerous a combination of first-rate science and third-rate communication can be for South Africa.

We must, of course, be open, and we must be transparent, and we must share information about new variants, but the way that it was done, was clumsy.

We should all support the call by the Director-General of the World Health Organization, Tedros Ghebreyesus, on the need for a “new accord” on sharing information on new variants.

So that those who detect, sequence and report on new variants are not penalized like South Africa.

We may have been knocked down, but we have not been knocked out in the Western Cape.

We will stand up again, we will brush ourselves off, and we will fight on in the Western Cape.

We will never stay down, we will always fight on, so that we move forward in the Western Cape.

2. We moved swiftly, and we moved decisively, to respond to Omicron in the Western Cape

Which is why we moved swiftly, and we moved decisively, to respond to the knee-jerk response to Omicron.

We:

- convened daily operational meetings to coordinate our economic response, most importantly between the Department of Economic Development, the Airports Company of South Africa and Wesgro.

We:

- supported airlines, the airports company and consular generals to assist stranded passengers to find accommodation, to find transport and, in the end, find flights home.

We:

- supported business by convening virtual meetings to share not just what was known, but also what was not known, at that time, about Omicron.

[And here I would like to pause to extend a special word of thanks to the teams, from the Department of Economic Development, from the Airports Company of South Africa, from Wesgro, from Cape Town Tourism and from the Consular Corp.]

Because, when the going got tough, they got going, pulling shifts, often late into the night, to help stranded passengers at Cape Town International Airport.]

Looking forward, we will work hard to reverse the travel bans, we will double down on destination marketing, we will provide regular business briefings, and we will fight to keep the economy open so that we save jobs in the Western Cape.

Because, while we may have been knocked down, we have not been knocked out, and so we will stand up again, brush ourselves off, and fight on so that we move forward in the Western Cape.

We do not know the full economic impact of travel bans, but we do know that a “snap poll” of 856 businesses in the tourism and hospitality sector, mostly in Cape Town, the Garden Route and the Cape Winelands revealed:

- that 78% of businesses had cancellations from clients in December 2021;
- that 60% of businesses had cancellations from clients in January 2022; and
- that 32% of businesses had cancellations from clients in February 2022.

Worse, about 41% of businesses estimated that they lost more than R100 000 as a result of the travel bans.

So, we say here-and-now, to the international community: reverse your travel bans, which are ineffective, and which are killing jobs in the Western Cape.

To quote a number of eminent scientists in a recent article, entitled “*The political theatre of the UK’s travel ban on South Africa*”, published in an influential scientific journal, The Lancet, on 03 December 2021:

“By their nature SARS-CoV-2 variants are several steps ahead of the international travel curve. Once community transmission of an airborne virus is occurring, travel restrictions have little effect.”

3. We are facing a significant “budget crunch” in the Western Cape

What we do know, with absolute certainty, about Omicron is that its timing is terrible, because we are in deep economic trouble, and we face a significant “budget crunch” in South Africa.

We expect to spend R75.8 billion in 2022/23, R73.4 billion in 2023/24 and R76.2 billion in 2024/25 in the Western Cape.

However, our provincial equitable share, which makes up 75% of our provincial revenue, will:

- take a R8.4 billion knock in real terms because of below-inflation increases over the medium term; and
- record a net decrease of R540.5 million over the medium term, following an initial R1.2 billion decrease as a result of an adjustment to the health component of the provincial equitable share formula for the Western Cape.

Which comes at precisely the moment when spending pressures on health are most acute in the Western Cape.

To be fair, the provincial equitable share will be increased by R1.45 billion in 2022/23 for compensation of employees, following the public sector wage agreement in South Africa.

To make matters worse, we face a number of significant fiscal risks over the medium term, which have been outlined in a new and improved "*Western Cape Fiscal Risk Statement*", and includes:

- stagnant economic growth, a reversal of the commodity boom, and tightening financial conditions, negatively affecting revenues;
- evolution of the pandemic, new variants and the vaccine rollout;

- slow implementation of structural reforms negatively affecting business confidence and private sector investment;
- deterioration of public finances because of acute spending pressures, the materialization of contingent liabilities and staggering national debt; and
- pressure on spending in relation to compensation of employees in South Africa.

4. Today, we table “A Budget to Back You” in the Western Cape

We know that because of the “budget crunch” things will be tough, but we will stand up again, brush ourselves off, and fight on, so that we move forward in the Western Cape.

Which is why, today, we are tabling “A Budget to Back You” in the Western Cape.

This is a budget to back you: so that you find a job.

This is a budget to back you: so that you feel safe.

And this is a budget to back you: so that you receive the care you need.

But, above all, this is a budget to back you: so that you have hope in the Western Cape.

To back you, and provide hope for you, the medium-term budget policy statement outlines how resources will be allocated:

- to sustain the fight against the Covid-19 pandemic in the Western Cape;
- to support “Jobs”, “Safety” and “Wellbeing”, the three “North Stars” of the recovery plan;
- to protect frontline services, including education, health and social development in the Western Cape;
- to rebalance the composition of expenditure by increasing spending on infrastructure;
- to support effective, and clean, municipal government in the Western Cape;
- to significantly improve the efficiency of spending by driving value for money;
- to promote transparency of spending on procurement in the Western Cape;
- to mitigate risks including drought, floods and fire; and finally
- to ensure the long-term fiscal sustainability of the Western Cape.

4.1 Pandemic

We have now lost over 20 000 people as a result of the Covid-19 pandemic in the Western Cape.

So, today we table a budget to back you: to fight the Covid-19 pandemic in the Western Cape.

To avoid further lockdowns, we must have:

- an effective vaccination programme to vaccinate as many people as fast as possible;
- a robust health platform with enough beds, oxygen and health care workers to take care of patients; and
- an effective booster programme to provide “booster shots” to as many people as fast as possible in the Western Cape.

We have reprioritized and we have allocated an additional R211.3 million to fight the Covid-19 pandemic in the Western Cape.

And to ensure that we are sufficiently agile, and flexible, in our response we continue to ringfence R800 million in the provincial reserves to support the fight against Covid-19 in the Western Cape.

Because, while we may have been knocked down, we have not been knocked out, and so we will stand up again, brush ourselves off, and fight on, so that we move forward in the Western Cape.

4.2 Recovery

We have too many people who do not have jobs, or who have given up looking for jobs, in the Western Cape.

So, today we table a budget to back you: to find a job in the Western Cape.

Which is why we plan to spend R1.4 billion over the medium term on the ease of doing business, boosting investment and exports, enterprise development, skills development and energy resilience in the Western Cape.

We have too many people who are victims of crime in the Western Cape.

So, today we table a budget to back you: to feel safe in the Western Cape.

Which is why we plan to spend R2.2 billion over the medium term on more law enforcement officers, support to families at risk, providing safe spaces and on safety data in the Western Cape.

We have too many people who do not get the care they need in the Western Cape.

Which is why we plan to spend R160 billion over the medium term on providing strong foundations, improving nutrition, mental wellness and after school programmes in the Western Cape.

Because, while we may have been knocked down, we have not been knocked out, and so we will stand up again, brush ourselves off, and fight on, so that we move forward in the Western Cape.

4.3 Frontline Services

Today, we table a budget to back you: by protecting spending on frontline services, including education, health and social development in the Western Cape.

Despite the “budget crunch”:

- we plan to back you by spending an additional R350 million over the medium term on education, health and social development; and
- we plan to back you by spending 82% of our budget over the medium term on the provincial “social wage”, including on education, health and social development.

Which includes spending on school nutrition, learner transport, fee exemptions, housing opportunities and after school programmes in the Western Cape.

Because, while we may have been knocked down, we have not been knocked out, and so we will stand up again, brush ourselves off, and fight on so that we move forward in the Western Cape.

4.4 Infrastructure

We plan to spend R28.6 billion on infrastructure over the medium term in the Western Cape.

We plan to increase spending on infrastructure over the medium term by:

- providing more predictable funding for infrastructure over the medium term;
- supporting establishing a clear, well prepared, pipeline of infrastructure projects, through the *Project Preparation Facility*;
- crowding in private sector investment through public private partnerships, following the revision of the public private partnership regulations, starting with the new Tygerberg Central Hospital; and

- supporting and assisting municipalities develop a pipeline of projects that are bankable through the *Sustainable Infrastructure Development and Finance Facility*, which has already identified about R1.7 billion worth of energy, water and wastewater infrastructure projects in the Western Cape.

Because, while we may have been knocked down, we have not been knocked out, and so we will stand up again, brush ourselves off, and fight on, so that we move forward in the Western Cape.

4.5 Municipalities

We have just come through the sixth democratic local government elections in the Western Cape.

[And I would like to pause here and congratulate the new Executive Mayors, Executive Mayoral Committee Members and Councillors of all the municipalities in the Western Cape.]

We plan to back you by backing municipalities because we know that they are engines of economic growth, and they are on the frontline of service delivery, in the Western Cape.

We stand ready to provide:

- guidance on compliance with legislation and prescripts;
- accredited training and peer-to-peer learning;
- guidance on the interpretation of procurement legislation; and

- development of budget funding plans for municipalities with unfunded budgets in the Western Cape.

Today, we table the 2021 Municipal Economic Review and Outlook, which is a world-class publication, stacked with data, that is packaged in a user friendly and visually appealing manner, designed specifically to support planning and budgeting in municipalities in the Western Cape.

To make the 2021 Municipal Economic Review and Outlook even more user-friendly, separate publications have been produced for each district in the Western Cape.

We will also not hesitate to take strong action in term of the constitution and legislation if municipalities do not back you in the Western Cape.

So we have acted to strengthen our provincial “guard rails” by:

- allocating an additional R15 million over the medium term to increase municipal capacity building and support initiatives; and
- allocating an additional R15 million over the medium term to increase the capacity of legal services and forensic services in the Western Cape.

4.6 Value for Money

We are committed to making sure that increases in expenditure are matched by corresponding increases in efficiency in the Western Cape.

Because, we must ensure that every cent of the public's money is spent wisely in the Western Cape.

We have, in line with the new *Framework for Achieving Spending Efficiency in a Fiscally Constrained Environment*, begun introducing expenditure reviews to assess the efficiency, effectiveness and performance of selected programmes.

Which includes learner transport, commuted overtime, foster care services, skills development and broadband in the Western Cape.

4.7 Procurement

We are committed to clean government in the Western Cape.

So, we are very proud to have recently published:

- the seventeenth monthly edition of the Procurement Disclosure Report for the period 01 October 2021 to 31 October 2021; and
- the third quarterly Procurement Disclosure Report for the period 01 July 2021 to 30 September 2021.

And just a few months ago, we published the first annual Procurement Disclosure Report for the period 01 March 2020 to 31 March 2021, which was the first of its kind in South Africa.

What the Report revealed was that we back you by making sure that:

- a total of R1.5 billion (67.32%) of all Covid-19 related expenditure by provincial departments and public entities was spent on small, medium and micro-enterprises in the Western Cape; and

- a total of R1.3 billion (63.69%) of all Covid-19 related expenditure by provincial departments and public enterprises was spent on suppliers based in the Western Cape.

We want to be the most transparent province when it comes to procurement, and for that reason, we will incrementally expand the scope of the procurement disclosure reports over the medium term in the Western Cape.

4.8 Risk Mitigation

We must be prepared to back you to deal with risks such as drought, floods and fires and for that reason we have allocated additional funding to enhance the disaster management centre as well as about R379 million in 2022/23, R432 million in 2023/24 and R292 million 2024/25 for unforeseen and unavoidable expenditure in the Western Cape.

4.9 Fiscal Futures

To respond to a more constrained fiscal future, departments and public entities will have to implement the consolidation framework, including proactively mitigating fiscal risk, containing spending on compensation of employees and generating additional revenue to ensure long-term fiscal sustainability of the Western Cape.

To support the departments and public entities that are backing you, we have established a *Fiscal Transition Support Facility*, to support once-off, upfront, investment in new service delivery models, that will result in long-term reductions in expenditure in the Western Cape.

5. Adjustments Budget

Tucked away, under the budget books, is the 2021 Adjusted Budget, which makes provision for new priorities, spending pressures and risk mitigation in the Western Cape.

The 2021 Adjusted Budget makes provision for a net additional allocation of R1.49 billion, including most importantly:

- an additional R603 million for the Presidential Youth Initiative to employ general school assistants, health care workers and social workers;
- an additional R1.1 billion for compensation of employees as a result of the public sector wage agreement; and
- an additional R35 million in national conditional grant allocations including:
 - R20 million for the HIV, TB, Malaria and Community Outreach Grant; and
 - R17.2 million for the Early Childhood Development Grant in the Western Cape.

The additional allocation, as a result of the Presidential Youth Initiative will give thousands of people, especially young people, work opportunities and hope in the Western Cape.

6. Conclusion

Today, we are tabling “*A Budget to Back You*” in the Western Cape.

This is a budget to back you: so that you find a job; this is a budget to back you: so that you feel safe; and this is a budget to back you: so that you receive the care you need in the Western Cape.

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- to promote transparency of spending on procurement in the Western Cape;
- to mitigate risks including drought, floods and fire; and finally
- to ensure the long-term fiscal sustainability of the Western Cape.

We have all worked hard, often late into the night, on the 2021 Medium-Term Budget Policy Statement and we all owe a big thank you to “Team Finance” at Provincial Treasury.

So it gives me great pleasure to table:

- the Western Cape Adjustments Appropriation Bill, 2021;
- the 2021 Western Cape Adjustments Estimates of Provincial Revenue and Expenditure;
- the Western Cape 2021 Draft Notice: Additional and Amended Allocations to Municipalities;
- the Overview of Adjusted Provincial and Municipal Infrastructure Investment, 2021;
- the 2021 Municipal Economic Review and Outlook;
- the 2021 Western Cape Medium Term Budget Policy Statement; and

- my speech for discussion and deliberation here in the Western Cape Provincial Parliament.

We may have been knocked down, but we have not been knocked out in the Western Cape.

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I thank you.

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