



Western Cape
Government



2020 Budget Speech
by Minister David Maynier

A Budget for You

**Western Cape Government
Provincial Treasury**

2020 BUDGET SPEECH

**David Maynier
Minister of Finance and Economic Opportunities**

10 March 2020

**Western Cape Provincial Parliament,
Cape Town,
10 March 2020**

"A Budget for 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 Legislature

Members of the Consular Corp

Heads of Department

Municipal Managers

Special Guests

People of the Western Cape

1. Introduction

Two weeks ago, Premier Alan Winde, delivered his second State of the Province Address, where he set out what had been delivered, what would be delivered, and committed to fighting for you, all of you, in the Western Cape.

He set out a bold vision for our future, captured in our new provincial strategic plan, which committed us to putting your needs, your choices and your dreams at the heart of everything we do, to build "*A Safe Western Cape Where Everyone Prospers*", so that you feel safe, so that you have jobs and so that you have hope for your future in the Western Cape.

Premier Alan Winde delivered his second State of the Province Address at the historic Rocklands Civic Centre in Mitchells Plain to remind us that, for many of you, your needs, your choices and your dreams were shattered by our terrible history in South Africa.

So, let us not forget that we all have a special duty, as our Constitution reminds us, to heal the injustices of the past and work towards building a united and democratic South Africa.

2. A Budget for You

We have listened to you, and we have heard you, and today we are tabling a *Budget for You*, all of you, in the Western Cape.

You matter.

So:

- if you have been a victim of crime, this is a budget for you; and if you fight crime as a law enforcement officer, as a member of a neighbourhood watch, or as a member of a "walking bus", this is also a budget for you;

So:

- if you do not have a job, or if you have given up looking for a job, this is a budget for you; and if you create jobs by starting a new business, or expanding an existing business, this is also a budget for you;

So:

- if you do not have the opportunity to reach your dreams, this is a budget for you; and if you create opportunity for people to reach their dreams by caring for children, or by teaching young people, this is also a budget for you;

So:

- if you do not have a home, this is a budget for you; and if you want to buy your own home, or rent your own home, this is also a budget for you;

So:

- if you want even more innovative government, this is a budget for you; and if you are in government, and you have good ideas about how government can do things differently, this is also a budget for you.

We trust that our *Budget for You* will give you, all of you, hope for your future in the Western Cape.

3. “Count to Ten”

I would like to pause here for moment to deal with the possible impact of the coronavirus - or COVID-19 as it is known - because it is on many people’s minds after the first case was identified last week in Kwazulu-Natal.

We know many of you are concerned about the impact of the coronavirus on yourselves, on your children, on your family and on your business in the Western Cape.

However, I would like to stress the following:

- first: to date there are no confirmed cases of the coronavirus in our province;
- second: our provincial health department has a plan and is working closely with the National Department of Health and the National Institute of Communicable Diseases; and
- third: should anybody test positive for the virus in our province, our provincial health department is prepared to respond.

We at provincial treasury have made provision for unanticipated events and we stand ready to support the health department should the coronavirus reach the Western Cape.

We have a plan.

We are prepared.

Which brings me to my final point, and that is: there is a lot of fake news about the coronavirus.

So, we should all stop and think before circulating alarming, and possibly fake news, and as Tim Harford, of the *Financial Times*, urges:

"Count to 10 and ask yourself whether this is really the best thing to amplify. Whether fighting a virus or a viral scare story, each of us needs to erect small barriers to slow the contagion. Alone, those barriers may seem trivial. Collectively, they work."

4. No Major Budget Cuts (For Now)

When I read bedtime stories to my daughter, they often remind me that national government is rather like the Grand Old Duke of York's "ten thousand men", who when they are up, they are down, and when they are down, they are up; because, in the end, they are neither up nor down, which has serious implications for South Africa.

We have a national government moving in opposite directions at the same time, which goes a long way to explain why we are in deep economic trouble, and have an economy in recession, staggering levels of unemployment, unstable public finances, zombie state-owned enterprises and massive fiscal risks in the South Africa.

We also have significant downside risks in the form of planned load shedding, trade wars, oil wars and the coronavirus, which will have a negative impact on the economy in South Africa.

What most people do not seem to realise is that:

- even if the proposed structural reforms, outlined in the document "*Towards an Economic Strategy for South Africa*", are implemented by national government, which seems unlikely, economic growth still does not exceed 2% over the medium term, which is insufficient to sustain our public finances; and
- even if the public-sector wage bill is cut by R160 billion by national government, which also seems unlikely, national debt still explodes, over the medium term, to a staggering R4.38 trillion, or 70% of GDP, which is regarded by international financial institutions as a "*high risk threshold*"; and
- worse, national treasury have conceded that they will not be able to stabilise national debt and that the risk of a sovereign credit rating downgrade to "*junk status*" is now more pronounced in South Africa.

To illustrate the point, consider the fact that national government will be spending R290.1 billion on debt service costs in 2022/23, which is R27.7 billion more than national government will spend on basic education and R68.2 billion more than national government will spend on health, and R5.7 billion more than national government will spend on social development in this financial year 2019/20, in South Africa.

What this means is that national government are in danger of losing control of our public finances in South Africa.

We, in contrast, have worked hard to create an enabling environment for the private sector, and for the markets, to drive economic growth and to create jobs in the Western Cape.

Which is why we have a growing economy, expanding employment and improving human development in Western Cape.

We may have to revise our economic outlook, but we currently expect the economy to recover and to grow at an average of about 1.6% over the next five years in the Western Cape.

We think there are significant risks going forward and so we have also implemented a decisive, and robust provincial fiscal strategy and will:

- continue to focus on proper expenditure management, proper revenue management and maintaining a balanced budget; and continue to apply the principles of allocative efficiency, fiscal sustainability, fiscal consolidation and fiscal discipline in the Western Cape.

However, despite this we were put on notice by the finance minister last year that "*difficult decisions*" would have to be made and that we would have to pencil in "*large reductions*" to provincial budgets in South Africa.

We made some tough decisions and planned for a worst-case scenario, which required us to cut our provincial budget by 5%, or R2.6 billion, in 2020/21, 6%, or R3.4 billion, in 2021/22 and 7%, or R4.1 billion, in 2022/23 in the Western Cape.

We hoped for the best and planned for the worst, and warned, at the time, that the proposed budget cuts risked compromising service delivery, especially in education, health and social development in the Western Cape.

However, after what has been a very difficult budget process, we are pleased that the worst-case scenario has not materialised, which is very good news for the Western Cape.

Which is why we have been able to protect education, health and social development from budget cuts in the Western Cape.

The fact is our provincial equitable share was decreased as a result of fiscal consolidation and cost of employment adjustments.

However, these decreases were offset by increases in our provincial equitable share as a result of:

- increases in our provincial equitable share formula to correct for population growth; and
- increases in our provincial equitable share to support gender-based violence, sanitary dignity and additional social workers in the Western Cape.

We have a proven track record of spending money for the purpose it was intended and for that reason we have received additional allocations for some conditional grants in the Western Cape.

Today, we table the Western Cape Additional Adjustment Appropriation Bill where national government allocates an additional R98.5 million to the human settlements department to accelerate housing delivery in the:

- Breede Valley: Transhex;
- Witzenberg: Vredebes; and
- Cape Agulhus: Bredasdorp.

Because the funds could not be spent by the Free State, Gauteng, Limpopo and the Northern Cape.

Where we had previously penciled in budget cuts, we have been able to make additional allocations of R1.2 billion in 2020/21, R275 million in 2021/22 and R490 million in 2022/23 in the Western Cape.

We are, therefore, in a much better position than we anticipated, and we are ready to respond to future risks in the Western Cape.

5. A Budget for You

Today, we table our *Budget for You*, in which we plan to spend R71.6 billion in 2020/21, R74.9 billion in 2021/22 and R78.3 billion in 2022/23 on you in the Western Cape.

We want to achieve five key objectives with our *Budget for You* in the Western Cape.

We want:

- to support our new Vision Inspired Priorities set out in our new Provincial Strategic Plan;
- to protect spending on education, health and social development;
- to hold the line on investment in new, and existing, infrastructure assets;
- to prepare for a new cleaner, greener energy future; and
- to be ready to respond to future risks that may negatively impact on the Western Cape.

We will spend the budget across five districts and 30 municipalities in our province, and so over the next financial year:

We will spend:

- R49.2 billion on the City of Cape Town,

We will spend:

- R8.1 billion on the Cape Winelands,

We will spend:

- R3.6 billion on the West Coast,

We will spend:

- R5.9 billion on the Garden Route,

We will spend:

- R2.7 billion on the Overberg,

And, we will spend:

- R904.2 million on the Central Karoo.

5.1 Supporting New Vision Inspired Priorities

We have a new Provincial Strategic Plan which will focus on five key Vision Inspired Priorities over the next five years to create "*A Safe Western Cape Where Everyone Prospers*".

5.1.1 Vision Inspired Priority 1: Safe and Cohesive Communities

We know too many people, like many of you, have been victims of crime, and so our first strategic priority is to create safe and cohesive communities in the Western Cape.

We will spend R4 billion over the medium term to create safe and cohesive communities:

- by increasing the effectiveness of policing;
- by strengthening programmes to reduce family violence;
- by strengthening programmes to assist youth at risk; and
- by making the places where you live safer and by reducing gender-based violence and gangsterism in the Western Cape.

We will spend:

- R1.1 billion over the medium term to deploy more law enforcement officers to fight crime, especially violent crime, so that you feel safe in the Western Cape.

We will spend:

- R58.3 million over the medium term to give more young people who live in tough neighbourhoods the opportunity to attend an expanded Chrysalis Academy, so that they are not vulnerable to drugs and gangs in the Western Cape.

And we will spend:

- R1.3 billion over the medium term, to improve law enforcement on our roads by increasing the number of traffic officers, improving the training of our traffic officers and enhancing the technology and data systems used by the traffic officers, so that they can keep our roads safe for you in the Western Cape.

We will do this:

- to create safe and cohesive communities for you in the Western Cape.

So that you live in safe and healthy environments and your children's schools are safe places of learning. So that you can travel safely to work, and so that you can safely enjoy our beautiful environment – to climb our mountains, to walk along our beaches and to picnic in our forests with your family and friends.

5.1.2 *Vision Inspired Priority 2: Growth and Jobs*

We know that too many people, like many of you, do not have jobs, and so our second strategic priority is to boost economic growth and job creation in the Western Cape.

We will spend R32.4 billion over the medium term to boost economic growth and create jobs:

- by making it easier to do business;
- by maintaining our infrastructure and building new infrastructure;
- by helping businesses export more of their products and services;

- by creating opportunity for young people through skills development; and
- by making sure we manage our water and energy resources and reduce our waste in the Western Cape.

We will spend:

- R102.1 million over the medium term to establish an Ease of Doing Business Unit, which will focus on eliminating systemic constraints to economic growth, such as visa regimes, port tariffs, trade barriers and planning delays so that we make it easier for you to start a business, or to expand a business, in the Western Cape.

We will spend:

- R263.7 million over the medium term to support youth skills development initiatives, including artisan development, skills for the digital economy, financial and business sector skills, improved quality of maths, science and engineering qualifications, and entrepreneurial skills development so that our young people have the right skills to fill the jobs available now and in the future in the Western Cape.

And we will spend:

- R561.7 million over the medium term to increase tourism, trade and investment promotion by Wesgro: so that more Western Cape products and services are taken to growth markets around the world; so that the full range of tourism experiences available across our province are promoted to domestic and international travellers and event organisers; and so that opportunities are realised for new investment and business expansion across all growth sectors in the Western Cape.

We will do this:

- to create an enabling environment for the private sector and for the markets to drive economic growth and create jobs for you.

So that you have more job opportunities and the right skills and experience for the jobs of the future, and so that it is easy for you to start your own business and expand your existing business in the Western Cape.

5.1.3 Vision Inspired Priority 3: Empowering People

We know that too many people, like many of you, aren't able to reach your full potential because you don't have access to the services you need, and so our third strategic priority is to empower people in the Western Cape.

We will spend R173.8 billion over the medium term to empower people:

- by providing specialised support for children up to the age of five;
- by providing a safe, positive environment in our schools where your children can receive the skills they will need for the future;
- by providing you with the skills and opportunities you need to enter the world of work; and
- by improving healthcare services for you and encouraging you to make healthy lifestyle choices in the Western Cape.

We will spend:

- R2.2 billion over the medium term on early childhood development, to ensure that your children receive the support they need, and that they have the best possible start in life, from the day that they are born to the day that they start primary school in the Western Cape.

We will spend:

- R8.4 billion over the medium term to provide support to the most vulnerable people in our society, including young people at risk as a result of substance abuse, women and children who are victims of domestic violence, older persons who require homecare, and persons with disabilities in the Western Cape.

And we will spend:

- R31.5 million over the medium term to pilot a sanitary dignity project in rural areas so that young women, and girls, do not have to be absent from school, or drop out of school in the Western Cape.

We will do this:

- to empower you.

So that at every stage of your life, your needs are met to ensure you can reach your full potential. So that your children are raised in a stimulating and safe environment, and that if you, or your child, is at risk you will have access to support in the Western Cape.

5.1.4 Vision Inspired Priority 4: Mobility and Spatial Transformation

We know that too many people, like many of you, do not have your own home, live far away from where you work, and that travel is too often unsafe and too expensive, and so our fourth strategic priority is to promote mobility and spatial transformation in the Western Cape.

We will spend R24.6 billion over the medium term to promote mobility and spatial transformation:

- by better connecting places through public transport;
- by providing more housing and economic opportunities in good locations; and
- by improving places where people live in the Western Cape.

We will spend:

- R474.1 million over the medium term to roll out the fourth phase of the Go George Bus Transit System so that people who live in Thembaletu, Parkdene, Borchards, Conville and Lawaakamp, have access to bus services in the Western Cape.

We will spend:

- R7.4 billion over the medium term on housing projects, and provide over a hundred thousand housing opportunities so that more people have a home, or can rent a home, in the Western Cape.

We will spend:

- R74.9 million over the medium term to extend the Regional Socio-Economic Programme to ensure that we continue to invest in infrastructure that connects people, improves safety and creates jobs for you in the Western Cape.

And we will do this:

- to promote mobility and spatial transformation for you.

So that you live in a neighbourhood that you are proud of, that is vibrant and inclusive, and that is safe and close to your work, your school, your clinic and your shops and places of worship. So that you are able to use a public transport system that is well connected, affordable and safe so that you can easily and cost-effectively travel around the Western Cape.

5.1.5 Vision Inspired Priority 5: Innovation and Culture

To meet your needs, and to ensure you have opportunities and to help you realise your dreams, we will constantly look for new and innovative ways of doing things in government, and so our fifth strategic priority is to promote innovation in government in the Western Cape.

We will spend R7.5 billion over the medium term to promote innovation in the provincial government:

- by focusing on you;
- by working with you to improve and find new ways to deliver services to you;
- by bringing different spheres of government together; and

- by building on our track record of good governance in the Western Cape.

We will spend:

- R25.1 million over the medium term on establishing a “war room”, that will use a new and innovative approach, called Problem Driven Iterative Adaptation, that will tackle major challenges, including safety, mobility and the built environment in the Western Cape.

And we will do this:

- to ensure that this government works for you.

So that this government is more effective and we do things differently, so we can deliver even better services for you.

6. Youth Development

You will recall, that President Cyril Ramaphosa announced a new youth employment initiative, during his recent State of the Nation Address, to be funded by setting aside 1% of the national budget to deal with high levels of youth unemployment in South Africa.

We support the youth employment initiative and, in fact, we already spend more than 1% of the provincial budget on young people in the Western Cape.

So, over the medium term we will spend R2.8 billion on youth development programmes, which includes:

- spending R9.4 million on our “Youth in Service” programme, which provides work readiness and skills development to our young people;
- spending R35.9 million on our “Youth Cafés”, where our young people can access personal development training and career advice in the Western Cape;

- spending R78.1 million on our “Premier’s Advancement of Youth” programme, which will accommodate just over 1,000 school leavers and provide them with skills development through mentoring, coaching and career guidance; and
- spending R356.3 million on our “Child Development and Youth Care Centres”, which provide young people with safe spaces to grow and develop.

7. Protecting Spending on Education, Health and Social Development

We committed to protecting spending on frontline service delivery such as education, health and social development in the Western Cape.

So, over the medium term, we will spend R79.4 billion on education, R83.2 billion on health and R8.4 billion on social development in the Western Cape.

We have done so because your education matters, your health matters and your welfare matters in the Western Cape.

8. Holding the Line on Infrastructure Spending

We also committed to maintaining spending on new infrastructure and existing infrastructure assets in the Western Cape.

We will spend R2.6 billion on new infrastructure assets, and R16.7 billion on existing infrastructure assets, over the medium term in the Western Cape.

Which includes:

- spending R9.6 billion on the maintenance of existing transport assets, including the resealing of the Bainskloof Pass;
- spending R3.1 billion on the maintenance of existing education assets, including the upgrade of the Worcester Pre-Primary School; and
- spending R2.3 billion on the maintenance of existing health assets, including the upgrade of the Helderberg Hospital in the Western Cape.

But, it also includes:

- spending R1.8 billion on new education infrastructure, including the new Waveren Secondary School in Witzenberg;
- spending R431.5 million on new health infrastructure, including the new Avian Park Clinic in Breede Valley; and
- spending R236.6 million on “catalytic infrastructure” in the Atlantis Special Economic Zone and the Saldanha Bay Industrial Development Zone in the Western Cape.

We will continue to hold the line on spending on new, and existing infrastructure assets, because:

- spending on infrastructure boosts economic growth, creates jobs and is, in the end, an investment for the future in the Western Cape.

And we at provincial treasury stand ready to work with departments and entities to improve the infrastructure delivery pipeline in the Western Cape.

9. Planning for a Cleaner, Greener Energy Future

When stage six load shedding hit us last year we were reminded that we face an energy crisis with load shedding costing the provincial economy millions of rands per stage, per day in the Western Cape.

We know that a new “philosophy of maintenance” has been announced and that we can expect more frequent “planned load shedding” for the next twenty-four months in the Western Cape.

We are concerned that the situation is likely to be more acute, and that load shedding is likely to be with us for longer than anticipated, and because of that we have established an energy security committee, to respond the energy crises in the Western Cape.

We, together with the City of Cape Town, who are leading the fight in the courts, have done more than any other province to prepare for a different energy future in the Western Cape.

Which is why we were delighted to hear that national government will implement measures to rapidly and significantly increase generation capacity, and that municipalities will be allowed to purchase electricity from independent power producers, to help fix our energy crisis in South Africa.

We have a plan to work towards a new, cleaner, greener energy future that, in time, would make our province the most energy secure province, which includes:

- helping municipalities to procure energy from independent power producers, increasing small scale embedded generation and increasing the greening of government buildings;
- fast-tracking efforts to import Liquefied Natural Gas through Saldanha Bay, and enabling the Ankerlig plant to operate on gas rather than the more expensive diesel; and
- working with large commercial players to help them with load curtailment measures where possible, and continuing to support businesses with free advice and support on alternative energy solutions in the Western Cape.

We have allocated a budget of R60 million over the medium term to the green economy team to support municipalities who wish to procure electricity from independent power producers in the Western Cape.

While we await clarity on the specifics, our team is building on the great work already done on energy in this province, and are preparing for a cleaner, greener energy future in the Western Cape.

However, we have to introduce a note of caution here because there are no “quick fix” solutions and it is going to take some time for municipalities to actually begin procuring electricity from independent power producers in the Western Cape.

10. Providing for Future Risks

We live in turbulent, and uncertain times, with major downside risks to the economic outlook in South Africa.

With national debt, and debt service costs, spiraling out of control, and with little prospect of the proposed public-sector wage bill moderation materialising, we may face significant budget cuts in the future in the Western Cape.

We have, therefore, made provision, as best we can, to mitigate the risk to the economic outlook in the Western Cape.

We have:

- held the line and will build up our reserves over the medium term in the Western Cape.

We have:

- R1 billion in our Fiscal Stabilisation Reserve to deal with possible fluctuations in our provincial equitable share allocation in the Western Cape.

We have:

- R500.7 million in our Service Load Pressure Reserve to deal with increased pressure to deliver services in the Western Cape.

And we have:

- R208.4 million in our Unforeseeable and Unavoidable Expenditure Reserve to provide for unanticipated events in the Western Cape.

11. Looking Ahead

We have:

- held the line on spending on compensation of employees by setting “personnel upper limits” on departments in the Western Cape.

However, we plan to go further and implement a compensation of employees reduction strategy, which includes:

- terminating performance bonus allocations in 2021/22;
- limiting overtime spending;
- carefully managing leave payouts; and
- limiting the growth in personnel, so that personnel numbers are proportional to departmental priorities, in the Western Cape.

We have also:

- held the line on spending on goods and services in the Western Cape.

However, we plan to go further and explore a range of new measures, including:

- conducting performance and expenditure reviews;
- implementing an e-procurement system;
- exploring further cost containment measures;
- reviewing the mandates of public entities;
- improving facilities management;
- partnering with the private sector; and
- tightening up on reporting, monitoring and compliance with existing cost containment measures in the Western Cape.

We have worked hard, perhaps harder than any other province, to deliver clean government in the Western Cape.

Which is why we will take a hard line, a very hard line, and investigate, without fear or favour, any allegations of corruption in governments in the Western Cape.

That is why we have allocated an additional R8.2 million over the medium term to strengthen the forensic investigation unit, within the local government department, in the Western Cape.

We should never forget that what makes us different in government is that the money we spend does not belong to us, but belongs to you.

12. Conclusion

The "*Budget for You*", tabled here today, puts your needs, your choices and your dreams at the heart of everything we do in the Western Cape.

We will work hard to land our vision of a "*A Safe Western Cape Where Everyone Prospers*", which is why we will spend:

- R4 billion over the medium term so that you feel safe in the Western Cape,
- R32.4 billion over the medium term so that you get a job and reach your dreams in the Western Cape,
- R173.8 billion over the medium term so that you reach your full potential in the Western Cape,
- R24.6 billion over the medium term so that you have a home in the Western Cape, and
- R7.5 billion over the medium term so that you have even better government in the Western Cape.

We trust that our *Budget for You* will give you, all of you, hope for your future in the Western Cape.

In closing, I would like to thank Premier Alan Winde and my Cabinet colleagues for their leadership and support during the finalisation of this Provincial Budget.

I also wish to extend my gratitude to David Savage, the Head Official at the Provincial Treasury and team finance under the leadership of the Acting Deputy Director General of Fiscal and Economic Services, Julinda Gantana.

My staff in the Ministry, thank you for your support and for keeping the office running so effectively.

Most importantly, I would like to thank my family and my amazing wife, Bronwen, who is "The Best Mother in the World". I am so grateful for your love, for your patience and for your support.

So, it now gives me great pleasure to table:

- the Overview of Provincial Revenue and Expenditure;
- the Overview of Provincial and Municipal Infrastructure Investment;
- the Estimates of Provincial Revenue and Expenditure;
- the Western Cape 2020 Appropriation Bill;
- the Provincial Gazette of Allocations to Municipalities;
- the Western Cape Additional Adjustment Appropriation Bill; and
- my speech, for discussion and deliberation by the Western Cape Provincial Parliament.

In the end, this is a "*Budget for You*", all of you in the Western Cape.

I thank you.