



Western Cape
Government

Provincial Treasury

A Budget for Hope

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BUDGET 2021 and THIRD ADJUSTED ESTIMATES 2020 SPEECH

“A Budget for Hope”

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16 March 2021

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**Speech by David Maynier,
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**Western Cape Provincial Parliament,
Cape Town,
16 March 2021**

“A Budget for Hope”

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 State of the Province Address, in a small town, some distance from here, called Genadendal.

Which is a symbol of pain and strife, but also a symbol of freedom and courage.

When Premier Alan Winde delivered his State of the Province Address, he called on us to stand together, and to lead from the front.

He also called on us to get the job done, and to provide the hope we need in the Western Cape.

Which is why, today, we table “A Budget for Hope” in the Provincial Parliament.

This budget:

- provides hope because it is a budget that supports job creation.

This budget:

- provides hope because it is a budget that builds safer communities.

And, this budget:

- provides hope because it is a budget that delivers well-being for communities.

However, in the end, this budget provides hope because it is a budget that supports the plan to defeat COVID-19, which is destroying lives, and is destroying livelihoods, in the Western Cape.

2. We have mobilised a R2.17 billion “war chest” to defeat the virus in the Western Cape

When we gathered here a little more than a year ago, for the tabling of the last main budget, not a single case of COVID-19 had been identified in the Western Cape.

But the very next day:

- the first positive case of COVID-19 was identified in our province; and
- a global COVID-19 pandemic was declared by the World Health Organization.

We had a plan, and we were prepared, but we could not have imagined what was to come, at the time.

We have lost 11 363 people as result of the COVID-19 pandemic in the Western Cape.

Stop and think about it, for a moment: 11 363 people have lost their lives as a result of the COVID-19.

Which means there are 11 363 families who have been left devastated by the COVID-19 pandemic in the Western Cape.

We are locked in a struggle between a virus, and a vaccine, and the virus is winning - for now.

So, we face a choice: defeat the virus or be defeated by the virus.

And, to defeat the virus, we must, above all, vaccinate as many people, as fast as possible.

Which is why we have mobilised a R2.17 billion “war chest” to defeat COVID-19 in the Western Cape.

We have:

- allocated R325.6 million for the rollout of vaccinations, which will be spent on rolling out up to 5.1 million vaccinations in the Western Cape.

We have:

- allocated R75 million for the procurement of vaccines, which may be spent on procuring up to 500 000 single-shot vaccines for the Western Cape.

We have:

- allocated R20 million for communication on vaccines, which will be spent on communicating the benefits of being vaccinated in the Western Cape.

And we have:

- allocated R832 million to respond to a possible third wave, which will be spent on *inter alia* rapidly expanding testing, providing personal protective equipment, and on ensuring sufficient supply of oxygen and critical care capacity in the Western Cape.

However, there is significant, and unprecedented, uncertainty in the environment, which has major cost implications:

- we do not know when we will receive more vaccines from national government;
- we do not know how many vaccines we will receive from national government;
- we do not know whether we will receive single-shot or double-shot vaccines; and
- we do not know which vaccines will be approved by the regulator.

We also do not know the time, the location and the magnitude of a possible third wave in the Western Cape.

So, to ensure that we remain sufficiently agile and flexible, we have ring-fenced a further R800 million in the provincial reserves to support the fight against COVID-19 in the Western Cape.

Which could be utilised for a range of needs:

- to rollout vaccines;
- to procure vaccines; and
- to respond to additional costs arising from the fight against COVID-19 in the Western Cape.

We have also allocated an additional R116 million, in this financial year, to fund the cost of the second wave and to jump-start the rollout of vaccinations.

We have, in the end, matched a R1.08 billion contribution from national government, with a R1.09 billion contribution from provincial government, to mobilise a R2.17 billion “war chest” to defeat COVID-19 in the Western Cape.

In the end, when it comes to the struggle between the virus, and the vaccine, the vaccine will win, because humankind has never been better prepared to defeat a pandemic threatening the future of the world.

3. We have mobilised R100 million to provide humanitarian relief in the Western Cape

We must also be prepared to step up and expand humanitarian relief to people who are struggling as national government runs out of “fiscal firepower” with:

- the UIF TERS relief scheme having been terminated on 15 March 2021; and
- the COVID-19 social relief grant being terminated on 30 April 2021.

So, to respond to the needs of people, who have lost jobs, who cannot make ends meet, and who are going hungry, we have also allocated:

- an additional R50 million for public employment programmes; and
- an additional R25 million for immediate food relief.

We have, in addition, ring-fenced a further R25 million in the provincial reserves for immediate food relief in the Western Cape.

4. We expect a gradual economic recovery and will spend R217.9 billion, despite the drastic budget cuts, over the medium term in the Western Cape

We have been hit hard by the pandemic, but there are signs of economic recovery: we expect economic growth to increase by 4.6 per cent in 2021, 3.1 per cent in 2022 and 2.8 per cent in 2023 in the Western Cape.

However, there are significant downside risks including, most importantly, a possible third wave, a shortage of electricity and a rise in inflation, all of which could compromise economic recovery.

The fact is, though, that, in the end, economic recovery depends on vaccinating as many people, as fast as possible, because with more jobs, there will be more jobs.

We plan to spend R72.3 billion in 2021/22, R72.6 billion in 2022/23 and R72.7 billion in 2023/24 in the Western Cape.

However, national government owes a lot of people a lot of money, and is cutting expenditure to reduce the fiscal deficit, to pay down national debt in South Africa.

Which means that national, provincial and municipal government budgets are being slashed:

- our provincial equitable share has been cut by R20.7 billion over the medium term; and
- our conditional grants have been cut by R1.65 billion over the medium term in the Western Cape.

We have also revised down own revenue estimates by R362 million over the medium term in the Western Cape.

To be fair, national government provided an additional R832 million, in the form of an increase in the provincial equitable share, and R250.7 million in the form of an increase in conditional grants, to support the fight against COVID-19 in the Western Cape.

However, we should be careful of “fiscal spin” because what national government gives with one hand, they often take away with the other hand.

The fact is that:

- while R250.7 million was added to conditional grants over the medium term for the health department to fight COVID-19;
- R1.99 billion was also subtracted from other conditional grants for the health department over the medium term;
- which means the net effect for the health department is a cut of R1.85 billion to conditional grants over the medium term in the Western Cape.

The fact is that provincial government is on the frontline of the fight against COVID-19, spending about R1 billion per wave of the pandemic in the Western Cape.

We have a fiscal strategy that aims to balance these competing forces:

- we have “leaned in” and allocated an additional R2.05 billion over the medium term for the fight against COVID-19;
- we have “leaned in” and allocated an additional R125 million over the medium term to restore the baseline for human settlements;
- we have “leaned in” and allocated an additional R5.04 billion over the medium term to restore the baseline for health; and
- we have “leaned in” and allocated an additional R4.33 billion over the medium term to restore the baseline for education in the Western Cape.

We have also taken the fight to national government and we are pleased that, following our petition, under Section 79 of the Constitution, on the Division of Revenue Amendment Bill, 2020, we have a commitment from President Cyril Ramaphosa in a letter dated 15 January 2021 that:

“...if the court orders that the last leg of the 2018 collective agreement for the public service be implemented, the National Treasury will make recommendations to Cabinet for the introduction of the required draft legislation in Parliament to provide for such funding.”

We consider this commitment to be a huge win for provinces because it mitigates a significant fiscal risk, which was transferred to provinces by National Treasury.

However, we cannot go on like this and so we have begun the work to prepare for a different fiscal future.

We have launched a new *Fiscal Futures* project to look over the horizon and determine the best options available to maintain the long-term fiscal sustainability of provincial government in the Western Cape.

5. We will spend R17.08 billion on “Jobs”, R2.35 billion on “Safety” and R115.96 billion on “Well-being” over the medium term to support recovery in the Western Cape

We have been hit hard by the pandemic, but we have a recovery plan guided by three “North Stars” - “Jobs”, “Safety” and “Well-being” - which will ensure that we move forward and provide hope in the Western Cape.

5.1 “Jobs”

We will spend R17.08 billion over the medium term to boost economic growth and create jobs in the Western Cape.

We will create an enabling environment for the private sector to drive economic growth and create jobs.

We will do this by:

- accelerating the ease of doing business; boosting private sector investment and promoting exports; increasing spending on infrastructure; scaling up work opportunities; and ensuring economic resilience.

We will, for example, spend:

- R46.9 million over the medium term on ease of doing business interventions, 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 to start a business, or to expand a business;
- R367.6 million over the medium term on boosting investment and promoting exports, which will focus on attracting investment, particularly in the Saldanha Bay Industrial Development Zone and the Atlantis Special Economic Zone, and on promoting exports to existing and new markets; and
- R559.46 million over the medium term on scaling up work opportunities, especially work opportunities for the youth including artisan development, skills for the digital economy, financial and business sector skills so that our young people have the right skills to fill the jobs available now and in the future in the Western Cape.

We do this because people with jobs have hope.

5.2 “Safety”

We will spend R2.35 billion over the medium term on improving safety in the Western Cape.

We will reduce crime, especially violent crime, in the Western Cape.

We will do this by:

- improving the effectiveness of policing; strengthening protective factors against violence; and increasing safety in priority areas and public places.

We will, for example, spend:

- R750 million over the medium term on 500 additional law enforcement officers for high crime areas, which will ensure that there are more trained law enforcement officers on the ground to fight crime, especially violent crime, and improve safety;
- R23 million over the medium term to expand opportunities for at-risk youth in high crime areas, which will give more young people who live in tough neighbourhoods the opportunity to attend the Chrysalis Academy, so that they will not be vulnerable to drugs and gangs; and
- R4.7 million over the medium term to strengthen area-based teams in high crime areas, which will consist of representatives from the Western Cape Government, City of Cape Town and South African Police Service, working together with external partners to implement area-based crime solutions in the Western Cape.

We will do this because people who are safe have hope.

5.3 “Well-being”

We will spend R115.96 billion on well-being over the medium term in the Western Cape.

We will empower people and we will create a sense of belonging for people in the Western Cape.

We will do this by:

- ensuring children have strong foundations; developing young people's soft skills; improving nutrition of learners; providing support to the homeless; and promoting social cohesion in communities.

We will, for example, spend:

- R772 million over the medium term on eLearning which will enable more learners to access free resources that support their studies and help them to continue learning even when schools are closed;
- R17.5 million over the medium term to increase support services to families at risk and victims of gender-based violence, which will enable the establishment of new shelters and additional gender-based violence social worker post, to further strengthen our after-hours response; and
- R1.5 million over the medium term to lead an engagement to determine how to ramp up early childhood development interventions across the Western Cape.

We will do this because people who feel empowered and have a sense of belonging have hope.

6. We will spend R29.09 billion on infrastructure over the medium term in the Western Cape.

We have to accelerate investment in infrastructure to drive economic growth and create jobs, which is why we will spend R29.09 billion on infrastructure over the medium term in the Western Cape.

We know that investment in the identification and preparation of infrastructure projects has a significant benefit, which is why today I am pleased to announce a new *Project Preparation Facility*.

Which will assist departments and public entities with project preparation costs, to create a clear, visible and well prepared pipeline of infrastructure projects.

We have allocated R23.8 million over the medium term for the first tranche of projects and will issue guidelines for further applications to the new *Project Preparation Facility* in 2021/22.

And we continue to explore options to expand private sector investment in infrastructure, including accelerating public-private partnerships, and possible borrowing under the Borrowing Powers of Provincial Government Act (No. 48 of 1996).

7. We will spend R48.8 million over the medium term to beat load shedding in the Western Cape

We know that load shedding costs the economy about R75 million per stage, per day in the Western Cape.

When it comes to the economy COVID-19 is a "left hook", and load shedding is a "right hook", which together often results in a knock-out blow that risks compromising economic recovery.

Which is why we will spend R48.8 million over the medium term, and provide a further R20 million in the provincial reserves, for the Municipal Energy Resilience project.

Which is a bold, and ambitious, project to support municipalities to generate, procure and sell their own power so that we can beat load shedding in the Western Cape.

Today I am pleased to announce that the six candidate municipalities participating in the Municipal Energy Resilience Project in this financial year are the:

- Drakenstein Municipality;
- Mossel Bay Municipality;
- Overstrand Municipality;
- Saldanha Bay Municipality;
- Stellenbosch Municipality; and
- Swartland Municipality.

And we are also pleased to be collaborating with the City of Cape Town on the Municipal Energy Resilience Project.

8. We will spend R217.61 billion over the medium term in municipalities across the Western Cape

We will spend this budget across five districts, and 30 municipalities, in the Western Cape.

Over the medium term, we will spend:

- R24.95 billion in the Cape Winelands District;
- R10.77 billion in the West Coast District;
- R18.94 billion in the Garden Route District;
- R8.19 billion in the Overberg District;
- R3 billion in the Central Karoo District; and
- R151.76 billion in the City of Cape Town.

We know that municipalities have experienced revenue shocks and have responded by protecting revenues and reducing costs.

While municipal finances are broadly in good health, a number of municipalities remain in severe financial distress.

So, we will continue to work closely with vulnerable municipalities to manage risks and improve their financial stability.

However, we will not hesitate to take action if there are allegations of corruption in municipalities in the Western Cape.

And, for that reason, we have allocated R8.6 million to strengthen the forensic investigation capacity of the local government department.

9. We will spend R142.8 million over the medium term on innovation in the Western Cape

We will, looking ahead, have to do much more, with much less, in the Western Cape.

To achieve fiscal sustainability, we will:

- explore opportunities to increase own revenue;
- protect frontline services from budget cuts;
- maintain strong downward pressure on expenditure; and
- support new ways of work in the Western Cape.

To put it simply, we will have to find ways to be leaner, smarter and more innovative.

Which is why we have established a *Fiscal Transition Support Facility* to find new, smarter ways of delivering services.

We have drawn down a total of R142.8 million over the medium term from the provincial reserves to enable the *Fiscal Transition Support Facility*.

And today, I'm pleased to announce the funding of a number of innovative projects including:

- R99 million over the medium term for the home delivery of chronic medication, which will decongest our clinics and decrease waiting times for sick patients;
- R10 million over the medium term to provide tele-health services, which will use technology to support the remote delivery of health care services while empowering people to better manage their own health;
- R2 million for the launch of an e-procurement solution, which will make it easier for businesses, especially small businesses, to become government suppliers; and
- R1.35 million over the medium term to digitise the Western Cape archives, which will move the archives online, making it easier for researchers to access, while decreasing physical space requirements and rental costs.

The scope of innovation in the provincial government includes many other projects as well, such as:

- a new housing demand database where beneficiaries can view their status on their mobile phones; and
- a new "Blue Dot" taxi transportation service, which aims to ensure safe and efficient taxi services in the Western Cape.

10. We have R1.03 billion in provincial reserves for future risk in the Western Cape

We have been forced to draw down on our provincial reserves to fight the COVID-19 pandemic in the Western Cape.

However, we have to be prepared for future risks.

So:

- we have made provision for unforeseeable and unavoidable expenditure in the amount of R250 million in 2021/22, R350 million in 2022/23 and R432.8 million in 2023/24; and
- we have made provision for additional COVID-19 related cost pressures in the amount of R800 million in 2021/22.

We will, however, have to replenish our provincial reserves over the medium term in the Western Cape.

11. We will expand the Procurement Disclosure Report to include vaccine-related expenditure in the Western Cape

We are committed to clean government in the Western Cape.

We were the first provincial government to disclose detailed information on COVID-19 related expenditure.

We now:

- publish a detailed monthly Procurement Disclosure Report;
- publish a detailed quarterly Procurement Disclosure Report; and
- will publish a detailed annual Procurement Disclosure Report on COVID-19 related expenditure in the Western Cape.

And, we will expand the contents of the monthly, quarterly and annual reports to include detailed information on expenditure in relation to the vaccine programme.

We have outperformed all other provinces in the 2019/20 audit results with:

- 25 departments and public entities receiving unqualified audits; and
- 19 departments and public entities receiving clean audits in the Western Cape.

However, the highlight is the health department, which was the first provincial health department to receive a clean audit, and they have done it again, even while being the lead department in the fight against COVID-19 in the Western Cape.

12. We have received R220.8 million in additional conditional grant funding for the Western Cape

Tucked away, under the budget books, is the Western Cape Third Adjustments Appropriation Bill, 2021, which we table today to enable:

- an additional allocation of R150 million to the Human Settlements Development Grant for housing; and
- an additional allocation of R70.8 million to the Provincial Emergency Housing Grant, to support the victims of the terrible fire in Masiphumelele, which broke out on 17 December 2020.

The Western Cape Third Adjustments Appropriation Bill, 2021 also enables:

- an additional allocation of R116 million for the response to the second wave of the pandemic and to “jump start” the rollout of vaccinations in the Western Cape.

13. Conclusion

We must not forget that 263 846 people have recovered from COVID-19 in the Western Cape.

However, the fact is that we remain locked in a struggle between a virus and a vaccine, and we must not let the virus win.

And so, today, we table "A Budget for Hope" in the Provincial Parliament.

We have:

- mobilised a R2.17 billion "war chest" to defeat COVID-19.

Which will:

- give hope to all of us in the Western Cape.

We have:

- mobilised R100 million to provide humanitarian relief.

Which will:

- give hope to people who are struggling in the Western Cape.

We will:

- spend R17.08 billion to boost economic growth and create jobs.

Which will:

- provide hope to people without jobs in the Western Cape.

We will:

- spend R2.35 billion on improving safety.

Which will:

- give hope to people who feel unsafe in the Western Cape.

We will:

- spend R115.96 billion on well-being.

Which will:

- give hope to people who feel disempowered in the Western Cape.

In the end, this budget gives hope because it is a budget that supports the plan to defeat COVID-19, which is destroying lives, and is destroying livelihoods in the Western Cape.

I would, in closing, like to thank:

- Premier Alan Winde, and my Cabinet Colleagues, for their support during the finalisation of the provincial budget;
- David Savage, and "Team Finance", for all their hard work developing and finalising the provincial budget;
- Mireille Wenger, and members of the Programming Committee, for accommodating a delayed tabling of the provincial budget; and
- Cayley Green, Francine Higham and Robert Botha for their grace under pressure as we finalised the provincial budget speech.

So, it 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 2021 Appropriation Bill;
- The Provincial Gazette of Allocations to Municipalities;
- The Western Cape Third Adjustments Appropriation Bill; and
- my speech for discussion and deliberation in the Western Cape Provincial Parliament.

We must not forget that, in the end, every one of us must continue to play our part by wearing our masks, by sanitising regularly, and by practicing social distancing so that, together, we can defeat COVID-19, which is destroying lives, and is destroying livelihoods, in the Western Cape.

I thank you.