

**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**

**2020**

**Speech**

*"A budget to bounce back"*

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26 November 2020

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**Speech by David Maynier,  
Minister of Finance & Economic Opportunities,  
Western Cape Government,  
Medium Term Budget Policy Statement 2020,  
Western Cape Provincial Parliament,  
Cape Town,  
26 November 2020**

**“A Budget to Bounce Back”**

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**

When Premier Alan Winde delivered his special address in this parliament a month ago, he outlined a recipe for real change in the Western Cape.

Which was aimed at ensuring that every single person, no matter who they are, or where they come from, could live a life of dignity, because the life of every person matters in the Western Cape.

To guide our work, and to improve people’s lives, Premier Alan Winde chose to focus on three ‘North Stars’ - on “Jobs”, on “Safety” and on “Wellbeing” - to deliver a recipe for real change in the Western Cape.

## 2. Support Package

So, I am pleased to announce that we have mobilised an additional combined R1.4 billion support package for “Jobs”, for “Safety” and for “Wellbeing”, in this financial year, so that we can bounce back in the Western Cape.

### 2.1 Jobs

On “Jobs” *inter alia*:

We have allocated an *additional* R155.9 million to support small businesses by accelerating basic maintenance and repair of infrastructure at schools in the Western Cape.

We have allocated an *additional* R12 million to support small businesses, which have been hard hit by the COVID-19 pandemic in the Western Cape.

And we have allocated an *additional* R8.5 million to support businesses in the wine industry, which have been hard hit by the COVID-19 pandemic in the Western Cape.

We have done so because when people have jobs, people have dignity, and when people have dignity, people have hope.

### 2.2 Safety

On “Safety” *inter alia*:

We have allocated an *additional* R36.5 million to keep our children safe by accelerating the fencing of schools in the Western Cape.

We have allocated an *additional* R20 million to appoint young people as “safety ambassadors” to drive violence prevention interventions in the Western Cape.

And we have allocated an *additional* R15 million to improve the collection of data at emergency centres to support evidence-based violence prevention in the Western Cape.

We have done so because when people are safe, people have dignity, and when people have dignity, people have hope.

### 2.3 Wellbeing

On “Wellbeing” *inter alia*:

We have allocated an *additional* R4 million to appoint young people to support the development of literacy and numeracy at early childhood development centres in the Western Cape.

We have done so because when people are empowered, people have dignity, and when people have dignity, people have hope.

What is important to note is that these are *additional* allocations over-and-above what has already been provided in departmental budgets in this financial year in the Western Cape.

What this means, for example, is that we have mobilised a total of R39 million to support small businesses hard hit by the COVID-19 pandemic in the Western Cape.

Which is made up of R27 million in the first adjustments budget, and an *additional* R12 million in the second adjustments budget, in the Western Cape.

Which will support about 230 small businesses and save at least 2 000 jobs in the Western Cape.

We have also received welcome national government funding to support “Jobs”, “Safety” and “Wellbeing” in the Western Cape.

Which includes:

- an *additional* R814.2 million to employ education assistants and general assistants at schools;
- an *additional* R61.2 million to employ people to work on maintaining roads;
- an *additional* R53 million to supplement the salaries of employees at early childhood development centres;
- an *additional* R51.2 million to provide food relief to people who are hungry; and
- an *additional* R29.1 million to employ more community health workers in the Western Cape.

We have mobilised a combined R1.4 billion support package for “Jobs”, for “Safety” and for “Wellbeing” so that we can bounce back in the Western Cape.

And we have done so, because as Premier Alan Winde put it:

*“When you have a job, when you feel safe, and when you are treated with dignity, you create hope. They are all inter-linked, without one you cannot achieve the other. Together they are the recipe for real change in the Western Cape.”*

### **3. Debt Crisis**

Two weeks ago, the Minister of Finance, Tito Mboweni, delivered the medium term budget policy statement, drawing on the Gospel according to John, Chapter 12 verse 35, warning us that:

*“You are going to have the light a little while longer. Walk while you have the light, before the darkness overtakes you. Whoever walks in the dark does not know where they are going.”*

Well, we are in deep economic trouble and the darkness is in danger of overtaking us faster than we may think with stagnant economic growth, stunning revenue shortfalls, exploding budget deficits and staggering national debt in South Africa.

To stabilise national debt over the next five years, national government has imposed additional budget cuts over the medium term of R62.9 billion in 2021/22, R92.9 billion in 2022/23 and R150.9 billion in 2023/24 in South Africa.

To national government's credit, the budget cuts have been designed to shift the composition of spending from consumption to investment with:

- spending on compensation of employees increasing at an average annual growth rate over the medium term of 0.8 from R639 billion in 2021/22 to R655 billion in 2023/24; and
- spending on payments on capital assets increasing at an average annual growth rate over the medium term of 7.8 per cent from R100.8 billion in 2021/22 to R111.5 billion in 2023/24.

The budget cuts are drastic, with national government proposing to reduce spending on compensation of employees by R310.5 billion over the medium term via a "wage freeze" between 2020/21 and 2023/24.

However, despite these proposed budget cuts:

- national debt explodes by R984.4 billion over the medium term from R4.5 trillion, or 85.6 per cent of GDP, in 2021/22 to R5.5 trillion, or 92.9 per cent of GDP, in 2023/24; and
- national debt is now expected to stabilise at a staggering 95.3 per cent of GDP in 2025/26 in South Africa.

To illustrate the scale of the problem, consider the fact that national government will be spending R353.1 billion on debt service costs in 2023/24, which is R125.8 billion more than national government will spend on social protection in this financial year in South Africa.

However, all the risk to the economic outlook is on the downside including the speed of economic recovery, the implementation of the proposed budget cuts and spending pressures from failing state-owned enterprises like Eskom.

Which is why almost no-one believes that national debt will stabilise and is why now, for the first time in a long time, face fiscal doom and are at significant risk of a "debt crisis" sometime over the medium term in South Africa.

#### **4. Bailouts**

Which makes it so hard to understand why national government has agreed to a R10.5 billion bailout of South African Airways.

Staggeringly, the provincial budget has been cut by R86.6 million in this financial year to finance the bailout, including:

- a cut of R30 million to the *National Tertiary Services Grant*, which is critical to us maintaining and developing healthcare services at our tertiary hospitals;
- a cut of R23.3 million to the *Title Deeds Restoration Grant*, which is critical to our project to restore dignity to the elderly, those with disabilities and backyard dwellers through the transfer of land ownership;

- a cut of R19.7 million to the *HIV, TB, Malaria and Community Outreach Grant*, which is critical to delivering an immediate and effective response to diseases such as TB, HIV and malaria;
- a cut of R11.5 million to the *Statutory Human Resources, Training and Development Grant*, which is critical to the clinical training and supervision of our health science trainees and the increased capacity of our healthcare workforce;
- a cut of R1 million to the *Comprehensive Agricultural Support Programme Grant*, which is critical to providing effective agricultural support services to smallholder and black commercial farmers, promoting and facilitating agricultural development by targeting beneficiaries of land reform, restitution and redistribution;
- a cut of R492 000 to the *Ilima/Letsema Projects Grant*, which is critical to reducing poverty and supporting food security by investing in infrastructure that assists vulnerable farming communities to increase their production output;
- a cut of R453 000 to the *Mass Participation and Sport Development Grant*, which is critical to the wellbeing and health of our communities by facilitating participation in sport and recreation activities; and
- a cut of R60 000 to the *Land Care Programme Grant*, which is critical to supporting food security by working with communities to sustainably manage natural resources for agricultural production in the Western Cape.

Which is simply wrong, and what makes it worse is that the R10.5 billion bailout is highly unlikely to be the last bailout of South African Airways.

## 5. Budget Cuts

We plan to spend R71.3 billion in 2021/22, R72.5 billion in 2022/23 and R73 billion in 2023/24 in the Western Cape.

However, provinces have not been spared from the drastic budget cuts and the fiscal axe has fallen with:

- spending on compensation of employees being cut by R23.7 billion over the medium term between 2021/22 and 2023/24; and
- spending on non-compensation of employees being cut by R3.1 billion over the medium term between 2021/22 and 2023/24.

Which means the provincial budget will be cut, after adjustments for provincial equitable share formula data updates, by a massive R25.2 billion over the medium term between 2021/22 and 2023/24 in the Western Cape.

## 6. Wage War

To make matters worse, the provincial budget has been cut by R2.3 billion, assuming that a “wage freeze” imposed by national government, which has not been agreed to by the public sector unions, will hold in 2020/21 in South Africa.

However, if the dispute between national government and the public sector unions, which will come before the labour court on 02 December 2020, is not resolved in favour of national government, then we will be required to cough up the R2.3 billion for salary adjustments and conditions of service improvements, which will cause a “liquidity squeeze” in the Western Cape.

We have been arm wrestling with national government for some time on this matter, including warning the Minister of Finance, Tito Mboweni, in a letter dated 05 November 2020, that we regard the proposed reduction as unreasonable and unlawful because, as I put it in my letter:

*“...national government cannot commit provinces to expenditure by negotiating and concluding agreements on their behalf only to then deny them the funds by which to service those agreements and to do so without engagement.”*

We think this matter can be resolved with a guarantee from national government that should payment of the R2.3 billion for salary adjustments and conditions of service improvements become due, the funds will be returned immediately to the Western Cape.

We also suspect that the numbers have been bungled and that the R2.3 billion budget cut imposed, assuming that a “wage freeze” will hold, could be as much as R500 million more than it should have been in the Western Cape.

We are not going to go down without a fight and will continue to robustly engage and arm wrestle with national government to get a fair deal for the Western Cape.

Put simply, we cannot be expected to cough up R2.3 billion that we do not have in the Western Cape.

## 7. Difficult Decisions

We have, as Premier Alan Winde reminded us in his special address, reached a fork in the road in the Western Cape.

We have to face the fact that the demands on government have never been greater, but that there is significantly less money to do the job, and because of that we will have to make difficult decisions in the Western Cape.

We will have to prioritise by focusing on doing less, but doing it well, and so we will continue to focus on “Jobs”, on “Safety” and on “Wellbeing” over the medium term, which are guiding lights of the recovery plan in the Western Cape.

On “Jobs”:

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



So, over the medium term we will focus on improving ease of doing business, increasing investment and exports, boosting infrastructure, supporting small businesses, scaling up work opportunities and skills, and strengthening economic resilience in the Western Cape.

On "Safety":

We know that too many people have been victims of crime, especially violent crime, in the Western Cape.

So, over the medium term we will focus on developing an integrated safety data system, increasing the number of boots on the ground to fight crime, boosting training of peace officers and increasing the number of safety ambassadors driving violence prevention initiatives in the Western Cape.

And, on "Wellbeing":

We know that too many people are not able to reach their full potential because they cannot access the services they need in the Western Cape.

So, over the medium term we will focus on empowering people by providing innovative healthcare and strong foundations for young people, promoting physical and emotional health, meeting basic needs, and building social cohesion across the Western Cape.

However, to achieve this we will have to innovate by finding smarter ways of doing things, we will have to spend less by finding cost-effective ways of doing things, and we will have to partner with the private sector to deliver public services in the Western Cape.

So, I am pleased to announce that to support departments to manage what is going to be a difficult transition, we have established a *Fiscal Transition Support Facility*, which will make available R1.7 billion over the medium term between 2021/22 and 2023/24 in the Western Cape.

Put simply, the *Fiscal Transition Support Facility* is a R1.7 billion facility, drawn from our provincial reserves, that can be accessed by departments over the medium term to support them to find new and smarter ways of delivering services in the Western Cape.

We will, for example, have to explore new and smarter ways of delivering infrastructure to drive economic growth and create jobs by:

- exploring new institutional arrangements to deliver infrastructure; and
- exploring new forms of financing to prepare and deliver infrastructure, including reigniting public-private partnerships which successfully delivered major projects in the past, and possibly borrowing under the Borrowing Powers of Provincial Government Act (Act No. 48 of 1996) in the Western Cape.

## 8. Corruption

The *Procurement Disclosure Report*, which was the first of its kind, has been expanded over time to include reports, not just on the procurement of Personal Protective Equipment, but all COVID-19 related procurement across provincial departments and public entities in the Western Cape.

However, to expand the level of transparency in our procurement system we plan to progressively make public detailed information on a quarterly basis on all procurement via a quarterly *Procurement Disclosure Report*, which is a further ground-breaking reform in the Western Cape.

To make every cent count, we will also:

- roll out an automated procurement planning tool to promote more efficient procurement planning and streamline procurement reporting across departments in the province; and
- pilot, for the first time, the use of Artificial Intelligence systems, to provide us with the tools to analyse years of data, to learn from the past, and to build better predictive capability, and better detection capability for the Western Cape.

## 9. Risks

We have been prudent in the past and have built up significant provincial reserves in the Western Cape.

However, we have been forced to draw down on the provincial reserves:

- to support departments on the frontline of the fight against the pandemic;
- to protect departments, especially education and health, from spending pressures; and
- to support departments transition to the new fiscal reality via the *Fiscal Transition Support Facility*.

The drawdown amounts to R1 billion in 2021/22, R 2.8 billion in 2022/23 and R3.7 billion in 2023/24.

So, we will need to replenish the provincial reserves over the medium term, but we have sufficient provincial reserves to deal with risks such as flooding, fire and drought in the Western Cape.

What we cannot afford is another hard lockdown and so we are also prepared and stand ready to support frontline departments to respond to the resurgence of the COVID-19 pandemic in the Western Cape.

We have:

- R227 million available on the health department's budget;
- R200 million available on the transport and public works department's budget; and
- R864 million available in the provincial reserves.

All of which is immediately available to fight the resurgence of COVID-19 infections in the Western Cape.

## 10. Conclusion

We have mobilised a combined additional R1.4 billion support package for "Jobs", for "Safety" and for "Wellbeing" in this financial year, so that we can bounce back in the Western Cape.

We have done so:

- because, when people have jobs, people have dignity, and when people have dignity, people have hope;
- because, when people are safe, people have dignity, and when people have dignity, people have hope; and
- because, when people are empowered, people have dignity, and when people have dignity, people have hope.

However, let us all be clear that the budget cuts, which have been imposed by national government, are drastic and will require us to have the courage to make difficult decisions in the Western Cape.

To get the job done, as Premier Alan Winde reminded us in his special address in this parliament, we will have to have the courage to:

*"make a tough call on what we will continue to do and what we will no longer do" in the Western Cape.*

However, we can, and we will, do what it takes to bounce back in the Western Cape.

We have worked on the Medium-Term Budget Policy Statement and the associated documents day-after-day, night-after-night, and weekend-after-weekend at the Provincial Treasury. We all owe a big thank you to Provincial Treasury's Head Official, David Savage, who, together with "Team Finance", have done such a great job producing:

- the Western Cape Second Adjustments Appropriation Bill, 2020;
- the 2020 Western Cape Second Adjusted Estimates of Provincial Revenue and Expenditure;
- the Western Cape Gazette of Allocations to Municipalities;

- an Overview of Adjusted Provincial and Municipal Infrastructure Investment, 2020; and
- the 2020 Western Cape Medium Term Budget Policy Statement.

Which it gives me great pleasure to table today for deliberation and consideration by the Western Cape Provincial Parliament.

I would also like to thank Premier Alan Winde and my cabinet colleagues for their support in what turned out to be one of the most challenging budget processes ever in the Western Cape.

And finally, we all have to play our part, and so please wear your mask, sanitise, social distance and stay home if you're sick.

I thank you.