

**Western Cape Government
Provincial Treasury**

**FIRST ADJUSTED ESTIMATES, 2020
SPEECH**

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23 July 2020

**Speech by David Maynier,
Western Cape Provincial Parliament,
Cape Town,
23 July 2020**

“A Budget to Beat COVID-19 in the Western Cape”

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

We could not have imagined the size and the ferocity of the storm on the horizon when we tabled the main budget in Parliament.

When the main budget was tabled, we committed to supporting the health department should COVID-19 reach the Western Cape.

We learned of the first COVID-19 infection just one day after the main budget was tabled in Parliament.

When the storm hit, its size and ferocity were beyond anything we had experienced before in the Western Cape.

We now have 86 372 people who have been infected, 71 491 people who have recovered, 1 622 people who are in hospital and 2 746 people who have died as a result of COVID-19 in the Western Cape.

We have seen some positive signs that the storm may be subsiding, but while we are hoping for the best, we have to plan for the worst in the Western Cape.

We have a plan, and we are executing that plan, which is why we are tabling "*A Budget to Beat COVID-19 in the Western Cape*" today in Parliament.

Which supports the immediate health response, humanitarian response and economic response in the fight against COVID-19 in the Western Cape.

2. Response

What government, and the people in government, have achieved in the fight against COVID-19 is nothing short of extraordinary in the Western Cape.

We have from the start, followed an evidence-based and data-led approach in the fight against COVID-19 in the Western Cape.

We have built three temporary hospital facilities capable of providing 1 248 beds in the Western Cape.

We have built 19 testing and triage facilities with seven more due to come online in the Western Cape.

We have provided 41 quarantine and isolation facilities capable of providing 4 766 beds in the Western Cape.

We have screened 900 000 people, and we have tested 370 000 people, for COVID-19 in the Western Cape.

We have employed an additional 620 healthcare workers to care for the sick in the Western Cape.

We have distributed 130 000 food parcels to households across the Western Cape.

We have distributed 2 million meals through the school feeding scheme in the Western Cape.

We have responded to 3 833 direct inquiries for assistance from businesses in the Western Cape.

We have resolved 915 complaints relating to workplace safety in the Western Cape.

We have begun the process of rolling out 11 000 "COVID-19 Business Safety Kits" in the Western Cape.

We have supported the repatriation of 14 095 people on 97 international flights departing from the Western Cape.

We have rolled out the most comprehensive communication campaign, designed to "stop the spread", in the Western Cape.

And, we have a coordinated, whole-of-government response, to the fight against COVID-19, concentrated in hot-spots across the Western Cape.

3. Emergency Funding

To make much of this possible, we have provided emergency funding, in terms of Section 25 of the Public Finance Management Act (No. 1 of 1999), including:

- R1 billion to the Department of Health for the mobilisation of field hospitals, testing and screening, and more beds;
- R400 million to the Department of Transport and Public Works for the mobilisation of quarantine and isolation facilities; and
- R18 million to the Department of Education for the mobilisation of school feeding schemes in the Western Cape.

We did the right thing and we can be proud of the fact that we opened our school feeding schemes during the lockdown, and despite pressure from national government, refused to close our school feeding schemes, which provide nutrition to vulnerable children across the Western Cape.

4. Innovation

However, this is not all, because government, and the people in government, have been innovative, finding new ways to deliver services more efficiently, including:

- our innovative "Bed Bureau System", the first of its kind in the country, which allows us to monitor and track in real-time the availability of beds throughout the healthcare system;
- our automated Chatbot application system, developed with Aviro Health, which uses WhatsApp to confirm home delivery of chronic medication, and allows high-risk chronic patients to confirm existing appointments before going to a healthcare facility, so they don't have to wait in long queues;

- our partnership with Uber, which delivers chronic medication to community healthcare workers who then distribute it directly to patients' homes; and
- our sophisticated data system to track COVID-19 infections, which makes information publicly available on the COVID-19 dashboard on our website, and provides a model that can be applied to the management of other diseases in the Western Cape.

We could not have done this without strong partnerships with the private sector and with non-governmental organisations, but what government, and the people in government, have achieved, in the fight against COVID-19, is extraordinary in the Western Cape.

5. Outlook

When the Minister of Finance, Tito Mboweni, tabled his Supplementary Budget on 24 June 2020, he described his primary fiscal objective as "closing the mouth of the hippopotamus", or reducing the difference between revenue and expenditure, in order to stabilise national debt in South Africa.

Which is not surprising given the fact that national debt is set to explode to R3.97 trillion, or 81.8 per cent of GDP, in 2020/21 in South Africa.

What this means is that debt service costs will skyrocket to R236.4 billion in 2020/21 in South Africa.

Which, to put the figure in context, is about 3.5 times the size of the provincial budget in the Western Cape.

We are facing a pandemic which is not only costing lives, but is also costing livelihoods, in the Western Cape.

We have not been spared and now estimate that we will lose 10.2 per cent in Gross Value Add, lose R720 million in revenue and lose an estimated 167 000 jobs in the Western Cape.

6. Budget

When President Cyril Ramaphosa opened the “Hospital of Hope” at the Cape Town International Convention Centre, he was clear that “cost is not the issue” when it comes to the fight against COVID-19 in the Western Cape.

However, when the Minister of Finance, Tito Mboweni, tabled his Special Adjustments Budget, the provincial budget was effectively cut by R113.1 million in the Western Cape.

Yes, the HIV, TB, Malaria and Community Outreach Grant was increased by R552.2 million to support the fight against COVID-19 in the Western Cape.

But, the increase was financed, principally, by cutting the Human Settlements Development Grant, Education Infrastructure Grant and Provincial Roads Maintenance Grant in the Western Cape.

What this means, in the end, is that we are, effectively, on our own when it comes to the fight against COVID-19 in the Western Cape.

We estimate that the total finance requirement to respond to COVID-19 will be R5.1 billion, including estimated direct costs of R4.4 billion and revenue shortfalls of R720 million in 2020/21 in the Western Cape.

Which will be dealt with in a three-phase budget process designed to reprioritise expenditure over time including:

- *Phase 1:* focusing on identifying savings from cost containment ahead of the 2020 Special Adjustment Budget;
- *Phase 2:* focusing on identifying deeper savings from reprioritisation ahead of the 2020 Medium Term Budget Policy Statement; and
- *Phase 3:* focusing on identifying even deeper savings from institutional reform ahead of the 2021 Main Budget in the Western Cape.

So, today we kick off the three-phase budget process by tabling “*A Budget to Beat COVID-19 in the Western Cape*”, which is a Special Adjustment Budget, to support the immediate response to COVID-19 in the Western Cape.

We have worked hard to mobilise every cent available, and have allocated R3.05 billion to support the fight against COVID-19 in the Western Cape.

We have allocated funding *inter alia* as follows:

- R1.8 billion to the Department of Health for personal protective equipment, temporary field hospitals, testing and screening, and additional bed capacity;
- R400 million to the Department of Transport and Public Works for the hiring of venues and the purchase of services for quarantine and isolation facilities;
- R310 million to the Department of Education for personal protective equipment, and the sanitisation of schools;
- R84 million for humanitarian relief including *inter alia*:
 - R25.9 million to the Department of Social Development for an emergency food relief programme;
 - R18 million to the Department of Education for an emergency school feeding scheme; and
 - R17.8 million to the Department of Local Government for an emergency food relief programme;
 - R27 million to the Department of Local Government for the coordination and implementation of the response to the pandemic in hotspots;
 - R14 million to the Department of Economic Development and Tourism to support small businesses, workplace safety, and the screening of passengers at the George Airport; and
 - R12 million to the Department of Social Development for personal protective equipment and operational support to Old Age Homes and Early Childhood Development Centres across the Western Cape.

- We have funded the allocation:
 - by committing R1.4 billion from the provincial reserves, set aside for unforeseeable and unavoidable expenditure, service load pressures, and fiscal stabilisation to fund emergency expenditure provided for in terms of Section 25 of the Public Finance Management act (No. 1 of 1999);
 - by committing R1 billion in savings realised from baseline reductions implemented by departments and public entities as a result of reduced spending on travel, subsistence, communication, catering, consultants and other funds that could not be spent as a result of the lockdown regulations;
 - by committing R605.5 million in national conditional grants made to support the response to the pandemic including the HIV, TB, Malaria and Community Outreach Grant and the Provincial Disaster Relief Grant; and
 - by committing R27.2 million in funds rolled over, or retained, during the 2019/20 financial year, in the Western Cape.

Which results, after taking into account reductions in national conditional grants of R665.3 million, and baseline reductions of R1.2 billion, in a net upward adjustment to the main budget of R1.1 billion in the 2020/21 financial year in the Western Cape.

Which leaves us with R376 million in the provincial reserves for unforeseeable and unavoidable expenditure, which is the minimum required to mitigate further disaster related risks in the 2020/21 financial year in the Western Cape.

We would simply not have been able to support the fight against COVID-19, to the extent that we have, had we not held the fiscal line and built up a R1.8 billion provincial reserve in the Western Cape.

We still have a significant fiscal mountain to climb and going forward we will have to put in place new measures to limit spending, especially on compensation of employees:

- by ensuring that the only vacancies that are filled are critical vacancies in departments and public entities; and
- by maintaining, or extending, upper limits on spending when it comes to compensation of employees in departments and public entities in the Western Cape.

7. Reform

We have invested significant amounts of money on personal protective equipment for staff on the frontline in the fight against COVID-19 in the Western Cape.

We must, of course, be vigilant because there are always risks, and so we have put in place a number of new measures designed to mitigate these risks, including:

- establishing the Central Procurement Advisory Committee to provide support and advice to the main procuring departments;
- enhancing the surveillance of procurement of personal protective equipment, including mobilising our internal auditors to scrutinise and monitor procurement transactions; and
- most importantly implementing a new "*Procurement Disclosure Report*" in the Western Cape.

We are pleased to announce that for the first time, we will begin making public regular, standardised and automated reports, on a monthly, quarterly and annual basis, on the procurement of personal protective equipment in the Western Cape.

We will begin by releasing information about the name of the department, a description of the item, the name of the supplier, the unit price per item and

the total price in relation to procurement of personal protective equipment in the Western Cape.

We consider the "*Procurement Disclosure Report*" as a best-in-class example of transparency, and another innovative step towards maintaining clean government in the Western Cape.

8. Municipalities

We know that municipalities have experienced major revenue shocks as a result of the COVID-19 pandemic in the Western Cape.

We will continue to monitor vulnerable municipalities, and work with all municipalities to assess the impact of the COVID-19 pandemic on municipal finances in the Western Cape.

9. Conclusion

We know there are those who simply dismiss government, and the people in government in the Western Cape.

However, when we look back, many stories will be told, but I hope that the story of the "Hospital of Hope", will be remembered because it is a remarkable story in the Western Cape.

When the project was finally scoped, costed, planned and approved, there were just 17 days left to build the "Hospital of Hope".

Working together was a team from the Western Cape Government, from the City of Cape Town, from the Cape Town International Convention Centre, and from the private sector, who put in long hours, working seven days a week to meet the deadline, to deliver the "Hospital of Hope".

What many of us do not know is that teams designed and built on the move, mocking up bed pods on one side of the hall, while building bed pods on the other, and what emerged, in record time, as a result of this team effort, was an 850-bed temporary hospital, called the "Hospital of Hope".

What many of us do not know is that the "Hospital of Hope" comprises of:

- 1.6 kilometers of dry-walling, 2 kilometers of copper piping, 1.4 kilometers of rubber matting, 150 electrical distribution boards, with 1 000 plug points;
- 13 nursing stations, 5 storerooms, 5 treatment rooms, 5 offices, a linen room, a donning room, a doffing room, a discharge room, and a full pharmacy;
- a fully wi-fi enabled environment so patients can video chat with loved ones; and
- almost every part of the "Hospital of Hope" is re-usable, and so when the hospital is no longer required, its many parts will not be wasted, but instead will be used at exhibitions and conferences that will take place when we are ready to open again in the future, in the Western Cape.

What this illustrates is what government, and the people in government, have achieved, fighting COVID-19 in the Western Cape.

And so, we would like to present "*A Budget to Beat COVID-19 in the Western Cape*" to you today, because it is a budget:

- that funds field hospitals;
- that funds isolation and quarantine facilities;
- that funds emergency food relief;
- that funds school feeding schemes;
- that funds schools opening safely;
- that funds businesses opening safely; and
- in the end saves lives, and saves livelihoods, in the Western Cape.

So now, I wish to table:

- the Western Cape Adjustments Appropriation (COVID-19) Bill (2020/21 Financial Year), 2020;
- the First Adjusted Estimates of Provincial Revenue and Expenditure, 2020;
- the Draft Provincial Notice on Amended Allocations to Municipalities; and
- my speech, for discussion, and deliberation, and debate by Parliament.

I also wish to thank David Savage, Head Official of Provincial Treasury, together with "Team Finance" for all the hard work, especially through weekends, which does not go unnoticed, and which is much appreciated, by myself and the cabinet in the Western Cape Government.

And I wish to take a moment to pay tribute to all the people inside and outside government who have found, or find, themselves on the frontline in the fight against COVID-19, because they are the true heroes in the Western Cape.

We salute you.

I thank you.