

Speech by Mireille Wenger
Minister of Finance and Economic Opportunities
Medium Term Budget Policy Statement 2023/24
Adjustment Estimates 2023/24

Western Cape Provincial Parliament
Cape Town

28 November 2023

'MTBPS Framework: A Budget to Build Your Future'

Honourable Speaker and Deputy Speaker
Honourable Premier and Cabinet Colleagues
Honourable Leader of the Opposition
Members of the Western Cape Provincial Parliament
Special Guests
People of the Western Cape

1. Tabling

Speaker,

Today, I stand before this House to deliver the 2023/24 Western Cape Medium-Term Budget Policy Statement and 2023 Adjustments Budget.

To dispense with the formalities before I share the Western Cape's priorities for the Medium Term, and then our immediate fiscal realities, I hereby table before the Western Cape Provincial Parliament today, '**A Budget To Build Your Future**' as contained in:

- The Western Cape Adjustments Appropriation Bill, 2023;

- The Western Cape Adjusted Estimates of Provincial Revenue and Expenditure, 2023;
- The Western Cape 2023 Draft Notice: Additional and Amended Allocations to Municipalities;
- The Overview of Adjusted Provincial and Municipal Infrastructure Investment, 2023; and
- The 2023 Western Cape Medium Term Budget Policy Statement, for discussion and deliberation in the Western Cape Provincial Parliament.

None of this would have been possible without the passion and sheer determination of our hard-working Budget Office in Provincial Treasury, led by Analiese Pick and under the leadership of Acting Head Official, Julinda Gantana.

I'd like to express my deep appreciation and heartfelt thanks to Ms Pick and Ms Gantana, and to the entire team behind them, Taryn van de Rheede, Paul Pienaar, Michelle Nicholas, Shirley Robinson, Malcolm Booysen, Katlego Nkgudi, Sharon van Breda, and Philippus Prinsloo for every vital contribution and all their meticulous work to safeguard our province's robust budget process that enables us to do our very best for future of the people of this province.

I would like to take this opportunity to thank my team in the Ministry- a small but truly excellent team of committed and caring people. Lauren Kent for so strategically ensuring that things work, to Georgie Maree for being a beautiful wordsmith, to Susan Smit for expertly reviewing reports and legislation, Rushka Brenner for being the most efficient and contemplative person I know, and to Gaynor Lucas, Anjero Sauls and Igshaan Davids for their invaluable support.

Medium Term Budget Policy Statement 2023/24

2. Budget process

Speaker, one of the core requirements for an effective, stable, and citizen-centric, service-delivery orientated government, at any level, is knowing how much funding is available over a three-year cycle, so that we are able to plan properly and allocate efficiently, for maximum benefit of the residents we have been elected to serve.

Each year the Western Cape Government starts its budget process in June. And between June and September, which we call Phase One, we prepare for the years to come, based on the national fiscal status and various revenue projections, by applying a scenario-based, risk-aware, and evidence-led approach.

We then head into Phase Two of our budget cycle, which encompasses two short- and medium-term approaches. The first is the Adjustments Budget that I will table today, in which we strive to create certainty and in-year fiscal sustainability in terms of the promises and priorities that we have already made.

The second, and medium-term, approach is addressed through this Medium-Term Budget Policy Statement, which sets out the budget policy framework within which the 2024 Budget will be formulated for the years from April 2024 until 2027.

Phase Three of our process then provides certainty over the next three years, vital for any government serious about governing and delivering vital services to its citizens, in the form of the Main Budget, which I will deliver in March 2024.

This Main Budget is what gives life and funding to the very purposes of government – to deliver what is required to enable economic growth and job creation, while protecting the most vulnerable in society, until they can be brought into the economy, and empowered with the skills and opportunities they need to succeed.

And each year, this cycle repeats, so at any given time, we should know what will be allocated, where and for what purpose, over a three-year cycle, setting the scene for timely and proper planning.

This planning is especially critical for big projects like major infrastructure investments and upgrades that can take many years to complete. Which is why having a clear and certain budget over 3 years or more, is vital for government to execute our mandate for the people of this province.

Today, in our '**Budget to Build Your Future**', I provide the economic, fiscal, and budget policy context that will inform the 2024 Budget, setting out our priority to put the people of this province first, by protecting our frontline services of education, health and social development, while also ensuring that we continue to build on our strong foundations to build a collective future of prosperity and hope.

This framework is based on the information and data tabled in the Provincial Economic Review and Outlook, or PERO, and the MERO, which combine to give us the evidence we need to fully realise the many opportunities for jobs, growth, and hope across Western the Cape.

3. A budget to build your future

Speaker,

Sustained and adequate economic growth does not come out of nowhere. It requires proper enablement, in the short, medium, and especially the long term as well as action.

The Western Cape Government economic action plan, 'Growth For Jobs' sets out our map to achieve a R1 trillion, jobs-rich, inclusive,

resilient, thriving, and diverse provincial economy that is growing between 4 and 6 percent in real terms, by 2035.

Because the only way we will effectively address the challenges we face, is by enabling what we call “breakout economic growth” that will create the jobs.

And speaker, we are starting to see the positive impact of our action plan, signalling that we are effectively building on our established foundations, to go even further and create even more jobs and hope in the Western Cape.

The evidence of this is seen plainly in the most recent Quarterly Labour Force Survey, which confirmed that not only did we create more jobs between quarter three of 2022 and quarter three of this year than any other province, with more than 300 000 new jobs, but we also have the lowest unemployment rate, the lowest expanded unemployment rate, the highest absorption rate, and highest labour force participation rate in South Africa.

We are a province that **works** and is *at work*, building a better future.

So, encouraged by the progress with jobs, and in the face of challenges and grave uncertainty because of national failings, we do what we in the Western Cape do best:

We protect.

We strategically prioritise.

We boost.

We do this so that we continue to deliver on our core priorities of jobs, safety and wellbeing.

We do this to invest in and build on our growth and prosperity by leveraging and maintaining our vital growth infrastructure and networks.

We do this so that we continue to **Build Your Future**.

4. Economic context – facing up to challenges with key choices

Speaker,

Looking at the global and national challenges we face, the economic growth forecast for the 2024 Medium Term Expenditure Framework (MTEF) is compromised by the ongoing energy catastrophe, which has seen the country plunged back to stage 6 loadshedding over the weekend.

Compared to the 2023 National Budget, gross tax revenue for 2023/24 is estimated to be down by an astonishing R56.8 billion due to weaker corporate tax collections and Net VAT collections.

Debt servicing costs are projected to grow by R14.1 billion to R354.5 billion in 2023/24 and are expected to increase further to R455.9 billion (5.4 per cent of GDP) in 2026/27.

Gross loan debt is projected to increase from R5.238 trillion in 2023/24 to R6.524 trillion in 2026/27, an increase of R1.286 trillion.

With national economic growth expected to expand by a mere 0.6 per cent in 2023 and 1.1 per cent in 2024, combined with the devastated rail infrastructure and inefficiencies at ports which continue to strangle economic growth, put plainly, the national fiscus is at breaking point.

But despite significant handbrakes to economic growth, brought on by far too many years of corruption, mismanagement and blatant neglect of critical economic infrastructure, the Western Cape has

made remarkable progress since the 4th quarter of 2021, a 7.8 percentage point reduction in the unemployment rate, standing at 20.2 per cent in the 3rd quarter of 2023, show we are on the right track for more jobs to build a better future.

5. Impact on the Provincial Fiscal Framework

But Speaker,

The current national fiscal environment has major implications for the allocation of resources to provinces.

Over the 2024 medium-term, allocations to provinces are projected to increase at an average annual growth rate of 4.4 per cent from 2024/25 to 2026/27.

But this supposed “growth rate” is lower than the expected average inflation rate of 4.6 per cent over the same period, resulting in a **real decrease** of approximately 2.0 per cent in funding to provinces.

At 12 per cent of South Africa's population, the Western Cape has the third largest population, but we receive the fifth largest budget in terms of the Provincial Equitable Share.

This highlights the significant disjuncture between the population size and the equitable share. Speaker, we are actively engaging with the national Treasury to understand and to correct this plainly unequitable allocation, to ensure that residents received their fair share.

a. PES and conditional grants

It is important to note, that the PES formula will only be updated with the 2022 population estimates data for the 2024 MTEF period,

meaning that the Western Cape's proportion of the horizontal share is set to decrease. This, despite the fact that the latest Census data recorded a surge in the Western Cape's population of 1.610 million people between 2011 and 2022.

While we anticipate the 2025 MTEF PES calculations to contemplate the population dynamics more accurately, we face the pressure of an increased population, today.

Overall the 2024 MTEF period, a total of R61.5 billion is reduced from the provincial equitable share (PES) vertical share.

Speaker, the implications of this is a net reduction to the 2023 Western Cape baseline of **R6.7 billion or 3.5 per cent** over the 2024 MTEF.

This reduction is comprised of R379.612 million as result of technical changes to the PES formula over the 2024 MTEF, and a further R6.4 billion due to fiscal consolidation reductions imposed by national government.

The Provincial baseline is thus reduced by R2.219 billion (or 3.64 per cent) in 2024/25, R2.211 billion (or 3.48 per cent) in 2025/26 and R2.307 billion (or 3.48 per cent) in 2026/27.

In terms of the wage cost, the National Treasury has committed to providing 78 per cent of the cost of the wage increase, for only Education and Health, leaving a significant shortfall for these departments, our largest departments, while no allocation has been made to any other votes to cushion the blow of these increases.

Because we are a province that plans and prioritises, we are able to soften the blow somewhat and provide a thin cushion against this severe slashing of our budgets to the amount of R1.911 billion. This is allocated from the fiscal stabilisation reserve over the 2024 MTEF, as well as the reallocation from the Provincial Revenue across the MTEF.

But Speaker, the fact remains that there is no way we can shield our budgets and we will have a significant shortfall of R2.646 billion over the MTEF that needs to be funded from departments over the 2024 MTEF, amounting to R855.789 million in 2024/25, R846.740 million in 2025/26, and R943.515 million in 2026/27

Exacerbating the situation is the significant uncertainty around the cuts to the conditional grants, which have been reduced by R642.28 million in-year, but which are not yet clear over the 2024 MTEF.

We are most concerned that these conditional grants will be cut significantly and will affect children and the sick most acutely.

And although I am not pleased that we are being forced to do so, I am exceptionally proud of the hard-working public servants within our Provincial Treasury and our departments who are working so diligently together to figure out this impossible balancing act, with the mission of achieving the very best outcomes for the people of our province even though there is much, much less available.

6. Budget Principles

Speaker,

Our duty is to ensure that the choices we make now will have not only an immediate impact on lives and livelihoods today but have a lasting positive impact on our children's futures, and the generations to come.

The choices that we make are becoming increasingly difficult, as our fiscal environment becomes unimaginably tough.

To guide our choices, we have our established Budget Principles, which we will diligently apply to decision-making in preparation for the 2024 Budget. These include:

- Responding to fiscal consolidation by applying effective Compensation of Employee strategies that align to service delivery strategies, while identifying opportunities for alternative financing, exploring innovation for greater efficiencies and impact, and identifying those areas that would need to be downscaled and terminated because of drastic cuts imposed by national government.
- Enabling long-run fiscal sustainability, with a focus on rebuilding reserves over the medium term to maintain a sustainable fiscal base for the province. In support of this objective, this government will continue to implement its CoE strategy to effectively manage headcount.
- Unlocking allocative efficiency through budget repositioning and programme trade-offs to maximise spending outcomes and impacts. This principle signifies the strategic repositioning of existing plans and budgets to align with this government's policy priorities. Fiscal constraints mean that departments and entities are reprioritising within their baselines, and strategically repositioning their plans and budgets to fulfil service delivery requirements in accordance with their mandates.
- And finally, we are enhancing productive efficiency, through a comprehensive reassessment of input allocations across major expenditure items such as compensation, goods and services, transfer payments and infrastructure investment and renewal. To further enhance productive efficiency, tough choices such as reprioritisation, implementing hard stops on programmes lacking impact, and identifying areas for downscaling are imperative. In the prevailing economic context, productive efficiency should

particularly emphasise enhancing growth, especially focused on areas such as infrastructure, ports, and energy.

Overall then, the Western Cape Government's fiscal and budget approach revolves around two primary objectives.

Firstly, departments are mitigating the impact of baseline reduction.

And our second focus is implementing programmes aligned with the key provincial priorities of Growth for Jobs, Safety and Wellbeing, and the enablers of Innovation, Culture and Governance, to Build Your Future.

In addition, we will act to strategically protect infrastructure maintenance across departments, as we understand that by maintaining our key infrastructure, we are protecting our future economic success and the enablers of growth, which is the very basis of **Building Your Future**.

This includes outlining critical priority areas of delivery, as well as the priority areas that would need to be downscaled or terminated, while placing significant emphasis on identifying strategic interdependencies between departments that require co-decision making.

7. Provincial Reserves

So what we have done is to make sure that we have resources available should the unavoidable or unforeseen occur.

The strategic accumulation of provincial reserves is aimed at ensuring there is a sufficient pool of financial resources to tackle sudden and unforeseen fiscal, economic, or adverse events that could potentially disrupt service delivery. As we have learned, increased government expenditure, particularly in frontline service delivery, stands to be

affected by unforeseen and unavoidable events, like pandemics and disasters.

Using provincial reserves enables the province to stabilise key components of our service delivery despite external pressures on public finances.

Speaker, I must stress that the current external pressures will impact and reduce our ability to respond to all service delivery demands.

In response to the unprecedented fiscal constraints at the national level, the Western Cape is proactively drawing down on provincial reserves to safeguard against fiscal consolidation measures, which impact service delivery.

8. Budget Priorities

In stark contrast to previous years, we are now only able to give broad estimates for allocations, by cluster, as a direct result of the uncertainties created by the chaotic budget process.

The preliminary 2024 MTEF allocations for the Social Cluster amounts to R198 billion.

Our focus on improving the well-being of our residents remains a priority, so that we can ensure that children in every district in our province can learn and grow and build their future careers and interests, so that we can help our residents to be healthy and active in society to, together, build communities for the future.

And so, preliminary 2024 MTEF allocations for the Economic Cluster amounts to R44.8 billion.

We will continue to prioritise according to our Growth of Jobs strategy because we know that by investing and creating the conditions in

which the private sector can thrive, we are building your future by growing an economy that delivers sustainable job creation.

Underpinning all of this is a focus on safety. We are building a safe and secure future, not only by tackling crime in the most violent hotspots head on by increasing law enforcement but also by using data-led violence prevention to stop crime before it happens.

For the Governance Cluster, the total preliminary 2024 MTEF allocation amounts to R8.1 billion.

The provincial priorities continue to be supported by the enablers of Innovation, Culture and Governance.

We are Building Your Future by focusing on sound decision-making and institutionalising good governance.

9. Fiscal risk statement

Given the fiscal emergency we face in South Africa, and as much as the Western Cape has a stable, forward-looking budget built on years of austerity, it was prudent to include in this year's MTBPS a fiscal risk statement which serves as a comprehensive, yet streamlined, proactive approach to navigating the challenges and risks set out in the 2023 National Medium Term Budget Policy Statement.

By acknowledging and setting out the national risks and articulating additional provincial concerns, the statement demonstrates a keen awareness of the intricate interplay between the broader economic landscape and the specific fiscal dynamics within the Western Cape.

The Fiscal Risk statement also set out our targeted provincial responses, highlighting our commitment to mitigating potential disruptions while safeguarding the stability of the Western Cape's fiscal framework in the face of evolving economic uncertainties.

Ultimately, it is only by being transparent, and mindful of risks that we can tackle them head-on.

Speaker,

The people of South Africa and Western Cape deserve a government that thinks twice before it commits to the impossible; and faces challenges with data-led policy choices that enable economic growth and job creation so it can deliver frontline services for the benefit of all residents, especially our most vulnerable.

And so, this Western Cape Government will continue to fight FOR YOU, and we will protect our frontline services, FOR YOU.

We will prioritise, so that we are able to boost the programmes that have the biggest positive impact on the lives and futures of all of those who call this province their home.

We will continue to deliver on our core priorities of jobs, safety, and wellbeing.

And we will invest in and build on our growth and prosperity by leveraging and maintaining our vital growth infrastructure and networks, so that together we **Build Your Future**.

I now turn to the impact of the national fiscal crisis on our budgetary allocations in-year.

Adjustment Estimates 2023/24

Speaker, allow me to speak plainly.

I have shared that the Western Cape is facing potentially disastrous budget cuts over the Medium-Term Expenditure Framework or MTEF.

We are now also confronted with unprecedented in-year pressures because of a wage bill, determined by the national government, that – after this parliament approved the annual budget- decided it would not fully fund.

This shortfall amounts to R1,1 billion and in a double whammy also comes with R642.284 **million** in cuts to Conditional Grants.

The fact is our national budget process has come apart.

There is no certainty over the next three years of the MTEF, and now, there is no certainty in the current financial year, with cuts being made in an unprecedented way, in-year.

The failings of the national budget process mean that we aren't budgeting for three years, we aren't even budgeting for one year anymore.

Speaker, we are working on pay-as-you-go budgeting.

The unconscionable consequence for provinces, means that deep cuts are putting committed budgets on the line and our frontline services in education, health, and social development – the very forefront of our Constitutional obligations to the people of our province – are at risk.

But Speaker, I stand before the people of this wonderful province this morning, together with Premier Alan Winde and all of my Cabinet colleagues, with one clear message.

We will not give up.

We will not give in.

And we will stand up and fight for every single resident, who we have sworn to serve.

In the face of these budget cuts, we are utterly determined to protect our frontline services, our children's education, and our people's health and wellbeing.

And, while we protect our children and our vulnerable people, we will continue to invest in this province's future economic success and the ability of our people to get a job, grow a business and achieve break out economic growth that pulls people from poverty to prosperity by maintaining and building our province to be strong for a sustainable future of hope.

And so, Speaker, I turn to one of the main reasons why we are in this impossible situation at all.

10. Public Sector Wage liability

In March 2023, an unfunded two-year wage agreement was centrally negotiated and concluded by national government.

This was followed by National Treasury advising provinces that, despite this agreement being agreed to centrally, by the national government, obligating the same national government to cover the costs of the above inflation increases, it is the provinces that are now expected to foot this bill of billions.

For the Western Cape, the expectation that we can absorb the wage deal increases, means that critical services will be under threat.

This pressure is especially pronounced in essential service delivery departments such as Education, Health and Wellness, and Social Development, which are inherently reliant on human resources like doctors, nurses, teachers, and social workers, and have already experienced significant baseline reductions over the years, all while contending with a growing population and therefore growing demands for service delivery.

The National Treasury committed to provide an additional **R1.706 billion** from the National Fiscus in terms of the Provincial Equitable Share for the 2023 wage agreement increases as a partial supplement and *only* for education and health.

I must stress this point – National Government has committed to allocate 78 per cent of the cost-of-living adjustment for *only the departments of* education and health.

For our province, in this financial year, it means we have a **R1.1 billion in-year** shortfall on the cost of the wage agreement.

But Speaker, it gets worse.

In addition to this significant shortfall, national government has also slashed vital Conditional Grants.

Our Conditional Grants have been reduced by **R642.284 million**, which constitutes an average of 4.4 per cent reduction on conditional grants, *in this current financial year*.

I promised when I started speaking that our undertakings as provincial government remain to do the very best we can for the people that we serve, especially for our young and vulnerable people, and for the vital businesses that make up our diverse and growing economy.

When I delivered the Municipal Economic Review and Outlook in this House last Thursday, we heard how many opportunities there are for us to build on our growth for more jobs and a better tomorrow, and today I remain resolute in that quest despite the hand that national government wants to deal us.

11. Protecting frontline services

In terms of section 31(2)(e) of the Public Finance Management Act, the Adjustments Budget provides for the shifting of funds between and within votes, which will have a zero effect on the budget.

Due to the drastic in-year cuts, departments have been forced to reprioritise internally, realign funding over financial years through rescheduling of projects inclusive of earmarked allocations for energy, and request the un-earmarking of key projects such as infrastructure for schools and roads, as well as child protection services, mental health care facilities, to ensure that we can protect our very core functions.

And so, Speaker,

To protect our people, the 2023 Western Cape Adjustments Budget makes provision for a net addition of **R1 458 719 billion** in expenditure for the 2023/24 financial year.

This will provide additional funds in the main through rollover and revenue retention from the previous financial year, the opportunity of realigning funds to the 2024 MTEF as well as additional allocations mainly made for energy, the wage agreement of Health and Wellness and Education and service delivery pressures.

This is carefully comprised of:

- R835.29 million for Education;
- R931.42 million for Health and Wellness;
- R18.51 million for Social Development; and
- Additional funding for energy and jobs.

Speaker,

Our commitment to protect our frontline services, upon which our residents rely to get quality education, healthcare, and support for those who need it most, remains the cornerstone of this government.

a. Growth For Jobs

And so to deliver an enabling environment, in which the private sector is able to grow and create jobs, we have allocated funding to support energy efficiency through:

- R37.6 million for Solar photovoltaic (PV) for schools to make sure learning can continue despite crippling loadshedding;
- R64 million for a renewable energy solution pilot programme for municipalities; and
- R1.928 million for exploring the potential of gas power.

The provision of other energy projects including emergency loadshedding packs, Grid and Transmission Infrastructure Upgrading Planning, Green Hydrogen Development, and alternative Energy Support to SMMEs have had to be realigned over the medium term.

And as further proof of doing more with less, funding has been also allocated for the acquisition of properties for health and education purposes of R42.413 million.

b. Safety

Despite our determination to keep residents and communities safe, the priority of safety could not totally escape fiscal consolidation, and the LEAP programme had to be cut by R22m, bringing the total in-year allocation to just under R328 million. Doing even more for the safety of every person with even less remains a significant and urgent outcome that we are all vested in achieving.

c. Wellbeing

In education, our children's future has been compromised by unconscionable cuts in the national conditional grants amounting to R179.385 million, which includes cuts to the education infrastructure grant of R156.875 million, and R14.038 million to the Early Childhood

Development Grant's Maintenance Component, as well as other cuts to the HIV and AIDS grant (R3.088 million), the Maths, Science and Technology grant (R4.272 million), the EPWP Integrated Grant for Provinces (R0.207 million), and the Social Sector EPWP Incentive Grant for Provinces (R0.905 million).

But we are determined to do all we can to protect our children from the national fiscal cliff, and so, in this financial year we have allocated:

- R56.4 million to alleviate the in-year cuts to the Education Infrastructure Grant of R156, 875 million, so we can at the very least, keep building classrooms;
- R4.033 million in rollover approvals from 2022/23 of national conditional grant for Learners with Profound Intellectual Disabilities Grant; and
- R13.990 million in rollover approvals from 2022/23 for various projects related to the e-Learning programme such as Smart Classrooms, Coding and Robotics.

And Speaker, to in our healthcare system, despite the slashes made to the national conditional grants of R121.987 million, including the District Health Programme Grant: Comprehensive HIV/Aids Component (R66.516 million), Health Facility Revitalisation Grant (R54.587 million), the EPWP Integrated Grant for Provinces (R0.210 million), and the Social Sector EPWP Incentive Grant for Provinces (R0.674m), to continue our provision of services to the sick and vulnerable, the Western Cape has approved:

- R14.454 million rollover from 2022/23 national conditional grant for Health Facility Revitalisation Grant, for the Health Technology Project; and
- R102.214m in rollover approvals from 2022/23 to alleviate in-year service pressures to fully recover service delivery after COVID-19 including addressing the backlog of surgery lists.

We are also pleased that the quality services provided by our Health workers means that we have increased own revenue from 2022/23 which will alleviate current year service delivery pressures by R52.278m.

In the current year, we have increased own revenue of R **51.558 million** which will be used for:

- The creation of posts at Valkenberg Hospital funded from guaranteed revenue received from the Department of Justice and Constitutional Development for forensic psychiatric observation services provided of R5.442 million;
- At the Western Cape College of Nursing (WCCN), for the increase in operational costs linked to additional academic programmes including student numbers – an additional R16.00 million; and
- The balance is dedicated to alleviating in-year service pressures of R29.516 million.

An additional allocation for service delivery pressures in the amount of R103.153 million has been made to partially fund pressures related to an increased and more complex service load, addressing backlogs, the impact of increasing fuel prices on most commodity prices, increased municipal services tariffs, as well as mitigating the impact of loadshedding and medical inflation.

To protect the most vulnerable and especially our children, despite decreases in National Conditional grants for the Social Sector Expanded Public Works Programme Incentive Grant for Provinces, we have allocated an additional R18.519 million to priorities including:

- Rollover approvals from 2022/23 Modification of specialised vehicles for the transport of children with intellectual disabilities of R1.206 million;
- Increased own revenue from 2022/23 for the transfer of funds to Drop-in Centre Services for the roll out of the Intervention Plan of R723 000; and
- Shifting of funds from Infrastructure for the provision of additional bed space at shelters in the amount of R16.941 million.

d. Infrastructure

In terms of Infrastructure, although the provincial infrastructure budget is decreasing by 6.62 per cent (excluding Catalytic and Agricultural Infrastructure), we are offsetting the decreases in the budget with Maintenance and Repairs of R568.400 million (20.91 per cent), and Upgrades and Additions with R49 129 million (3.23 per cent) so that we can keep building and maintaining your future.

12. Disaster allocations

The impact of the in-year and MTEF national fiscal consolidation cuts as well as the cuts to our conditional grants has had a compound effect on the service delivery in the Province.

And Speaker,

These cuts are made much more difficult to address by the impact of the floods in May/June and September. Initial costing from the Department of Infrastructure and Agriculture amounts to R845 million and R500 million respectively. I regret to inform this House that we *have not and will not* receive funding this year from the National Disaster Management Centre (NDMC), as their funds, set aside specifically to respond to disasters, are depleted.

However, this government has prioritised for growth and jobs and so we have managed to allocate some funds to rebuild when disaster strikes, as it increasingly does due to the impact of climate change.

And so, this adjustments budget draws down R193.013 from the unforeseen and unavoidable reserve for flood damage, which includes R150 million in 2024/25 for roads infrastructure, and R43.013 million for repairs to agricultural infrastructure damaged by the floods.

13. IGR – Taking on national government – for YOU

Speaker, it is abundantly clear that what national government is trying to foist on the people of the Western Cape because of the unfunded, centrally negotiated wage deal is unconscionable.

I promised when I started speaking that we will not give up. We will not give in.

In fact, we believe that the national government did not act in good faith when it concluded a wage deal that South Africa could clearly not afford and which *post-facto* provinces were left to fund. To put this into context, the R1.1 billion shortfall is at current estimates the equivalent of 2 750 personnel consisting of 1 120 teachers within

Education, 755 nurses within Health and 875 other posts (including social workers) across other departments.

The national government has a Constitutional duty, when allocating revenue, to act in the best interest of all three spheres of government.

In wage negotiations the national government owes a particular duty to Provinces to avoid making decisions that harm their fiscal capacity and efficiency, developmental and other needs, and/or detract from their ability to meet their obligations in terms of national legislation. Decisions must be informed by the desirability of stable and predictable allocations of revenue shares.

And so, we are standing up and fighting for every single resident, who we have sworn to serve, and I announce today that the Western Cape Government has declared a formal dispute with the national government, represented by the Minister of Finance, Minister Godongwana, and the Minister for Public Service and Administration, Minister Kievit in terms of sections 41 and 42 of the Intergovernmental Relations Framework Act, which “provides a framework for the establishment of intergovernmental forums and mechanisms to facilitate the settlement of intergovernmental disputes”

This government has repeatedly and consistently raised formal objections to how centrally negotiated wage deals that impact the provinces are concluded by national government, and these objections and calls to engage for a constructive solution have gone unheeded. We are seeing the devastating impact right now.

And so, Speaker, we are taking this fight to the highest levels so that the people of the Western Cape receive what is right and, frankly, what they should lawfully receive as the people of South Africa.

14. Conclusion

Speaker,

I have set out quite plainly the fiscal challenges forced onto the Western Cape, mainly due to the centrally negotiated and enforced Public sector Wage Bill, but also the fiscal cliff, brought on by years of economic mismanagement and abject failure to stimulate the economic growth this country needs to thrive.

In the face of these in-year cuts, this government is taking the most decisive of action to protect our frontline services, our children, those who depend on the public health system, and the most vulnerable in our society, while we strive to invest in the Western Cape's future economic success by maintaining and building our province to be strong and sustainable, for a future that is full of jobs and growth, hope and prosperity.

And so, to ensure stability and hope, we will continue to stand up for every single resident, now and always to deliver **a Budget for Your Future.**

Thank you.