

**Western Cape Government
Provincial Treasury**

BUDGET 2016 SPEECH

**Minister of Finance
Dr IH Meyer**

3 March 2016

Honourable Speaker and Deputy Speaker

Honourable Premier and Cabinet Colleagues

Honourable Leader of the Official Opposition

Honourable Leaders of Opposition Parties

Honourable Members of the Western Cape Legislature

Executive Mayors and Deputy Mayors

Speakers and Councillors

Senior officials of the Western Cape Government

Leaders of the Business Community

Citizens of the Western Cape

Ladies and Gentlemen

Honourable Speaker Premier Helen Zille outlined the Western Cape Government's vision for the next three years in her recent State of the Province Address.

Today, I rise to table the budget to execute that vision and implement our plans over the 2016 MTEF period.

Our plans are clear and measurable.

Our plans are achievable.

Our plans are realistic.

Madam Speaker, the 2016 MTEF budget is our vision in action.

- Creating an open opportunity society requires a capable state. The Western Cape has a capable sub-national government which is willing and able to contribute to the building of a capable state as envisaged in the National Development Plan. Building the capable state requires good management, a commitment to high performance, an uncompromising focus on ethics and a willingness to learn from experience and evidence based practice.

It is underpinned by the:

- o Understanding of the complexity of development;
- o The design of a clear plan to achieve outcomes; and
- o The appreciation that measuring the results of government actions is a vital spoke in the wheel of services delivery and the building of capacity.

Madam Speaker, a capable state also delivers on the mandate of its electorate. **This budget is the implementation of that mandate.**

Honourable members, today, **we are pleased to announce** that this Government is tabling **a balanced budget**. This budget is about:

- Inclusive growth;
- Sustainable growth; and
- Smart growth.

The 2016 Budget, Madam Speaker, is the culmination of our best efforts to arrive at a fair and just distribution of the limited resources at our disposal within what is described by all, **as a severely constrained fiscal environment**. In getting here I want to pay tribute to all the Departments and their Ministers who participated in and assisted the Provincial Treasury through the MTEC 1 and 2 processes, where we vigorously interrogated the Annual Performance Plans, the Business Plans and its alignment with the Provincial Strategic Plan. A special thank you is due to the Department of the Premier, Environmental Affairs and Development Planning, Department of Local Government who together with the Economic Development Partnership assisted the Provincial Treasury in our adjudication and final assessments.

Over and above the MTEC processes this Budget is still guided by the research that informed the MTBPS, and by the collaboration that the Budget Council afforded this Government to jointly address the shortfalls and the revised revenue assumptions brought about by economic developments. To this end the deliberations of our Fiscal Policy Seminar attended by eminent economists, proved to be of much assistance. I want to say up front that we have had constructive engagements with the Minister of Finance, as was the case with his predecessor, and we are generally supportive of all of the cost containment measures proposed by National Treasury.

This budget Madam Speaker is more than rands and cents. On a more fundamental level it is our path to **the creation of opportunity for the people** of the Western Cape.

Madam Speaker, I now turn to the socio-economic context and outlook underpinning the budget.

To address our growth agenda, South Africa has to deal with our domestic constraints. Domestic constraints are within our span of control and we, as a nation, should and must tackle the following domestic constraints to growing our economy:

- Policy uncertainty
- Rising fiscal pressures
- Rising interest rates
- Infrastructure gaps
- Drought

Madame Speaker, in terms of the current drought that the Province is facing, I can announce that two districts (West Coast and Central Karoo) are experiencing drought conditions as well as three local municipal areas namely **Witzenberg – Tulbagh, Oudtshoorn** (Dysselsdorp and De Rust) and **Prince Albert**. These areas have been classified as disaster areas by the National Disaster Management Centre (NDMC) but the official drought declaration is still outstanding as it has so far not been gazetted.

Additional information will be provided by Minister Winde in his Vote speech on Agriculture.

Economic Outlook

The global economy grew by 3.1 per cent in 2015, down from 3.4 per cent in 2014. Growth in emerging economies slowed for a fifth consecutive year while economic growth in advanced economies accelerated marginally. Global economic growth is expected to accelerate to 3.4 per cent in 2016, and then to 3.6 per cent in 2017.

The **national economy grew by 0.6 per cent** in the last quarter of 2015, as confirmed by the recently released data by Statistics South Africa. During 2015, the national economy contracted by 1.3 per cent in the second quarter after registering growth of 0.7 per cent in the third quarter. The main drag on growth was the primary sector, which plunged by 10.4 per cent, following a 9.5 per cent decline in the second quarter.

Agriculture suffered a third consecutive steep fall as severe drought conditions continued and the mining sector was faced with the lower international commodity prices. After weakening for a fourth consecutive year in 2015, the weaker rand exchange rate has contributed to higher consumer inflation. Inflation moved steadily higher and rose from 3.9 per cent year-on-year in February to 5.2 per cent in December 2015.

The Bureau of Economic Research (BER) represented here today by Dr Ben Smit, forecasts economic growth of 0.8 per cent for 2016 before marginally improving to 1.5 per cent in 2017. This is marginally lower than the National Treasury forecast of 0.9 per cent for 2016 and 1.7 per cent for 2017. Inflation is expected to accelerate to 6.9 per cent during 2016 and, at 6.6 per cent in 2017. This will remain well outside the upper inflation target range during 2017. The extent and timing of future rate hikes depend, among other factors, on currency movements and inflation expectations going forward.

The Western Cape is forecast to expand by 1.0 per cent in 2016, improving gradually to 1.8 per cent in 2017. On average, the provincial economy is forecast to grow by 2.2 per cent year-on-year from 2015 to 2020.

The construction sector is anticipated to record the fastest growth rate, on average, between 2015 and 2020. In contrast, the agriculture, forestry and fishing sector is expected to, on average, contract by 1.4 per cent year-on-year mainly due to sharp declines in 2015 and 2016 caused by the severe drought.

Domestic risks to the economic outlook include **structural challenges** such as the **high unemployment** and the **large current account deficit, domestic economic policy uncertainty** and intensifying **pressure on government fiscal revenue**, as well as the **possible downgrade** by the international **credit ratings**. Should the drought conditions persist and turn out worse than currently projected; this could affect the Western Cape disproportionately, due to the closely linked agri-processing and broader manufacturing sector within the Province.

Labour market dynamics

The recently released Statistics South Africa Quarterly Labour Force Survey, reflects that the national labour market had **16 million individuals employed but with 5.1 million individuals** unemployed in the fourth quarter of 2015. That is an unemployment rate of 24.5 per cent.

In the fourth quarter of 2015, the Western Cape had 2.3 million individuals' employed and 571 000 unemployed with an unemployment rate of 19.4 per cent.

In 2015 approximately 3.5 million youth were unemployed in South Africa, of which roughly 10 per cent (357 000) are located within the Western Cape. The national youth unemployment rate (using the narrow definition of unemployment) was 35.8 per cent in 2015, compared with 30.0 per cent in the Western Cape.

Selected **socio-economic indicators** show improvements in the outcomes of health and education. The Western Cape has the **highest life expectancy** for both males and females. However, the leading cause of premature mortality is HIV/AIDS followed by interpersonal violence. Despite the ever increasing the enrolment numbers and consequent pressures on our educational resources, the Western Cape has the **highest school retention rates**. Social ills such as **crime and substance abuse** are continuing to afflict the Province. **Gang**

violence is the biggest contributing factor to the high murder and attempted **murder rates**. Poly-substance abuse remains high within the Western Cape.

Budget Policy Priorities

Madam Speaker, let me now turn to the Budget Policy Priorities of this Government.

The Western Cape Government has continued to strengthen its approach toward **fiscal consolidation** while aiming to **deliver and prioritise** frontline services, supporting economic growth and maintaining fiscal stability. Given the current constrained economic and fiscal environment, the aim of the 2016 Budget is to establish a **stable fiscal** base while giving effect to the policy imperatives of the WCG. This objective has informed the approach to the 2016 Budget.

The theme of the 2016 Budget is a “Budget for Growth”. It affirms the Western Cape Government's alignment to the National Development Plan 2030, while responding to the weakened economic and fiscal outlook and committing to smart, sustainable and inclusive growth. The 2016 Budget gives effect to the budget policy priorities of the Western Cape Government, which aim to support economic development and social progress and create public value for all, while managing service delivery risks.

This is in-line with the 2016 National Budget for inclusive growth which is informed by several broad principles that flow from the National Development Plan. Inclusive growth, improving the quality of education, infrastructure investment, employment creation, contributing to building a capable state and partnerships are key priority areas articulated in the National Budget.

This Government is committed and will continue to implement the National Development Plan **because this is a Province at work**.

The 2016 Budget of the WCG provides for total expenditure by votes amounting to R55.048 billion to be voted in 2016/17, and estimates amounting to R58.117 billion in 2017/18 and R61.402 billion in 2018/19.

Fiscal and Budget Policy Principles

Speaker, at this stage I would like to welcome economists, Professors Estiaan Calitz and Jannie Rossouw as well as Mr Hassan Essop who participated in our first fiscal policy workshop and whose contributions are greatly appreciated.

In response to the constrained economic and fiscal environment, the Western Cape Government adopted fiscal and budget policy principles that inform the 2016 Budget namely:

- **Continued Fiscal Consolidation** which entails the application of personnel expenditure ceilings or upper limits over the 2016 MTEF. This is a specific strategy to curtail and **control personnel expenditure** in response to the constrained fiscal envelope and to address fiscal stability. In this regard, the provincial Cabinet has already agreed on upper limits for Cost of Employees. **These upper limits, for the first time in this Parliament's history, will be earmarked.** The focus will be on ensuring an appropriate mix between critical front-line staff and back-office support. Further work between the Provincial Treasury and the Department of the Premier is on the cards to ensure that Departments **keep within their set upper limits** and that **personnel budgets do not grow** to the extent it has in other Provinces. The Western Cape Government will therefore **table a balanced budget for the 2016 MTEF.**
- **Continued Fiscal Discipline** within and across Votes to ensure that all departments and entities remain within budget limits and to avoid irregular, fruitless and wasteful expenditure.
- **Continued Allocative Efficiency** to achieve a balanced allocation of resources that reflects the priorities of government through programme effectiveness on the basis of evidence.

*Speaker, I wish to **announce that this Provincial Cabinet** has resolved to **review Provincial Public Entities** to assess value for money as well as the value of delivering to ensure that government functions are not duplicated.*

To further ensure that public finances remain sustainable, it is imperative that provincial departments and entities continue to reduce inefficiencies in government spending, including limiting the growth of the **wage bill by curtailing growth in personnel spending.** This is aligned to the 2016 National

Budget and Action Plan to curtail personnel spending through the limiting of compensation budgets and reinforcing cost containment measures. The 2016 National Budget Review indicates that a series of proposals will accelerate fiscal consolidation and that stronger cost-containment instructions will be issued shortly. Government will intensify cost-containment efforts introduced in 2013 and an instruction note to be issued in the near future will set out new rules for spending on goods and services, and conferences funded by departments and public entities. Enforcement mechanisms will also be strengthened. The Western Cape Government has provided extensive input into the National Treasury framework for cost containment measures.

Madam Speaker, I **am pleased to announce** that this Cabinet submitted proposals to the Budget Council and Minister Gordhan to implement measures to improve the current wage negotiation process.

In this regard, the National Minister has responded by announcing that the National Treasury, the Department of Public Service and Administration, and the Department of Planning, Monitoring and Evaluation is evaluating and assessing the 2015 public-sector wage negotiation process and that the results of the assessment will be used to develop and propose reforms to collective bargaining and remuneration that could further enhance fiscal stability.

PSG 1: Creating Opportunities for Growth and Jobs

Madam Speaker, growing our economy is our main priority and entrepreneurs such as Ms Isabel Basson, the owner of Karoo Peaches in Laingsburg, play a vital role in creating jobs. Ms Basson accompanied by her husband, Willem, is one of my special guests today.

The focus areas of the WCG investment in the economy include:

- **Agri-processing, Tourism, Oil and Gas:** as a high-potential contributor to opportunities for growth and jobs. Key enablers such as energy, water, skills, infrastructure and the ease of doing business are critical to realise the potential for growth and job creation.

- **Ease of doing business:** The Western Cape Government will continue to focus on the ease of doing business in the Province, with red tape as a primary inhibitor. R50.5 million is allocated toward resolving barriers to starting and growing business over the MTEF.
- **Skills development:** Receives dedicated funding to increase the **employability and placement of youth**. Targets include training 250 artisan and 310 semi-skilled candidates. Amounts of R63.2 million for the 2016/17 financial year, R62.2 million in 2017/18 and R70.8 million in 2018/19 are allocated for skills development and innovation.
- **Strategic Catalytic Infrastructure and Initiatives:** An amount of R349.4 million has been allocated over the 2016 MTEF. Initiatives to be continued in 2016/17 include the Saldanha Bay IDZ, improved air access, Cape Health Technology Park, expansion of the Cape Town International Convention Centre and implementation of the broadband related projects.

Madam Speaker, we welcome the announcement by the National Minister of Finance, Pravin Gordhan in his National Budget Speech last week that as part of building on the Phakisa oceans economy initiative, a R9 billion investment in rig repair and maintenance facilities is planned at Saldanha Bay.

- **Green Economy:** An amount of R72.753 million has been allocated for these initiatives over the 2016 MTEF. The focus will be on four strategic themes: energy security, resource efficiency, better living models as well as ecosystems goods and services. Alternative energy sources such as Liquefied Natural Gas and Smart Grids will be explored. In addition, agricultural projects include, but are not limited to the clearing of alien vegetation and environmental projects focusing on amongst others, the Berg River Improvement Plan.

Minister Winde will provide further details in his Vote speech on these focus areas.

Madam Speaker, an investment in the economy is an investment in growth.

PSG 2: Improve Education Outcomes and Opportunities for Youth Development

Improving education outcomes continues to be one of our main priority areas. To this effect R61.0 billion has been allocated to the Western Cape Department of Education over the MTEF to **improve education outcomes**. Some key focus areas include:

- Excellent administration boosted by online services; a five year teacher development plan; good school management; needs-based education provisioning; support for independent schools; a programme to minimise barriers to learning; social support and a platform for youth development which includes the school nutrition programme, fee relief and safe schools; an effective infrastructure programme to create an inspiring environment; quality Grade R; and provincial curriculum management strategies with a specific focus on Language and Mathematics Development Strategies.
- In order to enhance the quality of teaching and learning **e-Learning** is identified as a key priority and aims to create an **e-Culture in schools**, backed by e-Infrastructure; an e-Admin system implemented at schools, and well-trained e-Teachers using e-Technology and e-Content in their lessons. Activities to be undertaken include investing in high speed broadband connectivity (complemented by a well-managed Local Area Network/ LAN) to enable the construction of technology enhanced smart classrooms in the Western Cape.

Minister Schäfer, as the lead Minister responsible for PSG 2 will expand further on these initiatives in her Vote speech.

- **Early Childhood Development (ECD) and Partial Care** remains a key focus to improve the quality of ECD programmes and provide a safe environment and nutrition for children. A new national Early Childhood Development Grant will be introduced in the outer years of the MTEF for the maintenance and upgrade of facilities with allocations of R15.3 million in 2017/18 and R23.1 million in 2018/19. Additional support is provided through a special ECD programme for English Language, strengthening reading in English and cognitive development.

- **Western Cape Library Services:** With over 300 public libraries supported across the Western Cape the amount allocated towards Library Services, is approximately R1 billion over the 2016 MTEF.
- The Province will continue to support its after-school programmes, in particular the 181 school-based **Mass Participation; Opportunity and Access; Development and Growth (MOD) Centres** where learners participate in after-school activities.
- The **Year Beyond programme** forms the academic leg of the MOD Programme operating in 22 academically under performing schools. The MOD programme is the focal point of the After Schools Game Changer, which is based on four pillars, namely academic support, life skills, arts and culture and sport.

Minister Marais will further expand on these initiatives, particularly how they impact on our youth, in her Vote speech.

- **Youth Cafés** are an innovative initiative designed to be vibrant, positive spaces where young people are afforded opportunities to access skills development programmes, training workshops, seminars, and entrepreneurial opportunities. Currently, the Province has four operational Youth Cafés in Rocklands, Vangate Mall, George and Oudtshoorn. Over the 2016 MTEF, four additional Youth Cafés will be established in the Province.

Minister Fritz will provide further detail on where the four additional Youth Cafés will be established in his Vote Speech.

Madam Speaker, improving education outcomes and opportunities for youth development is an investment in growth.

PSG 3: Increase wellness, safety and tackle social ills

One of the key tenets of inclusive growth is promoting the wellbeing of our citizens, so that they may access opportunities that enable both social development and economic growth. To achieve these outcomes a total of R63.6 billion has been allocated over the MTEF to the Western Cape Department of Health to **improve the wellness of Western Cape citizens**. Key strategic interventions over the 2016 MTEF include:

- The focus on prevention, promotion, quality and efficiency. The preventative interventions will range from upstream interventions that address the broader societal issues to more specific measures to optimise the opportunity of engaging patients and their relatives within the health service.
- Embracing the concept of wellness, the public health system in the Province approaches each citizen's health needs in a person-centered manner. In doing so, not only is ill-health treated, but the factors that cause ill-health are proactively addressed in partnership with other provincial departments and stakeholders. The focus is on prevention, promotion, quality and efficiency. The preventative interventions will range from upstream interventions that address the broader societal issues to more specific measures to optimise the opportunity of engaging patients and their relatives within the health service.
- The **re-design of primary healthcare service**; a multi-sectoral community based initiative to reduce the harms from alcohol abuse as part of the Alcohol Harms Reduction Game Changer; the first 1 000 days project; the Western Cape on Wellness (WoW) project; and the integrated service delivery model in **Drakenstein**.
- Improving the quality of care is at the centre of Healthcare 2030. This will involve improving the clinical and health outcomes as well as improving the patient experience. The Department will intensify its efforts to reduce the waiting times as well as improve the experience of waiting within health facilities. Compliance with the national core standards especially at Primary Healthcare facilities will be further enhanced.

Minister Mbombo, as the lead Minister to ensure that the objectives of this PSG are met, will provide further detail in her Vote speech.

A budget of R6.2 billion is allocated to the Department of Social Development over the 2016 MTEF to provide for services **enabling and empowering the poor and vulnerable**. Over the next five years, the Department's goal will be to raise the quality of services required by their legislative mandates, i.e. the Children's Act, the Child Justice Act, the Substance Abuse Act and the Older Persons Act.

- An amount of R314.1 million has been allocated towards **Substance Abuse, Prevention and Rehabilitation** over the 2016 MTEF by the Department of Social Development. Drug treatment services will be introduced in all departmental Child and Youth Care Centres, providing sentenced youth with the opportunity to break the cycle of drug abuse.
- Promoting the rights, well-being and socio-economic empowerment of **Persons with Disabilities remain a key priority**. R464.2 million has been allocated over the 2016 MTEF to support this priority. Madam Speaker I am **pleased to announce that an amount, R119.6 million** has been earmarked over the MTEF, specifically for the educational needs of **severe and profoundly disabled children and the expansion of group homes for adults** and children with **intellectual disabilities** and those presenting challenging behaviours.
- A **disability desk** was established and is operational within the Department of Social Development. It is aimed at ensuring improved and reasonable accommodation measures and accessibility of Western Cape Government employees; as well as a referral pathway for children and youth with disabilities. Furthermore, Madam Speaker, the establishment of a residential care facility in **Maitland** will accommodate 30 persons with **intellectual disability** and those displaying challenging behaviour.
- The Department of Social Development partners with 3 300 NPOs to ensure that we delivery services to the poor and the vulnerable in the Province. R3.3 billion will be transferred to non-profit organisations over the 2016 MTEF.

Minister Fritz will provide further detail in his Vote speech on these initiatives.

The Department of Community Safety through its service delivery model adopts the 'whole-of-society' approach.

- The key outcomes of the **Community Safety Improvement Partnership** are to promote professional policing through systems of effective oversight, to ensure the safety of all public buildings and spaces and to build viable and sustainable safety partnership.

- Central to the Department's police oversight function is the **Office of the Police Ombudsman**. The Office is fully established and operational, with a strategy for expansion, aligned to the number of complaints received and dealt with.
- In partnership with key stakeholders, the focus is on Community Based Interventions to reduce alcohol harms. Madam Speaker, I am pleased to announce that the Western Cape Liquor Authority will as from 1 April 2016, be located as an entity within the Department of Community Safety.
- In its efforts to establish safety partnerships aimed at increasing safety, the Department initiated **Community Stabilisation Units** under the auspices of the City of Cape Town Law Enforcement. The Community Stabilisation Units provide for local communities to become involved in building a safe society. As a result of the successful implementation of this project. Madam Speaker, **I am happy to announce that further resources amounting to R10.4 million** will be allocated toward the project over the 2016 MTEF.

Minister Plato will further expand on these and other specific initiatives to give effect to this PSG in his Vote speech.

Madam Speaker, the Promotion **of Arts, Culture and Heritage** as a mechanism to increase wellness, safety and tackling social-ills within our communities remain key. In this regard an amount of R329.8 million has been allocated over the 2016 MTEF to the Department of Cultural Affairs and Sport for various cultural affairs programmes.

Madam Speaker, an investment in creating a safe and healthy environment is an investment in growth.

PSG 4: Enable a resilient, sustainable and inclusive living environment.

Madam Speaker, the **Provincial Spatial Development Framework** serves to guide the location and form of public investment in the natural and built environments, so that the returns on these investments are consistent with the Province's development objectives and that of the Budget.

Some key initiatives have been initiated in respect of **Sustainable Living and Resource Use**. These include:

- The Province will continue to strive in protecting bio-diversity and ecosystems including safeguarding of coastal and inland water resources while managing the use of water, given that the Province is experiencing water scarcity and drought.
- Climate change response frameworks developed for district municipalities; River and estuarine sites monitored in respect of pollution control; River Improvement Plans to be developed; Waste management planning interventions undertaken; and Monitoring of air quality.

The Department of Environmental Affairs and Development Planning has been allocated a budget of R1.7 billion over the 2016 MTEF to drive these key interventions. This amount includes the transfer to its entity, CapeNature.

The **Regional Socio-Economic Project (RSEP)/Violence Prevention Urban Upgrade Project (VPUU)** focuses on issues related to developmental planning and integrated service delivery. This programme is being implemented in five partner municipalities, namely Saldanha Bay, Swartland, Breede Valley, Drakenstein, Theewaterskloof and the City of Cape Town. Over the 2016 MTEF R140.2 million is allocated for this project.

Minister Bredell will further expand on these initiatives to give effect to this PSG in his Vote speech.

Speaker, the creation of sustainable and **integrated human settlements** in the Western Cape includes the promotion of social inclusion, economic growth and spatial restructuring. Human Settlements is allocated R7.1 billion over the MTEF. The Department will **Broaden Economic Participation** by intensifying various empowerment initiatives. This will be achieved by releasing properties to HDI developers, awarding contracts to HDI contractors, making land parcels available to HDI enterprises and appointing HDI built sector professionals.

The Department has prioritised some key catalytic and provincial projects of which Minister Madikizela will further expand on the detail during his Vote speech.

Madam Speaker, an investment in the building of resilient, sustainable and inclusive environments is an investment in growth.

PSG 5: Embed good governance and integrated service delivery through partnerships and spatial alignment

The Western Cape Government is committed to partnerships as part of its 'whole of society' approach.

To continue Government's **Citizen Centered Services** approach the following initiatives are implemented: the continued roll-out of the Cape Access Centres, the Rural Library Connectivity Project, Public Access Wi-Fi as well as the Thusong and Community Development Worker Programmes. I had the privilege of attending the opening of the **Cape Access Centre in Prince Albert** recently and can report that the partnership between the Province, Municipalities and the Community is working, as citizens now have greater access to information and economic opportunities.

Madam Speaker, an investment in broadband infrastructure in rural areas, is an investment in smart growth

Madam Speaker, during the course of last year I visited Kasselsvlei Comprehensive High School in Bellville South. The aim of the visit was to ascertain whether e-learning is creating public value. I'm pleased to report that I observed an environment where good quality education is provided. To the Principal of Kasselsvlei Comprehensive High School, Mr Bantom, one of my guests in the gallery today, I thank you for your leadership and management of the school and to you and your staff for your continued commitment to providing quality education.

Strengthening Financial and Public Sector Governance: The Western Cape Government will continue to balance public finances and maintain fiscal stability within the current constrained fiscal environment. The emphasis is on the appropriate management of fiscal risk, strengthening fiscal consolidation and to enable government to be responsive in dealing with unforeseen and unaffordable expenditure.

Madam Speaker, **I wish to announce that Provincial Treasury has established a Chartered Accountant Academy (CAA)**, which aims to provide an avenue for prospective chartered accountants to receive accredited training inside the public sector. These professionals will, over time, be available to take up key positions in departments and municipalities. A Western Cape Government Good Governance Index (WCGGGI) aimed at measuring the

level of good governance is being developed. This approach shifts away from the traditional emphasis of measuring compliance exclusively as a way to determine performance. Madame Speaker, I have tabled a proposal with Minister Gordhan on exploring the implementation of a financial good governance incentive grant. This proposal which aims to reward departments and municipalities practicing good financial governance standards was well received and I look forward to the day it is implemented.

In **Supporting Local Government**: The Western Cape Government will continue to work and ensure that good governance practices continue. With the emphasis on 'clean governance', the Municipal Governance Review and Outlook (MGRO) process aims to directly contribute to good financial governance. In this regard, I together with Minister Bredell and the Auditor-General have recently awarded 23 municipalities and entities with clean audit awards and have extended the challenge to the remaining municipalities to strive towards achieving clean governance. We are making progress together.

Further initiatives will include support to municipalities to strengthen municipal financial sustainability, which is a key issue raised by my colleague, Minister Bredell. One such initiative is the **revenue master class** being rolled out within the local government space to consider elements of revenue efficiency, adequacy and utilisation to address the current fiscal environment.

Continued support on the development of bulk water and sanitation master plans and municipal fire-fighting capability will remain a priority.

Madam Speaker, allow me to deal with the requirements of **Provincial Parliament**. As you are aware, after various engagements with yourself I've carefully considered your requirements to give effect to a well-functioning legislature. In this regard I am pleased to announce that we have made an additional amount totalling R28.4 million available over the MTEF to deal with the Enterprise Resource Planning (ERP) System, GRAP change management and for the implementation of Financial Management of Parliament and Provincial Legislatures Act (FMPPLA). The Speaker will make further announcements in her Vote speech in this regard.

In addition, I wish to assure Members of this Parliament that your salaries are secured and that these will be paid to you on a monthly basis as a direct charge against the revenue fund. Provincial Parliament has been allocated

R130.8 million in 2016/17. This amount excludes direct charges amounting to R39.2 million.

Game Changers

Madam Speaker, you may recall that the Premier in the State of the Province Address announced that this Government has honed seven Game Changers which collectively have the potential to be catalysts for major improvements in the lives of citizens and create a better future for younger generations. These Game Changers have now developed from the design to the implementation phase and are supported by credible budget allocations. The estimated Game Changer budgets over the 2016 MTEF are:

- Achieving Energy Security: R53.0 million
- Expanding vocational skills and training in the Province: R273.3 million
- Delivering High Speed Broadband across the Province: R1.6 billion
- Rolling out e-Learning at schools: R757.5 million
- Expanding After School activities: R419.5 million
- Tackling Alcohol Abuse: R56.2 million
- Pioneering a major 'live-and-work' development that integrates communities: R41.7 million

Public Infrastructure Investment in the Western Cape

Substantial public investment in infrastructure has been identified as a driver for smart, sustainable and inclusive growth over the 2016 MTEF. This includes prioritising existing infrastructure assets, inclusive of maintenance and repairs over the medium term to strengthen productivity and economic growth. The Western Cape Government will invest R26.7 billion in infrastructure over the 2016 MTEF. This investment has the potential to create 104 000 work opportunities over the MTEF.

Madam Speaker, I am glad to announce that we are serious about delivering on infrastructure commitments. In this regard, I together with Ministers Grant, Schäfer and Mbombo will develop a governance framework aimed at

strengthening the monitoring and delivery of infrastructure in the Province and mitigating any key risks.

An understanding of the geographical spread of the infrastructure investment footprint enables government to strategically align spending and infrastructure investment to priority needs and objectives. This allows for greater integration and alignment of service delivery and thereby increases the impact of government interventions.

The infrastructure budgets are aimed at:

- Continuously driving innovative practices in the delivery of infrastructure and concentrating on the lean government approach;
- Monitoring adherence to efficiency gains and placing the citizen at the centre of all budgetary decisions;
- Increasing investment in infrastructure and infrastructure-assets;
- Increasing expenditure on maintenance to address ageing infrastructure and maintain existing facilities; and the
- The roll-out of the broadband solution in order to ensure related savings for Provincial Departments.

The infrastructure investment programme primarily revolves around the:

- Construction of new schools/classrooms and replacing schools constructed with inappropriate materials with in Education;
- Construction of new health facilities and refurbishing, upgrading and maintaining existing facilities – including health technology within Health; and
- Investment in public sector assets (buildings) and road infrastructure, which aims to:
 - Provide infrastructure promoting integration, accessibility, equity, environmental sensitivity, economic growth and social empowerment.
 - Preserve surfaced roads, gravel roads and bridges and to prevent the accumulation of backlogs.

Spatial footprint of infrastructure spend

The core mandate of municipalities is the provision of basic services to ensure a quality and dignified life for all citizens within its borders. A municipality's ability to improve the quality of life of its citizens is; however, largely dependent on the presence and quality of supportive physical and organisational structures and facilities. There is thus a direct correlation between the extent of infrastructure investment and the improvement of general standards of living through the provision of basic services.

The Western Cape Government's commitment to facilitate economic growth as a catalyst for enhanced service delivery is evident in the spatial distribution of the 2016 MTEF infrastructure investment. R26.7 billion will be spent on infrastructure in various local and district municipalities within the Province over the MTEF.

The largest proportion of total infrastructure spend in 2016/17 in the Cape Town Metro and across all Districts for roads projects, with the second largest share being for human settlements.

The spatial and sectoral distribution of the Province's Budget is guided by the current socio-economic realities, policies and strategies that jointly confront the Province and municipalities.

Madam Speaker, I now want to deal with some of the key infrastructure projects per district that will be financed by this budget. Within the **City of Cape Town** key roads projects will include our work with our partners on the N1, N2 and Mariners Way in Gordons Bay. Minister Grant will provide further detail on the social and economic impact that these projects will bring for the City. A number of new primary and secondary schools and additional class rooms and a new school for learners with special educational needs have been provided for in this Budget. Further announcements will be made later in this regard.

Various health projects will be rolled out across the City in support of our PSG 3 objectives. Within the **West Coast, Cape Winelands, Overberg, Eden** and **Central Karoo districts** the department of Transport and Public Works will make substantial investments within the regional roads infrastructure that will enable the economic and transport linkages within and across these regions. Some key projects in the Eden district include schools in Mossel Bay, Knysna

and George. In the Overberg district it includes schools in Overstrand and Theewaterskloof. In West Coast it includes schools in Saldanha Bay and Swartland. Our investment within the Health environment within all districts will focus on maintaining health facilities at the level required to care for our citizens in a dignified way. **Madam Speaker, infrastructure investment is an investment in growth.**

Geografiese Verspreiding van Provinsiale Besteding

Agbare die Speaker, ons het 'n geïntegreerde benadering tot beplanning en begroting tussen die Provinsiale en Plaaslike regeringsfere ontwikkel. Hierdie benadering het ten doel om doelwitte in ooreenstemming te bring met dié van die plaaslike regeringsfeer, skakeling met provinsiale departemente en munisipaliteite meer doeltreffend te maak en uitruil van inligting tussen die verskillende komitees wat vir Beplanning (soos GOP-indabas en Gesamentlike Beplanningsinisiatiewe), Bestuur (d.w.s. MBUV) en Begroting (d.w.s. PR en PG MTBK) gestig is, te verbeter.

Die rede vir die verspreiding van die 2016 MTUR-begroting is om sosio-ekonomiese uitdagings wat die Provinsie as geheel in die gesig staar, te hanteer en huidige ontwikkelingsbeleide en strategieë aan te vul.

Die leeu aandeel (67.62 persent) van die Provinsiale Begroting van R55 miljard word in die Kaapse Metropol bestee. Dit weerspieël die Metropol se ekonomiese bydrae en sy bevolkingsgrootte binne die Provinsie. Die Kaapse Wynland Distriksmunisipaliteit (11.79 persent) ontvang die tweede grootste persentasie van provinsiale besteding.

Provinsiale besteding in die Eden Distriksmunisipaliteit beloop R4.7 miljard. Die Weskus Distriksmunisipaliteit ontvang R2.9 miljard (5.42 persent). Die Overberg Distriksmunisipaliteit ontvang R1.9 miljard (3.42 persent) en die Sentrale Karoo Distriksmunisipaliteit ontvang R637.8 miljoen of 1.16 persent van die totale provinsiale besteding.

Financing this Budget

Madam Speaker, the budget commitments announced earlier will be financed as follows in 2016/17:

- R41.062 billion from Provincial Equitable Share.
- R10.749 billion from Conditional Grants.
- R2.493 billion from Own Revenue, mainly for motor-vehicle license fees, gambling taxes and hospital fees.
- R1.260 billion from Financing from the Asset Financing reserve exclusively for infrastructure and the revenue fund for operations.

Given the constraint fiscal environment there is a renewed focus on Domestic Resource Mobilisation initiatives. In an effort to maintain fiscal stability, the Province intends exploring a number of domestic resource mobilisation initiatives. These initiatives include a strategy to build up the Provincial Fiscal Volatility Reserve to buffer the Province against further uncertainties in the fiscal environment. This process will explore amongst others, initiatives within the gambling environment; identifying additional sources of donor funding; efficiency initiatives to collect Motor Vehicle Licence and Hospital Fees; and actively reducing debt owed to the provincial government. Madam Speaker, given the funding constraints and the recent reductions in the spending levels introduced by national it has not been possible to provide for a contingency reserve in 2016/17 to deal with unforeseen and unavoidable expenditure. This implies that all Departments must strictly apply the principles of fiscal discipline and remain within allocated budgets. This will be strictly enforced by the Provincial Treasury. However after careful planning and taking into consideration the volatility within the economic environment, we have been able to provide for a **fiscal volatility** reserve in each of the three years over the 2016 MTEF and a **service load pressure** reserve in 2017/18 and 2018/19 to deal with service load pressures in key frontline service delivery departments. Madam Speaker, a democratic society respects financial and other institutions of State. As a responsible government we should respect institutions such as the South African Reserve Bank, National Treasury and the South African Revenue Services and other similar constitutional institutions supporting our national fiscus.

Honourable Members, let us be frank. We have over the last while witnessed simmering tensions between the Minister of Finance and the national tax office. These have spilled over into the public domain. My plea to the national authorities is to bring a speedy resolution to these evolving disputes and enable our financial institutions to go about their business with integrity.

Honourable Speaker, **South Africa has only two choices, fiscal consolidation or fiscal erosion.**

For a period of six years, under the leadership of Premier Zille, this government embarked on the road of **fiscal discipline**. As a result of her leadership, this administration has put in place fiscal prudence to chart us through difficult times.

But Madam Speaker, the country's fiscal crisis runs deep and this is not the time for Government to talk about **salary increases and bonuses** in government. It is now the time to show moral leadership in the interest of South Africa, putting South Africa first.

Madam Speaker, it is not the time to ask: "What is my country doing for me?"

Madam Speaker, it is now the time to ask: What can I do to save my country, South Africa?

Madam Speaker, in a democracy citizens do have a right to ask what is happening to our taxes we are paying. In the Western Cape, the answer is supported by evidence. Your tax is spent wisely, efficiently, effectively and ethically, in the Western Cape because as a sub-national government, the Western Cape is a capable state. The AGSA, DPME, the PSC and the MPAT reports all confirm that financial governance is sound in the Western Cape. Together with the municipalities we will continue the journey of good financial governance. Minister Pravin Gordhan **has a partner in the Western Cape, a partner to create fiscal consolidation**. He needs more partners on project save South Africa and we are willing to work together in the interest of South Africa – Better Together, Siya Hamba nawe, umphatiswa Gordhan.

Madam Speaker, allow me in closing to also express my deep sense of gratitude to the Premier and my colleagues in the Cabinet for their guidance and wise counsel. I also want to thank the Director-General, Adv Brent Gerber, and all the HODs for their support in compiling this Budget. A special

word of thanks to the Head Official of Treasury and his talented, proficient and capable budget team. The committed support of my staff in the Ministry as always makes my tasks so much easier. Finally, to my wife and children thank you for your understanding and for unselfishly allowing me the space to serve the people of the Western Cape.

Speaker, it now gives me great pleasure to table the 2016 Overview of Provincial Revenue and Expenditure, Estimates of Provincial Revenue and Expenditure, the Western Cape Appropriation Bill, the Western Cape Gazette of Allocations to municipalities, and this Speech, for discussion and consideration by this House.

And lastly, Honourable Speaker, thank you to all tax payers in South Africa for entrusting us with your money. The Western Cape will spend it wisely, efficiently and effectively.

I thank you