

Western Cape Government

Provincial Treasury

2023 OVERVIEW PROVINCIAL REVENUE AND EXPENDITURE

**2023 OVERVIEW OF PROVINCIAL AND MUNICIPAL
INFRASTRUCTURE INVESTMENT**

2023 ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE

Speech

“A Budget of Action”

Minister of Finance and Economic Opportunities

Ms M Wenger

14 March 2023

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Western Cape Government
Budget Speech 2023/24
Western Cape Provincial Parliament
Cape Town
14 March 2023

“A Budget of Action - A Future Full of Hope”

Honourable Speaker and Deputy Speaker

Honourable Premier and Cabinet Ministers

Honourable Leader of the Opposition

Honourable Members of the Western Cape Provincial Parliament

Executive Mayors, Deputy Mayors and Mayoral Committee Members

Representatives from the National Treasury

Members of the Consular Corps

Heads of Department

Special Guests

People of the Western Cape

1. Introduction

Today, I have the honour of tabling before you, the 2023:

- Overview of Provincial Revenue and Expenditure;
- Overview of Provincial and Municipal Infrastructure Investment;
- Estimates of Provincial Revenue and Expenditure;

- Western Cape Appropriation Bill [B2 - 2023];
- Provincial Gazette of Allocations to Municipalities; and
- The budget speech

for discussion and deliberation in the Western Cape Provincial Parliament and its committees.

This Budget builds on the Medium-Term Budget Policy statement's 'Framework for Hope', tabled in November last year, as we continue on our pathway from recovery to growth, for you, in the Western Cape.

Almost a month ago, Premier Alan Winde in his State of the Province Address, set out a bold vision to deliver a better future for the people of the Western Cape.

The Premier spoke of the *fierce urgency of now*. He said: "*As the government of the Western Cape, we are delivering a clear difference for our residents now, not plans or platitudes, but recognisable, tangible action.*"

Today, I set out how we will fund this action over the next three years, in pursuit of realising a future full of hope in the Western Cape.

Speaker,

I often think of what this future will look like.

When I read to my four-year-old at night and he asks me questions about the world he is just discovering, I worry about what kind of 'tomorrow' we are creating for his generation.

I worry, as all parents do, about the seemingly endless darkness that we have been plunged into.

I worry about children who go to bed hungry, about access to quality education, and health care services for the most vulnerable.

I worry about how the rising cost of living will impact our fight against poverty.

And I worry about the unacceptably high levels of crime, especially violent crime, against women and children in South Africa.

I am - as I am sure Members of the Legislature are - compelled into action to take urgent steps to make it better, as is our responsibility.

I am reminded of the words of Amanda Gorman, poet and activist, who said:

“There is always light. If only we’re brave enough to see it. If only we’re brave enough to be it.”

Delivering hope, as the Premier said last month, will require the *fierce urgency of now* from all of us.

It requires courage and grit.

And it requires action.

2. The strong headwinds that face us

Showing this *fierce urgency of now* will require that we face-up to the headwinds ahead of us.

The World Bank estimates that global economic growth will slow from 2.9 per cent in 2022 to 1.7 per cent this year.

Higher levels of inflation, and commodity prices, continued disruptions to global supply-chains, and the risk to global food supplies, brought on by Russia's invasion of the free and sovereign nation of Ukraine, means many countries, particularly in the Euro Area, face possible recession.

As the impact of the invasion of Ukraine continues to reverberate around the world, the national government's so-called 'neutrality' on this war has been brought into question by simultaneously engaging in military exercises with the aggressor. These reckless and anti-human-rights actions are threatening relations with key trading partners, and this could come at a great cost for the Western Cape economy - even though our position on this matter of geopolitics couldn't be more different.

Speaker,

Here, at home in South Africa, we face serious challenges.

Last week it was confirmed that the national economy contracted by 1.3 per cent in the fourth quarter of 2022, and that real GDP was, in fact, 0.1 per cent less than before the implementation of the COVID-19 lockdowns, showing that nationally, we are sadly worse off now, than before the pandemic.

The national economic outlook also remains anaemic with growth forecasts of 0.6 per cent in 2023 and 1.6 per cent in 2024.

At the heart of many of these challenges is a failing national government, unable to provide the clean governance, power and decisiveness needed to change South Africa's trajectory.

Speaker,

In the 2023/24 financial year alone, national government will spend R340 billion on debt-servicing payments. This is four times more than the total annual allocation to the Western Cape.

While we welcome efforts by the National Treasury to consolidate debt, the opportunity costs, especially on frontline services, are hard felt.

3. Western Cape - A reason to hope

However,

Just as we took urgent action, worked together, and chose hope over fear to overcome the severe drought of 2017, and just as we took urgent action to save lives and livelihoods during the COVID-19 pandemic, we will again face our challenges head-on.

With the right data to inform an evidence-based approach to strategic decisions, by rolling up our sleeves, and working together, we can and will succeed.

And there is reason to have hope.

In the third quarter of 2022, the Western Cape economy was estimated to be 1.3 per cent larger than in the first quarter of 2020.

According to the latest quarterly labour force survey, we have now surpassed pre-pandemic employment levels thanks to an exceptional fourth quarter 2022, in which the Western Cape created nearly 99 per cent of the net employment gains in South Africa.

Over December last year, hotel occupancy in the Province was better than before the pandemic and international tourism has almost recovered to pre-pandemic levels, at 97 per cent when compared to 2019.

Last year, nearly 32 per cent of all building plans in the country were passed in the Western Cape and we are the leading Province for building plans passed by value.

And our agriculture sector's growth outperformed all others over the last ten years, and is a significant export earner, accounting for 51 per cent of all national agricultural exports.

These are all reasons to have hope in the future and so we must push on and push forward because we have more work to do to lift people out of poverty, to increase opportunities for our residents, and to deliver a better future.

4. A budget of action

Speaker,

That is why today, we table a Budget of Action.

A budget that boldly seeks to remove obstacles that stand in the way of creating a more prosperous future that our children deserve. I am therefore pleased to announce that over the three-year Medium Term Expenditure Framework (MTEF) we will spend R242.31 billion to build a better tomorrow.

Since the MTBPS,

- An additional R1.1 billion has been set aside to ramp up our energy security and decrease our reliance on Eskom.
- With R39.82 billion allocated to boost economic growth and to create opportunities for our citizens. This means we are allocating an additional R709.14 million to our Growth for Jobs priority over the 2023 MTEF.

Over the next three years, this Budget of Action will also spend:

- R4.76 billion to make sure citizens are safe in their communities. An additional R396.09 million has been added to this important priority over the 2023 MTEF.

And this Budget of Action will spend:

- R170.91 billion, including an extra R966.85 million over the 2023 MTEF, on our citizens' wellbeing, including on key services such as Education and Healthcare.

5. A budget to give you power

Speaker,

University of Cape Town academic and energy expert, Professor Anton Eberhard, in an opinion piece earlier this year, summed up the current power

crisis, when he said that: *“Inaction has consequences. Here we are, four years later - actually, 25 years later if we consider the 1998 Energy White Paper - and Eskom is in meltdown,”*

Undeniably, inaction has consequences.

The single biggest threat we face right now, which compromises our collective future, is the ‘missing in action’ stable supply of electricity, upon which all else rests.

Every single day of 2023, citizens and businesses, big and small, have been without the power needed to carry out even the most basic tasks.

The consequences are dire. In 2022, the real GDP lost to the Western Cape because of load-shedding was estimated at R8.2 billion.

That is why Premier Alan Winde, in his State of the Province Address, set out to tackle this challenge head-on, with a R1.1 billion plan to drastically ramp up our energy resilience and decrease our dependence on Eskom.

This R1.1 billion plan is put into action in this Budget to give you power.

Upfront, we have allocated R598.47 million to reduce the impact of loadshedding, to boost the green economy, to set up a strong pipeline of green energy projects, scale up support to municipalities to help them get more power into the grid, and to identify critical transmission infrastructure upgrades.

A further R501.52 million is earmarked for energy projects in the pipeline and is a critical element of our ability to respond in an agile and flexible way.

There are four pillars of The Western Cape’s Energy Resilience Programme, which I will share some highlights of today.

First, R11.5 million over the 2023 MTEF will be allocated to develop the Western Cape Integrated Resource Plan in relation to grid, generation, and financing planning.

This plan will use an evidence-based approach to provide a least cost plan for new generation in the Province and provide policy certainty.

Second, R11.1 million will be allocated over the 2023 MTEF to the Demand Side Management Plan work, which seeks to identify short term options for the

Province to mitigate some loadshedding, by managing demand. A critical part of this plan is also to ensure that demand management is incentivised.

Third, and receiving the lion's share of the upfront funding, is our New Energy Generation programme, on which we will spend R444.5 million over the 2023 MTEF. This will include Project Preparation Support so that we have expertly designed, and well-prepared projects to deliver more energy, faster.

And finally, R15.8 million over the 2023 MTEF will be earmarked for the Network Development Plan which aims to understand where we can use current municipal distribution networks, and, crucially, to identify where we need to push Eskom to accelerate their planned network developments.

Just as this approach tackles increasing our energy independence in a multi-faceted way, our response will be driven by the whole of government.

The Department of the Premier is allocated R95.9 million and will be leading, coordinating, and driving strategic components of the Western Cape Energy Resilience Programme.

This includes emergency power packs for vulnerable households and leading the preparation of the Western Cape's Integrated Resource Plan, the municipal pooled buying project, and a demand side management programme.

The new Department of Infrastructure has been allocated R148.7 million of the energy budget to further drive municipal Independent Power Producer (IPP) procurement, which includes the project preparation facility, the grid infrastructure development work, and exploring gas power.

A total of R60.0 million has been allocated to Wesgro and Freeport Saldanha to enable Green Hydrogen development in the Western Cape.

The Department of Economic Development and Tourism (DEDAT) is allocated R24.0 million over the 2023 MTEF to improve energy resilience in municipalities.

DEDAT will also receive R55.5 million over the MTEF to support SMMEs to implement alternative energy supply systems.

And, over the 2023 MTEF, a total of R57.5 million is allocated to the Department of Local Government to help municipalities pilot renewable energy solutions, which will include the provision of specialists to find the best-fit renewable energy options, as well as the creation of a municipal energy master plans.

The Western Cape Government will step up and step into the breach to protect citizens and the economy wherever possible.

And we will do so with transparency and accountability during this State of Disaster by publishing our best-practice Procurement Disclosure Report on Energy Procurement, just as we did during the COVID-19 pandemic.

Speaker,

This is a Budget that gives power back to the people.

We will show the *fierce urgency of now* required to protect our economy and deliver a future full of hope.

6. Citizens' priorities

Speaker,

I'd like to take this opportunity to thank the citizens of the Western Cape who sent in their Budget 'Messages for Mireille' and who let me know what mattered most to them.

The inputs sent to me mostly fell into three key areas, which tie in with and are the reason this government has set out to deliver Growth for Jobs, Safety and Wellbeing, our three 'north star' priorities.

6.1 Growth for Jobs

Oscar, from Cape Agulhas, wanted to know more about how we plan to create jobs by making it easier for small businesses to grow and access support.

We have a clear vision for the future, as contained in our new economic growth strategy, 'Growth for Jobs', which is near finalisation.

This bold strategy envisages a jobs-rich, inclusive, sustainable and resilient provincial economy, that is growing at between 4 and 6 per cent per year in real terms by 2035.

This plan contains clear targets for each key focus area that our economy needs to succeed, all of which are based on the understanding that it is the private sector that creates jobs, and that it is government's role to enable its success.

And so, to achieve this bold strategy in pursuit of a better future for the people of the Western Cape, we have allocated R39.82 billion over the 2023 MTEF for this important priority.

In addition to our emphasis on energy resilience, we will focus on the:

- Ease of doing business, by working to improve the efficiency of the Port of Cape Town, by implementing the Municipal Ease of Doing Business Planning and Building Permit Reform Programme, and by improving the processes which inform Environmental Impact Assessments.
- We will seek to attract more investment into the Western Cape through continued allocations to Wesgro, the Freeport Saldanha Industrial Development Zone, and the Atlantis Special Economic Zone.
- We will increase work opportunities and skills development by supporting internships and skills programmes, and by continuing the Presidential Employment Initiative and the Expanded Public Works Programme.
- We will boost infrastructure, by building roads, classrooms, clinics, and other facilities.
- We will create a spatially transformed province by improving mobility.
- We will make sure that we are prepared to respond urgently in the event of a disaster. This includes funding to respond to increased climate change volatility, and to explore innovative water resilience interventions; and
- We will support the growth of our agricultural sector by investing more in our critical veterinary services programme, which is key to enabling agricultural trade.

i. Infrastructure

Speaker,

Betsie, from Riversdal, wants to know what our plans for current and future infrastructure are.

The very foundation upon which our economy is built and in which the citizens of this Province access health care, education, and support services, is our infrastructure.

Investment in infrastructure is both a prerequisite for growth, and a catalyst for it.

This is precisely why Premier Winde has announced the creation of a dedicated Department of Infrastructure in his 2022 State of the Province Address.

And so, to give life to Premier Winde's focus on infrastructure, this Budget of Action will spend R32.57 billion on infrastructure, which crosses over into R10 billion per financial year for the first time.

Over the 2023 MTEF, this includes:

- R13.00 billion that will be spent to deliver and maintain transport infrastructure;
- R7.76 billion that will be spent on providing more housing opportunities;
- R7.44 billion for education infrastructure, including the Rapid School Build to build more schools and more classrooms, including increasing access for children with special educational needs;
- R3.86 billion that will be spent on infrastructure projects at clinics, hospitals and colleges; and
- R1.58 billion that will be spent to improve access to basic services like water and sanitation in informal settlements.

ii. Mobility

Speaker,

I have heard from residents about their struggles with access to the safe and affordable transport that they need to get to work, to look for work, and to get around easily.

Grenville from Kuilsrivier told us that he must leave his home at 6:30 just to get to work by 8:30.

To work towards improving Grenville's experience and the transport experience of all citizens, and to give life to the new Department of Mobility, this Budget of Action will spend R9.11 billion over the next three years.

In particular, we will continue to work with and support access to affordable transport with Golden Arrow Buses, which provides transport services to 220 000 passengers every day in the Province.

We will also build on the impressive 37 per cent decrease in road fatalities over the 2022/23 festive season, by continuing our efforts to keep roads safe by allocating an additional R131.92 million over the MTEF to Traffic Law Enforcement.

And we will allocate an extra R150 million over the 2023 MTEF to develop and implement an integrated, enhanced, and efficient transport hub system, which will include the delivery of crime fighting technology and systems to support the Highway Patrol.

6.2 Safety

Speaker,

In his Budget Message for Mireille, Simon from Noordhoek let me know that he wanted more boots on the ground to effectively bring down crime.

As South Africans, we share a common fear that keeps people from living a full and happy life, and one that steals and cuts too many lives short. That fear is the fear of becoming a victim of crime. Sadly, for far too many, especially women and children, this fear has already been realised.

It should not be this way.

That is why we will do everything we can to make the province safer for all who live in it, by allocating an extra R396.09 million, over the MTEF, for safety, bringing our total budget for this priority to R4.76 billion.

To make the Province safer, we will spend over the next three years:

- R2.26 billion to make sure that our provincial policing functions have the funding they need to be effective, to work with and build up community-based safety partnerships, and to continue our critical oversight of the SAPS; of which,
- R1.05 billion is allocated to continue the Law Enforcement Advancement Plan (LEAP) programme, keeping more than 1 200 boots on the ground, in hotspot areas, so we can continue to make progress in reducing crime.

We also know that prevention is better than cure, and so to stop crime before it occurs, this Budget of Action will spend, over the MTEF:

- R987.38 million on the Crime Prevention and Support programme within the Department of Social Development, specifically to support children at risk and to help set them on a better path; and
- R49.32 million on supporting the work of the new, data-led Violence Prevention Unit within the Department of Health and Wellness.

6.3 Wellbeing

Speaker,

Charlotte from Pacaltsdorp in George let me know that she wanted to hear more about our plans to boost wellness in the Western Cape through nutritional support services as well as support to victims of gender-based violence, amongst others.

To build a strong and resilient society, where citizens have the skills that they need to succeed, access to holistic health care, including mental health support, and where every woman, man and child can meet their basic nutritional needs to live full and healthy lives, the Western Cape prioritises the wellbeing of our citizens.

To deliver on this vision, the wellbeing priority, which includes the pillars of health services, education, and social development, is allocated R170.91 billion over the 2023 MTEF.

i. Education

One of the best investments we can make now to realise the wellbeing of our citizens is to invest in education.

And because a hungry child cannot concentrate, grow and develop, and because nutrition and education go hand in hand, we will spend an additional R61.60 million in 2023/24, R63.89 million in 2024/25, and R67.25 million in 2025/26, on the School Feeding Programme, which provides a balanced and nutritional rich meal to 485 000 learners daily.

This will make sure that, despite the steep increase in the cost of food, children will still have quality nutritional and calorific value in the food provided in these programmes.

We also know that we must keep up with the growing demand for public education in the Western Cape.

And so, we will continue with the highly successful Rapid School Build which has so far delivered 721 of the 842 classrooms scheduled to be completed by 31 March 2023.

We will accordingly allocate in 2023/24 an additional R350 million to increase school spaces as well as R5 million to assist with project preparation costs relating to the Rapid School Build.

And we will continue to run several After School Programmes to support our youngest citizens. Over the MTEF, the Department of Cultural Affairs and Sport is allocated R158.7 million for youth programmes.

ii. Social Development

Speaker,

This month we celebrate the month of the social worker and the immeasurable contribution they make to society and to building a better future.

And so, I am very pleased to confirm that an additional 247 additional social workers, auxiliary social workers, supervisors and administrative support staff are appointed to stabilise the welfare and child protection system.

And that, over the 2023 MTEF, this Budget of Action will allocate:

- R238.36 million to fund victim support programmes, which includes an additional R91.92 million to expand GBV services such as victim empowerment programmes, shelters for victims of GBV, and psychosocial support services; and
- R193.57 million to maintain food relief efforts so that we continue to assist those who need it.

iii. Health

Speaker,

To help our citizens live a long, healthy lives, with access to quality health care, this government will spend R85.56 billion over the 2023 MTEF, the second largest allocation in this Budget of Action.

As the COVID-19 pandemic subsides, it has become clear that critical interventions are required to respond to serious health challenges in our communities, including the TB epidemic and worsening mental health.

We have therefore allocated:

- An additional R239.43 million to strengthen mental health services, including the provision of a coordinated and targeted approach to ensure support to the most vulnerable and those at risk; and
- R92.35 million extra has been allocated over the 2023 MTEF to support and improve the outcomes of the TB response plan, ensuring detection, proper care, support to continue treatment as well as prevention interventions.

Speaker,

We have done everything possible to buffer a declining Provincial Equitable Share allocation for Health.

The new health risk-adjusted index used to calculate the health component of the PES, combined with annual technical data updates to the various PES formula components amounted to a reduction to the base-line allocation of the Western Cape of R1.91 billion over the MTEF.

As I explained to this house in my Medium Term Budget Policy Statement, the health component of the PES only counts the number of visits to clinics and does not account for innovative plans implemented, like tele-medicine and home medicine deliveries, aimed at reducing the number of sick people who must wait in long queues at clinics to get the help and care they need.

Working to change this will continue to be a key area for both Minister Mbombo and I.

7. Innovation, Culture and Governance

Lastly, Speaker:

The golden thread through each of our strategic priorities and a focal point in and of itself is the Western Cape Government's fourth priority of innovation, culture and governance which places the citizen at the very centre of everything we do.

To achieve this citizen-centric approach to governance, over the 2023 MTEF, we will spend:

- R666.72 million across the Western Cape Government on implementing citizen engagement initiatives, promoting transparency, accountability, collaboration and strengthening democracy;
- R1.61 billion to support the implementation of Broadband 2.0, to ensure that citizens in both metro and rural areas have internet coverage; and
- An additional R37 million on the expansion of Cape Access Centres, enabling greater access to online information and offering opportunities for developing digital skills.

8. A budget that prepares

Speaker,

A Budget of Action does not only require delivery in the present, but the foresight to prepare for the future.

And so, to remain prepared, will allocate R1.37 billion to the stabilisation reserve so that we are able to protect frontline services against future negative impacts on service load pressures.

We will also make provision for unforeseen and unavoidable expenditure by allocating over R1.65 billion over the MTEF.

And to guarantee effective and efficient disaster management systems, we will allocate R190 million over the MTEF to the Department of Local Government to oversee disaster management at both the provincial and local levels.

9. Good governance

Speaker,

In the Western Cape, we understand that corruption steals from the poor, which is why good, clean and accountable governance is non-negotiable for us, and why we are constantly looking at ways to strengthen our systems so that corruption will not be allowed to rear its ugly head in the Province.

Today I can reveal a new intervention by our Provincial Treasury (PT) team to ensure we are constantly staying on the good-governance front-foot.

Drawing on the findings of the courts against various government functionaries in other provinces, and the findings and recommendations emanating from reports of the Special Investigations Unit, as well as the requirements of applicable Supply Chain Management prescripts, we have developed an Executive Authority Guide to Procurement Oversight as a resource to assist members of the Provincial Executive, to provide guidance with their legal and ethical oversight responsibilities within the SCM domain.

Another innovation which the PT team is leading is our Fiscal Futures Project, which will enable this government to plan for future expenditures based on revenue projections, demographic projections, and economic scenarios. With this powerful tool, we will be able to look into future expenditure and revenue trends, to better prepare for and respond to whatever comes our way.

10. Conditional Grants

Finally, Speaker,

In addition to the PES, the Western Cape and other provinces receive conditional grants from the national fiscus. While these grants provide critical funding for essential services, many are not keeping pace with inflation.

Over the 2023 MTEF, the Western Cape's conditional grant allocation totals R14.47 billion in 2023/24, R14.41 billion in 2024/25 and R15.08 billion in 2025/26, with an increase of 1.9 per cent between 2022/23 and 2023/24.

This includes in 2023/24

- R109.67 million to the Education Infrastructure Grant
- R78.19 million to the Health Facility Revitalisation Grant and
- R417.63 million to the Provincial Roads Maintenance Grant.

Over the 2023 MTEF, it includes

- R87.96 million to the National School Nutrition Programme Grant; and
- R80.29 million to the Early Childhood Development Grant; and

a reduction of R28.85 million in 2023/24 and 2024/25 in the Mass Participation and Sport Development Grant.

11. Summary

Speaker,

In summary, in the Western Cape, over the next three years:

- R1.1 billion has been set aside to ramp up our energy security and decrease our reliance on Eskom.
- R39.82 billion has been allocated to boost economic growth and to create opportunities for our citizens.
- R4.76 billion has been allocated to make sure citizens are safe in their communities, and
- R170.91 billion has been allocated for our citizens' wellbeing, including on key services such as Education and Healthcare.

12. Conclusion - A Budget of Action for a future full of hope

Speaker,

When I put my four-year old son in bed to sleep, I remind myself of why I get up each day, just as millions of citizens do every day across the Western Cape.

I get up because I choose hope over fear, I choose to work hard, not just for now but to build a future where the children of this Province have all the opportunities they deserve.

As President Joe Biden said so powerfully:

"Fear never builds the future, but hope does."

I stand here today, shoulder to shoulder with you, ready to roll up my sleeves, to work to build a better future, for all the sons and daughters across this Province and of this wonderful country we call home.

Because only through action - through the *fierce urgency of now* - can we deliver change, and a future full of hope.

13. Thank you

Speaker,

As I conclude, I'd like to thank the many citizens from every corner of the Western Cape who took time to let us know what they wanted to hear in the 2023/24 Budget.

To the Consuls General for their continued friendship and partnership as our major and emerging trading partners, which we value very much.

To my cabinet colleagues and the Budget Policy Committee, thank you for your commitment to informing and implementing this Budget of Action.

To the entire Provincial Treasury, under the immensely talented and dedicated senior leadership team, skilfully led by the Head Official of the Treasury, David Savage, thank you.

To my team in the ministry - under the very capable leadership of Russel Brueton - for their hard work and commitment to 'getting it done' well, thank you.

To my mother, who could be here today and to my father, who could not. Thank you for instilling in me the passion for public service and for teaching me that for every time you get knocked down, you get up again, as many times as it takes to make a difference and contribute positively to building a better future.

To my husband, Craig, my partner, I could not do any of this without your support, love and encouragement, thank you.

And to my son, for being my inspiration to be better every day, today, for you...for tomorrow.

Thank you.