
FRIDAY, 30 SEPTEMBER 2016

The House met at 08:30

The Speaker took the Chair and read the prayer.

The SPEAKER: Please be seated. Good morning hon members. Whilst you take up your seats, I would just like to advise that I have been informed that the honourable Minister of Finance, just for this session, has switched his seat with Minister Bredell purely because we don't have a podium. Our podium is locked in the chamber on the other side and as you know it is sealed off so we don't have access to the podium. So, for this exercise and to be able to access his documents the hon Minister will be sitting in the very first seat if that is in order? It has been agreed. Thank you.

An HON MEMBER: [Inaudible.]

The SPEAKER: Sorry first from this end of the – my apologies. The Premier is in the first seat. Good morning hon Premier.

Mr C M DUGMORE: She did arrive late.

The SPEAKER: Are we all in order now? Okay. Well, we did want to start earlier and then some members called me to order because they said there is still two minutes to go. So, without any further ado, I would like to call upon the Minister to table the Provincial Economic Review and Outlook and the Municipal Economic Review and Outlook. I see the honourable, the Minister, hon Minister Meyer.

HON MEMBERS: Hear-hear! [Applause.]

PROVINCIAL ECONOMIC REVIEW AND OUTLOOK

The MINISTER OF FINANCE: Thank you. Hon Speaker and Deputy Speaker; hon Premier and Cabinet colleagues; the hon Leader of the Official Opposition; leaders of other political parties; hon members of the Legislature; colleagues and citizens of the Western Cape. [Interjections.]

The SPEAKER: Order please, hon members. I am sorry but that is unparliamentary. Order, please. You may proceed, hon Minister.

The MINISTER OF FINANCE: Thank you, Madam Speaker. The 2016 PERO, the Provincial Economic Review and Outlook and the 2016 MERO, the Municipal Economic Review and Outlook, provides the context for the development of the Medium Term Budget Policy Statement and therefore lays the foundation for the development of the provincial budget for the next Medium Term Expenditure Framework and the fourth generation IDP for

municipalities to be adopted in May 2017. These publications are key in informing and determining the budget policy priorities of this government as informed also by the Provincial Strategic Goals.

Madam Speaker, the global economic growth was under significant pressure in 2015 on the back of poorer performance of emerging and developing economies, particularly led by China.

The advanced economies maintained moderate growth in 2015, but may be showing signs of slightly higher growth in 2016. Downward pressure on growth in emerging and developing economies intensified, with falling commodity prices a prominent factor in this particular regard.

The slowdown in China was compounded by recessions in most emerging markets. Hon members will recall that I tabled in this House, earlier this year, and made reference to the recessions that we currently have, both in Russia and in Brazil, two of the BRICS countries that we are dealing with in terms of the BRICS context. Downward pressures were also mentioned during the Budget Speech, Madam Speaker, but what we are now also seeing is that even Sub-Saharan Africa no longer outperformed its emerging and developing economy peers with growth of only 3.3 per cent in 2015.

You will recall that I earlier made a remark in this House, that out of the seven fastest growing economies in the world, seven of those economies were on the African continent. That situation is now changing, Madam Speaker.

The International Monetary Fund expects global economic growth to remain flat at 3.1 per cent in 2016, before accelerating marginally to 3.4 per cent in 2017.

The outlook for Sub-Saharan Africa is for a further moderation to 1.6 per cent in 2016, before a recovery to 3.3 per cent in 2017. This outlook, Madam Speaker, is riddled with downside risks including the potential negative impact of Brexit and a faster than expected moderation in Chinese economic growth.

Madam Speaker, you will also recall that I have earlier announced in this House that two days after Brexit the Johannesburg Stock Exchange lost R777 billion in merely two days.

The economic activity in South Africa slowed to 1.3 per cent in 2015. Most of the decline in economic activity during 2015 can be attributed to a fall in primary sector production. You will also recall, Madam Speaker, that I have announced earlier this year, in this House, that both the mining sector and the agricultural sector experienced a technical recession.

The drought conditions impacted on the agriculture sector while the decline in the mining sector may already reflect the impact of commodity demand slowdown experienced in China.

The secondary sector recorded marginal growth while growth in the tertiary

sector slowed during the fourth quarter of 2015.

The outlook for the South African economy remains pessimistic. A contraction of 0.2 per cent is projected for 2016 before marginally expanding by 1.1 per cent for 2017.

Madam Speaker, let me now turn to the Western Cape where economic growth slowed to 2.1 per cent in 2014 and will remain constrained over the short term.

The Western Cape, Madam Speaker, cannot detach itself from the risks facing the global and national economy. Some of these risks will have a greater impact on the Western Cape than the rest of South Africa.

The PERO does however highlight that the trade surplus in the agri-processing sector is expected to be maintained and possibly even expand going forward, which bodes well for job creation in the Western Cape.

There are tentative signs that the local garment sector has improved with total employment numbers increasing by 10 per cent since 2012 to 37 000 in 2015.

Madam Speaker, the Western Cape can also potentially benefit from offshore exploration and shale gas extraction.

It is also worth noting that the PERO makes reference that the film sector has, over the last three years, created 35 000 jobs in this industry. Also, in this industry, I am particularly happy to report that the PERO makes reference that, over the past three years, the film sector has generated R5 billion to the Western Cape Provincial economy.

The South African tourism sector is recovering in 2016 after the number of travellers to the country declined by 6.8 per cent in 2015 after a mere 0.2 per cent rise in 2014.

Madam Speaker, let me now turn to the labour market dynamics in the Western Cape. The provincial labour force is estimated to be close to 3.0 million with an unemployment rate estimated at 20.8 per cent in the first quarter of 2016.

Estimates of employment in the Western Cape suggest a somewhat more rapid rate of growth than in South Africa over the last five years. Employment growth trends, however, continue to be biased towards individuals with higher levels of education. The majority of the Province's unemployed have not completed secondary education. A similar trend is observed in the formal sector amongst skilled versus less skilled counterparts.

Madam Speaker, between 2011 and 2016, the Western Cape saw a net immigration of just under 170 000 people. The proportion of households in the Province considered to be poor has decreased.

The Western Cape education context is characterised by increasing learner enrolment, improvements in the National Senior Certificate pass rates, including mathematics and physical science, and positive 2015 Language and Mathematics systemic test results.

Madam Speaker, life expectancy has also increased in the Western Cape and there have been improvements in infant, child and maternal mortality rates. Despite these improvements in socio-economic conditions, social ills, such as crime and substance abuse, remain a challenge of this province..

Madam Speaker, what are the research and policy implications? Creating opportunities for growth and jobs remains the number one priority of the Western Cape Government.

The Western Cape is closely linked to the Euro Area and the UK than the rest of the country and a more pronounced slowdown in these regions will have a detrimental impact on the Western Cape.

Aligned to the Western Cape International Relations Strategy, the Western Cape Government should continue to explore cross-border opportunities for market access, investment and trade.

Madam Speaker, you will recall that I also earlier announced in this House that if South Africa's economy is integrated into the regional economy of Southern Africa we could generate an additional 1% GDP growth for the

country.

Madam Speaker, Africa, good news. Africa overtook Europe as the leading destination for the Province's exports in 2014. [Applause.] In this regard, I am particularly happy that this happened after the Premier and Minister Winde paid visits to the Western part of the African continent and also the Eastern part of the continent. [Interjections.] This is directly as a result of our interactions in that particular space.

The SPEAKER: Order!

The MINISTER OF FINANCE: The recent signing of the Economic Partnership Agreement with the European Union as well as recognising the Geographical Indicator Status of certain products presents further trade and investment opportunities in Europe.

The relatively under-valued rand presents some opportunities for trade and there should be a continued focus on developing sectors and industries where the Province has the comparative advantage in the agriculture, food, beverages and tobacco sectors, which contributes to the agri-processing sector.

Whilst real growth potential in the export market is currently dominated by agricultural produce and the food value chain there is still a need to diversify the export base of the Western Cape by growing exports of tradable services

and manufacturing.

Madam Speaker, drought and the water crisis as well as other issues relating to climate change are risks to this sector. The hon Minister of Agriculture and the hon Minister of Local Government are currently dealing with these particular matters and they have been dealing with them over the last 12 months.

Improving the balance between supply and demand across the various labour markets requires a streamlined approach and a direct link between growing the supply of skills, through a range of interventions related to improving education outcomes and aligning the skills requirements to the needs of the private sector.

The Western Cape Government's inclusive growth strategy aims to ensure that those who have exited the education system early and are currently marginalised in the labour market are able to access effective pathways to skills development.

The weak economic growth coupled with high levels of unemployment will likely result in an increase in demand for public services, placing greater pressure on already constrained environment in the Western Cape.

Madam Speaker, let me now turn to the game-changers because these capture the key areas for focused interventions to the issues highlighted in both the

PERO and MERO.

The Western Cape's game-changers which include Energy Security, Apprenticeships, e-Learning, Alcohol Harms Reduction and the Western Cape Broadband Initiative as well as Project Khulisa captures our response to some of the issues highlighted in both the Provincial Economic Review and Outlook [Interjection.] and the Municipal Economic Review and Outlook.

The SPEAKER: Excuse me hon Minister, please take your seat. Hon member Dyantyi, you just said now "let me listen." [Interjection.] Please listen, not interject. Thank you. [Interjections.] Luister asseblief.

†Mnr R B LENTIT: Hy luister, maar hy will nie hoor nie.

[Mr R B LENTIT: He is listening but does not want to hear.]

The MINISTER OF FINANCE: Thank you, Madam Speaker. We are pleased by Wesgro's announcement that the Western Cape has secured green-field investment of 143% over the past year. [Applause.]

This is a significant investment in the green economy and the efforts of Premier Helen Zille and Minister Alan Winde are now slowly paying off.

In the agribusiness sector, which is also one of the key sectors of the Minister of Agriculture, three investment projects worth R315 million has created over 200 jobs.

Mr R B LENTIT: Our game-changers.

The MINISTER OF FINANCE: In the tourism sector Wesgro facilitated the growth of more than 40 000 additional seats to Cape Town since July last year to help the Western Cape reach the 10 million annual visitor number for the first time. [Applause.]

Madam Speaker, these are no small achievements and we do not want to claim them for ourselves because this is a collective effort of all the role-players in South Africa. [Interjections.][Applause.]

The investment community has also taken note of what the Deputy Governor of the South African Reserve Bank, Francois Groepe, recently referred to as “the very exciting innovation happening in the technology space in Cape Town”.

This sentiment was echoed by the Chairperson of the Board of the Johannesburg Stock Exchange, Ms Nyembezi-Heita, at the official opening of the JSE’s Cape Town office when she noted that the Western Cape is setting itself apart from the rest of the country in the fields of creative economy and technology and this is one of the reasons why they have also now opened up an office here in Cape Town. [Applause.]

HON MEMBERS: Hear-hear!

MUNICIPAL ECONOMIC REVIEW AND OUTLOOK

The MINISTER OF FINANCE: Madam Speaker, the 2016 Municipal Economic Review and Outlook highlights that economic recovery is on track in all the regions in the Province.

The West Coast and Cape Winelands districts have caught up with the traditional fast growing regional economies such as the Eden and Overberg districts.

The West Coast and Overberg districts, for example, grew by an average of 3.9 per cent between 2004 and 2015 while the Cape Town Metropolitan Area grew by an average of 3.1 per cent over the same period.

The agriculture sector recorded positive growth rates over this period in Cape Town, the West Coast District and the Central Karoo District but contracted in the Cape Winelands District and Eden District and more profoundly in Overberg District. This remains a cause for concern as agriculture is a key sector and a major employer in the Province.

Looking ahead over the next five years, the finance, insurance, real estate and business services are expected to grow by 3.0 per cent on average across the province, whilst the construction, wholesale and retail trade, catering and accommodation and transport, storage and communication sectors are projected to grow by approximately 2.0 per cent over the same period.

Madam Speaker, the population has grown faster than economic growth in most municipalities in the province, implying therefore a reduction in the GDP per capita in these particular regions.

Social indicators that have moved in a positive direction include: increasing access to basic services across all municipalities – thank you Minister Madikizela - decreasing indigent households particularly in Bergivier, Breede Valley, Theewaterskloof, George, Hessequa, and Prince Albert; decreasing poverty intensity and poverty headcount in the Overberg and Eden Districts; lower TB patients in the Central Karoo District and increasing Matric pass rates, among others.

Social indicators that remain a concern in municipalities across the province include households without income, crime, substance abuse, and people with no schooling, teenage pregnancies and high unemployment levels.
[Interjection.]

Madam Speaker, the 2016 PERO and MERO adds robust economic intelligence and context to Government's evidence-based approach to integrated planning and budgeting methodologies.

It serves to inform the process of refining the implementation of provincial policies, strategies and interventions, in support of the achievements of this Provinces' inclusive growth and development policy imperatives.

The insights gained from understanding the macroeconomic and sector-specific performance and outlook, including labour market dynamics and socio-economic developments, intend to facilitate improved decision-making and resource allocation.

The economic challenges reflected in the PERO is dealt with in our PSG 1: Growing the economy and creating jobs. My Cabinet colleague, Minister Alan Winde, supported by Ministers Grant and Bredell ... [Interjection.]

Ms M N GILLION: [Inaudible.]

The MINISTER OF FINANCE: ... is leading this particular strategy.

Ms M N GILLION: Although he is doing nothing.

The MINISTER OF FINANCE: Madam Speaker, he is responsible for dealing with the economic challenges of this province. [Interjection.]

The SPEAKER: Order please.

The MINISTER FINANCE: Madam Speaker, the social issues relating to skills, education and youth as reflected in the PERO is the focus of Provincial Strategic Goal 2: Improving educational outcomes for youth development.

This PSG is led by the Minister of Education, Minister Debbie Schäfer and supported by Minister Fritz ... [Interjection.] She is supported by Minister Fritz, Minister Plato and by Minister Marias.

†Die PREMIER: Mooi!

[The PREMIER: Good!]

The MINISTER OF FINANCE: Madam Speaker, the PERO also deals with health indicators, demographic trends and safety issues. The South African Police Services presented the Western Cape's crime statistics during our Cabinet Meeting this last Wednesday.

PSG 3 is led by the Honourable Minister of Health, Dr Nomafrench Mbombo. She is supported by Ministers Dan Plato, Albert Fritz, Donald Grant and Minister Marias. Together, they are dealing with the issues highlighted in both the PERO and MERO.

Under the leadership of Premier Helen Zille significant progress has been made in implementing transversal management in dealing with the complex issues outlined in the PERO and MERO.

Madam Speaker, the PERO and MERO ... [Interjection.] Hon Minister Madikizela, I am now coming to you. [Interjections.]

The SPEAKER: Order, please hon members.

The MINISTER OF FINANCE: I am proud of my leaders. Madam Speaker ...
[Interjection.]

The SPEAKER: Hon Minister, please stick to your – don't be sidetracked. Please stick to your script. Hon members can I ask for your co-operation. Will you allow the hon Minister to continue please? Thank you.
[Interjection.] There are too many interjections. Thank you. You may proceed hon Minister.

The MINISTER OF FINANCE: Thank you, Madam Speaker. The PERO and the MERO also analyses the human settlement patterns, spatial and development planning, and basic service delivery issues.

PSG 4 is led by Minister Bredell who is responsible for creating a resilient, quality, sustainable and inclusive living environment.

Minister Bonginkozi Madikizela and Minister Donald Grant, together with the City of Cape Town, are actively involved in creating a Better Living Model which will transform human settlements and create a quality, sustainable and inclusive living environment. [Applause.]

In addition, Minister Bredell is dealing with the issues highlighted in both the MERO and the PERO, particularly as it relates to the structural and planning issues to facilitate coordination, integration and alignment of provincial and municipal land use planning policy. The rationale for this is

to address specific economic, natural and unique features in a specific region.

Madam Speaker, in bringing all the challenges under the one umbrella of good governance, the Premier, the Minister of Local Government and the Minister of Finance are responsible for improving provincial and local governance and driving integrated management in this Government.

Madam Speaker, the issues raised in both the PERO and the MERO will find their way into the 2017 Budget MTEC process which starts next week.

During the MTEC sessions, Ministers together with the Heads of Departments, will present themselves at the Budget Assessment Committee and the PERO and MERO are key instruments that will guide our discussions and budget policy decisions next week.

In the same way, Madam Speaker, we trust that the mayors will also use the MERO to inform their budget intelligence and decision-making in the local government space.

Madam Speaker, taxpayers' monies and that of citizens require that we take decisions that are based on evidence and in the best interest of all our citizens.

In the weak economic and fiscal environment the Western Cape Government seeks constantly to improve in terms of innovation and to increase

productivity and competitiveness in our regional economy.

The implementation of the Western Cape's Provincial Strategic Plan 2014 - 2019 and related game-changers promote inclusive growth. Madam Speaker, on 26 October this year the National Minister, the Honourable Pravin Gordhan, will outline National Government's fiscal and financial policy for the next three years when he tables his Medium Term Budget Policy Statement in the National Assembly.

A month later I will come back to this House to present this Western Cape Government's fiscal policy responses for the next three years when I table the Western Cape Government's Medium Term Budget Policy Statement which is a response to both the MERO and the PERO.

Madam Speaker, yesterday, Premier Zille and I attended an Extended National Cabinet meeting in Pretoria. Given what is happening in the national political space but also the global macro and economic policies and particularly as it impacts on our fiscal situation here in South Africa and the fiscal pressures of the National Government and Provincial Governments and municipalities, the Western Cape Cabinet, on this Wednesday, mandated us to table specific proposals at this extended National Cabinet meeting for fiscal consolidation. Our proposals included the following:

That National Treasury further assess the National Departments who have not yet effectively demonstrated full commitment toward applying measures of

fiscal consolidation.

That National Treasury also further explores avenues towards fiscal consolidation specifically targeting State Owned Enterprises such as Eskom, SAA, SANRAL and the South African Post Office. [Interjections.]

You cannot, Madam Speaker, have a loss of ... [Interjection.]

Mr C M Dugmore: [Inaudible.] stick to your speech.

The Minister of Finance: This is my speech. It deals with the issues of fiscal consolidation. Fiscal consolidation tells us that you cannot have a rational decision after having a loss of R400 million. You give a person without matric a R10 million bonus. It simply does not make sense in the current fiscal environment. [Interjections.]

The Speaker: Order please.

The Minister of Finance: Madam Speaker, I have tabled these proposals yesterday. [Interjections.]

The Speaker: Order please.

The Minister of Finance: Madam Speaker, if you are in this current fiscal situation you cannot be allowed to take irrational decisions.

The SPEAKER: Hon Minister, please take your seat. Hon members, can we allow the Minister to speak without having both sides having a private argy bargy? Thank you. You may proceed, hon Minister.

The MINISTER OF FINANCE: I was mandated by this government to inform the National Government that it is not rational to take decisions that do not meet the principles of allocative efficiency, fiscal consolidation and fiscal sustainability. [Applause.]

An HON MEMBER: Hear-hear!

The MINISTER OF FINANCE: I have tabled those decisions on behalf of this Cabinet. Madam Speaker, as mandated by this government. We have also tabled that the National Treasury enforce CoE upper limits across National and Provincial Departments and for these upper limits to be assented as part of the Division of Revenue Act and the respective Provincial Appropriation Acts. We tabled these proposals in the spirit of co-operative governance because we want South Africa to succeed and so we have tabled this in order to create a better fiscal environment for South Africa.

Madam Speaker, I wish to express my sincere thanks and appreciation to the Premier and my Cabinet colleagues who made some amendments to the original thinking as part of the discussions. I want to thank the various Heads of the Departments, the Director-General and I want to thank my own Head of Department, Mr Zakariya Hoosain as well as the Head of the Budget

Office, Mr Harry Malila and his outstanding team lead also by Marcia Korsten [Applause.] and the rest of the team as well as Julinda, Analiese Pick as well as Mr Aziz. These are outstanding people.

The PREMIER: Hear-hear!

The MINISTER OF FINANCE: I want to thank them on behalf of this Cabinet and would like to thank also the researchers of the Bureau of Economic Research that took part in this extensive research process.

Madam Speaker, it now gives me great pleasure to table the 2016 Provincial Economic Review and Outlook and the 2016 Municipal Economic Review and Outlook for consideration in this House. I thank you. [Applause.]

The SPEAKER: Thank you hon Minister.

Mr Q R DYANTYI. Well done to the Department. Well done.

The SPEAKER: The Provincial Economic Review and Outlook and Municipal Economic Review and Outlook will now be referred to the relevant committees for consideration. Before we adjourn, thank you to the Department present, also to our members in the gallery. Your presence is noted.

I would like to remind members that the Budget Committee meeting will

begin immediately hereafter in this chamber and that at 11 o'clock we will have the team from the South African Revenue Services at the auditorium on the 7th floor to give members, if they require, any tax advice. I think they will be available from 11 until 1 o'clock. That then concludes the business for the day. The House is adjourned.

The House adjourned at 09:00