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TUESDAY, 20 SEPTEMBER 2022

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PROCEEDINGS OF THE WESTERN CAPE PROVINCIAL PARLIAMENT

The sign † indicates the original language and [ ] directly thereafter indicates a translation.

[Hybrid sitting held with some members present in the House and some in virtual attendance through Microsoft Teams]

The House met at 10:00.

The Speaker took the Chair and read the prayer.

**BUSINESS OF THE HOUSE**

The SPEAKER: You may all be seated. Thank you. Good morning, hon members, leaders of political parties. I see the hon Premier on the virtual platform and of course I greet all the hon members in the virtual platform; distinguished guests, members of the Fourth Estate, the media and the people of the Western Cape. This morning we have one item on the Order Paper, and this sitting is for that purpose and that is to consider the Provincial Economic Review and Outlook (PERO). The presentation will be done by the hon Minister of Finance and Economic Opportunities.

Just for the housekeeping purposes, if I may indicate to the beloved guests in the gallery as much as you might be excited to clap hands and cheer, we do not accept that as per the Standing Rules of Parliament, but you may clap in your heart and smile and of course the jubilations would be shared thereafter as soon as the sitting adjourns. But I would like to request that equally to those who are on the virtual platform, please do not activate your microphone. You are being... [interjection]

You do not do that. You do not do that in this Parliament. The person that is next to the individual making noise please remind the person that this is Parliament. It is not some place somewhere else where there are no rules. So may I request, I think it is the hon member that did that, so just watch your microphone, hon member? I do not want to name you at this point. This is a morning session so at least I do not need to name people.

May I also request as I was indicating earlier, if you are a guest online you do not activate your camera and also you do not activate your microphone because you are in the gallery and you are not participating but you are observing the sitting and that is how you are participating. Except for the members, if you want to activate your camera, hon members, or microphone, that will be because you want to raise a point of order. Do not speak except when you have been recognised by the Presiding Officer, and I do not in any case intend to deal with any other matter other than what is before us.

May I then at this point recognise the hon Minister and welcome HOD and your team. The Minister of Finance and Economic Opportunities, hon Minister Wenger. Over to you.

†n AGBARE LID: Hoor-hoor!

[An HON MEMBER: Hear-hear!]

## **PROVINCIAL ECONOMIC REVIEW AND OUTLOOK**

THE MINISTER OF FINANCE AND ECONOMIC OPPORTUNITIES: Thank you, hon Speaker. Hon Premier, Cabinet Ministers; hon Leader of the Opposition online, hon members here in the House, people of the Western Cape.

It is my privilege to table the Provincial Economic Review and Outlook in the Western Cape Provincial Parliament today. I am impressed, as I am sure you will be, at the richness and depth of this review, which again sets out key data and insights on the impact of international and national developments on the provincial economy, as well as a detailed analysis on the trends in the Western Cape, including within our key priorities of jobs, safety, and wellbeing.

Importantly, it also sets out opportunities for our province to take note of as we look to move forward – from recovery to growth. In doing so, it gives effect, in the clearest way, to what we mean when we say that we are a

data-driven, evidence-led Government. Because we know that the many tough decisions that face us in the months ahead can only be made if we fully understand what is happening in communities across our province.

That is precisely why we kick off our budget process with this important analysis, so that its data can inform us as we deliberate on the policy interventions that will be needed to make a difference in the lives of people.

Speaker, this document also makes clear some of the challenges that face South Africa and, by extension, the Western Cape. This week, those challenges are as stark as ever before – as we face an unprecedented energy crisis brought on by years of mismanagement and corruption at a national level.

We will not shy away from facing these challenges head-on, because only by doing so – with determination – can we really effect the change our people need and deserve. And so, in this way, this document is a unique source of confidence and hope – a sober hope, if you will, because delivering hope does not require the absence of adversity, but in my view, the willingness and courage to respond to it and to prevail. That is what we continue to do here in the Western Cape.

From the drought to the COVID-19 pandemic, and now with load-shedding, we demonstrate that we are a place of resilience; a place that does not back off and never gives up. We will continue to be that place in the years ahead.

I am reminded at this moment of the words of our beloved, late Archbishop Emeritus, Desmond Tutu, who said: “Hope is being able to see that there is light, despite all the darkness”.

Today, I will share with you why, even in the challenging times we face in South Africa and the world, there is a clear pathway before us – from recovery to growth, a pathway that creates hope and confidence. It is for us to now make the bold changes that we need to keep us on this road, together.

Speaker, as we follow this path, from recovery to growth, we must take stock of the current state of our economy, in relation to South Africa and indeed the rest of the world. The reality is what happens on one side of the globe can and does have implications for us here in the Western Cape.

Globally we are seeing high and rising inflation, increasing interest rates, the growing risk of stagflation, potential financial systemic risk for countries with a large exposure to US dollar denominated debt, and a possible global recession.

Just as we were recovering from the severe impact of two years of the COVID-19 pandemic, Russia’s illegal invasion of the Ukraine has exacerbated a rising cost of living, which we have felt here at home. The soaring costs of fuel and food have hurt the poor the most, putting great strain on millions of households across the country. It has also meant greater pressure on the fiscus, especially on the budgets of our frontline services.

Overall, it is projected that the Russian war will set back global economic recovery by 0,4% this year and 0,7% in 2023.

In South Africa, as of the second quarter of this year, our national economy was 0,5% smaller than it was in the first quarter of 2020, pushing back the recovery that had been recorded in the first quarter.

Over the past decade the national economy has only expanded by an average growth rate of 1,0%, despite clear opportunities. We also know that the ongoing impact of rolling blackouts is compromising economic growth and has led to an estimated one million fewer jobs. As of 2021, we produced 6,9%, 7% less electricity than we did at the end of 2011. This is limiting our country's great potential. As a result, we expect sluggish growth in South Africa to continue, with growth rates of 1,7% in 2022 and 0,3% in 2023.

It will require the rapid implementation of bold and urgent reforms to change this trajectory, so that we can grow our economy, create jobs, and lift millions of people out of poverty.

Speaker, the Western Cape's economy is highly integrated with the South African economy, and national economic policies impact it. The result has been that our growth rate has largely mirrored that of the national economy, although historically performing better.

Our current outlook is therefore that the provincial economy will expand at a higher rate of 2,2% in 2022, before dipping to the national growth rate of 0,3% in 2023.

It is for this reason it remains our top priority to de-couple our provincial growth rate from that of the country's, through achieving break-out economic growth in the Western Cape.

Economic growth is a powerful tool for taking people out of poverty, creating opportunities, and thereby improving the quality of life of our residents and I will turn to this point later.

While South Africa's growth trajectory is a cause for concern, there is a clear pathway ahead – from recovery to growth – in the Western Cape.

As the third largest economy in the country as of 2021, this province was one of only three that increased its contribution to the national GDP over the last decade.

As Minister Meyer will tell you, the agricultural sector's growth has outperformed all others over the last 10 years. Between 2012 and 2021, real exports in the Western Cape expanded by almost 40% with significant contributions from agriculture.

As a global destination of choice, tourism is expected to rebound this year, exceeding 2019 figures in 2023, and our province is pushing ahead with bold plans to be energy resilient and attracting high levels of renewable energy investment.

Speaker, we will need to leverage these strengths, and the indomitable resilience of our province, to stay on this pathway from recovery to growth and claw back the jobs that were lost during the COVID-19 pandemic, and we must do this in the context of a growing population, as South Africans from across the country move to the Western Cape in search for a better future.

Between 2016 and 2021, for example, the Western Cape is expected to have gained 292 325 citizens, with net in-migration contributing 46,8% of total population growth in the province. We expect this growth to continue.

While this makes our unemployment challenge complex and adds pressures to our service platform, it is also a reason to hope. The diversity of our people, their drive to realise this better future, and their remarkable resilience, is an asset to be leveraged. This is already evidenced in our higher labour participation rate when compared to the rest of country and significantly lower levels of discouraged job seekers in the Western Cape when compared to the national total. The pressure, however, is to grow employment at a faster rate than population growth. The COVID-19 pandemic has in this way caused major disruption, with all sectors, save for finance and communications, recording job losses over the last few years.



Speaker, to change this reality, and to stay on our pathway from recovery to growth, we must ensure that we improve productivity and efficiency in the province.

An important way to do this is through increased fixed capital formation. Between 2012 and 2021, the Western Cape received 289 Greenfield investments worth R122,3 billion, which created 17 303 employment opportunities.

Our data, as contained in the PERO, shows that due to the pandemic, we will need to attract much, much higher levels of fixed capital investment going forward to drastically increase employment. A key focus, therefore, will be to substantially increase fixed investment in the province with a specific emphasis on social infrastructure investments. This is precisely the reason why Premier Alan Winde has announced the creation of a dedicated Department of Infrastructure in his State of the Province Address and I know that Minister Simmers is already focussed on this challenge.

Speaker, infrastructure investments will be critical in creating construction jobs. There are some hopeful signs emerging that we are moving from recovery to growth here too, with a noticeable increase in the value of building plans passed this year, and the Western Cape now responsible for nearly a third of all building plans passed in South Africa, measuring by value, and surpassing Gauteng on this same measure.

This is an important leading indicator for construction down-the-line, and one that we must support through ensuring building plans convert into building sites, and through increases in our own public infrastructure spending.

Speaker, we will also need to learn from the significant export growth we have seen, including the performance of our agricultural sector, which is forecasted to grow at 8,8% this year.

Its impressive growth provides hope and possible policy insights that will need to be applied to the rest of the economy. Here too, there are reasons to have confidence, with notable improvements in the performance of the Port of Cape Town which has reduced the waiting time to berth to one day or less for six of the last eight weeks.

This will need to be maintained through improved capital expenditure at the Port, and through enabling private sector participation. According to our own research, an efficient Port of Cape Town with sufficient capacity and investment in key infrastructure has the potential to contribute an additional R6 billion in exports, roughly 20 000 additional direct and indirect jobs, over R1,6 billion in additional taxes by 2026, and an additional 0,7% contribution to the Western Cape Gross Domestic Product. Another key factor enabling this export growth will be improved mobility and accessibility, and an important reason why a new Department of Mobility is being established, under the leadership of Minister Mitchell.

Speaker, this Tourism Month I have had the privilege to travel the length and breadth of our beautiful province to meet with the tourism and hospitality sector.

From !Khwa Ttu in the West Coast, to Amazink Dining Theatre in Kayamandi, every tourism business I chatted to has one common insight to share: this upcoming season is going to move the tourism and hospitality sector in the province from a recovery phase to a new growth phase, as international visitors return in their numbers.

Forward bookings data confirm this trend, and new flight connections – such as through Air Belgium, which I welcomed to Cape Town last night, facilitate it, providing new impetus to our provincial economy, and one that we will need to leverage as an important opportunity to claw back those jobs that were lost during the pandemic.

It would be remiss of me not to mention the recovery of events and sporting events following the lifting of the Disaster Regulations. Two weeks ago, the Rugby World Cup Sevens in Cape Town shattered records with 105 000 spectators attending, and with the upcoming Netball World Cup, Minister Marais and her team are working hard to support sports development in our province. These exciting opportunities all require an enabling environment for the private sector to get on with their job of creating jobs and there can be nothing more enabling for the economy than a stable supply of electricity.

Speaker, I share the anger and frustration that so many South Africans are feeling this week, as they see opportunities squandered because the country is unable to keep the lights on.

The historic failures of Eskom have brought us to this point, and remind me of the famous words of Benjamin Franklin, who said “by failing to prepare, you are preparing to fail.” We know that under CEO André de Ruyter, hard work is going into changing this. Eskom is nevertheless a glaring reminder that we need to plan for the future we hope to have.

In the Western Cape, this is precisely what we have been doing, and why we have a Municipal Energy Resilience initiative that is doing pioneering work to assist, develop, support and capacitate renewable energy projects in municipalities, as well as support municipalities, businesses and households to generate, procure and sell energy.

A key focus area, for example, has been supporting the uptake of Small-Scale Embedded Generation (SSEG), which will enable feeding back to the grid by households and the private sector.

So far, 22 Western Cape municipalities have SSEG frameworks, representing a third of all municipalities which have such a framework in South Africa. 21 Western Cape municipalities now also have SSEG feed-in-tariffs, representing nearly two thirds of all municipalities that have such a tariff in South Africa.

Another focus point has been on wheeling. Wheeling enables energy generated in one area to be traded across the grid to a consumer in another area. This will unlock significant private sector demand from independent power producers, if enabled.

We are therefore assisting seven candidate municipalities in the province to develop wheeling frameworks and tariffs, and the City of Cape Town and George Municipality are already running wheeling pilot projects. The City of Cape Town has also, this year, launched tenders to procure 200 Megawatts of renewable energy directly.

Our pathway from recovery to growth will also be strengthened by the Western Cape being the Green Economy Hub of South Africa, attracting significant levels of renewable energy investment.

As set out in the PERO, this sector has contributed over 12% of all Greenfield investment in the province between 2011 and 2021. It is increasingly clear that the future of power generation in South Africa will be in the three Cape provinces, and this will create new opportunities for our provincial economy that we are ready to take advantage of.

Speaker, while this data-rich document has a primary focus on the economy, it also provides valuable insights on our Government's other main priorities, namely, safety and wellbeing.

These three priorities are all inter-connected, and how we respond to one, has a very real impact on the other. This is particularly evident with safety, which is needed for both our economy to grow and for the wellbeing of our residents to be realised.

The PERO, for example, tells us that between the 2017/18 and 2021/22 financial years, sexual offences, robbery at residential premises, drug-related crime and driving under the influence of alcohol all declined in the Western Cape.

The Law Enforcement Advancement Plan (LEAP) is also working. An average hotspot to Western Cape crime-ratio comparison between nine quarters of LEAP implementation with nine quarters prior to LEAP interventions shows a decline in murder of 2,3 percentage points, a decline in attempted murder by four percentage points, and a decline in assault with the intent to inflict grievous bodily harm by one percentage point.

Overall, however, the increase in murder incidents province-wide and the prevalence of gender-based-violence, demonstrates the urgent need to replicate this LEAP model across the Western Cape, through greater devolution of policing powers to Provincial and Local Government, because as Minister Allen has made clear, what we are doing is working, and what the National Government is doing is not.

Speaker, the PERO also sheds light on our wellbeing priority, which is

critical in realising the dignity that every person in the Western Cape deserves. Minister Fernandez is passionate about this being a guiding focus in everything that we do. A key insight from the document, for example, is that the Western Cape recorded an improvement in the Human Development Index between 2012, 2016 and 2020, and that this has increased across all districts in the province.

The Western Cape also scored higher than the rest of South Africa, pointing to an improvement in either education; health or income per capita or a combination of all three. As a result, the province has the highest life expectancy for both males and females in South Africa.

This may also be explained by the notable progress made in the Western Cape, between 2012 and 2021, in the provision of electricity and flush toilets to residents, despite population growth.

In 2021, for example, the Western Cape had a larger proportion / portion of dwellings with electricity including a generator, access to flush or chemical toilets, access to refuse removals at least once a week, and piped water inside a dwelling, than the rest of South Africa. This is a direct result of our record of good governance in the province, and a reason to have confidence and hope in the future as we now move from recovery to growth in the Western Cape. I thank Minister Bredell and the Mayors and officials of our local governments for this.

Speaker, a critical lever to ensure the wellbeing of our citizens is our province's healthcare platform. I want to use this opportunity to acknowledge the healthcare teams across the province, who despite all the pressures of COVID-19, created and managed to provide life-saving care to our residents when they needed it.

The good news is that the COVID-19 pandemic has waned, and our response to it has normalised. I know Minister Mbombo and her team are now working hard to ensure a recovery in the services provided across our platform.

This is assisted through the increase in the ratio of doctors per 100 000 people in the Western Cape between 2012/13 and 2021/22, and the recent improvement in the ratio of nurses per 100 000 people between 2019/20 and 2020/21.

Overall, we must take cognisance of new pressures emerging, and that many of the leading causes of deaths in the province can be linked to lifestyle diseases, so that we continue to implement policies to respond to these trends.

Another key provincial service offering that was severely impacted by the COVID-19 pandemic, and the lockdowns that followed, is education. While we have seen a very significant improvement in learner retention over the last decade, meaning more learners are staying in school in the Western Cape, our systemic tests show that learning outcomes have taken a knock due to



repeated lockdowns and restrictions during the pandemic. We therefore welcome the decisive steps that will be taken by the Western Cape Education Department over the third and fourth term to address learning losses in the Foundation Phase, by increasing time allocated to Reading and Mathematics each week.

Another challenge is that inward migration into the province means that the growth in learner numbers is exceeding the expansion of schools and teachers.

To address this, the largest share of new infrastructure assets budget over the 2022 Medium Term Expenditure Framework (MTEF) has been allocated towards the Education Department.

The PERO confirms this need for infrastructure investments, especially social infrastructure investments, and I know that this is top of mind for Minister Maynier, and this, Speaker, leads me to the point I made earlier. As we move on this pathway from recovery to growth, we need to de-couple our province's economic growth trajectory from the country's, by delivering break-out economic growth that creates jobs.

In doing so, we need to ensure that we can prioritise, doing more with less, and using those policy levers that we have available to us to effect this rapid change. We also need to enable partnerships, especially with the private sector, and embrace innovation.

These will be key policy considerations that I look forward to sharing with you in the Medium Term Budget Policy Statement in November.

Speaker, hon members, when we are inducted as members of this House, we have an opportunity to reflect on our Province's Coat of Arms which stands tall above us all. It has been a constant during changing times, and a reminder of what we stand for in the Western Cape.

It has on it an anchor, reminding us that we are a place of maritime trade, connected to the world and the opportunities it presents. The anchor also stands as a symbol of hope and steadfastness in trying times. It also has on it a bunch of grapes, a reminder of our agricultural prowess, our wine industry, and our ability to process that into something more. It also has on it the clay pot, reminding us of our manufacturing, and the diverse and resilience of our people. It also has on it the outline of Table Mountain, reminding us of our province's beauty, which attracts visitors from around the world to our shores, and etched at the bottom, read the words "*Spes Bona*", Good Hope, reminding us that this is a place of hope and resilience; a place that does not back off and never gives up.

It strikes me just how much this year's PERO reminds of these very elements, and how we need to leverage them to continue delivering hope and confidence in the Western Cape, and so, as we follow our pathway from recovery to growth, let us be reminded again that hope does not require the absence of challenge, but rather our willingness and courage to confront it,

and to prevail. We can and we will prevail.

Speaker, it gives me pleasure to hereby table the Provincial Economic Review and Outlook 2022/23 for consideration and deliberation in the Western Cape Provincial Parliament. I can assure hon members that the PERO is a world-class research document which will be an invaluable resource to assist them in their duties in Parliament.

I also look forward to listening closely to your comments and suggestions, as we now draft the Medium-Term Budget Policy Statement (MTBPS).

We also look forward to tabling further data with you via the Municipal Economic Review and Outlook (MERO), so that we can continue these strategic conversations across the province and in our municipalities, and finally, in conclusion, I would like to thank the visionary leadership of Premier Alan Winde, who leads us boldly on this pathway from recovery to growth. We follow him with courage.

I would also like to thank everyone who made contributions and who worked so hard to produce the PERO. There are many names that deserve recognition, but a special word of mention must go to the Head of Department, Mr David Savage, and the Deputy Director-General, Dr Roy Havemann, and their excellent team from Provincial Treasury here in the gallery. Thank you very much for your hard work, and this valuable data will help us to base our decisions on, and you do need to be applauded and your

contributions are deeply appreciated. Thank you.

An HON MEMBERS: Well done! [Applause.]

The SPEAKER: Thank you, hon Minister. Hon members, that having been concluded, the tabling of the PERO, the document will now be referred to the relevant committee for consideration.

I would like to remind the members of the Budget Committee that, as soon as we adjourn, the Budget Committee will convene in the same venue.

May I then thank you once again, hon Minister and hon members, for tabling your PERO and of course to say that the beauty of having a session in the morning is that we can now go and focus on everything outside this meeting. The session has now come to an end. The meeting is adjourned. Thank you very much, hon members.

The House adjourned at 10:35.