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## BUDGET SPEECH 2008 (NORTH WEST PROVINCE)

**DATE:** TUESDAY, MARCH 05, 2008

At the height of the French Revolution in the eighteenth century where the contending classes i.e. the Aristocrats and the Proletariat (Working Class) were fighting for the domination of the economy, Charles Dickens reflects in his book,:

“A Tale of Two Cities”:

- “It was the best of times, it was the worst of times,
- it was the age of wisdom, it was the age of foolishness,
- it was the epoch of belief, it was the epoch of incredulity,
- it was the season of Light, it was the season of Darkness,
- it was the spring of hope, it was the winter of despair,
- we had everything before us, we had nothing before us,
- we were all going direct to Heaven, we were all going direct the other way, in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only.”

Madam Speaker,

The global economy has entered 2008 saddled with the ongoing volatility and vulnerabilities of the aftermath of the US sub-prime phenomenon. Whereas a year ago, the official estimates of the losses caused by the sub-prime housing finance was estimated at less than US\$100 billion, as of now the reported losses to the financial

sector alone exceed US\$600 billion. Some key fault lines of the global financial system of the developed economies have become evident. Most importantly, the oversight mechanisms in the financial system of the developed world have proved defective and policy makers are struggling to cope with the dynamics of global market integration and rising sophistication. Meanwhile, the systemic global imbalances persist. Rising fuel and food prices have faced many nations with growing balance of payments deficits. Growth estimates worldwide have been revised downward, and ours in South Africa is no exception.

Ironically, the developed economies, plagued by the pervasive effects of the US sub-prime phenomenon, have become the main source of financial instability and global systemic risk. As a result, many developing countries suffer with a considerable loss to the poor and vulnerable worldwide. Thankfully, the so-called 'emerging economies' most importantly the economies of BRIC countries (ie Brazil, Russia, India, China) provide a much needed parachute for the global economy. The BRIC economies are expected to register annual growth rates of between 7 to 10% this year. Importantly, these economies maintain their high growth rates despite the overall conditions in the global economy. In part their success is due to their drive to build their human capital, invest in their economic infrastructure and expand the productive capacity of their economies. Policy makers in these countries are less concerned about the cyclical macro-economic movements than getting the long term structural growth fundamentals in place.

The global economy, and many of its constituent members, are characterized by the rising economic prosperity in the midst of growing political uncertainty both at the global as well as at the regional levels. The unsustainable coexistence of socio-political commotion and economic buoyancy begs resolution. In the absence of a sustainable solution, we are in for ongoing volatility, instability and uncertainty. Such conditions are not favourable to economic development in general, and financial markets in particular. The upshot is a slow down in growth, which leads to a fall in the overall resources available for governments to deliver to the masses who remain dependent on public service delivery.

Global inflation is resurfacing after an abrupt end to the period of disinflationary dynamics of 2001-2004. A number of structural forces have gradually begun to gather momentum heaping inflationary pressures on the global price structures. Key amongst these are:

- (a) a systemic cost-push impulse resulting from the super cycle of commodity prices,
- (b) a steady rise in global military and defence related expenses which technically is equivalent to an artificial increase in effective demand placing upward pressure on global prices, and
- (c) the global warming-linked shift in the energy mix which has led to grain prices being re-valued, and commodities such as maize, soy, palm oil and sugar having been re-priced considerably. Food prices remain on the rise. These developments have structural inflationary impact, particularly in the short term. Such slow but systemic inflationary impulses are potentially problematic, because they lead to supply- side structural pressures on the cost of doing business.

Against this global backdrop, in South Africa our economy faces additional challenges of energy outages and other structural bottlenecks such as the skills shortage. To be sure, unexpected and indeterminate power shortage is bound to reduce the national economic growth rate. Of course the consumption activities within the economy are already fairly depressed due to the anti-inflationary monetary policy stance that has raised the cost of capital considerably via successive interest rate hikes over the past 18 months. And, the fight against inflation has to continue, particularly now that the global inflation is on the rise again.

All these developments over the past few months have reminded us all that economic cycles have not disappeared. Stable and expansion times are commonly followed by periods of instability and volatility. And, for sure calmer economic environments are bound to return when the dynamic structural forces have run their course. In the process, we have to manage our business affairs, and discharge our responsibilities,

with a firm commitment to the advancement of our socio-economic objectives. Navigating our route towards a much improved quality of life for the majority of our people will demand our resolve under all circumstances. In the various phases of the economic cycles our tactical policies within the Government may have to be altered but our strategy remains the same:- namely to build our capacity to deliver quality services with effectiveness and efficiency.

The Government of the Republic of South Africa, and specifically of the North-West Province, is committed to the idea of a developmental state. A recent report by the United Nations' Conference on Trade and Development (UNCTAD, 2007:59-60) described a developmental state's major preoccupation as to 'ensure sustained economic growth and development on the back of high rates of accumulation, industrialization and structural change. Structurally, such a state has (or develops) the capacity to implement economic policies that effectively deliver development, which in turn gives it legitimacy'.

Madam Speaker,

From this quote three important requirements can be identified that need to guide us in our desire to be a developmental state.

First, there is the requirement to sustain not only economic growth, but also structural change and transformation. Thus, a developmental state is concerned with investment and productivity, the two prerequisites of sustained growth. But a developmental state is also a progressive state, meaning that it continually strives towards advancement of human wellbeing in the broadest sense. This requirement is important to keep in mind in the turbulent, and often uncertain socio-economic and political times that our country, continent and many parts of the globe are currently experiencing. I will return to the implications for us here in the North-West Province in a short while.

Second, there is the requirement that the state be willing, and able to implement and deliver. In the international community the terminology 'institution' building has come to denote the efforts to strengthen the state. A developmental state is a strong state,

effective and efficient. It is underpinned by a liberal democracy, and enjoys authority over its jurisdiction.

In recent times much thought and discussion has been devoted in our country on how to improve state capacity to deliver, how to address corruption and misuse of state power, how to strengthen the independence of the judiciary, and how to broaden access of people across all walks of life to state institutions. In a young democracy such as ours, it is appropriate that we have these debates, and it is even more appropriate that we continue to exercise vigilance so as to protect the important gains that we have made which are enshrined in our Constitution.

The third requirement for a democratic developmental state is that it remains aware of the fact that ultimately its legitimacy and authority is bound up with its success in providing the core functions that are required of any state.

Democracy in itself is no promise of development. Indeed, democracy can be eroded by states that fail in their core functions. These core functions are generally recognized to include provision of safety and security, provision of basic services, and the management of public resources.

Madam Speaker

Having stated the three requirements of a democratic developmental state, I now wish to emphasize that the occasion of the annual presentation of this Provincial Government's Budget is an appropriate time to reflect on whether or not we are making progress towards such a state, and what we can do collectively and as an embryonic nation, to ensure that we are in fact making progress.

This is an appropriate time to reflect on these matters, given that a government's annual budget is nothing more than a blueprint, in monetary terms, of the support that a government can provide to meeting the basic needs of its people and furthering its development. The budget reflects the commitment of a state toward its core functions:

how do we support safety and security? How do we support the provision of basic services? How do we manage our public resources?

As we have seen, governments that fail to provide adequate support can ultimately lose legitimacy, and in the worst cases become fragile and even failed states. The World Bank has recently identified 46 countries that are classified as fragile states, in which 870 million people live. Although this is 14 per cent of the world population, more than 30 per cent of the world's poor reside in such fragile and failed states. The cost of state fragility and failure is therefore high and the prognosis to address chronic poverty and achieving the United Nations Millennium Development Goals (UNMDGs) slim if we do not succeed in building democratic developmental states. If we cannot succeed in building a developmental state, we might be overwhelmed by poverty, inequality and conflict, and end up as a fragile or failed state.

#### Challenges and Opportunities Facing the North-West Economy

We have established a solid reputation for a sound budgeting process in the North-West province. This year's budget maintains this reputation. Moreover, we have taken care in aligning our budget to the three requirements of a developmental state as I have just discussed. It is a budget, as I will show, that takes particular care to contribute, progressively, to our people's safety and security – which includes their health, education and ability to enjoy their lives – as well as provide basic services. As always, the Department of Finance is diligent in its custodianship of the public monies, in ensuring that we do not spend above our means, that the effectiveness of our expenditure is scrutinized.

An important requirement that I outlined was that a developmental state is characterized by achieving sustainable economic growth and structural transformation of the economy.

So how are we doing in this regard?

In his National Budget Speech of 20 February 2008, the Honorable Minister of Finance, Mr. Trevor Manuel stated that since 2003 the South African economy had

grown by an average of 5 percent a year. As the Minister pointed out 'this is the longest continuous period of growth on record. GDP per person has increased by over 20 percent since 2000. During the past five years, employment has increased at a faster pace than at any point in the past twenty years, adding over 1.5 million jobs.'

The North-West Province has shared in this record economic growth. In her State of the Province Address of 15 February 2008 our Honorable Premier indicated that the North-West province achieved relatively high growth rates of 3.6%, 4,9% and 4,3%, in 2004, 2005 and 2006, respectively.

Although a historical achievement, it is widely recognised that even higher growth rates may be needed. Our Accelerated and Shared Growth Initiative aims to accelerate economic growth in South Africa from its current 5 % to over 6% - which it sees as necessary to halve unemployment and poverty by 2014. More recently some of us have even, like Oliver Twist, been asking for more: to accelerate growth to well above 6%.

It is clear however, that in the current global conditions, which as aptly described by the Honourable Minister Trevor Manuel, is characterized by a slowdown in world growth and rising world inflation such accelerated growth may be hard to achieve. Moreover, during the past year serious supply-side constraints on growth have emerged in the form of lack of sufficient electricity. While these will slow growth over the short term, the national government has outlined a massive investment programme to create additional electricity supply capacity, and various initiatives have been undertaken to manage the situation in the interim.

Under these external and internal conditions, it may be argued that we should perhaps at this juncture not focus all our attention on accelerating economic growth, but rather on sustaining the positive and relatively high economic growth rates that have been enjoyed since the mid 1990s.

Madam Speaker,

Sustaining economic growth is thus hugely important in the current context of high unemployment and inequalities. How can we achieve it?

There is the growing recognition that despite economic growth, that income inequalities in South Africa might have widened. In a society already characterized by significant income and wealth inequalities, any further widening of the gap is a cause for grave concern.

We need to be able to do two things: first sustain our positive growth, which will slowly but surely raise per capita income. Continued growth, for at least two to three decades is required to make deep and significant changes in the socio-economic conditions in the country and in our province. This requires patience, and persistence.

It does not imply however, that the growth process itself cannot be more pro-poor: arguably South Africa's growth could have resulted in less unemployment, less poverty and more equality had it been more labour intensive than it had been. The traditional industries in the North-West Province, such as mining, agriculture and retail businesses are industries that are typically amongst the most labour intensive of industries.

In addition to sustaining growth, we need to ensure that all people share in this growth. Rising inequality and the still large numbers of poor in our country and province remain unacceptable if we are to be a true developmental state. Our motto ought to be 'leave no one behind'. With this in mind, our budget today, as in the past, is explicitly a pro-poor budget. In our 2007 budget speech, we made a particularly impassioned plea for the centrality of poverty alleviation in our budgetary process. As then, we still face significant challenges in fighting poverty: Unemployment, HIV/AIDS, Tuberculosis, environmental degradation are but a few of the challenges. Therefore, in this budget, as in last years, we remain standing firm in attempting to present a budget which maximizes the impact on the poor.



Given the importance of further improving the accuracy with which our budget reaches the truly poor, and make a distinction between the chronically poor and the transient poor, we want to emphasize again the importance of maintaining accurate and up to date statistics on poverty and deprivation in our country and province.

In this light the present budget maintains its emphasis on education and health as our foremost investments in human capital; granted these expenditure categories have always been the most substantial on our budget and will remain so for the foreseeable future.

We also allocate substantial funding to investment in infrastructure, and in the implementation of our PGDS, to which our budget allocations provide support through the integrated activities of various departments; we have recognized the need for diversification of the economy.

#### Investing in Social Capital

Madam Speaker,

There are also two other requirements which I earlier discussed, but did not yet spell out the implications for our province and budgetary process. These are the requirements that state capacity and supportive institutions for development be strengthened, and that authority and legitimacy be maintained.

Let me be forthright and remind this House that when the ANC-led government assumed office after the 1994 elections, the state institutions we inherited were the opposite of a developmental state. The International Political Instability Task Force classified the South African State between 1984 and 1994 as a 'failed' state. Building institutions, including state capacity to progressively promote development, has been a central task of the ANC-led government since then. In our intention and determination to create strong institutions and capacitate the state we have shown the commitment required of a developmental state.

The government's budgetary process, itself radically transformed and strengthened, is recognized worldwide as a model of its kind. Indeed, through the redistributive process inherent in the budget our government's impact on poverty has been significant.

Recent research has shown that social grants alone from the government increased in real terms by R22 billion over the last two years. This boils down to an amount in excess of R1,000 per poor person – which will have made a very important impact on poverty.

After 14 years of building state capacity, and creating appropriate institutions for the post-apartheid period, the ANC-led government is well aware that much remains to be done in this regard. We have admitted on many occasions that the effectiveness and efficiency of our civil service need to be improved. In this province in particular, we have often pointed to the relatively slow spending by some departments as a capacity problem. We remain committed to work with all concerned parties to remedy these weaknesses.

In the broader community, we need to do much more to build our nation. Indeed, our call here today is for us to get the project of nation building fully back on track. Let us not leave anyone or any group behind in our construction of a new society. Many today are pessimistic, saying that the Rainbow Nation will forever remain a dream, and that we are doomed to ethnic and racial conflict. I wish to believe that pessimism of such a kind is unwarranted in our country and province. The public discourse on racism must continue though. There have been many occasions in the past where we have confronted seemingly insurmountable obstacles, only to persevere, and push through.

Madam, Speaker,

Achieving our socio-political objectives require a resolute focus on expanding the productive capacity of the economy on a sustainable basis. Both our social and economic infrastructures require considerable expansion and consolidation. As we weather the prevailing storms of uncertainty, volatility and social anxiety, our commitment to the betterment of our current and future generations entails even more

focus on building upon the existing solid foundations within our economy in the Province. Unlocking the potential within our communities and extending the productive resources within our economy remains our top priority. The structure of our economy in the Province is dominated by mining and agriculture. Currently, global price structures favour these two sectors.

The Province is therefore well placed to take advantage of these conditions to expand its productive base, create jobs and further the developmental momentum. In addition we are building towards the Soccer World Cup 2010. The capital expenditure associated with the World Cup 2010 will no doubt provide additional developmental support.

Madam Speaker, thanks to the macroeconomic policies of our government over the past decade, our fiscal and financial conditions remain resilient. Even though the expected growth rate in 2008 is projected to fall to possibly as low as 4%, it is important to highlight that our expected fiscal position is fairly favourable. As highlighted so clearly in the 2008 Budget Speech of the National Minister of Finance, our fiscal revenues remain buoyant and from purely a financial perspective, there is little to concern us with regard to service delivery. However, as I will elaborate later on, one of our key challenges remains the capacity within the Provincial Government to translate fiscal resources into effective and quality services.

Quality public service delivery, Madam Speaker, requires fiscal effectiveness. Over the past few years, South Africa's fiscal framework has improved considerably. Much still remains to be done. Fiscal effectiveness demands of us not only the correct order of priorities in allocating our limited resources, but also the critical act of making sure that whatever is allocated is spent effectively and efficiently. The first part of this process is about exercising political leadership on the key social preferences, ensuring that the correct balance is achieved in fiscal resource allocation across critical and competing needs such as education, health, and housing. The Social cluster in particular has been and will continue to receive special attention. The success of this cluster is fundamental for the development of our human resources.

Following such allocations, the equally important task of effective expenditure management of departmental allocations within government remains the key element of fiscal effectiveness. Here, it is primarily the capacity of our departments that helps convert the fiscal resources into public services. The capacity to plan, implement, manage projects and ensure value for money is vital. Internal organs of oversight such as the internal audit as well as forensic sections need to be strengthened. Public entities likewise require appropriate and modern governance structures. Codes of good governance need to be reinforced across all public entities and agencies. At the same time, the Honourable Members of this House have the constitutional obligation of exercising oversight and discharging an effective monitoring and evaluation via, inter alia, the Legislature's Portfolio Committees.

Madam Speaker, it is common knowledge that our province has been unable to spend all its budgetary allocations. This "under-spending" is a direct result of inadequate implementation capacity within our government departments. In my last year's Budget Speech, I highlighted the extent of poverty and unemployment in our Province. Despite sustained efforts on the part of Government the remaining challenges are huge, the backlogs remain large and the social demand real. An essential requirement of dealing with the remaining challenges is a meaningful expansion in the capacity and capability of our government departments to discharge their roles. The inadequate technical capacity is a challenge that needs urgent attention. The competition for skills and experience within the economy does complicate our task here. The reality however, is that unless we increase the implementation capacity we will have difficulties to exercise fiscal effectiveness. Also, when a department faces inadequate capacity, it places an additional burden on the existing management team and the personnel of the department. As importantly, the strengthening of the monitoring and evaluation mechanisms remain a role that the honourable members of this House should always remain vigilant about. This is a critical element of fiscal effectiveness.

Another element of enhancing our fiscal effectiveness is increased training and up-skilling of our personnel. Special attention has to be paid to skill augmentation,

particularly in the short term. Dynamic organizations in today's global economy cannot survive without upgrading their skills base. Government departments are no exception. Cultivating a culture of systemic human resource development and upgrading in our government departments is integral to fiscal effectiveness. This would improve our implementation capacity and oversight procedures.

Madam Speaker, our commitment to improving the welfare of our people demands of us to raise our fiscal effectiveness. To this end, we have to continuously explore ways and means of improving our operational systems and procedures. The performance of our fiscal spend, as measured by its efficiency and effectiveness, is reflective of the underlying operational systems. Our government departments, their agencies and enterprises need to examine their operational systems with a view to deliver better performance, an improved output or outcome from our fiscal expenditure. Higher levels of service delivery and improved quality of public services require continuous rise in operational efficiency of our delivery agencies. Cultivating a culture of budgeting for performance in service delivery could be a major contribution towards fiscal effectiveness.

Alleviating poverty, improving the welfare of the general public and making a meaningful contribution to reducing unemployment requires increased fiscal effectiveness. This is a necessary requirement of a developmental state. Improved fiscal effectiveness will also help raise the overall productivity of the economy. In today's globally competitive economic framework, it is important that we use all our collective capabilities to enable our economy to drive a competitive edge. Surely, making our society a winning nation is a collective project. Improved public expenditure management and enhanced fiscal effectiveness is an important contributor to this objective.

The philosopher and scientists Rene Descartes once remarked that "To know what people really think, pay regard to what they do, rather than what they say".

Therefore, let me present to this House the allocations of the 2008/09 budget, to put substance to our vision.

#### Budget framework

Madam Speaker,

Your august House will recall that in my last year's budget speech I drew attention to the potential negative impact of the dis-establishment of cross boundary municipalities would have on the equitable share of the North West Province; at the time we estimated that the net reduction in our equitable share would be R300 million Rand. I can now tell you with certainty that the net reduction in our equitable share is R700 (Seven hundred million Rand) over the MTEF period.

In the course of the year Statistics South Africa conducted a community survey which indicated that the North West Province registered the lowest increase in Population as compared to other provinces. Whilst the total population of the country increased by 8.2% from 2001 to date, that of the North West Province increased by only 2.5%. The slow growth in population led to a further proportionate reduction in the equitable share of the North West Province by R920 million (Nine hundred and twenty million Rand) for the current MTEF period.

The significant reduction in the equitable share made the allocation of the budget to various Provincial Departments exceptionally difficult. The Provincial Treasury and the Budget Oversight Committee spent sleepless nights trying to ensure that the available funds are efficiently distributed to meet the Provincial priorities.

Madam Speaker,

I would like to take a cue from the State of the Nation's address to draw the attention of honourable members to focus towards our national apex priorities. Our (MTEF) budget for 2008-09 has particularly responded to this call by amplifying those priorities that we feel are close to our Provinces' unique needs:

#### **SOCIO-ECONOMIC PRIORITIES**

## ***Poverty Alleviation***

An amount of R258 million (Two hundred and fifty eight million Rand) has been set aside over the MTEF period to address the acceleration of delivery of services to the poor and eradication of poverty. These funds will be utilized by Non Governmental Organisations (NGO's) and Community Based Organisations (CBO's) to assist communities to maintain a sustainable livelihood. This allocation also includes funding provided to unlock opportunities for emerging contractors to enter the construction industry. The funds are components of the budgets for the departments of Social Development, Public Works, Transport, Roads and Community Safety. We believe that this will go a long way in combating the war on poverty.

## **Early Childhood Development Centers**

An amount of R125 million (One hundred and twenty five million Rand) over the MTEF has been allocated for Early Childhood Development Centers. This will assist the Department of Social Development to increase the Early Childhood intake from 12,000 (Twelve thousand children) to 26,000 (Twenty six thousand children).

## **Expanded Public Works Programme**

We would like to continue with the intensification of the Expanded Public Works Programme (EPWP) which has shown potential to absorb the unemployed from the second economy. I am glad to announce that, approximately 6000 new jobs will be created across all departments involved in infrastructure delivery in the 2008/09 financial year. This is specifically intended to target women, the youth and people with disabilities. We hope that this will contribute towards the achievement of the Vision 2014 goal of halving unemployment.

## **Provincial Growth Fund**

Madam Speaker, in response to the acceleration of economic growth and development in our Province, the Provincial Treasury in conjunction with the Office of the Premier facilitated the establishment of a Provincial Growth Fund that will lay a foundation stone for boosting economic activity in the Province. This Fund will serve as a channel for private participation in enhancing economic infrastructure growth and development.

The fund administrator and transaction advisor has been appointed to assist with the necessary administrative machinery. The growth fund is now close to implementation and has a fund strength of about R300 million (Three hundred million Rand). When the fund becomes fully operational it will be handed over to the Province for roll out. The public will be informed accordingly at the opportune time.

## **CAPACITY BUILDING PRIORITIES**

### ***Skills development***

Madam Speaker, it is a well known fact that, the greatest asset for any nation rests within its human capital; we have ensured that we adhere to the aims of JIPSA as advocated by our Deputy President Phumzile Mlambo Nqkuka. We have set aside an amount of R181 million (One hundred and eighty one million Rand) during the 2008/09 financial year to ensure that we build and retain critical and scarce skills that will strengthen the intellectual capacity of the Province.

#### **Scarce skills in Health**

It takes more than seven years to train a medical doctor, I am not sure what it takes to retain a medical doctor given the competitive nature of the global market.

Government appears to be fighting a losing battle because as soon as a medical doctor is trained, he or she is snatched by the private sector or the overseas market. In order to retain scarce skills in the government sector, we need to put systems and incentives in place that will make working conditions conducive such that these



professionals choose to serve and remain in Government for a reasonable period of time.

Let me hasten to add that government in response to some of these challenges has decided to implement an initiative called the new Occupation Specific Dispensation (OSD) that will provide for dual career paths in terms of which professionals and specialists can progress to levels where they earn salaries that are equal to or higher than that of managers without moving into management or supervisory posts. The OSD initiative will put in place a proper career path model for all occupational categories.

This career path model does not amount to an automatic salary increase, but it is a forward looking plan to systematically increase salaries after pre-determined periods based on specific criteria such as performance, qualifications, scope of work, experience, etc.

An amount of R337 million (Three hundred and thirty seven million Rand) has been allocated over the MTEF period to accelerate the recruitment of Health professionals and for the implementation of the Occupational Specific Dispensation.

## **OTHER PROVINCIAL PRIORITIES**

### **Multi Drug Resistant & Extreme Drug Resistant Tuberculosis**

The World Health Organization (WHO) has expressed concern over the emergence of virulent drug-resistant strains of tuberculosis (TB) and is calling for measures to be strengthened and implemented to prevent the global spread of the deadly TB strains. This follows research showing the extent of Extreme Drug Resistant-TB, (XDR) a newly identified TB threat which leaves patients (including many people living with HIV) virtually untreatable using currently available anti-TB drugs. Extreme Drug Resistant -TB poses a grave public health threat, especially in populations with high rates of HIV and where there are few health care resources.

An amount of R112 million (One hundred and twelve million Rand) over the MTEF has

been allocated to assist the Department of Health to contain the spread of Multi Drug Resistance (MDR) and (XDR) Extreme Drug Resistant types of TB.

### **No Fee Schools**

Madam Speaker,

The ruling party in its January 8th, 2008 statement, states:

“ Education is fundamental to the achievement of the society envisaged in the Freedom Charter. Teachers are the critical element in our important task of ensuring quality education for all children. When our people faced the oppressive impact of Bantu Education, it was teachers who stood up and ensured that we confounded the architects of apartheid by producing doctors, lawyers and engineers. Now that we are free, we need a similar resolute commitment. Our teachers must commit to a set of non-negotiables - to be in school, in class, on time, teaching, no abuse of learners and no neglect of duty”.

Many of our poor communities' children cannot go to school because their parents cannot afford school fees. This is an enormous challenge in the North West Province where unemployment is still relatively high.

928 (Nine hundred and twenty eight) no-fee schools have already been instituted. An amount of R135 million (One hundred and thirty five million Rand) has been budgeted over the MTEF period to cover 716 additional schools to benefit from the no-fee school status in the North West Province.

### **Learners with Special Needs**

Our Constitution challenges us that all learners pursue their learning potential to the fullest. This challenge can only be achieved by creating an inclusive education system by setting out to address the needs of all learners with particular reference to learners with disabilities. In this regard an amount of R68 million (Sixty eight million Rand) was allocated to strengthen special schools to take care of the needs of all learners with special requirements.

## Grade R Education Expansion

The foundation of this country lies in opening the doors of learning to all our children. The provincial government in the past has been funding grade R in a few public schools.

The province does not have enough money to introduce grade R in all public schools at the same time. We will give the poorer areas first preference.

An amount of R218 million (Two hundred and eighteen million Rand) has been allocated to the Department of Education for the expansion and implementation of grade R in public schools over the MTEF period.

## Housing Delivery

Madam Speaker,

The ruling Party's January 8th, 2008 statement also cautions us that "The development of integrated human settlements is a critical element in our fight against poverty and in improving the quality of life of our people". The province has made strides in the past with regards to building houses.

Although the Province stands out in terms of delivering services to the majority of households, the legacy of separate development and lack of integrated development planning is still evident in some areas. This has impacted negatively on a number of issues including service delivery, particularly in the previously marginalized so-called Black residential areas.

In response, the Department of Developmental Local Government and Housing in line with the National Government's service delivery programme, developed a five-year strategy to monitor and support municipalities in their endeavours to deliver services to all the citizens of the Province.

An amount of R3,153 billion (Three billion one hundred and fifty three million Rand) has been allocated over the MTEF period to accelerate the pace of housing delivery.

## Mafikeng Industrial Development Zone

The development of Industrial Zones is a catalyst for the Regional Industrial Development Strategy spearheaded by the Department of Trade and Industry. It is in this context that, we must accelerate the development of infrastructure at the Mafikeng Industrial Development Zone.

In the next MTEF an amount of R90 million (Ninety million Rand) has been allocated for the completion of phase one of infrastructure as part of the Western Side Infrastructure Development Plan. This will facilitate the attraction of investors to the zone so that the private sector initiated Minerals Complex Cluster could be completed in the next eighteen months. More details of the plan will be provided by the MEC for Economic Development and Tourism in his budget speech later in the year.

## Support to municipalities to improve capacity

Madam Speaker,

The Provincial Government has put a lot of effort to improve the financial management of our municipalities. However, the overall picture is not a rosy one.

It is with much discontent to apprise this august House that only 4 (four) out of 25 (twenty five) of our municipalities obtained unqualified audit reports for the year ended 30 June 2007.

We undertake to assist the remainder of the municipalities that received unfavourable reports to improve their situation in future after determining the peculiarities of each municipality.

Continued support to municipalities is essential for the improvement of service delivery. In addition to the support provided to municipalities by the Provincial Treasury and the Department of Developmental Local Government and Housing, an amount of R15 million (Fifteen million Rand) has been budgeted over the MTEF period to assist municipalities with specialized capacity building such as planning, project and financial management.

## Provincial Infrastructure Development Plan

Madam Speaker,

We have also made an investment of R2, 6 billion (Two billion six hundred million Rand) to Provincial Departments for infrastructure development.

Provincial Treasury in conjunction with National Treasury and the three major Departments of Education, Public works and Health, have put interventions in place to improve the spending patterns on infrastructure projects. We can now say that this joint effort has come to fruition as the infrastructure spending for the first three quarters of 2007/08 has increased to 80% as compared to 67% in 2006/07.

## Under-spending

In spite of all these efforts under-spending on infrastructure and conditional grants remains one of the biggest challenges we are faced with.

Needless to state that, we are compromised by under-spending because it is something that we cannot defend against the background of huge backlogs that these funds must address.

R240 million (Two hundred and forty million Rand) will be rolled-over this financial year. Provincial Treasury is assisting affected departments with appropriate interventions to improve their capacity to spend work in progress.

Madam Speaker,

With the budget framework as background, allow me to turn to the departmental allocations for 2008/09.

## Provincial Revenue

We have a total amount of R16 937,569 million (Sixteen billion nine hundred and thirty seven million five hundred and sixty nine thousand Rand) available for the 2008/09 financial year. This amount consists of R13 820,620 million (Thirteen billion eight hundred and twenty million six hundred and twenty thousand Rand) received from the

National Government as the provincial equitable share, R2 578 ,741 million (Two billion five hundred and seventy eight million seven hundred and forty one thousand Rand) as conditional grants from various National Departments and the estimated Provincial own revenue of R538,208 million (Five hundred and thirty eight million two hundred and eight thousand Rand).

#### Provincial Expenditure

Madam Speaker,

Despite the several challenges mentioned above we have managed to produce a balanced budget for the 14th (Fourteenth) consecutive year.

The budget voted for **2008/09** amounts to **R16 937,569 million** (Sixteen billion nine hundred and thirty seven million five hundred and sixty nine thousand Rand), **R18 980,653 million** (Eighteen billion nine hundred and eighty million six hundred and fifty three thousand Rand) for **2009/10** and **R20 822,098 million** (Twenty billion eight hundred and twenty two million and ninety eight thousand Rand) for **2010/11**.

Funds have been allocated as follows:

#### **GOVERNANCE CLUSTER**

**The Governance and Administrative Cluster** receives an amount of **R1,755 billion** (One billion seven hundred and fifty five million Rand) representing **10.36%** of the total budget for the **2008/09** financial year. This amount increases to **R1,936 billion** (One billion nine hundred and thirty six million Rand) and **R2,170 billion** (Two billion one hundred and seventy million Rand) in the outer years of the **MTEF**.

Allocations to individual departments that form part of the Governance and Administrative Cluster are as follows:

The Department of Finance receives a total amount of R255,287 million (Two hundred and fifty five million two hundred and eighty seven thousand Rand) in 2008/09

increasing to R270,284 million (Two hundred and seventy million two hundred and eighty four thousand Rand) and R286,169 million (Two hundred and eighty six million one hundred and sixty nine thousand Rand) respectively during the outer years of the MTEF. The money allocated for 2008/09 is almost the same as in the 2007/08 fiscal year. Additional funds had to be allocated to the Department to enable it to support Municipalities as required by the Municipal Finance Management Act (MFMA).

Office of the Premier receives a total amount of R248,295 million (Two hundred and forty eight million two hundred and ninety five thousand Rand) in 2008/09, increasing to R257,391 million (Two hundred and fifty seven million three hundred and ninety one thousand Rand) and R274,460 million (Two hundred and seventy four million four hundred and sixty thousand Rand) during the outer years of the MTEF respectively.

The Provincial Legislature receives R106,411 million (One hundred and six million four hundred and eleven thousand Rand). The amount increases to R112,797 million (One hundred and twelve million seven hundred and ninety seven thousand Rand) and R119,515 million (One hundred and nineteen million five hundred and fifteen thousand Rand) during the outer years of the MTEF.

The Department of Developmental Local Government and Housing receives R1 144,745 million (One billion one hundred and forty four million seven hundred and forty five thousand Rand) in 2008/09, R1 296,014 million (One billion two hundred and ninety six million and fourteen thousand Rand) in 2009/10 and R1 489,620 million (One billion four hundred and eighty nine million six hundred and twenty thousand Rand) in 2010/11.

The key deliverables of the Department are:

- Facilitation of housing projects and
- Assisting municipalities in capacity building.

The Economic Development and Infrastructure Cluster

The Economic Development and Infrastructure Cluster receives an amount of R3,357 billion (Three billion three hundred and fifty seven million Rand) representing 19.82% of the total budget for the 2008/09 financial year.

This amount increases to R3,756 billion (Three billion seven hundred and fifty six million Rand) and R3,852 billion (Three billion eight hundred and fifty two million Rand) over the MTEF period.

**The allocations to departments within this cluster are as follows:**

**The Department of Transport, Roads and Community Safety** receives an amount of **R1 661,377 million** (One billion six hundred and sixty one million three hundred and seventy seven thousand Rand) in **2008/09**, **R1 932,358 million** (One billion nine hundred and thirty two million three hundred and fifty eight thousand Rand) in **2009/10** and **R1 903,199 million** (One billion nine hundred and three million one hundred and ninety nine thousand Rand) in **2010/11**.

An amount of **R2, 047 billion** (Two billion forty seven million Rand) has been budgeted for over the **MTEF** period for the construction and maintenance of roads.

**The Department of Public Works** receives an amount of **R589, 943 million** (Five hundred and eighty nine million nine hundred and forty three thousand Rand) in **2008/09**, **R624, 609 million** (Six hundred and twenty four million six hundred and nine thousand Rand) in **2009/10** and **R660, 503 million** (Six Hundred and sixty million five hundred and three thousand Rand) in **2010/11**.

These amounts allocated to the Department exclude projects implemented on behalf of other departments such as Education and Health.

An amount of **R458, 999 million** (Four hundred and fifty eight million nine hundred and ninety nine thousand Rand) has been allocated for the maintenance and upgrading of government buildings over the **MTEF** period.



**The Department of Agriculture, Conservation and Environment** receives an amount of **R545, 420 million** (Five hundred and forty five million four hundred and twenty thousand Rand) in **2008/09**, **R587, 458 million** (Five hundred and eighty seven million four hundred and fifty eight thousand Rand) in **2009/10** and **R633,931 million** (Six hundred and thirty three million nine hundred and thirty one thousand Rand) in **2010/11**.

Key deliverables for this Department are:

- Land Distribution for Agricultural Development and the Comprehensive Agricultural Support Programme to provide support to beneficiaries of land reform;
- Landcare; and
- The development and maintenance of World Heritage Sites.

The Department of Economic Development and Tourism receives an amount of R233,387 million (Two hundred and thirty three million three hundred and eighty seven thousand Rand) in 2008/09, R261,548 million (Two hundred and sixty one million five hundred and forty eight thousand Rand) in 2009/10 and R275,440 million (Two hundred and seventy five million four hundred and forty thousand Rand) in 2010/11.

The key deliverables for this Department are centered around the Provincial Growth and Development Strategy, that is earmarked to stimulate economic growth and to achieve an economic growth rate of 6,6% by 2014.

**The Department of Sport, Arts and Culture** receives an amount of **R327,150 million** (Three hundred and twenty seven million one hundred and fifty thousand Rand) in **2008/09**, **R350,073 million** (Three hundred and fifty million seventy three thousand Rand) in **2009/10** and **R379,047 million** (Three hundred and seventy nine million forty seven thousand Rand) in **2010/11**. The aim of the Department is to promote, develop and enhance communities through equitable, accessible and sustainable sport, arts, culture and library programmes.

## **SOCIAL CLUSTER**

**The Social Cluster** receives an amount of **R11,826 billion** (Eleven billion eight hundred and twenty six million Rand) representing **69.81%** of the total budget for the **2008/09** financial year. This amount increases to R13,288 billion (Thirteen billion two hundred and eighty eight million Rand) in **2009/10** and **R14,800 billion** (Fourteen billion eight hundred million Rand) in **2010/11**.

The allocations to departments within this cluster are as follows:

**The Department of Education** receives an amount of **R6 995,482 million** (Six billion nine hundred and ninety five million four hundred and eighty two thousand Rand) in **2008/09**, **R7 995,239 million** (Seven billion nine hundred and ninety five million two hundred and thirty nine thousand Rand) in **2009/10** and **R8 842,782** (Eight billion eight hundred and forty two million seven hundred and eighty two thousand Rand) in **2010/11**.

The key deliverables for which additional funds were allocated in the budget are:

- No-fee schools;
- Grade R expansion and implementation and
- The review of educators' salaries.

**The Department of Health** receives an amount of **R4 222,549 million** (Four billion two hundred and twenty two million five hundred and forty nine thousand Rand) in **2008/09**, **R4 596,430 million** (Four billion five hundred and ninety six million four hundred and thirty thousand Rand) in **2009/10** and **R5 143,030 million** (Five billion one hundred and forty three million and thirty thousand Rand) in **2010/11**. Health services in general in the North West Province are still lagging behind the rest of the country and the increase in the budget allocation should remain above average until the backlog has been eliminated. The need to upgrade Emergency Services for the 2010 Soccer World Cup is also receiving attention in the budget.

**The Department of Social Development** receives an amount of **R607,523 million** (Six hundred and seven million five hundred and twenty three thousand Rand) in **2008/09, R696,453 million** (Six hundred and ninety six million four hundred and fifty three thousand Rand) in **2009/10** and **R814,402 million** (Eight Hundred and fourteen million four hundred and two thousand Rand) in 2010/11.

**Madam Speaker,**

Please allow me now to table the following documents:

- The North West Appropriation Bill 2008
- Revenue and Expenditure Estimates
- The People's Guide to the Budget
- A copy of the Provincial Budget Speech 2008

## **CLOSING REMARKS**

**Madam Speaker,**

Preparing a budget is a laborious task which requires dedication and undivided attention to execute. It takes a complete year's work by a dedicated team of individuals to go through the motions, collect information, sieve through it with a fine tooth comb while holding bilaterals with departments to iron out inconsistencies / fluctuations until final consolidation. Without making this sound like an ode to Caesar, this year's budget has been probably the most difficult budget ever to be prepared in this Province.

I would therefore like to sincerely thank the following, whose contribution to this budget process is immeasurable and made this day possible:

- Premier Edna Molewa, for your visionary leadership in navigating the process and ensuring that we deliver this budget;
- Colleagues in the Executive Council for your support;

- Honourable Sam Mokaila and Yvonne Makume, Chairpersons of the Finance and Public Accounts Committees respectively, and members of the two Committees, for your valued inputs and oversight over the management of the budget process;
- Honourable Members of this august House for your vigilance;
- The Heads of Departments, for your diligence in implementing, at times, complex policy decisions;
- Dr. Iraj Abedian and Dr. Wim Naude for their intellectual insights and invaluable support;
- The Acting Head of Department of Finance, Mr. Geo Paul, the Deputy Director General of the Provincial Treasury, Mr. E van Wyk and the formidable “Team Finance” whose professionalism, persistence and dedication ensure that our finances are prudently managed;
- The Auditor-General and the Provincial Audit Committee whose work has greatly enhanced financial management in government;
- Our colleagues in the media for your support and the dissemination of our information in a value adding manner;
- My family and husband, Dr. Peter Modiselle, who has always encouraged and spurred me on to face challenges with moderate poise;
- The people of the North West Province for holding us accountable.

## CONCLUSION

Madam Speaker,

May I emphasize that, there would never be a time when resources are so abundant to satisfy everyone’s insatiable needs, but as a Provincial Treasury we have tried our

level best to table a truly people – centered budget to support the socio-economic needs of all the people of the North West Province.

Martin Luther King Jr. once pointed out that;

“Our lives begin to end the day we become silent about things that matter”.

We can therefore never be silent on the aspects which affects the wellbeing of the people in our country and in our province, even if uncomfortable. Only by expressing what is important, what matters, can we identify priorities. Only by having priorities, can our budget make sense. A truly developmental state, which leaves no one behind, is now a priority for our country.

By giving voice to the poor and the marginalized, the budget is essentially a tool for hope, a tool for life. We hope sincerely that this budget will in some measure contribute to make hope and life a reality for the people of North-West.

People of the North West, we are in this together, all hands on deck, this is your Budget.

I thank you

Ke a leboga

Baie Dankie