



**MINISTRY: FINANCE  
REPUBLIC OF SOUTH AFRICA**

Private Bag x115, Pretoria, 0001 • Tel: +27 12 323 8911 • Fax: +27 12 323 3262  
PO Box 29, Cape Town, 8000 • Tel: +27 21 464 6100 • Fax: +27 21 461 2934

**Address to the Western Cape Provincial Legislature**

**Provincial Budgets and Expenditure Review**

**Minister of Finance Trevor A Manuel, MP**

**18 September 2007**

**Mister Speaker**

**Honourable Premier**

**Members of the Executive Council**

**Honourable Members of the Provincial Legislature**

**Representatives of Local Government here present**

**Ladies and Gentlemen**

**Dear Friends**

I am grateful to the Speaker, Honourable Byneveldt, and the Rules Committee for the opportunity to address this house on the *Provincial Budgets and Expenditure Review*. The historic step of allowing a member of the Executive in another sphere of government to address you bodes exceedingly well for the spirit of co-operative governance. This is surely good for our democracy.

The Review we are debating today expresses in very simple terms the relationship between the policies that were pronounced in the last four years; the resources that were allocated to implement them; the expenditures thus incurred and the services that the money bought. It also reflects on the impact that the services have had on the quality of life of our people. The timing of this debate, Mr Speaker, could not be more propitious for, in the next fortnight, every department is required by the PFMA to table before this House its Annual Report for 2006/7. These annual reports add significantly more information about the outcomes against commitments made. The information will indicate whether we are fulfilling our contract with the people in providing public services of the highest quality to all citizens, with an unashamed bias towards the poorest amongst us.

It is the role of developmental states to unequivocally intervene on behalf of the poor and to amongst others, provide access to equal opportunities in all areas in society. The Review we place before you today is a barometer by which all of us should evaluate the progress we are making towards

progressively realising the social and economic rights enshrined in the constitution. However, we need to be mindful of the limitations of the exercise – the best source of information available is the amount of finance allocated to the provision of particular public services each year for a period of seven years. This allows the reader to measure the relationship between the broad stated policies of government and the allocations made towards the implementation thereof. It does not yet provide all the answers about what the impact of these allocations is on the broader endeavour to progressively improve on the quality of life of our people. The Review raises a series of questions that are fundamental to oversight including:

- 1) Are our budgets and policy priorities sufficiently aligned?
- 2) Have departments been spending the money on what it was intended for?
- 3) What impact has the expenditure had on the intended beneficiaries?
- 4) Are we getting value for money or is our spending efficient?
- 5) What kinds of interventions are needed to ensure that we can better our past performance?

These are some of the questions that this Review allows Members to debate more vigorously. We must ask these questions, for if we don't we shall be failing our democracy and our people.

When honourable members drill through the reams of data available in the Review they will see that Western Cape has made good progress in addressing the needs of our people who live in the province. There are many good things to be proud of here across all sectors.

The Review shows that Western Cape's health care system works in the sense that:

- (i) The province has the highest number of visits per person, at 3, 9 visits per person in 2005/06.
- (ii) The TB cure rate is highest: equal to 69 per cent.
- (iii) The province also has the highest ratio of doctors per 1000 uninsured persons (at 0,67 in 2005/06 compared to a national average of 0,32)

This is a reflection of the wise choices that the successive governments have made over the years. Yet, we will all share the concern about the appropriate balance between the extension of primary health services and the ability to maintain high-end tertiary public health facilities. Governance is about choices and the objective of oversight is to honestly evaluate the choices made. The decisions we make today will impact on the lives of our people for years to come.

The Western Cape Province has been able to maintain good services amidst sizable inward migration from neighbouring provinces such as Eastern Cape. The net inward migration in population into this province in 2006 totaled 244 416 people with an additional 193 524 people projected to enter the province from 2006-2011. This places a greater burden on social services thus requiring approaches to funding that respond to this challenge.

The Review we are debating today enables Western Cape to benchmark itself against the other eight provinces across a range of public services covered in the sector chapters.

As a country we are also able to compare ourselves against countries at similar stages of development and income levels. The fact that South Africa spends a much larger proportion of its budget on education than many middle income countries such as India, Chile and Turkey is commendable and testimony to our commitment to deliver to the poor.

The question we have to pose is whether we are getting value for money. And while we spend more on education than most countries with similar sizes in GDP we attain lower outputs and outcomes than those other countries. It suggests that we might be able to improve outputs and outcomes by simply improving the efficiency and the effectiveness of our education system. The challenge to all of us, not just in the education sector though, is how to achieve the efficiency and qualitative improvements that are required.

As we indicated earlier, the most extensive information in this volume is of a financial nature, largely because the PFMA compels such reporting. We should, however, draw to the attention of this House that the Review is limited by the unevenness in respect of non-financial information, both within and between different social services. I offer to this august house the challenge of improving on the quality, quantity and timeliness of non-financial information. An examination for example, of the Health Chapter tell us much about the spending levels, the use of the health system quantitatively, the number of health professionals employed and the number of facilities available. It sadly does not tell us much about the disease profile, the content of the service provided or even the imputed cost of the visit. Part of the difficulty is that health workers who may be exceedingly overstretched tend to find the provision of such information bureaucratic and burdensome. In the consequence, we do not know sufficient about what the money buys. There is absolutely no reason why this province should not provide leadership on this issue – it would both improve on the quality of oversight and give us a better measure of the reach of democracy.

## **Education**

There have been positive changes in this province. The Western Cape has an education budget of R7,7 billion in 2007/08 and will grow to R9,3 billion in 2009/10. This province spent over R24,4 billion on school education between 2003/04 and 2006/07. Over this period 1 677 classrooms were built and 41 new schools completed, providing an environment that is conducive to effective learning and teaching. The number of learners at primary and secondary schools has increased by 62 442 since 2000.

Enrollment figures for 1999-2000 show that only 50 per cent of learners that enrolled in grade 1 reached Grade 12. This is indicative of a high school drop-out rate. The province needs to try and understand the factors that underlie this pattern.

With a matric pass rate of 83,7 per cent last year, Western Cape continues to have the highest pass rate across all the nine provinces, but as a country we should all be worried that a proportion of learners who pass matric has been on a decline.

In a study undertaken by Professor Charles Simkins the distribution of senior certificate mathematics demonstrates that the divisions of race and class in 2004 were as strong as those inherited in 1994. The study of more than 6 000 schools shows that 79 per cent of the country's high schools fall into the poorly performing category, producing only 15 per cent of all HG passes in mathematics. The overwhelming majority of children attending these schools are poor and African. We need to look beyond matric pass rates to get a sense of the quality of education. The results from the Trends in International Mathematics and Science Study (TIMSS) are exceedingly worrying because they seem to suggest that all of the history of disadvantage is being carried into the future. If education cannot break the inter-generational cycle of poverty and disadvantage, then nothing else will. The quality of outcomes at every level has to improve – yet, of the budget of R7.7 billion, R5,9 billion is committed to educators salaries. How do we drive change?

Relative to other provinces the Western Cape has the smallest number of schools that fall into the category of the poorest forty percent of learners (the so-called quintiles 1 and 2). As a result the province was in a position to extend the no-fee school policy to schools that fall within the next 20 per cent (i.e. quintile 3). A total of 407 schools have been declared as no-fee schools with a targeted allocation of R738 per learner. The number of learners benefiting from the no-fee schools is 132 560 or 14 per cent of the learner population.

The challenge we face with the “no-fee” schools is ensuring that the quality of education is at least as good as schools where fees are paid. We must ensure that the governance structures of the no-fee schools are in place and strong enough to hold teachers accountable and to ensure that our children receive the best education our system has to offer. We must make sure that those learners living in the poorest communities have at least an equal chance of

making it through our education system. This can only be attained by improving on the quality of the oversight – this is distinctly not a task for the education department through its district offices alone, nor can it ever be a task for the education department and Members of the Standing Committee alone – each one of us, deployed into communities through the system of constituency offices should be called upon to account for the quality of this public service. Oversight may appear cumbersome, but it is the only guarantee we have of removing the long shadow of disadvantage cast by history.

Yet, the affordability of education is just one of the number of challenges that confronts us in education in this province. Or, even more pertinently in this Province, a discussion on the outcomes of education will be quite incomplete in the absence of dealing with the need to create an adequate environment for learning and teaching in “high risk areas” where the prevalence of drugs and gangsterism in schools presents a huge impediment. This problem will not disappear of itself, it calls for commitment and effort from all legislators, parents and public servants working in close collaboration. The challenge of access to education, in the context of developing and maintaining a culture of learning and teaching, is something we must invite this legislature to debate.

## **Health**

Let me turn to the second largest item of expenditure on the province’s budget which is health. There have been a number of notable interventions at a national level with the aim of improving access to health services which have yielded positive results in all provinces. Spending on health remains strong and by 2009/10 government will spend R500 per uninsured family per month. Government’s efforts to increase the number of professionals in the health sector are beginning to yield results in the province. Western Cape has been able to take advantage of our intervention in respect of rural and scarce skills allowances.

The health budget of Western Cape has been growing at an average annual rate of 7,4 per cent above inflation from 2003/04 to 2006/07 which is from R4,5 billion to R6,4 billion. In the context of concerns about hospital budgets, it is worth noting that health spending per capita in the Western Cape is 30 per cent higher than the national average. As this review shows, primary health care visits now average 3,7 utilisation per person per year. This is the highest utilisation rate in the country.

In 2002, tuberculosis was the leading cause of death in both South Africa and Western Cape. The second-highest cause of death in Western Cape was ischemic disease.

While the Review shows that the burden of disease has risen for a variety of reasons, it also confirms that the health sector is better prepared to respond to these challenges. The uptake of the ARV treatment programme nationally now has about 264 000 people on it, up from 143 000 a year ago. There are 26 097 people or 10 per cent of the total in the country who are currently on treatment in this province.

Yet, we should be conscious that even as we speak there is litigation underway on the very topic of the health budget. Whilst I am sure that this sensitive matter has been frequently debated in this chamber, I have nonetheless to ask that additional attention is paid to the communication of your decisions. I would also welcome debate on the longer term challenge of building, equipping, staffing and effectively organising our health services. The public commentary focuses too often on this year's allocations and short term adjustments that can only properly be understood as part of a longer term strategy. Modern, effective health services, accessible to all our people, require careful, considered plans and implementation of reforms progressively year by year.

We recognise that the Western Cape's academic hospitals are both regional health service assets and national centres of excellence. Indeed, you have trusteeship in this House for a network of health facilities that enjoys

international renown not just for excellence in medical teaching and research, but also for innovative community health programmes addressed at difficult and sometimes desperate local conditions. The national budget includes substantial grants to support central hospitals and professional health training. The hospital revitalisation grant also grows strongly over the period ahead. We need to appreciate, however, that the public sector cannot carry the entire burden of meeting health service needs. Particularly in this province, which has a high proportion of insured patients, we need to find better ways of combining public and private sources of finance in the development and improvement of our major hospitals.

### **Social development**

With the growth in substance abuse and gangsterism the social development sector in Western Cape faces unique challenges. This province currently spends about R1 billion a year on crime and safety functions (National, Provincial and Local government combined). Despite these significant resources and investment, criminality and violence remain a major challenge afflicting communities. We need to deal with this scourge and save our children.

The Western Cape Substance Abuse Provincial Forum was launched in February 2005. There was also a summit held on 10 - 11 March 2007 on the National Drug Master Plan across the three spheres of government. The Provincial Integrated Strategy on Substance Abuse will be finalised this month.

The Western Cape has 132 homes for the Aged all of which are managed by NPO's. The per capita distribution of these old age homes is 1 for every 2 514 of the aged. This is the most favourable per capita distribution in the country. Counselling services for the elderly totalled 6 950 or 9,5 per cent of the total clients counselled in the country in 2006.

Expenditure on the care and services to older persons decreased from R96,6 million in 2003/04 to R96 million in 2006/07. The budget for this programme is projected to grow significantly by R36 million over the MTEF to R132 million in 2009/10. The measure of the quality of our democracy is care, and we should not be found wanting in respect to the most vulnerable of our citizens. The provision of social development services needs a radical overhaul – not by way of copying the most expensive systems from the world's wealthiest countries, but rather by developing a distinctly African approach to caring that expresses unequivocally that “human life has equal worth”.

### **Other Services Covered**

The report also covers a range of other services including Housing, Land, Agriculture and Roads & Transport. Here the picture is more mixed and understandably, this situation obtains for a variety of different reasons. One aspect not covered by the Review but which merits additional attention is the inter-governmental delivery of particular services. We have experienced instances where there is a misalignment between policy and spending plans on concurrent functions. We have also witnessed cases where there have been delays as a result of decisions which are dependent on local government, for example, land release.

It is for this reason that the Intergovernmental Relations Act, on the one hand, and the local government capacity building initiatives, on the other, are so vitally important to the success of provincial outcomes.

### **Conclusion**

Mister Speaker, and Honourable Members, as we reflect on the successes we have achieved over the last four years we should not be complacent. Those of us who are elected political office-bearers need to remind ourselves that the contract we entered into is a commitment to serve the people of this country and our constitution. We have to organise the provision of public services to intercede in the interests of all citizens, with an unashamed bias towards the

poorest amongst us. This task will always be difficult in a developing country, especially one where the needs are as great as in our country.

The efficacy of any democracy depends on the degree to which elected representatives are accountable to the electorate for the decisions they make. This must happen here, in this legislature and our Parliament. The central tenet of the omnibus of public sector reforms that we are implementing requires us to be accountable. It is only when we are able to engage in constructive and honest debate that we can rise to the collective responsibility that our people have entrusted us with: to deliver a better life for all. This is what our people expect of us, and we cannot fail them.

In conclusion I invite members of this House to join hands and work with us in improving our reporting and in making use of the information we are making available in the budget documents and reports to ensure that together we can continually assess whether we are delivering on the promises we made to our people when they gave us the mandate to govern them for another five years. This *Review* is a step in that direction. We shall not rest.

I wish to thank you all, Ndiyabulela!