



Province of the
EASTERN CAPE
MEC: FINANCE

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PROVINCE OF THE EASTERN CAPE
2008 BUDGET SPEECH AND POLICY STATEMENT

Delivered By

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1. INTRODUCTION

Madam Speaker, Premier, Honourable Members of the House, Heads of Departments, invited Guests, Officials of the Provincial Administration, Comrades, Friends, Ladies and Gentlemen, I would like to begin my speech with a quotation from Elma Kassa, a 13-year old girl from Addis Ababa, Ethiopia:

“I go to collect water four times a day, in a 20-litre jar. It’s hard work.....I’ve never been to school as I have to help my mother with her washing work so we can earn enough money..... Our house doesn’t have a bathroom..... If I could alter my life, I would really like to go to school and have more clothes”

Madam Speaker, such chilling statements are very common with many children in a number of households in our country. Freedom from illness and freedom from illiteracy – two most important ways poor people can escape poverty – continue to remain elusive to many people in the country.



To accelerate progress in human development, economic growth is, of course, necessary. But it is not enough. Scaling up will require a substantial increase in resources and effective use of all resources, both internal and external. As resources become more productive, the argument for additional resources becomes more persuasive.

Madam Speaker, education is very essential in any society but any institutional arrangement for basic education should be judged by its production of high-quality learning and equitable distribution. This requires that children be in school and that they learn. This in turn rests on an education system that creates relationships of accountability between citizens, politicians, policymakers, and providers, with clear objectives, adequate resources, capable and motivated providers, progress assessments, and performance-oriented managements.

The current educational system faces the problem of service provision. There is also enormous deficit in affordable access. Poor people have less access, lower attainment, and lower quality than those better off. Effective solutions to the education problems require more resources to be directed to the sector. And to learn effectively, children need affordable access to classrooms and laboratories, learner and teacher support materials and quality instruction.

Madam Speaker, poor people in the country also have the worst health outcomes. They are pushed further into poverty due to ill health. And they are often excluded from support networks that enhance the social and economic benefits of good health. Unlike education, health and nutrition outcomes of poor people are produced by households, with contributions from many services. And health and nutrition services contribute to other aspects of human welfare, such as protecting people from catastrophic health spending.

Health services to poor people are inadequate in the province. This is not because of lack of knowledge for preventing and treating illness, but because the system is trapped in a web of inadequate funding and weak relationships of accountability. We need to break out this trap by tailoring the service delivery arrangements to involve three responses: individual-oriented clinical services to the poor, population outreach services, and family-oriented services that support self-care.

Madam Speaker, drinking water, sanitation, sewage disposal, electricity, rural roads and urban transport influence human development outcomes. As with education and health services, the impact of infrastructure

services on human development is direct. The impact is also indirect, through economic growth. Therefore like education and health, we should not allow infrastructure services and facilities to fail the poor.

Although there have been significant gains in access to basic services, the province continue to lag behind the targets set in the year 2004. According to the Statistics South Africa 2001 Census and 2007 Community Survey, 3 of every 10 households in the province were without access to piped water or safe water in 2007, and about 35,6% of black households relied on water from rivers, dams, boreholes and or rain water during the period. Only 4 of every 10 households in the province had access to sanitation in 2007. Of those households with inadequate sanitation, 35% used pit latrines while 27% had not toilets at all. Only 3 of every 10 households in the province had access to electricity in 2007 and 8,7% of black people and 6,2% of coloured people in the province still lived in informal dwellings in 2007.

Madam Speaker, for basic services in education and health, and infrastructure to work for the poor, the government has to intensify its involvement. Whether it fulfils this responsibility by providing, financing, regulating, or monitoring services or providing information about them, the basic functioning of government should underpin, not undermine, effective services.

When the government does not run well, it would not be able to sustain the institutional arrangements and accountability relationships that promote good governance and produce adequate services. Looking at all that the government does, the biggest payoffs to service delivery are likely to come from the following key actions: spending wisely and predictably in line with priorities and coordinated across sectors; managing decentralization to reap the benefits of being closer to the people; developing and deploying administrative capacity to take sound decisions at the top and to implement them well; curtailing corruption; and learning from success and failure

Making basic services in education, health and infrastructure to work for poor people also requires sound budgeting. Good and results-oriented budget allocations are both an outcome of a long route of transparency and accountability, and a source of its strength, particularly for the link between policy-makers and providers.

For almost a decade now, provinces, and indeed the country, have approached the problems of transparency and results orientation in budget formulation through medium term expenditure frameworks. These multi-year frameworks make tradeoffs more transparent across sectors and time and synchronize medium-term priority setting with the annual budget cycle. They offer the promise of better budget management, though early

implementation suggests that realizing these gains takes quite a bit of time, effort, and parallel improvements in budget execution and reporting.

Properly implemented, a medium term expenditure framework can reduce incentives for bureaucratic budget gaming and reveal the true costs of political choices being made in the budget. It can usefully address the information asymmetry that usually exists between the Treasury and line departments, because its forward-estimate system requires line departments to cost their programs over the medium term, essentially a rolling three-year budget. A properly functioning forward-estimate system can induce line departments to set aside funding for recurrent costs and improve the delivery of services suffering from inadequate maintenance.

As the capacity to manage grows, a medium term expenditure framework can offer other advantages. Sector-specific expenditure frameworks can be developed and linked to the overall framework, increasing confidence that the budget is becoming more results-oriented. With a multi-year framework, policy makers can focus on new programs since allocations for existing programs decided in previous years would only need updating. Treasuries can more require line departments to propose cuts in ongoing activities to pay for new programs. Line departments would have an incentive to know the least effective programs at any point in time, creating demand for systematic monitoring and impact assessment capacity and for client feedback.

Madam Speaker, for all their advantages however, medium term expenditure frameworks have not proved to be the magic bullet. Aggregate and sectoral outcomes and capacity developments in the province reveal a mixed picture. Implementing medium-term expenditure frameworks is proving to be difficult. It has become clear that a solid foundation of budget planning, execution and reporting seems to be the key, but it is also difficult to achieve. Implementing medium term expenditure framework can build the basics, as can participatory budgeting initiatives. Other success factors include carefully matching implementation with capacity, keeping budget projections and estimates realistic, distinguishing between collective responsibility in the cabinet and interests of individual departments, and engaging line departments in the strategic phase prior to considering detailed estimates, when the rationale and instruments for public intervention are carefully thought through.

2. THE 2007/2008 BUDGET PERFORMANCE

Madam Speaker, Premier, Honourable Members of the House, I would like to provide a brief review of the performance of the budget in the current financial year. I will use this review to establish the base from which the 2008/2009 budget proposals are derived.

From the revenue perspective, the provincial financial position looks very strong and encouraging. Revenues from the major sources are generally in line with the projections. As of the end of January 2008, a total of R26.4 billion, representing 83.6% of the projected revenue for the financial year 2007/2008 had been received. Up to January 2008, the province had received from the national government R22,9 billion of its total equitable share of R27,3 billion, representing 83,6% of the expected equitable share receipts.

Up to January 2008, 81,1% of the total R3,4 billion conditional grants allocated to the province had also been received from the national government. Over the same period, the province mobilized over R782,6 million from its own sources. The provincial own revenue is projected to reach R829,8 million by the end of the financial year, indicating an over-collection of some R135 million or 16%.

Madam Speaker, the financial performance from the expenditure perspective also looks very encouraging, thanks to the Adjustments Estimates Budget that reduced the original budget of R31 billion for the 2007/2008 financial year to R30,6 billion. Total spending by the province as at end January 2008 stood at R24,5 million, or 80,1% of the adjusted budget for the financial year. The January in-year monitoring report, indicates that the province may end the financial year with a minor under-expenditure of 0,1% of the adjusted budget for the year.

Madam Speaker, although the province is projected to end the 2007/2008 financial year with a projected under-spending of 0,1%, the problems of lack of capacity to plan, implement, monitor and evaluate spending continue to confront us. In some cases, funds are not transferred because the recipient institutions and agencies have not been able to comply with the requirements, such as the submission of business plans. Lack of proper costing and credible procurement plans that tend to undermine cash flow projections are thus the major contributory factors for under spending of the goods and services budget. But above all, Madam Speaker and Premier, there is more cash available to spend now than the capacity of departments to spend.

The need to build capacity in the administration and also creatively utilize the existing capacity to step up spending cannot therefore be over-emphasized.

As part of the responses to the financial management challenges confronting the province, comprehensive Audit Intervention Plans have been formulated by the Treasury and approved by the Executive. The main purpose of the plans is to address the financial management challenges confronting the province as evidenced in the Auditor-General's audit reports for the 2006/2007 financial year. Both departmental specific and transversal (across-the-board) financial management issues were analysed and responses formulated in the form of plans to address them. Personnel from the Chief Financial Office (CFO) program have already commenced work in some departments since mid-February 2008 to implement the audit intervention plans. Workshops for the auditors from the Office of the Auditor General, CFOs from departments, CFO Support staff, and officials from the Treasury have also been organised. These workshops sought to establish an open and progressive working relationship between the administration and the provincial Auditor General's office. A Provincial Audit Steering Committee, comprising of 5 Heads of Departments and chaired by the Treasury Chief has been established to assist departments and the Auditor General on high level issues that arise during the audit process and cannot be resolved at departmental levels.

Madam Speaker, I also wish to place on record an important development in the financial management in the province that took place in the 2007/2008 financial year. This is the tabling and passing of two Finance Acts that sought to clean the bank accounts of a number of departments that have run overdrafts in these accounts as a result of unauthorised expenditures they incurred in the period dating back to the 1994/1995 financial year.

Madam Speaker, you will recall that in June 2007, the House passed the Finance Act, 2007, which sought to authorise unauthorised expenditures of R68,3 million incurred by departments of the Eastern Cape government during the period of April 1994 to March 2000. On 12 February 2008, I also tabled a second Finance Bill that sought to authorise some R3,3 billion worth of unauthorised expenditures incurred by departments during the period of April 2000 to March 2006. This Bill was passed into an Act by the House on 19 February 2008. Madam Speaker, as a result of judicious management of the finances of the province, we were able to accumulate surplus funds in the last three years which made it possible for the two Finance Acts to be passed to create the opportunity for departments to clean their financial records and bank accounts. Although some may construe this to mean weaknesses in financial planning, the passing of the two Acts was historic as such event has never occurred in any province since the new democratic dispensation.

3. THE 2008 MEDIUM TERM EXPENDITURE

The 2008 Budget seeks to accelerate economic growth and create sustainable job opportunities, expand social and economic infrastructure facilities and services, enhance the efficiency of the provincial administration, and thus fight poverty and inequality. As government, we have consciously chosen this course of action believing that it is right to do so.

Madam Speaker, in her State of Province Address, the Honourable Premier intimated that the growth rate of the provincial economy is on an upward trend at 5,2% in 2006. Our accelerated and shared growth initiatives currently being implemented clearly demonstrate that our economy can grow even faster to enable the province to achieve its Millennium Development target of 8% in 2014. But this would happen if we accelerate investment in areas of competitive advantage; expand infrastructure capacity and efficiency, especially in areas of roads, ports, electricity, water, information technology and telecommunication; expand and sustain skills development in the critical areas of engineering, medicine, accounting, finance, planning, project management; and improve the capacity of the public sector to make the state to become an effective instrument of reconstruction and development. The critical underpinning factors in the growth trajectory thus hinge on our fiscal and investment decisions and the ability of the local economy to adjust to national and global opportunities and risks. There is also the factor of mobilising our collective effort to support the government's accelerated and shared growth agenda.

Madam Speaker, for the coming fiscal year and over the medium term, the government is proposing a budget that allows for increasing funding levels for public sector infrastructure, improvements in education and health services, and social development, while enhancing the competitiveness of the local economy and accelerating and sustaining the growth trajectory. The fiscal stance therefore strikes a careful balance between increasing spending on infrastructure and services, while selectively increasing investment in those areas of the local economy with strong competitive advantage and capacity to create sustainable job opportunities.

The 2008 budget framework provides R12,3 billion in additional spending over the next three years. This means that over the next three years, the government is budgeting to spend some R121 billion. If we truly want to create a healthy and literate society where every individual has an equal opportunity to succeed, then we need to take a conscious effort to expand and improve the quality of our educational and health systems. To

this end, the 2008 budget proposals make available additional R5,7 billion to be spent on education and additional R2,8 billion on health over the next three years. Included in these amounts is R100 million each to boost the maintenance budgets of the two departments.

The additional funds we are allocating to the education sector will be used to hire additional teachers under the post provision model, step up the implementation of the occupational specific dispensation, payment of 2nd and 3rd notches, expand the early childhood development (ECD), Grade R and inclusive education (learners with disabilities). The additional funding will also support the transportation of learners to and from schools, bring funding of no-fees schools currently at R554 per learner at par with the national level of R735 per learner, repair and/or replace disaster damaged and dilapidated school buildings, as well as providing textbooks for grades 10-12 to support the national curriculum system.

In the health sector, additional allocation has been provided to fund the implementation of the Project 5000 under which 5,000 health professionals are to be employed over a period of three years, procurement of generators to reduce power disruption in hospitals and the treatment of MDR and XDR tuberculosis. Madam Speaker, in the 2007 Adjustment Budget, R294,9 million of health budget was cut and returned to the Revenue Fund because of the threat of under-spending. This amount has been provided in the current budget proposals to restore the baseline of the department.

Madam Speaker, the transformation of the provincial economy to create sustainable job opportunities, generate income and thus reduce poverty continues to occupy the attention of the government. Underpinning this challenge, however, is the need to provide and sustain adequate and appropriate social and economic infrastructure. In some sectors, this requires direct investment in new infrastructure, whereas in other sectors it requires investment in rehabilitation, upgrading and maintenance. The backlogs in infrastructure facilities and services are more pronounced in the social and economic sectors and in the rural areas.

The backlogs in educational facilities, and by implication the resources required to run schools, constitute a major constraint on the development of the province's human capital. Many schools, particularly those in the rural areas, have inadequate classrooms, furniture and learner support materials. Where classrooms exist they are mainly built with soil or stones and water (mud schools). In many areas of the province, learners study in disaster damaged and dilapidated classrooms. Water, electricity, communication systems, and security services are either non-existent or grossly inadequate in many of these schools.

In the health sector, many people in the province, particularly the poor and rural folk, have inadequate access to basic health services, such as clinical facilities, clean water and basic sanitation. Inadequate primary health care, shortages of pipe-borne water and sanitation facilities are common features of many rural areas, urban slums and townships. The type and accessibility of health services also show a wide disparity across geographical areas, with the urban areas more serviced than the rural areas.

With regard to the road network, the problems relate to the distribution, usage and maintenance. The national and provincial roads are essentially peripheral to the rural areas. As a result, many people in the province do not have access to roads. The intensive use of the road transport has also resulted in a steady deterioration in the road infrastructure. The conditions of gravel roads in many rural areas have become deplorable, while a large proportion of these roads have no gravel at all.

Madam Speaker, the government took a conscious decision last year to arrest this deplorable situation. I announced last year in my budget speech that we will spend R12 billion over the 2007 medium term on infrastructure facilities and services. Madam Speaker, the government will increase the infrastructure budget by R4,1 billion, bringing the total to R16,1 billion in the next three years. Of this amount, R6,6 billion will be allocated to roads and transport, R3,5 billion for health infrastructure facilities, and R3,8 billion for infrastructure provision in the education sector. In addition, the government has provided R200 million to step up the maintenance budget for education and health. These spending priorities are informed by both the national and provincial overriding objective of accelerating economic growth, expanding and enhancing the efficiency of infrastructure, creating sustainable jobs, and reducing poverty and inequality.

Madam Speaker, in the last couple of years, the government has added considerably to our roads and transport budget. In the next three years, we propose to add R425,7 million to the budget, bringing the total over the medium term to R8,1 billion. Madam Speaker, in the recent Adjustment Estimates Budget, the government provided R100 million for upgrading and/or rehabilitation of rural access roads. Additional R200 million will be made available in the next two years to support this important initiative. The upgrading of the rural access roads will lead to a significant improvement in access to health and education services. In addition, it will open up the previously inaccessible areas to enterprise development, small scale irrigation from rivers and livestock marketing, and generally support agricultural development in those areas.

Madam Speaker, despite the increases, we reckon that the budget for roads and transport and for agriculture has not grown to the level that would enable significant positive responses to be formulated to the challenges

confronting the sector. In the next few months, therefore, Treasury will investigate and recommend options for mobilising significant funding for the roads and transport network. Meanwhile, the Treasury will consider allocating any over-collection in own-source revenue to the Department of Roads and Transport to address roads backlogs in the province.

Madam Speaker, I announced last year in my budget speech that as part of the government's development agenda of promoting sustainable economic growth and empowering the poor to participate and share in the benefits of that growth, our ASGISA projects will be given a significant funding boost over the medium term. I wish to announce today that the government has allocated R100 million to support ASGISA-related agricultural and tourism projects in the coming financial year. The integrated agricultural cropping projects involve the mobilisation of farmers in all the six districts of the province to produce bio-fuel related crops such as sunflower, sugar beet, soya beans, canola, etc. as raw materials to feed a R700 million processing plant that is to be built in East London. The 2008/2009 budget also provides R141,5 million in the next three years to fence some 500,000 hectares of arable land to protect them from destruction by straying animals.

The government's resolve to ensure the staging of a successful World Cup making the event a lasting memory after 2010 continues to soar. To this end, the government has made available R372 million in the next two years to support the construction and upgrading of the Port Elizabeth, East London and Mthatha sports stadiums.

4. THE 2008/2009 BUDGET

Madam Speaker, I now turn to the Budget for the financial year 2008/2009, starting with the revenue side.

Revenue

Over the 2008 medium term, revenue to the province will increase steadily from R36,9 billion in 2008/09 financial year to R45,7 in the 2010/2011 financial year. This means that in the next three years, the province will receive a total of R124,2 billion. Transfers from the National Government will increase from some R36 billion in 2008/2009 financial year to R44,6 billion in 2010/2011 financial year. The province's equitable share will increase from R31,4 billion in 2008/09 to R38,4 billion in 2010/2011. Over the same period, conditional grants from the national government to the province will increase from R4,6 billion to R6,2 billion.

Revenue from the province's own sources will similarly increase from R912,7 million in 2008/2009 financial year to R1,1 billion in 2010/2011.

Compared to the adjusted appropriation for the 2007/2008 financial year, one can observe significant changes in the proposed revenues for the 2008/2009 financial year. The changes are as follows:

Transfers from National Government	15,5%
<i>Of which</i> Equitable Share	14,6%
Conditional Grants	21,9%
Own Revenue	10,0%
Total Revenue	15,4%

Expenditure

Over the 2008 medium term, the province expects to spent a total of R121 billion. For the financial year 2008/2009, we propose a budget of R38,1 billion, representing an increase of 24,6% over the adjusted budget for the 2007/2008 financial year. The budget of R38,1 billion proposed for the 2008/2009 financial year includes funding for the following key items:

Compensation of Employees	R22,3 billion
Goods and Services	R7,4 billion
Transfers and Subsidies	R5,1 billion
Capital Payments	R3,2 billion
Others	R0,1 billion

The 2008/2009 financial year expenditure estimates provide for the following increases in nominal terms over the 2007/2008 adjustment appropriations.

Compensation of Employees	19,1%
Goods and Services	18,4%
Transfers and Subsidies	60,1%
Capital Payments	34,5%
Total Expenditure	24,4%

The 2008/2009 financial year appropriation of R38,1 billion exceeds the projected receipts for the year by some R1,2 billion, which will be funded from the projected surplus from the 2007/2008 financial year.

Allocations to Departments

Madam Speaker, I now wish to announce the allocations to departments for the financial year 2008/2009. The appropriation of a budget of R38,1 billion for the 2008/2009 financial year is distributed amongst the 14 departments of the provincial administration as follows.

Vote 1: Office of the Premier.

The Office of Premier is allocated an additional amount of R55 million, bringing the department's budget for the 2008/2009 financial year to R383 million. This amount represents 16.8% increase over the adjusted budget for the 2007/2008 financial year. The additional amount is provided to support the setting up of the ASGISA EC and the Leadership, Management Assessment and Development Centre. Part of the additional allocation will also be used to expand and enhance the effectiveness of the communication function of the government, and support the special programs of the department.

Vote 2: Provincial Legislature

Madam Speaker, the allocation to the Legislature for the 2008/2009 financial year is increased by R23,9 million or 14,5%, bringing the total allocation to R188,1 million. I wish to mention that the Legislature's budget was increased by 9,9% in the 2007/2008 financial year. Included in the additional allocation of R23,9 million is R16,9 million provided for the payment of Members constituency allowance. Additional R10 million has been allocated to the Department of Public Works to be used to continue the upgrade of facilities in the Legislature's complex. In the 2007/2008 financial year, a similar amount was provided to support the complex upgrade.

Vote 3: Health

Madam Speaker, the government's decision to increase the budget for health services continues to be upheld. In the 2007/2008 financial year, the budget of the department was increased by 11,2%. In the 2008/2009 financial year, the budget of the Department of Health will increase by 20,8% or R1,7 billion, bringing the

department's allocation to R9,7 billion. Included in this allocation is R100 million provided to continue the implementation of the Project 5000 which commenced in the 2007/2008 financial year. Another R100 million has been included in the department's allocation to boost the maintenance budget of the department.

As I mentioned earlier, the R294,4 million that was taken away from the department in the 2007 Adjustment Estimates Budget has also been restored and included in the additional R1,7 billion provided to the department. Part of the additional allocation will also fund the adjustment in the improvement in conditions of service, purchase of generators to forestall electricity disruptions in hospitals, and the treatment of MDR and XDR tuberculosis. Also included in the additional allocation is an amount of R153,8 million, reflecting adjustments in the conditional grants being utilised by the department.

Vote 4: Social Development

The Department of Social Development budget will increase by R502,3 million or 56,9% in the next financial year. This will bring the department's allocation for financial year 2008/2009 to R1,4 billion. Among the expenditure items that the additional R502,3 million will fund are the following:

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| • 1,5% improvement in conditions of service adjustment | R4,6 million |
| • Funding for occupational specific dispensation (OSD) | R29,1 million |
| • Expansion of the Early Childhood Development (ECD) | R23,6 million |
| • Developing of M&E systems | R3,1 million |
| • Expansion of home and community based care | R15,7 million |
| • Provision of services to children in conflict with the law | R7,9 million |

In addition, R72 million that was taken away from the department in the 2007 Adjustments Estimates Budget has been restored and included in the additional R502,3 million allocated to the department.

Vote 5: Public Works

Madam Speaker, the budget of the Department of Public Works was increased by R103,7 million or 20,2% in the 2007/2008 financial year. In the 2008/2009 financial year, we propose an increase of R336,5 million or

56,9% in the budget for the department. This will bring the allocation to the department for the 2008/2009 financial year to R948,2 million.

The huge increase in the budget for the department will fund the following important initiatives:

- Improvements in conditions of service adjustment R3,7 million
- Payment of 2nd and 3rd notches to deserving employees R26,0 million
- Carry through cost of current leases R21,5 million
- Upgrade of the Legislature Office Complex R10,0 million
- Initial costs of the Bhisho Office Complex R20,0 million
- Finding for the devolution of property rates R119,6 million

In addition to the above is the restoration of the baseline cut of R19,9 million in the 2007 Adjustments Estimates Budget.

Vote 6: Education

The budget for the Department of Education has been increased by R3,3 billion or 22,8% in the 2008/2009 financial year. This brings the total allocation to the department in the 2008/2009 financial year to R17,8 billion.

Of the R3,3 billion additional allocation to the department in the next financial year, R1,2 billion will be used to fund the following policy priorities:

- Improvements in conditions of service adjustment R117,5 million
- Payment of 2nd and 3rd notches for deserving employees R178,3 million
- Funding for post provisioning model R200,0 million
- Funding for Early Childhood development R15,7 million
- Provision of textbooks for grades 10-12 R22,0 million
- Infrastructure (School Building Program) R100,0 million
- Additional funding for maintenance of school infrastructure R100,0 million
- Scale up of scholar transport R70,0 million
- Additional funding for no fee schools R178,0 million

- Changes in conditional grant R152,4 million

Vote 7: Local Government and Traditional Affairs

For the financial year 2008/2009, the Department of Local Government and Traditional Affairs will receive R551 million. This amount represents a decrease of R65,1 million or 10,6% of the 2007 adjusted appropriation to the department. The drop in the department's allocation is attributable to the split of the Department of Housing from the Department of Local government and Traditional Affairs which caused some staff and their budget to move across to Housing. Included in the departments allocation is R7 million to support the *Imbubma Yamakhosikazi Akomkhulu*, the carry-through cost of R49,1 million for the Community Development Workers and R23 million for the implementation of the Traditional Leaders Act. The department has also been provided R3,6 million in its allocation to cover the adjustment in the conditions of service for its employees.

Vote 8: Agriculture

The Department of Agriculture has been allocated R1,2 billion for the 2008/2009 financial year. This amount represents an increase of R96,8 million or 9% over the 2007 adjusted appropriation to the department. Madam Speaker, R45,1 million of the additional allocation to the department is to be used to scale-up the fencing of arable land in the province. Included in the additional allocation is also an amount of R16,8 million being an increase of the comprehensive agricultural support program grant, and R7,5 million for the adjustment in the employees conditions of service.

Vote 9: Economic Affairs, Environment and Tourism

The budget of the Department of Economic Development and Environment Affairs will increase by R114,4 million or 15,1% in the 2008/2009 financial year. This will bring the department's total allocation for the year to R872,4 million. The sharp increase in the department's 2008/2009 allocation is attributable to the allocation of R100 million for the ASGISA-related projects that will implemented in the coming financial year. Also included in the additional allocation is an amount of R37,4 million carry-through cost for the Ugie/Maclear projects in the North-Eastern part of the province; and R5 million to fund the planning of the provincial industrial strategy and economic-related projects.

Vote 10: Roads and Transport

The Department of Roads and Transport will receive an additional allocation of R209,3 million in the 2008/2009 financial year. This means that in the next financial year, the department will receive a total allocation of R2,5 billion. This reflects an increase of 8.9% over the 2007/2008 budget. Madam Speaker, included in the department's allocation is R100 million to be used to upgrade/rehabilitate rural roads that have become impassable. Also the department will receive R6,4 million to cover the 1,5% adjustment in the employees conditions of service. As I mentioned earlier, the budget for the department is under serious analysis by the Treasury, with the view to increasing it significantly over the medium term to enable it meet the mounting road and transport challenges in the province.

Vote 11: Housing

Madam Speaker, beginning in April 2008 financial year, Housing will become a fully-fledged department with its own programs and budget structures. This follows from the separation of housing functions from local government and traditional affairs functions in the current financial year. For the 2008/2009, the department will receive R1,4 billion, made up predominantly of the housing and human settlement and development conditional grant, totalling R1,2 billion. Madam Speaker, included in the allocation to Housing is an amount of R20 million to be used to kick-start the Ndlambe Housing Project, R35 million to fund various expenditures related to the setting-up of the department, and a carry-through cost of R21,6 million for the staff that crossed over from Local Government and Traditional Affairs.

Vote 12: Provincial Treasury

The Provincial Treasury is allocated R248,8 million for the 2008/2009 financial year. This represents an increase of R54,9 million over the adjusted budget of R193,8 million for the 2007/2008 financial year. Compared to the original budget of R243,9 million for the 2007/2008 however, the department's budget for 2008/2009 financial year is increased by only R4,9 million. Madam Speaker, the budget of the department was cut by R50 million in the current year's adjustment budget. This amount has been given back to the department to restore its baseline. In addition, the department will receive R1,9 million to cover the 1,5% adjustment in the employees conditions of service. The remaining additional amount reflects the normal inflation adjustment of the budget.

Vote 14: Sports, Recreation, Arts and Culture

The allocation to the Department of Sports, Recreation, Arts and Culture is increased from R414,6 million in the current financial year to R766,5 million in the next financial year. This represents an increase of R351,9 million or 84,9% over the adjusted budget for the current year. The sharp increase in the budget for the department is attributable to a number of factors, including the following:

- | | |
|---|---------------|
| • Adjustment in conditions of service | R2,98 million |
| • Payment of 2 nd and 3 rd notches to deserving employees | R33,4 million |
| • Provision to support the construction of Port Elizabeth Soccer stadium | R100 million |
| • Provision for the construction of Mthatha sports stadium | R100 million |
| • Upgrading/rehabilitation of the Buffalo City stadium | R50 million |
| • Increases in conditional grants | R1,2 million |

Vote 15: Safety and Liaison

Madam Speaker, the Department of Safety and Liaison received an increase of 25,7% in its budget for the 2007/2008 financial year. In the 2008/2009 financial year, we also increase the budget for the department by R6,7 million or 19,4%. This brings to a total allocation of R40,9 million for the year. The increase in the department's allocation is mainly to fund the provincial crime prevention projects being implemented by the department.

5. CONCLUSION

Madam Speaker, Premier, Honourable Members of the House, the 2008/2009 Budget gives significant boost to the implementation of third phase of the government's development agenda of using the power of the state to accelerate growth and generate sustainable job opportunities to reduce poverty and inequality. It is in this context that the government has provided additional R7,5 billion to spend in the 2008/2009 financial year to support the growth and development agenda of the government.

Madam Speaker, during the past two years, the government took small but telling steps to rein in positive reforms in financial management to support service delivery in the province. Yet there are important lessons to be drawn. The first is that throwing money at a problem before nailing down the reforms needed to secure commensurate improvements is not enough. Second, the province is facing serious problem of recruiting skilled and competent personnel, yet we are still talking of increasing expenditure as if more spending and not the availability of skilled manpower is the issue. I strongly urge departments, particularly Education, Health, Roads and Transport, Housing, Social Development, to step up the recruitment of skilled and competent staff to assist in their financial management and planning. We cannot continue the habit of allocating funds to departments only to take them away some few months later.

Madam Speaker, the budget for the 2008/2009 financial year is the outcome of full year processes and tasks performed by a number of stakeholders. It relied on the hard work and dedication of a number of politicians, decision makers and administrators.

The Honourable Premier and her Cabinet colleagues have been very instrumental in shaping this year's budget. My sincere gratitude and appreciation therefore go to them. I would also like to thank the Chairperson and Members of the Portfolio Committee of Finance for the long hours they spent in formal and informal meetings and discussions with the Treasury to resolve a number of intractable issues around financial management in the province.

Professor Newman Kusi, the Superintendent General and Treasury's Administrative Chief continued to lead and inspired the team of professional staff in the department to strive to serve the province with humility, honesty and integrity. To you Professor Kusi, management and staff of the department, I say thank you.

Thank you all

Dankie

Enkosi kakhulu.