



**MINISTRY: FINANCE
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Address to the KwaZulu-Natal Provincial Legislature

Provincial Budgets and Expenditure Review

Minister of Finance Trevor A Manuel, MP

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Mister Speaker

Honourable Premier

Members of the Executive Council

Honourable Members of the Legislature

People of KwaZulu-Natal

Friends

Let me thank the Speaker, Honourable Mchunu, for the opportunity he has afforded me to address the formal sitting of this house on the *Provincial Budgets and Expenditure Review*. Our intergovernmental system calls for an interaction between the three spheres of government. This initiative by the government and legislature of the Province of Kwazulu-Natal is a pioneering step towards a much deeper level of co-operative governance. We welcome this and certainly we will learn from it.

In this year's Budget Speech in February we conveyed a strong message that said "human life has equal worth and human beings are equally entitled to political, economic and social rights which allow them to choose a life they have reason to live." This is an argument that is premised on the fact that it is obligatory for a developmental state to intervene to remove the long shadow that history casts over the lives and opportunities for the majority of our people.

Our Constitution provides a very good basis for us to respond to the challenge to achieve the social cohesion and human solidarity we aspire to. We should be mindful that we as a society do not live in the shadow of history that dominates over the opportunities of an open society. The past four years have seen acceleration in the progressive realisation of social and economic rights that are enshrined in the constitution. The best measure of whether we are a caring democracy is in Provincial spending. The Constitution gives provinces the responsibility to fund and deliver social services. The bulk of our explicit pro-poor policies are provincial competences.

Mister Speaker, Honourable Members, you will all be aware that KwaZulu-Natal is the most populous of our nine provinces. About 9,9 million South Africans, some 20,9 per cent of the country's population resides in this province. Accordingly, this province accounts for 20,7 per cent of combined total provincial expenditure.

The Review we are debating today provides Members of this legislature with a barometer on progress made and whether government is providing education,

health services, access to adequate housing, social services in order to deliver a better life to its people. The Review allows Members and citizens to evaluate what gains have been made over the last four years. It allows Members to assess how the Executive has performed against the targets it set itself. For example Members can check whether departments have met the targets they set in their Annual Performance Plans for the last four years. It enables legislators to determine whether money has been spent on what it was appropriated for. It is in this house where the tough questions should be coming from when Members detect failure to deliver. We have to be accountable for the executive decisions we make and the implementation thereof.

This document enables a particular province 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 must 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 get relatively 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 is how to achieve the efficiency and qualitative improvements that are required.

This document represents a very unique link between the policies we adopted and the budgets allocated, on the one hand, and expenditure and outputs or the value for money, on the other. We can use this Review to evaluate whether our policies are delivering the intended outcomes. This is what will strengthen accountability and enhance democracy. We should, however, draw to the attention of this House that the Review reflects a wealth of financial information and unevenness in respect of non-financial information,

both within and between different social services. We need to be able to answer all of the following questions about public finance – was the allocation of financial resources adequate? Was it spent by the department as promised? What did the money buy, beyond the concurrent expenditures on the salaries of public servants? What is the measure of the consequent improvements in the lives of our people?

Education

There have been positive changes in this province. KwaZulu-Natal has the largest education budget compared to all nine provinces. The Education spend in Kwazulu-Natal is R18, 6 billion, thereby outstripping the other eight provinces in rand value of education spend. This province spent over R56 billion on school education between 2003/04 and 2006/07. Over this period 4 055 classrooms were built, providing an environment that is conducive to effective learning and teaching. The number of learners at primary and secondary schools has increased by 64 226 as a result of re-demarcation.

KwaZulu-Natal is also making inroads in addressing the challenge of illiteracy and early childhood development. Expenditure on Adult Basic Education increased from R39,6 million in 2003/04 to R72,6 million in 2006/07, while expenditure on Early Childhood Development rose from R22,6 million to R97,7 million over the same period. These are investments in the county's most prized asset, its people.

This province has designated 3 341 schools as “no-fee” schools. These schools have enrolled almost 1.2 million learners in this year alone. The challenge we face with the “no-fee” schools is ensuring that the quality of education is 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 Select 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.

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. Kwazulu-Natal has been able to take advantage of our intervention in respect of rural and scarce skills allowances.

The health budget of KwaZulu-Natal has been growing at an average annual rate of 8,4 per cent above inflation from 2003/04 to 2006/07. As this review shows, primary health care visits now average 2,2 utilisation per person per year. This is lower than the Western Cape's utilisation rate of 3,7.

Honourable members, this province has set the trend in terms of partnering with the private sector to delivery more and better quality services to the people, and at a faster pace. The Inkosi Albert Luthuli Hospital has been recognised as a good example of a PPP arrangement where the state and private sector work together to provide quality services our people deserve. There are policy processes underway to extend this example to other provinces.

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 28 per cent or 74 000 people who are currently on treatment in this province.

Expanded Public Works Programme

The Zibambele programme is a model EPWP-type programme and has been used as an example to other provinces. Of the R2 billion spent nationally on the programme in 2006, R707,8 million was spent in Kwazulu-Natal. This provided employment opportunities and income for 35 717 men and women, the highest by far compared to other provinces. The province needs to be commended for this sterling effort in targeting the unskilled and unemployed in providing work opportunities. The challenge is to continuously lift the quality of the outputs – achieving this has far less to do with the people who work in this programme, it will only be attained if the supply and measurement systems, which are functions of the quality of departmental organisation can be significantly improved. But, there is also the challenge of defining expanded public works beyond the norms of road maintenance – we have to remind ourselves that the origins of President Roosevelt's New deal in the USA was a focus on large-scale infrastructure programmes and even here in South Africa, some of the large dams, such as the Hartbeestpoort Dam, just outside of Tshwane, were built by expanded public works. In the case of the latter, it was an attempt to provide income to poor whites after World War 2. Poverty remains a challenge to us, and the limits to transformation are only in our imagination.

Social development

I need not remind Honourable Members about the opportunities that the shifting of the social security grant administration presents this province. The Statistics South Africa data for 2005 indicate that the greatest number of children could be found in KwaZulu-Natal and totals over 3,8 million children

or 21,2 per cent of total population. More than 1,7 million children aged between 0-13 receive Child Support Grants. Child-headed households continue to be a concern and have increased from 11 044 in 2004 to 15 152 in 2005.

During the 2005/06 financial year Government subsidised 51 children's homes in this province which are run by private welfare organisations. Of these homes, 13 are situated in rural areas and 38 in urban areas. Government also manages a children's home which accommodates about 85 children of all ages.

The primary aim of homes for children in especially difficult circumstances is to provide services to children who happen to end up in the streets and to promote their reintegration into the community. Some of these homes also provide a place of safety for children awaiting placement in alternative care.

The province is experiencing an increase in the number of children with substance abuse problems. A new treatment centre opened in Newcastle in January 2006 and is serving the surrounding areas. This is a four week residential programme for boys under 18. Expenditure for the sub-programme: Substance Abuse, Prevention and Rehabilitation increased from R13,8 million in 2003/04 to R17,3 million in 2006/07. This is a great initiative, but is so obviously inadequate to deal with the growing demand for treatment.

From the young to the old. Approximately 19 per cent of the elderly in the country reside in KwaZulu-Natal. Counselling services for the elderly totalled 30 985 or 42,3 per cent of the total clients counselled in the country in 2006. This by far outnumbers the rest of the provinces.

Expenditure on the care and services to older persons increased from R54,8 million in 2003/04 to R69,9 million in 2006/07. The budget for this programme is projected to grow by R8 million over the MTEF to R77,9 million in 2009/10. Yet, in relative terms, the number of facilities for care of the aged is miniscule when compared with Provinces like Gauteng and the Western Cape. 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”.

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 we have made a commitment to serve the people of this country and our constitution. 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 should not be taboo for a Legislator to challenge or question a member of the executive from his or her party for failing to deliver on the policies adopted and the promises made. It can only strengthen our democracy. 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 democracy is about. This is what our people expect of us, and we cannot fail them.

In the same vein civil servants who fail to meet the commitments they make in their performance contracts, especially those who mismanage funds resulting in departments getting disclaimers year after year do not belong in our public service. We must commend the Executive in this province under the leadership of the Premier, Honourable Ndebele, for the decisive steps it has

taken in dealing with transgressions of the PFMA by certain government officials. We applaud this.

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.

I wish to thank you all, Ngiyabonga kakhulu!