

BUDGET STATEMENT NO. 1

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BUDGET STRATEGY AND AGGREGATES

1. Introduction

This statement contains the provincial government's main policy directions underlying the budget. It provides a high level overview of the main components of the annual budget and explains the provincial government's strategic policies that are to be met with the budget.

2. The provincial government's strategic plans

Provincial priorities

During 1997 the provincial government identified the following priorities for the province to improve the quality of life of the citizens of the North West Province. The priorities are reconsidered annually but it remained applicable for the current financial year:

- Job creation with emphasis on promoting the economic growth in the province, improving access to economic opportunities and alleviating poverty, particularly in the rural areas where it is rife.
- Physical infrastructure with emphasis on improving the maintenance of state infrastructure.
- Skill development with emphasis on improving the low skills base in the province and the empowerment of public servants. This will assist in capacity building in Government.
- Crime prevention, including crime prevention in the public service.
- Combat HIV/AIDS in a structured and coordinated way.

Implementation of the provincial priorities

Job creation: The provincial government has created various agencies, such as Invest North West, SMME Support Centres and the Parks and Tourism Board, to facilitate economic growth in the North West Province. The procurement process of government also focuses on job creation and supporting previously disadvantaged communities. These actions taken by the provincial government can unfortunately not be quantified but seems to be fairly successful. However, without the support of the private sector, the provincial government will never be able to create sufficient job opportunities. The provincial government can facilitate economic growth by creating the right environment to attract investors but the decision to invest will always be an economic decision taken by private investors.

Through the Rural Development Programme of the Department of Developmental Local Government and Housing 511 jobs were created while 823 jobs were created through the Provincial Capital Development Fund (PCDF) allocation.

Physical infrastructure: The creation of physical infrastructure is part of creating the right environment that is conducive to private sector investment. The state of the roads in the province is of major concern to all the people of our province.

Without defending the state of our provincial roads, it should be mentioned that only 290 kilometer (or 1,2%) of our provincial road network (roads in the province other than municipal roads) is maintained by the National Road Agency. The province must maintain the remainder of the provincial road network, consisting of gravel and tarred roads. However, in an effort to improve the condition of our road network, additional funds amounting to R130 million, R150 million and R180 million respectively have been made available for road maintenance over the MTEF period.

During 2002 the rehabilitation and repair of flood-damaged roads have progressed well. Forty projects will be completed during the year while forty-four projects have gone out on tender to be implemented during 2003/04.

Skills development: Skills development is receiving a high priority by all departments. Each department provides for funds for training of officials.

The Department of Finance has also embarked on a financial skills assessment and development programme for all financial officials in all departments. This is a two-year project that will be completed in 2003/04. This project will enhance financial skills in the provincial administration.

Crime prevention: The incidence of crime remains at a very high and definitely unacceptable level.

In North West the most common crime is theft of personal property. The ratio is 338 per 100,000 of the population. Other crimes with high ratios are assault with the intent of causing grave bodily harm (GBH) (227.3), residential housebreaking (181.2) and common assault (165). Most of the crime rates in North West are below the national average. Only stock theft, rape and assault have rates above the national average.

Although the position is generally much more favourable in the North West Province than in other parts of the country, it is evident that there is no reason to be complacent. In some crimes such as assault with intent to cause grave bodily harm, rape and stock-theft, the position in North West is higher or as bad as the national average. Areas where the province is fortunate are taxi violence, robbery and drug related crimes.

The South African Police Force (SAPF), and not the provincial government, is directly responsible for general crime prevention. The Province is mainly playing a monitoring role through scheduled and unscheduled visits to police stations. The Community Policing Forums are also an important ongoing monitoring project of the Department of Safety and Liaison while other *ad-hoc* projects such as the Rustenburg Urban Renewal Project and the Bophirima Social Crime Prevention Projects are also important innovations of the Department of Safety and Liaison to assist in reducing crime in the province.

Crime and fraud prevention in government is receiving continued attention and various officials and business people have been charged with fraud over the past year. For the Provincial Government fraud prevention in government is a high priority. The Hon. Premier expressed the Government's commitment to fighting fraud and corruption in his State of the Province Address 2002 when he said: "We remain unshakably committed to a clean and accountable government. There should be no dark place or deep shadow where evildoers can hide."

Great progress has been made regarding fraud prevention in the public service during 2002. Forensic investigations were conducted in five provincial departments and one municipality investigating alleged fraud amounting to R35,1 million. Fifty-two criminal cases were reported to SAPS. Of the cases completed, jail sentences totaling 78 years were handed down.

HIV/AIDS: Although the Department of Health is mainly responsible for combating AIDS, each department provides for funds for AIDS awareness amongst government officials. The Department of Education has also embarked on an AIDS prevention campaign in schools while the Department of Social Services is also heavily involved in AIDS awareness amongst the public.

It should, however, be noted that the increase in the number of HIV/AIDS affected people in the province remains high and, according to available statistics, is still on the increase.

3. Other policy initiatives

Public Service Transformation: Public Service Transformation goes hand in glove with skills development. Each department has a transformation committee that is responsible for making recommendations to the head of the department on transformation matters. Much progress has been made in this regard.

The North West Provincial Government committed itself to accelerated transformation and seeks to realize the most effective civil service given the resources at our disposal. The provincial government is convinced that it is necessary to reduce the portion of expenditure designated for discretionary salaries and administration while increasing that portion of the budget designated for delivery of infrastructure development and basic services.

Batho Pele: The North West Provincial Government remains committed to serving the public and will therefore continue with the Batho Pele Campaign through:

- Monitoring the manner and efficiency with which civil servants deal with the public;

- Ensuring that there are annual departmental and provincial citizens reports;
- Introducing incentives for civil servants who epitomize the culture of Batho Pele; and
- Ensuring that civil servants adhere to a strict code of conduct in the performance of their jobs and their interaction with the public. In this regard the Provincial Government launched an Explanatory Manual on the Code of Conduct for the Public Service.

4. New Initiatives for 2003 onwards

4.1 Integrating planning and budgeting

On a provincial level the departmental strategic plans have provided a vehicle for integrating planning and budgeting departmentally. For the preparation of the 2003/04 MTEF, the strategic plans formed an integral part of the budgeting process and were developed simultaneously with the preparation of the budget, taking the available resources into consideration.

Interdepartmental planning and budgeting is coordinated by the EXCO Cluster Committees.

4.2 Inter-governmental planning and budgeting

This is still a fairly new initiative but progress has been made to integrate planning and budgeting on an inter-governmental level. Regular intergovernmental meetings are taking place on a political level but inter-governmental committees on officials' level still needs to be established. Much planning has gone into the integration of intergovernmental planning and budgeting and results should be achieved during the MTEF period.

4.3 Increase non-personnel and non-capital expenditure in the department of education

The North West Province has the lowest *per capita* spending of non-personnel and non-capital expenditure in the country. To change this state of affairs, special additional allocations of R375 million, R400 million and R500 million per annum respectively have been provided to the Department of Education for other expenditure over the MTEF period. This initiative will improve the personnel/other expenditure ratio from 88:12 in 2002/03 to 82:18 during 2005/06.

To address the backlog in textbooks fully during the MTEF period, an additional R196 million will be required in each of the two outer years of the MTEF period. To shorten the period of eliminating the backlog, an additional R100 million and R200 million respectively were allocated to the department for the two outer years of the MTEF period.

4.4 Increase the number professional staff and non-capital expenditure in the Department of Health

The North West Province has one of the lowest *per capita* medical staff in the country. To address this problem and also to increase non-capital expenditure in the department, R209 million, R286 million and R515 million per annum respectively have been provided to the Department of Health over the MTEF period to address the problem. This initiative will assist the department to increase the number of medical staff in rural areas.

4.5 Infrastructure plans

During the 2002/03 financial year the R250 million capital/development fund was allocated as follows:

- Clinic building: R30,000 million
- Health facilities maintenance: R30,078 million
- Bucket replacement in previously disadvantaged communities: R23,668 million.
- Classroom building: R40,000 million.
- School maintenance: R24,765 million
- Building maintenance: R30,000 million
- Parks & Tourism Board: R10,629 million
- Roads rehabilitation: R50,000 million
- Agriculture projects: R3,500 million

The following provisions for capital expenditure have been approved by the Executive Council:

Capital item	2003/04	2004/05	2005/06
	<u>R'000</u>	<u>R'000</u>	<u>R'000</u>
Educational infrastructure	40,000	40,000	40,000
School maintenance	24,765	24,765	24,765
Building maintenance	30,000	30,000	30,000
Clinic building programme	30,000	30,000	30,000
Health facilities maintenance	32,000	33,459	34,981
Roads rehabilitation	150,000	150,000	180,000
Sport	10,000	15,000	20,000
Parks & Tourism Board	21,863	7,677	-
Funds to be allocated	58,723	119,559	165,950
TOTAL	397,351	450,460	525,696

The balance of the available funds will be allocated by the Executive Council based on provincial priorities and the needs of the communities.

5. Provincial government's contribution to national mandated programmes

The MECs' contribute to national initiatives through the Ministerial Forums provided for this purpose. The Executive Council resolved in this regard that no MEC may commit the Fiscus during such meetings without obtaining a mandate from the Executive Council, after consulting with the provincial treasury.

The national government's priorities are also reflected in the provincial government's priorities. The provincial government has broken the priorities down into projects, and departments were made responsible for the implementation of such projects using a cluster approach.

6. Government's vision

The ANC led government received an overwhelming mandate from the electorate to pursue the following policy issues during their term in office:

➤ **Speeding up delivery of basic services and human resource development.**

The delivery of basic services to all the people of the province is a combined effort between local authorities and the provincial government. Social services spending increased from R1 071,042 million in 1997/98 to a budgeted amount of R3 225,426 million for 2003/04 financial year, an increase of more than 200% over a period of 6 years. During the same period the provincial expenditure on education increased from R3 240,055 million to a budgeted amount of R4 767,819 million for the 2003/04 financial year. Spending on health services increased from R1 185,500 million in 1997/98 to R2 347,354 million for the 2003/04 financial year.

The number of schools complaining about a shortage of classrooms have reduced from 42 in 1996 to 28 in 2000 while the matric pass rate in the province has increased from 50% in 1997 to 62,5% in 2001 and 67,8% in 2002. More important, during 2002, 124 schools obtained a pass percentage of 80% and above compared to only 100 during 2001.

During 2002 tenders for 59 school projects were allocated, ranging from contracts for new schools, extensions and sanitation.

Since 1994 until 2000/01, the provincial government has erected 91 184 houses while in the same period households using boreholes and rain water as sources of essential water supplies have reduced from 10% to 4,7%. During the 2002/03 financial year the erection of approximately 17 900 houses was facilitated while 7 468 households benefited through the provision of water and electricity.

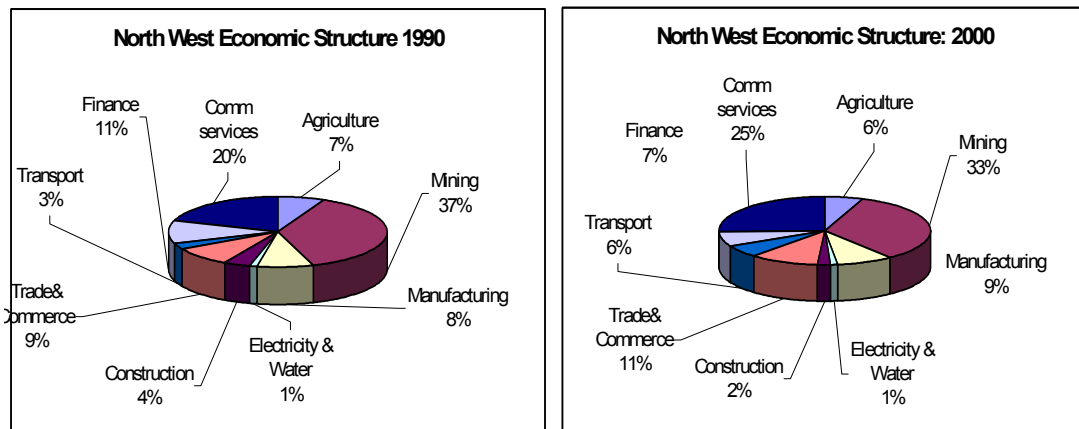
In considering future demands for infrastructure and service delivery it should be kept in mind that in virtually every sector the North West inherited considerable backlogs in meeting basic physical delivery standards.

In addition to the backlogs inherited, the province also has to contend with an annual population increase of between 48 000 and 60 000 people requiring access to housing, water, electricity, sanitation, post and telecommunication. This translates into approximately:

- 33 000 new job seekers per annum;
- 12 000 new households entering the demand for services annually;
- 5 new health treatment points annually;
- 28 new hospital beds annually; and
- 550 classrooms annually to maintain the status quo.

➤ **Building the economy and creating jobs**

The structure of the North West economy in 1990 and 2000 is given in the next figure.



It is evident that the North West economy is undergoing fundamental restructuring at present:

- The relative share of mining in the economy is steadily decreasing and dropped from 37% to 33% in ten years;
- The importance of the primary production sectors agriculture and mining has decreased from 44% of GPP to 39% in 2000.
- The policy of the new government is evident in the share of community services that increased from 20% to 25 % of GPP in 2000;
- The transport sector shows the greatest proportional growth and increased its share in the GPP by 100%. The big shift away from public transport to the use of private taxis explains this trend;
- The construction sector on the other hand shows the lowest growth and decreased its proportional share from 2% to 1%;
- Manufacturing, trade and commerce improved their relative shares marginally

The Provincial Government has created a provincial public entity such as Invest North West, the North West Manufacturing Advisory Centre and the Parks and Tourism Board to play an important facilitating role in economic development and job creation.

➤ **Transforming the state**

All provincial departments have been restructured to make them more effective and efficient. The strengthening of the Office of the Premier will also assist with the coordination of departmental activities and to ensure accountable governance.

All provincial public entities have either been restructured or are in the process of being restructured. The Executive Council has also established a committee to provide political oversight in this process.

Regarding local governments, the ANC-led local authorities received the following mandate:

- *Strong democratic and accountable local governments.* Two new acts were introduced – Municipal Structures Act and the Municipal Systems Act – to ensure that councilors serve their communities with loyalty and dedication. Under these laws, all councilors shall sign a code of conduct requiring them to:
- Regularly report back to their constituencies;
- Fight corruption in tendering, hiring and other local government functions; and
- Declare all their assets and business interests.

If councilors violate the code of conduct, they will be recalled.

➤ **The ANC-led local governments will:**

- Provide all residents with a free basic amount of water, electricity and other municipal services, so as to help the poor. Minimum standards in this regard are being implemented.
- Strengthen the Masakhane campaign, with improved services for all to inculcate the culture of payment.
- Forge social partnerships in the fight against HIV/AIDS.
- Shape plans and programmes to meet the needs of the aged and people living with disabilities.

Most municipalities are still going through a restructuring period and it is expected that it may take some time before the election mandate is fully implemented.

7. The Budget Process

The budget process followed with the 2003/04 MTEF budget differs slightly from the process followed in previous financial years. With the current year's budget process it was assumed that the 2002/03 MTEF Budget was planned for a three year period and that the allocations for 2003/04 and 2004/05 will remain the same. That meant that the previous financial year's MTEF budget will remain the same, or will not differ substantially, and that an additional year can only be added.

Unfortunately, with the first budget inputs departments did not remain within the 2003/04 MTEF allocated amounts and requested R1 100 million more than the original allocation.

After departments submitted the 2003/04 MTEF budget inputs during August 2002, bilateral discussions took place between individual departments and the provincial treasury to clarify certain issues and to evaluate the additional funds requested by departments.

Subsequent to the bilateral discussions, the national treasury revised the provincial equitable shares and the North West Province was allocated R958 million, R1 298 million, and R1 621million respectively more over the MTEF period. The additional funds were earmarked for the following expenditure items:

- To increase non-personnel and non-capital expenditure in the Department of Education.
- To reduce the shortage of professional staff in the health sector and to restructure remuneration packages of scarce professional staff in the health sector.
- To increase non-personnel and non-capital expenditure in the health sector.
- To provide for the increase in beneficiaries of the child support grant.
- Sustaining the current trajectory spending on non-social spending in general.
- To provide additional funds for the maintenance of provincial roads.
- To fund the higher than budgeted salary increases of 2002/03.

An EXCO Lekgotla took place during November 2002 to reconsider the provincial priorities.

After the EXCO Lekgotla departments were afforded the opportunity to re-motivate for additional funds in accordance with the national treasury's directives.

The provincial treasury was also tasked to make recommendations to the Executive Council regarding allocations to departments, taking the following information into consideration:

- Original 2003/04 and 2004/05 MTEF allocations.
- Original 2003/04 inputs and motivations.
- Bilateral discussions between treasury and departments during September 2002.
- EXCO Lekgotla of 19/20 November 2002.

- Additional departmental inputs after the EXCO Lekgotla.
- Actual expenditure for the seven months ending 31 October 2002.

After the Executive Council approved the MTEF allocations in December 2002, departments were requested to compile the departmental budgets.

8. Macro economic overview

8.1 Introduction

The 2003/04 MTEF is presented against a background of considerable uncertainty about global economic prospects. Steep decline in equity prices on stock markets signal deteriorating expectations about growth and trade in major economies. While strong growth continues to be recorded in several emerging markets, there has been a marked retreat of international finance from developing economies.

Within the Southern Africa region, drought and the commercial farming crisis in Zimbabwe have combined to bring about a food security crisis that threatens the livelihood of several million people.

8.2 A South African outlook

Despite the poor international outlook, economic prospects look favourable for South Africa, with a broad-based growth over the next three years. Building on the steadily improving performance in 2002, and on the growing competitiveness, South Africa's growth prospects remain firm over the medium term.

Growth in the South African economy in 2002 outstripped the average world economic growth and improved upon the country's economic performance in 2001. Indeed, economic growth in 2002 was higher than expected. The most recent statistics by Statistics SA for quarterly growth rates in GDP for 2002's first three quarters are 3%, 3,8% and 3% respectively. At this stage it is expected that the growth rate for 2002 would at least be 3%

The depreciation of the currency towards the end of 2001 raised the profit margins of exporting firms, while also encouraging domestic production in response to higher import prices. This was supported by a steady growth in domestic consumption expenditure by over 3 per cent a year in the first half of 2002.

Cost pressures associated with the depreciation of the rand have contributed to a marked divergence of the inflation rate from the official target of 3 to 6 per cent. Food prices, which were one of the main drivers of inflation, rose by 20,2 per cent in the year to September 2002. Under the circumstances the Minister for Finance and the Governor of the Reserve Bank agreed that the inflation target should remain at 3 to 6 per cent for 2004.

According to the Department of Finance, economic growth is expected to rise to 3,5 per cent in 2003 from 2,6 per cent in 2002. The Minister for Finance subsequently indicated that the growth rate would be revised based on the stronger performance of the South African currency towards the end of 2002. Private sector, however, is less optimistic and believes that a growth rate of 3 per cent is more likely during 2003. Given the medium term outlook, the Department of Finance expects the growth rate to increase to 3,7 per cent in 2004 and 3,9 per cent in 2005. The inflation rate is expected to slow down to 5,5 per cent in 2004 and 4,9 per cent in 2005.

8.3 Conclusion

Robust private capital formation and a turnaround in government investment expenditure is set to raise the productive capacity of the economy, providing further impetus to medium term growth prospects. Currency weaknesses and the sharp increase in food prices have rendered the inflation targets for 2002 unattainable. The time frame for reaching the target has been revised, protecting economic recovery, while retaining Government's commitment to a low and stable inflation in South Africa.

9. Provincial perspective

9.1 Introduction

The following observations are important:

According to the latest available estimates:

- The GDP (Gross Domestic Product) for North West was estimated at R 42,8 million (at 1999 prices) in 2000;
- North West realised an average economic growth rate of 2,6% per annum from 1990 to 1999;
- This is slightly better than the average population growth rate of between 1.5% and 2,1% per annum and a sign that the GDP per capita has improved.
- This average economic growth is higher than the South African average of 1,4% per annum for the same period.
- The Western Cape, Mpumalanga and the Northern Province only outperform this average economic growth rate of 2.6%.
- It is estimated that during 2000, North West had an estimated economic growth rate of 5.4%, the second best economic growth performance of all provinces. World prices for platinum and gold in dollar terms attributed to this performance.
- As a result, the share of the North West economy in the total national GDP improved from 5.2% in 1990 to 5.9% in 2000.
- GDP per capita in real 1999 prices improved from R10,226 in 1990 to R12, 000 in 2000

9.2 Provision of basic services

- *Provision of water:* Since 1994 about 650,000 people have been provided with basic water supply at a cost of approximately R730 million.
- *Energy supply:* Since 1994, 531 schools, 4,114 farm dwellings and 300,626 houses have been electrified.
- *Housing and municipal services:* since 1997 124,469 subsidies at a value of R1,7 billion have been approved while 86,432 serviced sites and 50,576 houses have been completed.
- *Health care:* Since 1994 seven hospitals and 26 clinics were renovated and upgraded. Twelve new gateway clinics have been built at 12 provincial hospitals.
- *Basic Education:* Since 1994 the provincial government erected 2,533 classrooms at 356 schools. During the same time 423 specialized function rooms, 104 administrative blocks and 3,844 toilets were erected.

9.3 Economic challenges

The main economic challenges facing the province are inequality and job creation coupled with economic growth and the structure of the North West economy.

- *Physical infrastructure.* The physical infrastructure in the province is deteriorating rapidly. According to the Department of Roads and Public Works, approximately R2,000 million is required over the next three years to bring the physical infrastructure up to an acceptable standard. Currently the funds for maintenance are to a large extent being crowded-out by social infrastructure and personnel expenditure.
- *Tourism.* Historically, tourism in the North West Province was built around gambling, which only benefited a privileged few. This was a great advantage to the province but it was also contrary to the national ideal on equal distribution of economic benefits, economic opportunities and the distribution of wealth to all the people of South Africa.
- *Manufacturing.* Manufacturing is almost exclusively dependent on the performance of a few sectors (fabricated materials – 51%, food sector – 18% and non-metallic metals – 21%). Approximately 94% of all industries are low capital/labour ratio industries. Some potential for rural industrialization is evident and should be exploited. Assistance and support in removing blockages experienced and creating attractive investment opportunities is urgently required.
- *Inequality.* The inequalities manifest themselves in the province between population groups, between urban and rural dwellers and between males and females.

In the farming community, the lack of production factors such as land and buildings in the rural areas, contributes to this inequality. For example, in a survey it was found that 80% of black farmers own cropland, but not more than 10 hectares each. Their white counterparts own land measuring more than 15 hectares each.

The burden of poverty falls disproportionately on women, especially those in rural areas. Men go to the urban areas to work or to find employment while the women have to fend for themselves and their children.

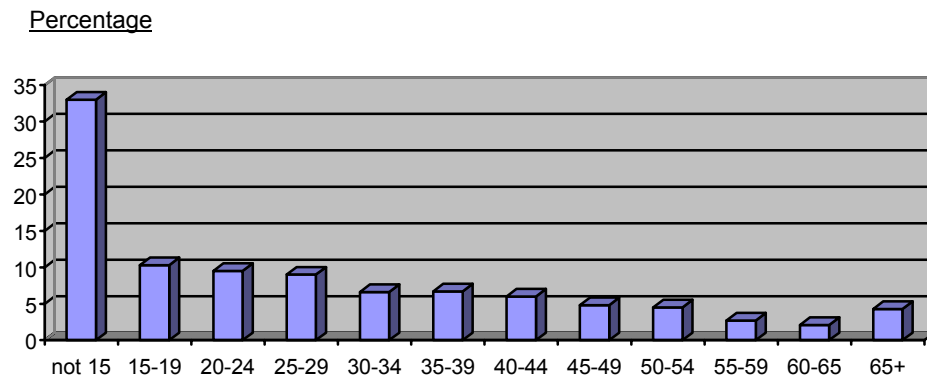
9.4 The population of the North West Province

The North West Province consists of an area of approximately 118,710 square kilometers (9,7% of South Africa) with a population of approximately 3,592 million people (estimated for 2000) or 8,3% of the South African population. 50,8% of the population is female, which is close to the national average of 51,9%. The distribution of the population between urban and rural is 13:7 or 63% rural and 37% urban. Compared to South Africa with a distribution of 46% rural and 54% urban, the North West Province can be regarded as a rural province.

Age distribution (DBSA projections 2000)

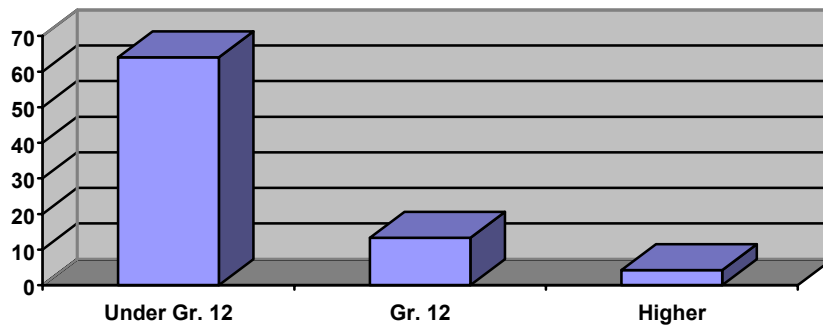
<u>Age group</u>	<u>Total</u>	<u>Percentage</u>
Below 15	1 193 000	32,95
15 to 19	374 000	10,33
20 to 24	345 000	9,53
25 to 29	325 000	8,98
30 to 34	238 000	6,57
35 to 39	254 000	7,01
40 to 44	218 000	6,02
45 to 49	172 000	4,75
50 to 54	127 000	4,51
55 to 59	100 000	2,76
60 to 64	75 000	2,07
65+	157 000	4,34

Population by age distribution



Level of educational – age group 20+ (1999)

Percentage



9.5 Socio-economic indicators

The improvement in living conditions is primarily monitored by way of key data released in October 1995, 1996, 1997, 1998 and 1999 from surveys performed by Statistics South Africa. From the report, "South Africa in Transition" the following important conclusions and findings have been formulated:

- The African population that was previously the most disadvantaged is gradually increasing in size, not only in actual numbers (from 30,6 million in 1995 to 33,7 million in 1999), but also in the proportion it represents of the total population (from 77,1% in 1995 to 77,8% in 1999).
- The age distribution of the South African population resembles the structure of a developing rather than a developed country. There are proportionately more young than older people.
- The number of unemployed people, using the official definition, has increased from 1,8 million in 1995 to 3,2 million in 1999. New job creation in both the formal and the informal sectors is not keeping pace with the demand for work, as increasing numbers of people, for example those who were previously scholars and students, become available for work and look for work.

Latest information on the improvement of living conditions in each province has not as yet been released.

Housing

Between 1995 and 1999, the proportion of households living in formal dwellings in South Africa showed an overall gradual increase, from 65,8% in 1995 to 69,9% in 1999. There was also a slight increase from 7,5% in 1995 to 12,3% in 1999 in the proportion of households living in informal dwellings. The proportion of households living in traditional dwellings, decreased from 15,3% in 1995 to 10,9% in 1999. It is thus evident that the housing policy is not resolving the challenge of informal housing around towns but that it serves as further incentive for people to leave traditional areas and go and live in urban areas.

In the five years from 1995 to 1999, there was a gradual increase in the proportion of households that had access to clean water (piped water inside the dwelling or on site, communal tap or public tanker). This figure improved from 78,5% of households in 1995 to 83,4% in 1999. At the same time there was a decrease in the proportion of households using water from boreholes and rainwater tanks, from 10,0% in 1995 to 4,7% in 1999. The proportion of those households obtaining water from rivers, streams and dams, remained approximately constant over time (11,4% in 1995, and 11,8% in 1999). Once again possibly indicating that improved access to clean water had not significantly affected previously disadvantaged households in deep rural areas.

Electricity

Over the five-year period under consideration, there has been a gradual increase in the use of electricity for lighting, from 63,5% in 1995 to 69,8% in 1999, and a gradual decrease in the use of paraffin and candles. The proportion of households that relied mainly on electricity for cooking

remained more or less constant between 55,4% in 1995 and 53,0% in 1999. This points to costs of electricity and appliances rather than the availability of electricity as deterrent. The proportion of households using mainly paraffin for cooking actually increased during the period.

As with cooking, electricity was the most common energy source used for heating purposes by South African households. However, an overall decrease occurred in the proportion of households using electricity for heating purposes, from 53,8% in 1995 to 48,0% in 1999. Again costs probably played the crucial role in decision-making. The use of paraffin and other sources such as coal and dung increased over time.

Refuse removal

Throughout the five years from 1995 to 1999, there has not been a marked change in the proportions of households (approximately 55%) who have access to formal refuse removal services.

Telephones

The proportion of households with a telephone in the dwelling or a mobile telephone increased from about 29,1% to about 34,9% over the period. The proportion of households who had to seek this service outside the home environment consequently decreased.

Health care

In each of the years under comparison, public facilities were the most commonly used health-care facility in South Africa. There was a gradual increase over time in the use of public health-care facilities, from 67,8% in 1995 to 69,4% in 1999; and a gradual decrease in the use of private facilities during this time.

Sanitation

Between 1995 and 1999, there has been a slight decrease from 56,9% to 55,8% in the proportion of households with access to flush or chemical toilets. It is evident that considerable more effort is required to improve this position.

It can generally be assumed that the North West province experienced similar trends and developments during this period. The view that basic service delivery without concomitant job creation cannot be a sustainable proposition for the long term is reflected in the above service delivery trends.

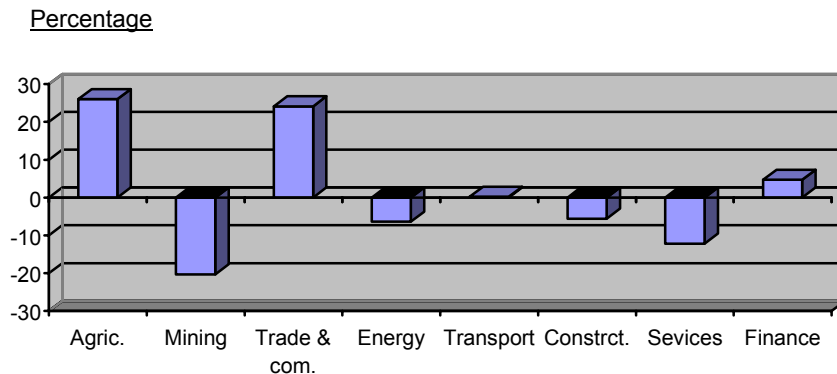
Although updated statistics are not available, much progress has been made with the provision of basic services. The building of formal houses are being facilitated at a rate of 18 000 per annum while water, electricity and sanitation services, especially in the rural areas, are receiving constant attention.

9.6 Economic indicators

According to the latest available statistics, the per capita Gross Geographical Product in the North West Province is R3,964 compared to the national average of R6,498. Although it could be argued that the North West Province is not ideally situated for the establishment of large industry, labour productivity in the North West Province, as measured by the Gross Geographical Product per worker is R20,616, which is well below the national average of R33,873.

Changes in Gross Geographic Product growth by sector

<u>Sector</u>	<u>Percentage</u>
Agriculture	26,1
Mining	-20,3
Manufacturing	24,1
Trade and Commerce	-6,4
Energy	0,2
Transport	-5,6
Construction	-12,2
Services	4,7
Finance	1,2



10. Medium Term Expenditure Framework

The Medium Term Expenditure Framework outlines the government's fiscal framework and expenditure plans. Although government retains responsibility and accountability for budget decisions, all stakeholders have a right to be heard in the budget process. The three-year fiscal framework provides that opportunity to stakeholders.

The Medium Term Expenditure Framework also provides more certainty to provinces and departments regarding the allocation of funds over a three-year period. The certainty enables provinces and departments to plan expenditure over a three-year period instead of only one year as in the past.

The funds received from the national government consist of the provinces equitable share and conditional grants. The equitable share are discretionary funds that can be used by the province in terms of priorities and policies while the conditional grants are earmarked for a specific purpose with specific conditionalities attached to it. The allocation of funds for the 2003/04 MTEF period, divided in terms of section 214(2) of the Constitution, is as follows for the different spheres of government:

Sphere of Government	Budget 2002/03	MTEF Allocation		
		2003/04	2004/05	2005/06
	%	%	%	%
National allocation	40.4	39.5	39.3	39
Provincial allocation	56.0	56.2	56.4	56.6
- <i>Equitable share</i>	50.5	50.7	50.9	51.2
- <i>Conditional grants</i>	5.5	5.5	5.5	5.4
Local governments	3.6	4.3	4.3	4.4
	100	100	100	100

The provincial allocation is divided between provinces in terms of a formula developed by the Finance and Fiscal Commission (FFC). The main factors taken into consideration with the division of revenue between provinces are the number of people in the province, the state of development, the number of school going children, etc. The North West Province's share in the provincial allocation is approximately 8,1%.

Estimated available revenue

The revenue available to the province to fund expenditure consists of a portion of direct and indirect taxes collected by the national government and the provinces own revenue. The bulk of the available revenue is received from the national government (97%) while the province collects only 3%.

Revenue estimates

Revenue item	2002/03 <i>Estimate</i>	2003/04 MTEF	2004/05 MTEF	2005/06 MTEF
	<i>R'000</i>	R'000	R'000	R'000
National transfers	11,025,002	12,869,452	14,360,117	15,719,694
- Equitable share	10,327,836	11,821,595	12,894,864	13,911,367
- Conditional grants	697,166	1,047,857	1,465,253	1,808,327
- Other	-	-	-	-
Provincial revenue	448,252	333,252	321,609	349,191
- Taxes, fees & fines	145,110	228,816	212,637	234,976
- Property income	22,152	4,091	4,246	4,648
- Sale, reimbursements, etc.	4,116	40,649	46,602	47,589
- Other	276,874	59,696	58,124	61,978
TOTAL REVENUE	11,473,254	13,202,704	14,681,726	16,068,885

Conditional grants are allocated to the province in terms of the Constitution. Conditions for the conditional grants are normally agreed upon between the relevant National Minister and the relevant Members of the Executive Council of the nine provinces. All transfers from the National Government, including conditional grants, are transferred to provinces in terms of a Division of Revenue Act.

The following conditional grants were made available for the 2003/04 MTEF period:

Grant	2002/03 <i>Approved Budget</i>	2003/04 Approved MTEF	2004/05 Approved MTEF	2005/06 Guideline Amount
	<i>R'000</i>	R'000	R'000	R'000
Health	206,191	278,298	348,814	381,975
- National tertiary services	34,750	35,000	35,109	34,822
- Professional training development	32,898	37,144	46,351	62,564
- Hospital rehabilitation	53,000	59,939	92,845	98,998
- HIV/AIDS	18,919	32,891	41,855	42,669
- Hospital management	8,334	12,730	12,713	12,642
- Integrated nutritional programme	39,390	71,967	84,583	92,693
- Infrastructure grant	18,900	28,627	35,358	37,587
Education	88,026	116,231	130,353	139,366
- Financial management & equity enhancement	18,266	18,753	19,878	21,071
- HIV/AIDS	11,520	9,638	10,286	10,904
- Early childhood development	4,240	7,040	-	-
- Infrastructure grant	54,000	80,800	100,189	107,391
Developmental Local Government & Housing	339,200	390,923	466,562	477,167
- Infrastructure grant	8,100	12,268	15,153	16,108
- SA Housing Fund	306,930	347,974	421,378	446,981
- Human resettlement	6,120	8,000	8,480	11,536
- Consolidated Municipal Infrastructure Programme	-	2,309	2,439	2,542
- Local Government support	18,050	20,372	19,112	-
Social Services	6,548	174,621	417,664	702,426
- Social Security	1,200	-	-	-
- Child support grant extension	-	125,426	367,979	652,257
- Food security grant	-	41,615	41,615	41,615
- HIV/AIDS	5,348	7,580	8,070	8,554
Public Works & Roads	54,086	82,784	101,860	107,393
- Roads: Infrastructure grant	54,086	82,784	101,860	107,393
Agriculture, Conservation & Environment	3,000	5,000	-	-
- Poverty relief & infrastructure	3,000	5,000	-	-
Total conditional grants	697,051	1,047,857	1,465,253	1,808,327

11. Expenditure

The total estimated expenditure for the MTEF period is as follows:

2003/04: R13 202,704 million

2004/05: R14 681,726 million

2005/06: R16 068,885 million

11.1 Estimates of expenditure by economic function

Standard Item (R'000)	Departmental Summary of Expenditure and Estimates					
	1999/ 2000 Actual	2000/ 2001 Actual	2001/ 2002 Est. Actual	2002/ 2003 MTEF	2003/ 2004 MTEF	2004/ 2005 MTEF
General Public Service	653,499	744,430	796,598	986,542	1,095,468	1,130,154
Public Order and Safety	131,308	118,945	131,186	200,126	204,357	213,493
Education	3,698,935	3,972,100	4,380,383	4,767,819	5,240,563	5,584,740
Health	1,561,485	1,698,992	1,973,959	2,357,354	2,603,776	2,962,709
Social Security and Welfare	1,717,854	1,975,646	2,557,888	3,147,734	3,693,069	4,264,429
Housing and Community Affairs	558,706	542,507	569,363	587,110	647,103	673,824
Agriculture, Forestry and Fishing	219,720	262,277	293,763	327,657	331,664	351,488
Local Transport and Administration	674,856	590,933	817,074	828,363	865,726	888,048
Total	9,216,363	9,905,829	11,520,213	13,202,704	14,681,726	16,068,885

Function	Summary of Expenditure and Estimates by Function					
	1999/ 2000 Actual	2000/ 2001 Actual	2001/ 2002 Est. Actual	2002/ 2003 MTEF	2003/ 2004 MTEF	2004/ 2005 MTEF
General Public Service						
<i>Executive Legislature</i>						
Legislature	30,209	35,988	40,169	55,442	52,186	57,957
Office of the Premier	89,719	104,996	138,358	130,365	136,960	140,670
<i>Total: Executive Legislature</i>	119,928	140,984	178,527	185,807	189,146	198,627
<i>Financial and Fiscal Services</i>						
Department of Finance	160,183	222,449	207,517	250,858	243,195	222,945
Department of Economic Affairs & Tourism	80,889	95,939	114,804	159,741	164,278	170,934
Contingency Reserve	-	4,650	5,700	58,723	119,559	165,968
<i>Total: Financial and fiscal services</i>	241,072	323,038	328,021	469,322	527,032	559,847
<i>General Services</i>						
Building Service	96,885	120,648	160,641	143,290	162,501	175,747
Community Based Programmes	20,775	5,773	-	19,000	17,880	-
Property & Asset Management	80,992	106,217	86,729	108,708	131,120	120,882
Management	93,847	47,770	42,680	60,414	67,790	75,052
<i>Total: General Services</i>	292,499	280,408	290,050	331,413	379,290	371,680
Total General Public Services	653,499	744,430	796,598	986,542	1,095,468	1,130,154
Public Order and Safety						
<i>Police Services</i>						
Safety and Security	6,750	7,087	9,772	18,533	19,269	20,488
Traffic Administration	57,959	80,675	102,604	159,201	162,439	170,647
Management Administration	66,599	31,183	18,810	22,392	22,649	22,358
Total Public Order and Safety	131,308	118,945	131,186	200,126	204,357	213,493

Educational Affairs and Services						
Administration	189,144	254,704	271,753	312,906	329,329	342,574
Public ordinary school education	3,228,754	3,385,073	3,736,832	4,071,115	4,500,509	4,810,910
Independent school subsidies	3,841	3,918	4,500	5,000	5,500	6,000
Public special school education	58,828	65,619	71,079	76,061	80,082	83,831
Further education and training	53,274	57,054	63,806	66,823	72,251	76,020
Adult basic education and training	52,211	58,138	52,245	52,741	52,875	53,072
Early childhood development	92,507	128,130	135,910	137,353	141,019	151,843
Auxiliary & associated services	20,376	19,464	44,258	45,820	58,998	60,490
Total Educational Affairs & Services	3,698,935	3,972,100	4,380,383	4,767,819	5,240,563	5,584,740
Health Affairs & Services						
Administration	70,129	69,152	83,233	103,714	116,202	129,238
District Health Services	951,739	998,424	1,252,569	1,264,461	1,330,327	1,542,879
Emergency Medical Services	-	-	-	96,609	92,191	112,055
Provincial Hospital Services	445,767	480,585	537,071	639,823	744,216	841,326
Central Hospital Services**	-	-	-	-	-	-
Health Sciences and Training	33,010	35,619	46,069	63,891	75,683	81,317
Health Care Support Services	34,590	49,831	55,017	70,290	86,954	89,309
Health Facilities Management	26,250	65,381	-	118,566	158,203	166,585
Total Health Affairs & Services	1,561,485	1,698,992	1,973,959	2,357,354	2,603,776	2,962,709
Social Security & Welfare						
<i>Social Security Services</i>						
Social Security & Assistance	1,693,851	1,821,437	2,344,030	2,864,827	3,392,789	3,915,325
<i>Welfare Services</i>						
Social Welfare Services	732	38,773	47,241	80,739	83,770	111,724
Social Development	781	4,502	25,544	77,905	84,015	90,399
Management & Administration	22,490	110,934	141,073	124,263	132,495	146,981
Total Social Security & Welfare	1,717,854	1,975,646	2,557,888	3,147,734	3,693,069	4,264,429
Housing & Community Affairs						
<i>Housing Affairs Services</i>						
Housing & Local Government	476,233	438,162	489,654	479,172	534,282	548,896
Management Administration	21,667	38,176	25,101	30,246	29,460	33,355
Total Housing Affairs Services	497,900	476,338	514,755	509,418	563,742	582,251
<i>Sport & Recreation</i>						
Sport & Recreation Affairs	20,853	23,022	12,364	21,882	21,940	23,376
Arts & Culture	39,953	43,147	42,244	55,810	61,421	68,197
Total Sport & Recreation	60,806	66,169	54,608	77,692	83,361	91,573
Total Housing & Community Affairs	558,706	542,507	569,363	587,110	647,103	673,824

Agriculture, Forestry & Fishing						
Agriculture Conservation & Environment	190,457	221,628	267,953	298,555	301,869	316,625
Management & Administration	29,263	40,649	25,810	29,102	29,795	34,863
Total Agriculture, Forestry & Fishing	219,720	262,277	293,763	327,657	331,664	351,488
Transport & Administration						
Transport Services	130,178	217,422	356,643	296,943	295,273	276,171
Roads Services	287,209	202,826	303,776	383,126	412,550	445,080
Government Fleet	97,023	91,732	95,165	65,488	67,465	69,389
Management Administration	160,446	78,953	61,490	82,806	90,438	97,408
Total Transport & Administration	674,856	590,933	817,074	828,363	865,726	888,048
GRAND TOTAL	9,216,363	9,905,829	11,520,213	13,202,704	14,681,726	16,068,885