



**WESTERN CAPE
PROVINCIAL GOVERNMENT**

BUDGET SPEECH 2005

**Minister of Finance,
Economic Development and Tourism**

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Speaker, Premier, Members and distinguished guests

Fifty years ago, on 26 June 1955, 2 884 delegates gathered at Kliptown to sign the Freedom Charter. These people included giants such as Albertina Sisulu, Albert Luthuli, Yusuf Dadoo, Sonia Bunting, Archbishop Trevor Huddleston, Rusty Bernstein, Moses Kotane, Z.K. Matthews, Govan Mbeki, J.S. Moroka and Helen Joseph.

At the time it was the most representative gathering of black and white, ever to take place in the history of South Africa. Yet our leaders had to struggle for another forty years to achieve freedom for all of us. Their prescient words and thoughts were however powerful enough to change this country and in fact to profoundly influence the Constitution that continues to guide us.

Much has been achieved during the past decade, but much still remains to be done. Reaching the remainder of the goals contained in the Freedom Charter in a practical and sustainable sense may well take another 50 years. That would depend in part on the number of spoilers amongst us, as indeed the authors of the Freedom Charter had to contend with in their midst. But the overwhelming lesson of Kliptown and that of history in general is that fortune favours the bold. More importantly that we can overcome the most impossible odds, provided we believe and we focus all our energy in providing a better home for all our people, black and white, male and female, young and old, rich and poor, abled and disabled. The converse is also true I think. The more fractious and the more unwilling we are in working towards a healthier and more equitable society, the greater our chances of spending the proverbial forty years in the desert.

Realism informs the options we have while our vision and passion guides our future. In the words of President Thabo Mbeki:

“As Africans, we can neither be pessimistic nor sceptical about our future. Necessarily, we have to be firmly confident about the certainty of a better future for all our peoples. For us to be pessimistic or sceptical is to give up the fight and resign ourselves to lives of misery.”

In this year we celebrate the 50th anniversary of the Freedom Charter and the 51st anniversary of the Women’s Charter. And of course, today is the 96th celebration of International Women’s Day. As the Freedom Charter states:

“The level of civilisation which any society has reached can be measured by the degree of freedom that its members enjoy. The status of women is a test of civilisation.”

In responding to this implicit question, as we have to do today, we have obviously come a long way since 1994, but how far do we still need to go? One of the ironies of the human race is that we can never rest on our laurels, no matter how much we would like to pat ourselves on the back for achievements since 1994, and particularly over the last 3 years in this Province. Much more has to be done, together.

The Women's Charter provides everyone living in the Western Cape with a compassionate approach to the problems that we all experience:

"There is only one society, and it is made up of both women and men. As women we share the problems and anxieties of our men, and join hands with them to remove social evils and obstacles to progress."

So while women occupy a unique position in society, we are not separated from the rest of society. And this is not only true for women and men, but for all of us: In the end there is only one community in the Western Cape. And we will suffer together or prosper together. I prefer to do the latter and with this budget I'm imploring you to join the President, the Premier, myself and many others in achieving this quest.

Socio-economic conditions in the Western Cape

At a technical level provinces need to be able to describe their economies as distinct regional entities within the broader South African economy. Key provincial economic variables have to be analysed and credible trend forecasts made. Decomposing labour market structures and trends have to add to an understanding of the provincial skills base and income distribution patterns. Critical is the determination of the possible sources, potential and constraints for enhanced provincial growth and employment that would be responsive to the appropriate interventions, linking up with national macroeconomic policies and local economic development initiatives.

Two years ago, in anticipation of the emerging developmental role of provinces, the Western Cape started embedding its actions in a clearer appreciation of its socio-economic environment. This led to the tabling of the 2003 Medium Term Budget Policy Statement and 2003 Socio-Economic Review.

The 2005 Provincial Economic Review and Outlook 2005 (PER&O 2005), that I'm tabling today together with Budget 2005, takes this initiative further. The 2005 PER&O describes our economic and equity performance over the last couple of years, the expected outlook for the future and raises a number of points of concern. Furthermore, it speaks to those facets that we would need to consider if we are going to be successful in moving our economy onto a higher shared growth path.

The production of the Provincial Economic and Outlook (PER&O) therefore frames what we as government are proposing in Budget 2005. It both supplements and draws on the great deal of analytical work that has been performed by a number of our departments in shaping our direction and giving content to our iKapa Elihlumayo strategy.

Economic Outlook

The Western Cape has enjoyed and will continue to enjoy a reasonable level of economic growth and job creation, but the constraints to a higher growth path are fast becoming evident. The economic outlook for the Western Cape, based on numbers supplied by the Bureau for Economic Research, predicts that economic growth will accelerate from 4,1 per cent in 2004/05 to 4,3 per cent in 2005/06. This reflects sustained growth in domestic expenditure and an expected more reasonable trade-weighted value of the Rand.

While the outlook reflects a strong and vibrant provincial economy, we must take note that economic growth is still below the higher band of between 5 and 6 per cent that is needed to raise the Province's employment performance and move us onto a sustainable shared growth path.

Many sectors have adjusted to the strong Rand. But the direction of the exchange rate, given our dependence on trade with the rest of the world, could still prove to be an important determinant of the regional economic performance and therefore a key risk to the Province's optimistic economic outlook. Nevertheless, the advantage of our coastal position together with changes in the economy have resulted in and should sustain further robust economic growth as industry responds to a relatively strong world economy and buoyancy in domestic spending.

The outlook for fixed investment and employment creation is positive following years of increased capital investment and previous formal sector retrenchment of workers. The positive employment trend in the retail, tourism and business services sectors is likely to persist and this needs to be supported. Our challenge is therefore to develop downstream and niche manufacturing and services industries, which have greater potential to create jobs. With improved formal sector job and thus wage earner growth, the chances for greater poverty reduction in the Province in the medium term, beyond Government's social welfare and infrastructure development spending, are looking better.

Within this globally encouraging scenario certain specific issues are of concern. The Western Cape's key attribute is its broad base and diversity of sectors as well as up-and-coming sub-sectors, industries and 'niches'. The Province's four core sectors – agriculture, manufacturing, trade and financial & business services – are all well diversified, reducing the risk of over-dependence on any single industry or sub-sector. In addition, the region has a well-developed tourism sector, and reasonably

strong and dynamic construction, fishing, professional services, higher education and transport sectors.

A shared sustainable growth and employment path needs to rest on a broad foundation of agriculture, industrial regeneration, tourism, and services such as business process outsourcing that grows in output and employment. The pattern of higher growth in financial and business services and tourism, with agriculture remaining important, does not negate the need to further develop the manufacturing base.

Of note, therefore, is the decline of the manufacturing industry in the Western Cape. Once a manufacturing 'heartland', the Province has now shifted emphasis towards tertiary services. This has had a particularly severe impact on manufacturing employment in the Province, particularly in the clothing & textile industry. In the 18 months between January 2003 and June 2004 this sector lost 27 000 jobs nationally, most of which were lost in the Western Cape.

The second concern is that while the tertiary services sector produces the largest share of growth, this sector has not been creating jobs and overall employment performance is poorer than is the case nationally.

Employment and Remuneration Trends

While the Provincial economy is generating jobs, it is thus not generating enough jobs to absorb new entrants into the labour market. Migration acts as a further source of expansion, impacting on the Province's demographic composition as well as the skills distribution of the labour force.

Between 2000 and 2003, about 194 000 jobs were created in the Western Cape at a rate of 4,0 per cent per annum. Although employment growth has been above the national average, unemployment has unfortunately expanded at an even more rapid rate. Broad unemployment rose from 22,6 per cent in 2000 to 26,1 per cent in 2003.

Of key concern is the lower level of employment and higher share of unemployment among Africans, women and the youth. As Thenjiwe Mtintso puts it:

"When we speak of poverty, we speak first of all about women".

Or in the lyrical words of Akhona Mdaka of Sophumelela Secondary School:

"We do not need figures to indicate that our communities and the youth are still being plagued by high and an ever rising unemployment rate. On a daily basis we experience the effects of unemployment on our skins and in our tummies".

In this respect, the long-term trend in the South African and provincial economy has been one of a bias towards high-skilled employment and against low-skilled employment. An individual's level of education is a key determinant of the individual's occupation, skills classification and remuneration level. These trends therefore highlight the importance of improving performance in the schooling system, particularly from grade 10 to 12, and upgrading skills across the spectrum, specifically for lower skilled labour.

Labour market trends always impact on poverty and inequality. Income poverty in Western Cape has not improved between 1995 and 2000 – the most recent reliable data that we have. The Western Cape's performance shows that groups of great concern are Coloureds and Africans. Even at the extremely low level of R322 per capita per month, 53% of Africans and 25% of Coloureds in the Western Cape were poor in 2000.

The bottom line is therefore that while the economy may be growing at a reasonable rate, it is not growing sufficiently and further it is showing signs of stress through high levels of unemployment and poverty.

The fragility of our society

To borrow from the theme that the Premier pursued in his recent State of the Province Address, the Western Cape is particularly prone to division and it is sometimes difficult to fully comprehend why. We are marked by diversity in terms of race, language, religion and socio-economic status. But from a South African or global perspective, that does not really make us unique. Unfortunately, to add to our woes, these differences have been exploited for socio-political ends to create and perpetuate the divided society that we know so well.

As Premier Rasool put it in his State of the Province Address:

“Indeed the social fabric of the Western Cape is fragile. The identities of its people are fragile. The relationship between communities is fragile... Indeed our non-racialism is fragile, and this government cannot stand by and allow political parties and leaders to exploit this fragility”.

This is part of the reason why we have such a high rates of TB, diarrhoea, trauma, poverty and homelessness. It is also why we spend so much money on high fences and the booming private security industry. This is why we don't look each other in the eye when we walk around after dark and why our children can no longer play on the streets of our neighbourhoods. The last few weeks have again displayed these divisions through the events at Spes Bona, Mikro and Tygerberg.

Nobody likes this situation. We are united in our deepest conviction that a better life must be possible for all who live in the Western Cape. At the most common level, nobody likes the atmosphere of fear and distrust that marks such large parts of our lives. More immediately there is the bite of poverty, unemployment, crime, ill health, inadequate schooling and poor living conditions that such large numbers of our people are still exposed to.

As our President said in his State of the Nation Address:

“...success in the growth of our economy should be measured not merely in terms of the returns that accrue to investors or the job opportunities to those with skills. Rather, it should also manifest in the extent to which the marginalized in the wilderness of the Second Economy are included and are at least afforded sustainable livelihoods. South Africa belongs to them too, and none of us can in good conscience claim to be at ease before this becomes and is seen to become a reality.”

Ons sal nooit tot rus kan kom as almal van ons nie van 'n basiese lewenskwaliteit verseker kan wees nie. Wie kon met 'n koue hart die sinkplaat huise van Joe Slovo sien brand? Of die klein kinders in die middestad sien bedel sonder om diep besorg te wees? Dit is 'n gewetensaak.

But we don't only pay with our consciences for poverty and fragmentation in the Western Cape. Empirical studies around the world tell us that we also pay a high economic price for a weak society. And it is not only the poor that pay the price, but all of us.

This may sound simplistic, but goodwill, or the presence of enough social capital, builds trust that leads to cooperation and the magic that is necessary for building sustainable businesses and healthy communities. Workers and bosses, ordinary people and officials, who experience ill will toward one another, do not enjoy trust, the benefits of teamwork and community, the free play of ideas, or the greater productivity and value-creation that drives economic growth.

In the words of Harvard economist Dani Rodrik:

“Countries that experienced the sharpest drops in growth after 1975 were those with divided societies and with weak institutions of conflict management”.

The concentration of financial capital, on its own, never drives economic development. Without the trust, the cooperation, and the visionary goodwill necessary to put financial capital to work, very little of any lasting value can be accomplished. It is the strength of social capital, in the form of leadership, partnerships, and community spirit that drives economic growth and development.

Social capital is broadly recognized as a driver of economic growth, while wealth and financial capital are seen as enabling factors. Social capital is an asset that can be leveraged to create deals, relationships, build teams and community, moderate disagreement, inspire innovation and change, enter new markets, and attract businesses and citizens to a community.

The goals of the iKapa Elihlumayo strategy include jobs and economic growth as well as healthy communities in every sense of the word. But it is important to understand that there is no contradiction in our efforts to provide a good level of social services and those to stimulate the economy and labour market. In short you can't have the one without the other. Indeed, most likely we will only see growth rates rising above 5 to 6%, once we achieved the optimum balance between investment, human and social capital building.

It could further be argued that this is even truer in an economy like ours that is so dependent on the service sectors, exports and tourism. It is inconceivable that we can make an impact in these areas without getting along with each other. That is why our strategy was dubbed iKapa Elihlumayo, because we want to grow and prosper together! That's why the iKapa logo has the words "dignity, equity and prosperity" as the message that we wish to portray.

This is the vision of shared growth. As Premier Rasool explained in his State of the Province Address, we are pursuing an economic growth path that is equitable, sustainable and resilient. So we want to grow more rapidly, share more of the growth and ensure that such growth does not compromise our environmental assets.

Our Strategy and Budget

Today we table a budget of R20,61 billion Rand, a budget that has been three years in the making. This budget takes account of a lot of prior analysis and intensive interaction at both departmental and executive level, inputs that were given at number of *izimbizo*, the follow-up to the 2003 Growth and Development Summit and others. This process culminated in a Provincial Cabinet *lekgotla* early in February of this year.

This budget is the practical realisation of the tension between needs and resources. The real expression of our objectives will only be found in the actual implementation thereof. It's up to the members of the Cabinet lead by the Premier and supported by all our departments and civil society to pursue these objectives.

Over the Medium Term Expenditure Framework (MTEF) we are planning to spend a total of R66,63 billion, R7,6 billion more than the previous MTEF. The iKapa Elihlumayo strategy was designed to address the challenges of the Western Cape. We have consolidated the eight iKapa Elihlumayo strategies into four priority areas, which this Budget now seeks to address:

- 'Building Respect, Trust and Healthy lifestyles', or Social Capital Building on which we will spend over R37 billion over the next three years;
- 'Building Knowledge and skills' or Human Capital Building on which we will spend R20,3 billion over the next three years;
- 'Growing and sharing the economy' on which we will spend R7,6 billion over the next three years, and
- 'Government that delivers' on which we will spend R1,7 billion over the next three years on institutional reform and the underlying support structures.

Apart from these priority areas, we are also making some contribution to increased employment, with the overall provincial establishment expected to increase by 6 112 job opportunities over the next three years, 1 938 will be at Education, 2 290 at Health (although part of this would be absorption of municipal health workers), 894 at Social Services and Poverty Alleviation, 276 at Transport and Public Works and the balance spread over the remaining votes.

Respect, Trust and Healthy lifestyles

The basis for the entire iKapa Elihlumayo strategy is the general well being of our communities. This will be done through our Social Capital Formation Strategy. The Strategy has four main thrusts, namely Health, Crime Prevention, Social cohesion and Integration and Support to Vulnerable groups. Across the work of the five Departments driving these strategies, lies the common approach of reinforcing community organisations in the Province.

The Departments of Health, Social Services & Poverty Alleviation, Cultural Affairs & Sport, Community Safety and Local Government and Housing will work together to ensure that our community organisations get back to full strength. However, they can only go so far. They have to be joined by our religious organisations, burial societies, chambers of commerce, NGOs, Welfare organisations, Community Police Forums, Health Committees, Ward Committees, Sports Clubs, Federations and indeed our women in society, who will all have a major role to play. Together we will have to make sure that we engender sorely lacking trust and respect between and within our different communities, look after, protect, support, play with and reach out to each other in all spheres of life. What we would call bridging capital building.

A very large part of this is work that government cannot do. This outreach needs to be driven by our community leaders and in much more unified and structured way than has been apparent to date. However, in the absence of that, as Mother Teresa once said: *“Do not wait for leaders. Do it alone, person-to-person.”* Only in this way will we start crossing the barriers of fear, money, race, railway lines and everything else that divides and isolates.

And it is only once this work speeds up that government’s services in Health, Crime Prevention, Housing, Sport and Culture promotion and Social Services will start showing a lasting impact. And once this has happened the foundation will be laid for the wonderful creativity and vitality of Kapenaars to translate into wealth and jobs for all that must surely be the centrepiece of the Home for All.

But social capital is also about building trust and effective cooperative working relationships between spheres of government and between governments generally and the community we serve. While government’s role is a facilitator of the emergence of healthy communities, we commit fully to the central role of this facet of iKapa Elihlumayo. For this reason roughly 56% of provincial expenditure will go to foster the main priority area of ‘Respect, Trust and Healthy Lifestyles’ in each of the MTEF years. This translates into total expenditure of over R37 billion over the MTEF period, which is R 3,8 billion higher than last year’s MTEF.

The Department of Social Services and Poverty Alleviation

The Department of Social Services and Poverty Alleviation’s main contribution will be to ensure that its services are targeted at the most needy areas. As Melissa Limenyande of Muizenberg Junior School told us:

“Employ social workers or previous drug addicts in the community to help promote anti-drug campaigns. Campaigns can be set up to promote drug awareness to teach people that drugs break our bodies down and with help and support can be overcome.”

Firstly the Department will endeavour to lower the social worker per population ratio down to 1 to 7 000. In some of our communities, such as Khayelitsha this ratio is currently almost three times as high. The second component for Social Services is the revision of its funding policy to non-governmental organisations and non profit organisations so that its future allocations to these organisations are based on considerations of equity and need.

The total Departmental budget for 2005/06 is R4,9 billion, 23.9% of the provincial budget and R586 million more than last year, with a total estimated expenditure of R15,8 billion for the MTEF. This will also enable the Department to continue paying grants to about 712 000 of the most vulnerable people in the Province in 2005/06, estimated to grow to over 800 000 in 2007/08. Also included in the overall allocations are amounts to cover the long awaited salary increases to social workers.

Two important points of note here: Minister Manuel has already announced increases in the different grant values, so I won't repeat them. Suffice to say that these increases, together with other redistributive expenditures will further augment the social wage to those less well off, estimated at around R956 per month.

Secondly, the South African Social Security Agency comes into operation on 1 April 2005. As part of the phasing in of its operations, the entire operations, staff and funding for the social grant system in the Province are temporarily warehoused in provinces until such time as the Agency can take these over. This process should be completed within the new MTEF cycle.

Health

The Department of Health's contribution to building 'Respect, Trust and Healthy Lifestyles' is to redesign the levels and targeting of care offered in the Western Cape to ensure that people receive not only the appropriate level of care as part of its Health Care 2010 reshaping plan, but also to lower the disease burden and morbidity associated with trauma.

Secondly the Department will target areas that have the greatest need, so that over time health facilities are available where people need them most, not where the facilities happen to have been built.

The third component of our Health intervention consists of specific projects to bring down the prevalence of TB, Diarrhoea and HIV/AIDS by seeking to prevent the occurrence of these diseases through health promotion and other steps, rather than just treating them once they occur. So what we will increasingly see is a much more activist approach by the Health Department and I welcome Minister Uys to this new role, now that he has joined the ANC.

In order to give impetus to the above, this Department's total budget for 2005/06 stands at R5,7 billion, R576 million more than last year, and over the next three years pulling away from Social Services, who was beginning to overtake Health.

Health's budget constitutes 27.9% of the Province's total and over the MTEF an additional R2,9 billion is allocated to it, making a total of R18,4 billion over three years. These increases include:

- Additional allocations of R396 million through the National Tertiary Services Grant (NTSG) to our three academic hospitals over the next three years. This is a much greater portion of the available national amount than that normally dictated by the equitable share proportions. This allows our budget for academic hospitals to grow by R144,3 million from last year, contributing to a total allocation of R6,2 billion to academic hospitals over the next three years;
- Specific allocations, apart from conditional grants, of R106 million over the next three years to further strengthen the Province's HIV/Aids initiatives. This brings our total spending on HIV/Aids in the Health budget to R426 million over the same period. This supplements the R67 million already committed to by the Departments of Social Services and Poverty Alleviation and Education;
- Additional allocations of R158 million for drugs, medicines and other key inputs will further stabilise the Health system;
- Funds to ensure the take over of provincial health care services in non-metropolitan municipalities amounting to R65,9 million in 2005/06, R84,7 million in 2006/07 and R103,6 million in 2007/08. This step will allow the non-metro municipalities to apply the freed up funds, roughly around R70 million per annum, for developmental and other much needed interventions, and
- Provision of R10,1 million in 2005/06 was also made to 'kick start' the Province's Disaster-Emergency Management Centre (DEMC), a cooperative venture between the departments of Local Government and Housing, Health and Community Safety. This amount will supplement the R4,9 million already allocated to Local Government and Housing for disaster management infrastructure.

Proposed infrastructure spending is for the first time now reflected on the budgets of Health and Education. Part of a national initiative, the intention is to properly reflect the full costs of these two major disciplines and to improve accountability.

The Department of Health receives R297 million, rising to R380 million in the outer year of the MTEF to accommodate its infrastructure requirements. This amounts to just over R1 billion over the next three years. Major projects include the upgrading of Mowbray Maternity Hospital at a cost of R30 million to be completed in September 2006.

Other similar upgrades under construction are the George Hospital to be completed in July 2006, the Worcester Hospital to be completed in August 2006 and the Vredenburg Hospital to be completed in September 2006. Total upgrade costs for these three hospitals are estimated to be R315,2 million. Further major projects that are being contemplated in the new year include early planning for the Khayelitsha District Hospital and further upgrades to the Paarl Hospital.

Department of Community Safety

The key role for the Department of Community Safety, apart from its recently inherited security function, is to reduce the overall levels of trauma in the Province. This includes the addressing of crime levels, but also issues such as the lack of safety on our public transport networks, in schools and hospitals and reducing motor vehicle accidents and traffic safety.

In terms of trauma prevention, the Department will have an important coordinating and research role together with the departments of Transport and Public Works and Health. As trauma and violence have unfortunately become woven into our social structure, this is indeed a formidable challenge, again one for which my colleague, Minister Ramatlakane would need the active assistance of communities, but then again he is no slouch in this matter.

The Department receives R173,7 million in 2005/06. Its total allocation over the MTEF period is R530,4 million, an increase of R62,5 million.

Department of Cultural Affairs and Sport

By May 2005, the Department of Cultural Affairs and Sport has to finalise the strategic framework for the Western Cape Leg of the 2010 Soccer World Cup. As the Premier mentioned in his State of the Province Address, World Cup 2010 will not just be about soccer, but also about tourism, infrastructure and addressing the social problems in our communities. In his inimitable style: "*World Cup 2010 must become our metaphor for the Home for All*". The infrastructure component of World Cup 2010 will be handled by our Department of Transport and Public Works.

Apart from the World Cup 2010 my colleague, Minister Stali faces many challenges in mobilizing our cultural organisations to bridge the cultural divide and to bring our people closer together. Similarly, to use school sport as an alternative to nefarious or more leisurely activities amongst our youth, but also to build our young nation into a healthy and unified one.

The Department is given R167,8 million in 2005/06 for this purpose. Over the MTEF an additional R27,8 million is allocated, making a total of R512,6 million over the next three years.

Department of Housing and Local Government

The Department has to contribute to the priority area of building respect, trust and healthy lifestyles by providing three essential ingredients to the desired human settlements of tomorrow, namely that of dignity, integration and vitality. In addition to this come the other requirements of building an asset base for the owners of such housing to put them on the road to wealth creation. Indeed two sets of difficult challenges for Minister Fransman, but he has shown time and time again that he is up to it.

The N2 project directs the housing grants towards one of the areas of greatest housing needs in the Province, and one in which the benefits of providing formal housing will probably be the highest. Having a secure base, and a financial asset, will afford residents a greater chance of gaining access to the first economy. The Province is directing the lion's share of the national housing subsidy resources towards the N2 project over a two year period. Over the MTEF the Department receives R2,17 billion, which is R289 million more than in the previous MTEF.

Growing and Sharing the Economy

While a spin-off of a healthy and vital community life, the creation and sharing of wealth must remain the central goal of iKapa Elihlumayo. No government service will fulfil the dreams of our people if we can't create more wealth in the Province and find more equitable ways of sharing it.

As Reghana Harneker of Rylands High School urges us:

“Open learning centers that teach people a trade for example carpentry. This would create more self employed individuals and in turn lower the unemployment level. If these businesses grow they'd need to employ more workers. More jobs equals less crime as people often steal to survive.”

To this end the Province will increase its expenditure on 'Growing and sharing the economy' to between 11% and 12% of the annual budget over the MTEF. Of all the expenditure areas, this one grows the most rapidly, 23.2% or R425 million from 2004/05. In total the Province will spend R7,55 billion on growing and sharing the economy, which is over R1 billion higher than in the previous MTEF.

Economic Development

The Department of Economic Development's contribution to this priority is to support sectors with high potential in order to capitalise on opportunities available to Western Cape businesses. This includes helping them to access national incentive schemes as well as identifying global business opportunities. Secondly, the Department is re-organising the provision of support services to small businesses to make them more responsive and accessible through a network of "one-stop" shops – the RED Doors. In their first three months of business 1 644 entrepreneurs accessed our RED Doors.

The Department will also address one of the biggest constraints to exporters in the Western Cape, that of information about foreign markets, through the provision of a Global Business Intelligence service. Current performance suggests that Wesgro will easily reach their target of attracting R5 billion in new investments to the Province by 2007. Wesgro will also work with the Department of Agriculture to provide marketing support and market information to emerging farmers.

Tourism, a large economic driver, gets R32,9 million in the new year and R104 million over the next three years, with the majority destined for the Destination Marketing Organisation.

The Department's budget increases by R18,6 million and by R163 million over the next three years, an overall amount of R532 million.

Included in the above are allocations amounting to R108,7 million specifically to strengthen the Department's current sector based interventions and to develop new ones. The Department also receives R15 million as a further contribution to the funding of the construction of the planned film studio here in Cape Town.

Agriculture

Despite its recent buffeting at the hands of the exchange rate, the agricultural sector remains one of the mainstays of the provincial economy. The Department supports the sector in a variety of manners such as on-farm infrastructure, research and development and a range of farming support services.

As farming is a large user of water and water is such critical input in agriculture, over the next decade the agricultural sector is going to need to respond adequately to climate change and to increased competition for water resources with other sectors. The Department, together with Environmental Affairs and Development Planning and others will research and formulate the full response required from government. The Department has been allocated R6 million for this purpose over the next two years.

Apart from general support for the sector, significant resources will be transferred to emerging farmers in the form of on-farm infrastructure, technical support, training and skills development. The farmer support and development programme will spend R255 million on assisting emerging farmers over the next three years.

The Department will also strengthen its co-ordinating role in human resource development of farm workers. This role entails, amongst other things, ensuring that government service delivery agencies have access to farms and that provincial farm worker interventions in other departments are properly co-ordinated.

The Department's budget increases by R12 million year on year and over the MTEF receives R764 million, which is R50 million more than in the previous MTEF.

Transport and Public Works

Roads provide the conduits along which the economic life-blood of the Western Cape economy moves. It is essential that the vital links operate well, that the built-up backlogs in road maintenance are dealt with and that significant new opportunities are opened up. Minister Skwatsha's Department therefore has to maximise the impact of its spending on roads by targeting its construction, rehabilitation and maintenance of roads at the areas of greatest economic potential.

The Department of Transport and Public Works also has a leading role to play in the provision of the infrastructure required to make World Cup 2010 a success, including road, public transport and stadium infrastructure. The Klipfontein public transport corridor will play an important role in this regard.

On a comparative basis, the Department's allocation increases by R371 million year on year, with the major portion (R276 million) of this increase going to roads. Over the next three years the Department is due to receive a total of R5,8 billion. Roads specifically will get R3,3 billion, averaging over R1 billion per year. Our goal is to keep expenditures at this level, as part of the injection into and sustainability of the construction sector. This allows us to not only make inroads in maintenance backlogs, but also to increasingly entertain new construction. In addition it would contribute significantly to the upturn in employment generation in the construction sector.

In terms of roads infrastructure, in 2005/06, significant expenditure has been budgeted for upgrading roads (R253 million), for other capital projects (R339 million) and for maintenance purposes (R247,7 million). And over the next two years, R98 million is to be spent on new construction; specifically R15 million for the Granger Bay link, R15 million for the film studio infrastructure and R68 million for the inter change at Potsdam.

Specific allocations included in the overall allocations to the vote are:

- Contributions of R60 million divided over the two outer years of the MTEF for the upgrade of the Athlone soccer stadium in preparation for World Cup 2010. We hope to be able to augment this from further allocations by the national government, as foreseen by Minister Manuel in his budget speech;
- Another R63,7 million for the planning and implementation of the Klipfontein Corridor, another essential component of WC 2010 bringing spending by the Province to over R200 million on this mobility corridor over the next three years.

Department of Environmental Affairs and Developmental Planning

The Department of Environmental Affairs and Developmental Planning plays a decisive role in the development and implementation of the Provincial Spatial Development Framework. The latter will guide businesses and government investment and spending towards those geographic areas where the best returns in economic growth and development or social terms are likely, and co-ordinate their investment efforts to ensure complementarity. This is one of the key mechanisms to ensure that economic growth in the Province is sustainable.

In addition, to ensure even greater synergy, the President in his State of the Nation address, announced government's intention to actively align the National Spatial Development Perspective with the similar processes underway in this and other provinces as well as with municipal Integrated Development Plans.

This Department has been allocated an additional R63,7 million over the MTEF period to make up a total of R483,5 million. An amount of R15 million has been specifically allocated for the upgrading of the facilities of the Western Cape Nature Conversation Board as part of a strategy to upgrade tourist facilities and National Youth Service Learning sites.

Knowledge and Skills

The second largest slice of the budget goes to the 'Building knowledge and skills' priority that is allocated over 30% of expenditure in each of the MTEF years to give a total of R20,32 billion over the 3 year period. This priority receives R2,6 billion more over the next three years. These allocations will enable the Department of Education and the Department of the Premier to give effect to the external and internal HRD strategies respectively. Rosa Luxemburg underlines the importance of education when she says: "*We will be victorious if we have not forgotten how to learn.*"

The Department of Education's contribution is to ensure that all learners have access to quality education that has to lay the foundation for the development of the Province's human resources. In meeting this challenge Minister Cameron's Department intends to focus on the following areas:

- An additional 5 000 5-year olds will be enrolled in Early Childhood Development every year until we reach our target of 80 000 by 2010 – more or less all eligible learners;
- Pass rates: By the end of 2005 our target is to have 1 500 African and Coloured learners pass mathematics and science on the higher grade. By 2006 we will push this up to 3 000 and by 2011 to 5 000 per year;
- Career guidance programmes will be provided to all grade 9 learners;
- By the end of this year we will have 35 000 learners passing their senior certificate in improved Further Education and Training Programmes. By 2006 we will push this number up to 40 000 and by 2011 to 50 000;
- To support this drive we will provide loans to 2 000 poor learners in 2005, 3 000 by 2006 and 5 000 by 2011;
- Lastly we will improve the access of poorer learners to institutions of higher learning by aiming for endorsements for 11 000 learners in 2005, 14 000 in 2006 and 20 000 by 2011.

The Department of Education receives 30.5% of the total Provincial budget allocation over the MTEF. The budget allocation for Education increases by R489,8 million between 2004/05 and 2005/06. Over the MTEF period it increases by R2,6 billion, bringing its total allocation to R20,3 billion over the MTEF.

Specific allocations to the Department include:

- An additional R100 million over the MTEF to address classroom backlogs specifically in African communities;
- An additional amount of R394,3 million over the MTEF to improve the flow through of learners into FET programmes;
- The implementation of a Learner Tracking system will enable the Department to more effectively target resources towards areas of greatest need; and
- Improvements to salary and conditions of service for teachers as already announced.

During 2004/05 the Department of Education aims to build a total of 233 instruction rooms to accommodate 8 430 learners. Of the 8 430 learners, 1 200 will be able to attend school at Usasazo Secondary School in Khayelitsha, which cost R9,2 million.

A number of other schools are currently under construction in the Province and it is anticipated that they, with the exception of Ekutuleni Primary in Kraaifontein, will be completed during the course of 2005. Together, these 14 schools will contribute another 485 instruction rooms to accommodate 17 360 learners at a cost of R171 million. A further 285 instruction rooms for 27 680 learners are in the planning pipeline.

As the Premier indicated in his State of the Province address, the skills and competencies of our civil servants will also need attention. Provision was made to this end in last year's budget and the transformation of our facility at Kromme Rhee is going ahead as planned.

All of the above is intended to respond to the cries for help from learners such as Belize Rukundo Nduwimana, a learner at Sarepta Secondary:

"A library or two should be available in a community. Primary schools should have a library on their school grounds because if reading starts becoming a habit at primary schools then there should not be reading problems at secondary schools".

Libraries are a conundrum for which we, together with the national government, have to date not found a satisfactory solution. This continues to challenge government at all spheres if we wish to make headway with our human resource development strategies and provide the caliber of young people that are able to deal with the demands of the modern economy.

A Government that delivers

Lastly the Province will spend R1,7 billion over the next three years on further building a foundation for a 'Government that will deliver'. This priority's modest share of 2.6% to 2.8% of the budget confirms the outward-oriented nature of the Province as well as it's the Department of the Premier's commitment in supporting other departments towards service delivery.

Specific allocations to the Department of the Premier include provisions for *imbizo's* and the implementation of the Internal Human Resource Development Strategy. The institution of *izimbizo* will be further supported by Parliament's programmes for public participation and involvement of the citizens of the Western Cape in the parliamentary process.

The Department of Housing and Local Government, now amalgamated to improve efficiency, is also funding the placement of multiskilled Community Development Workers (CDWs) in municipalities across the Western Cape. The CDWs will ensure that communities have full knowledge of all government services and resource transfers across all the spheres and will assist communities in accessing these. Funding has been secured from the relevant SETA for training of 400 CDWs in 2005/06, together with provision made on the Department's vote for the employment of around 150 workers on their establishment.

Another key component of making government more accessible is the Provincial Language Policy. Over the MTEF period a total amount of R24,2 million will be added to what departments already spend on language accessibility to give effect to the Provincial Language policy.

Apart from the Premier's Intergovernmental Forum, the practical translation of the IGR bill currently before Parliament, the interface between the Province and municipalities will also be supported by the rollout of the Municipal Finance Management Act and structural strengthening of the Provincial Treasury. Alignment between the budgets and development plans of these two spheres will be further supported by the IDP hearings planned by the Department of Housing and Local Government for May this year. Project Consolidate will provide further support in this regard, especially in weaker municipalities.

Revenue

The budget is funded from a number of sources, specifically, the equitable share, conditional grants, provincial own receipts and financing. The equitable share and conditional grants together make up 91% of the R20,61 billion that we are budgeting for this year.

The provincial equitable share, at R12 billion, contributes 58.6% of the 2005/06 budget, a nominal decrease of 17.8% from the previous year. The reason we see such a substantial drop in the provincial equitable share (17.8%) is because of the centralisation of the Social Security function. This has resulted in a shift in allocation from the equitable share to conditional grants. Over the medium term expenditure framework the total received from the provincial equitable share is R39,2 billion.

Over the MTEF conditional grants total R21,9 billion. They have increased considerably from 2004/05, growing to R6,7 billion in 2005/06. This is mainly attributed to the social assistance and the administration of social assistance grants. These grants, which together total R4,2 billion in 2005/06, are a temporary measure to be used to perform the social security function while the South African Social Assistance Agency is being established.

The national tertiary services grant received by the Department of Health is also much more substantial in 2005/06, at R1,2 billion, up by 10% from 2004/05.

Provincial own receipts make up 6.6% of total revenue in 2005/06 at R1,4 billion and have enjoyed a nominal growth of 4.1% from 2004/05. Over the MTEF R4,2 billion is anticipated from this source of revenue. Historically motor vehicle license fees, interest on bank balances, hospital fees and casino taxes constituted the largest portion of the Western Cape provincial own revenue basket. Taxes on Limited Gambling Machines are now also emerging as an important source. Subsequent to the approval of the liquor policy by the Western Cape Cabinet, the liquor licence tax will also become a significant source.

The Province is again budgeting for a deficit with expected shortfalls between revenue and expenditure of R386 million in 2005/06, R582,7 million in 2006/07 and R290,3 million in 2007/08 or R1,26 billion in total. These shortfalls are covered by accumulated reserves and anticipated receipts on investment activities.

These reserves finance an essential and indeed integral part of Budget 2005's objectives, the realization of the Strategic Infrastructure Plan. As is well known economic services, and particularly infrastructure spending, have been crowded out by initially social services generally, and lately by the rapid rise in social security expenditures in particular. With this augmentation to our revenues, we have turned a corner in achieving levels of infrastructure spending that allows for real economic and employment impact.

In the Premier's State of the Province address he spoke of potential new sources of revenue to continue and enhance the developmental aspirations of the Province, as at the current levels of spending we would run out of cash reserves at some point in the future. To consistently and sustainably increase and maintain our spending on roads and associated economic infrastructure, the fuel levy research was initiated. It has now run its course in the Province, together with extensive public participation

last year and it is now up to the National Treasury. The necessary background research on other possibilities (bed, development and a carbon levy) still has to be done to assess their viability and economic impact in compliance with the Constitution and the Provincial Tax Regulation Process Act.

What do we want from you?

A theme that has repeated in the last few budget speeches is the fact that the Western Cape government cannot effect the turn-around that the Province needs on its own. As the iKapa Elihlumayo strategies grow in maturity and rigour this is becoming even clearer to us.

What we are offering the people of the Western Cape is a contract to turn this Province into a Home for All by 2014. This government is completely committed to this goal. But the key ingredient of modern successful economies is the achievement of a social compact, which sees all the social partners working together to achieve a common objective.

We have therefore had extensive discussions with our social partners through the two Provincial Growth and Development Summits as well as the activities of the reconstituted Provincial Development Council. But this still only means that a few senior people in government, business, civil society and trade unions have been involved. A couple of suits or t-shirts in a conference will not turn this Province around on their own. It will take the passionate commitment of all 4,5 million people in the Western Cape.

This kind of change is driven by the kinds of people that we have here today. The cast of uCarmen eKhayelitsha, Pam Golding, Ilitha Labantu, Bradley Knight, Winston Mankunku, Mrs Griffith from Silvertree Community Development Centre in Mannenberg, and Ms Zukiswa Lali from Sizasa Ukhanyo HIV/Aids Aftercare programme for youths in schools in Khayelitsha, all embody this spirit. These people embody the values and spirit that is the heart of the Western Cape and its potential: skill, social entrepreneurship, a sense of humour, and a passion to make this Province all that it can be.

These people have signed up and committed to the goals of iKapa Elihlumayo, and over the next few days we will ask you to do the same. As a further opportunity for you to give input on our plans we have asked IDASA's Public Opinion Service to conduct a service delivery survey over the next six months. By the end of this year we will therefore get your direct feedback on our plans and indeed how this government is viewed.

Internally this year will see an ever greater emphasis on Monitoring and Evaluation in the Province. We have formulated our plans, this budget funds them, so the time for delivery has arrived. Together the Department of the Premier and the Provincial Treasury will keep a close eye on the implementation of our carefully laid plans.

In Conclusion

Great things start with small gestures. Rosa Parks, the mother of the Civil Rights movement in America reminds us how it all starts: *“I knew someone had to take the first step and I made up my mind not to move”*.

We as a government will not move away from our resolve to improve the lives of our people. However, whatever government does, will only be the first step. There are a thousand such selfless acts of service that hold our communities together and that have very little to do with government. And it is these small acts of kindness and service that will put the Western Cape on the road to a Home for All. As author Alice Walker once said:

“Our mothers and grandmothers have, more often than not anonymously, handed on the creative spark, the seed of the flower they themselves never hoped to see -- or like a sealed letter they could not plainly read.”

So while the Budget itself comes in the form of cold Rands and cents, what we are asking of the people of the Western Cape is to give in return, to respond to the Premier’s exhortation towards our Home for All, to reach out, to help and to respect each other and to see your fellow Western Cape citizen as your brother or sister in the true sense of this quest. This is not just about the warm fuzzy feelings of a rainbow nation. This ‘coming together’ and ‘crossing the divide’ of our cultural and historical legacy is the precondition of the social and economic well-being of everyone in the Province. We will get there together or not at all.

The gift that we are offering you today is symbolic of what we are proposing:

- The Lotus Flower is a metaphor for the importance of 'Teamwork' and interaction, as the Lotus does not move without human interaction. It also symbolizes the ability to change and be flexible.
- The Lotus Flower has individual circles that can be compared with individuals in an organization that link together to form working movable rows or layers. The many layers then work together to allow the entire instrument to move, and thus the organization, to mould itself into more than a thousand forms. The incredible flexibility of the Lotus Flower is then also a metaphor for government being flexible and able to mould itself to meet the challenges posed to us by this Place we call Home.

- The hand size Lotus Flower instruments are made by previously disadvantaged South Africans who prior to making Lotus Flowers had no jobs. The fruits of their labour have now begun to be exported around the world.

In closing I would like to remind you of the words spoken by our national Minister of Finance at the 2003 Provincial Growth and Development Summit. He said:

“We can do these things. It requires a bit of money. But more importantly, it requires creativity, energy and commitment. It demands a different level of mobilisation of communities and workers, it requires the unequivocal support of the leadership of labour, of business, of communities and of government – equally committed and closely collaborating.”

So to quote from Kevin Kline in the Emperor’s Club:

“... great ambition and conquest without contribution are without significance”
and therefore *“What will your contribution be?”*

I would firstly like to thank the learners of 1 480 schools that participated in giving me advice for this budget; thank you very much. I am very impressed with your contributions and trust that you will see many of the areas that you have raised covered in this budget. Many of you have asked me to ask God’s guidance in implementing this budget; and I do so.

I would like to thank Minister Manuel for his inimitable presence and support within the Budget Councils.

The heads of the departments and many of their staff, gave much of themselves by reshaping their priorities and working out the detail of iKapa Elihlumayo. Departmental teams worked right through the December holidays to finalise strategy. They did much to explode the myth of the lazy civil servant once and for all. As you may however realise, your real work only starts now as you begin to give practical effect to what this budget has to achieve.

Dr JC Stegmann and his wonderfully energetic team in the Provincial Treasury again worked long hours to draw up this budget and the Provincial Economic Review and Outlook. Their office lights remained on for many evenings and weekends over the last few months.

To our special guests invited here today, because of their sterling contributions to building the Western Cape I would like to thank and urge on. We are only just beginning.

To the rest of the people in the Province I would like to ask you to join our 'Sign-up' campaign and demonstrate support for the goals we have outlined. None of this will work without you.

To my colleagues in Cabinet I would like to thank for their contribution, advice and wisdom in putting together the 2005 Budget.

The Premier I would like to thank for his sustained leadership and direction and captaining this ship through a challenging first year.

To you Speaker, thank you for convening this house and initiating the important process of subjecting the budget to thorough scrutiny over the next 3 months or so.

Speaker, Members of this House, fellow Western Capetonians, as Premier Rasool ended off his State of the Province Address:

"Today we can say in the Western Cape that the ideas expressed on a piece of paper in Kliptown fifty years ago will find resonance in our strategy of shared growth, iKapa Elihlumayo, and our vision of a Home for All".