

FOREWORD

As is customary, Budget Statement 1 provides an overview of the provincial budget for the Medium Term Expenditure Framework period, commencing in 2005/06. It presents the main budget aggregates, including estimates of major revenue and expenditure categories, highlighting important trends and variances. It also provides a detailed socio-economic profile of the province and sectoral analysis of the economy, to enable the reader to appreciate the context in which the MTEF framework was compiled, and to understand the rationale behind the policy choices which underpin the budget allocations.

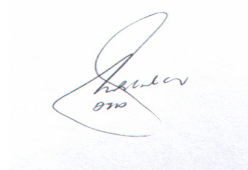
A feature of this profile is the inclusion of a regional Supply and Use Tables (SUT) model for the province for the 2001 reference year, developed by the Provincial Treasury. This model, updated in this publication for the 2003 reference year, is the first of its kind in the country that is compliant with the United Nations' 1993 System of National Accounts. The model will assist the provincial government to prudently manage its budget through the efficient allocation of scarce funds to the sectors of the economy and geographical areas most in need of development and investment.

Budget Statement 1 also provides details of several important new initiatives that the newly elected provincial government will be undertaking in the 2005/06 MTEF period, with a view to achieving its overarching goals of growing the economy, creating employment and alleviating poverty. Chief among these initiatives are the creation of three centralised funds, aimed respectively at stimulating investment and growth in the first economy, promoting the establishment and growth of the SMME sector, and addressing the lack of food security, basic income and opportunities in the impoverished rural areas of the province. A key element of one of these funds, the *Poverty Alleviation Fund*, is to provide funding for the revival of the co-operatives movement in the province, and details are provided on the aims and *modus operandi* of this important initiative.

Another new feature of Budget Statement 1 is the section dealing with the Municipal Finance Management Act, and its implications for the Provincial Treasury and the provincial government in general. As implementation of the Act is primarily the responsibility of the Provincial Treasury, and as the provincial government is placing increased emphasis on intergovernmental relations in the province, this section will be a permanent feature of the Budget Statements in future. A significant advance on previous Budget Statements, furthermore, is the inclusion of comprehensive tables detailing all provincial grants and transfers to municipalities, per department, per grant type and per municipality. The publication of this information should greatly assist municipalities in the early finalisation of their own planning and budget processes.

In Budget Statement 2, comprehensive details, once again, are to be found in respect of provincial departments' strategic objectives and policy priorities, expenditure and revenue performance and service delivery outputs over the period under review, and projected over the forthcoming MTEF.

In conclusion, I am confident that the publication of these Budget Statements provides the executive, legislative and administrative arms of government in the province with all the information necessary to monitor and report on the financial and service delivery performance of government departments in the forthcoming MTEF. The Statements are confirmation that the resources and funding necessary for the provincial government to deliver on its contract to the people of this province to create work and fight poverty are indeed available. All that now needs to occur is the actual delivery on these promises, in order that we might fulfil our collective role as a truly developmental government and province.



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