Province of the Eastern Cape

PROVINCIAL TREASURY

BUDGET SPEECH 2006/07

The Honourable Billy Nel

MEC for Finance

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INTRODUCTION

Mahatma Gandhi had this to say in 1923 about public money:

"In every civilized community, the outlay of public funds collected through contributions from the community in a variety of forms, calls forth the liveliest interest from the taxpayers and demands the greatest carefulness from the authorities entrusted with the outlay. In theory, the layout of these monies must be, like the sowing of the seed by the farmer, in the hope and with the intention that it would be retained a hundredfold to the sower".

Madam Speaker,

Gandhi's statement is an elegant reflection of the objectives of public resource management. The statement calls for governments to be effective, responsive, and accountable. While these objectives are of a continuing nature in public resource management, they reflect the changing fiscal realities. Together, they offer a formidable agenda that underpins effective budget planning and execution. Once again, the occasion has come for the government to account to the citizens of Eastern Cape of how the resources entrusted with it have been managed and will be managed in the future.

Last year I stood on this podium to table the “Ikwezi Lomso” Budget of 2005/06, which sought to promote stewardship over the finances of this province and to achieve better results through continuous improvement of the budgetary and monitoring systems. The result of this often painful process is that we can now proudly claim ownership and control over the financial governance in the Eastern Cape, and in so doing, look forward to a future in which a stable and ever-growing economic environment will contribute towards the creation of wealth and prosperity in the province.

Madam Speaker,

The 2006/07 Budget has been designed to place the province on a virtuous cycle of sustainable growth. This requires the leadership of the province to ensure that we eradicate under-spending, especially of conditional grants, rather than keeping our banks happy. The leadership of the Eastern Cape Government subscribes to the sentiments expressed by President Mbeki in his State of Nation Address on 3 February, regarding the optimism and positive mood prevailing in the country. South Africans are optimistic and in positive mood because they can see and feel that systematically we are winning the war to replace a life of despair with a future full of hope and fulfilment.

The substantive content and modalities of state intervention to push back the frontiers of poverty are grounded in the Accelerated and Shared Growth Initiative of South Africa (ASGISA). ASGISA has become the kingpin of job creation and poverty reduction. This Initiative and the Provincial Growth and Development Plan (PGDP) are inextricably linked. ASGISA is a strategic catalyst for the successful implementation of the PGPD. We have embraced ASGISA and will implement key programs and projects.

The potential impact of ASGISA, Coega and the East London Industrial Development Zone (IDZ) on the demand for social infrastructural services such as electricity and water, provision of efficient and competitive logistical infrastructure, and expansion of modern telecommunication infrastructure in the province is immense. Together, ASGISA, Coega and the East London IDZ will define and shape the trajectory of sustainable economic growth and development of this province.

I would like to echo the words of the President as contained in his State of Nation Address: "*The years of freedom have been very good for business. I believe that this should have convinced the investor community by now that, in its own interest and as part of the national effort, it has to invest in the expansion of that freedom, especially by actively and consciously contributing towards the achievement of the goal of halving poverty and unemployment by 2014."*

Madam Speaker,

Before I get to the 2006/07 Budget, I would like to provide a brief review of the 2005/06 financial performance. The 2005/06 financial year commenced with total revenue of R35,6 billion. During the year, the revenue was reduced by some R11 billion, reflecting the social assistance grants which were stripped off and moved to the South African Social Security Agency (SASSA). Further adjustments during the year brought the provincial total revenue to R25,2 billion against a projected total expenditure of R23,9 billion, leaving a surplus of some R1,3 billion.

The total provincial revenue of R25,2 billion for financial year 2005/06 is made up as follows:

Equitable Share	R 22,2 billion
Conditional Grants	R 2,6 billion
Own Revenue	R 429,0 million

The projected total expenditure of R23,9 billion is also made up of the following:

Compensation of Employees	R 15,3 billion
Non-personnel Non-Capital Expenditure	R 7,0 billion
Capital Expenditure	R 1,6 billion.

As is traditionally the case, the largest part of the total provincial expenditure is made up of compensation of employees. Compensation of employees has grown from R13,3 billion in 2003/04 financial year to the current R15,3 billion, representing an increase of some 15% over the period.

THE 2006/07 BUDGET

Policies and Priorities

Madam Speaker,
I will now turn to the main business of the day, that is, the 2006/07 Budget, beginning with the policies and priorities.

Economic Outlook

Regarding the economic outlook for the province one cannot but remain up-beat of the fact that the Eastern Cape is bursting with opportunities. I only need to remind Honourable Members of the House of the massive investment of about R3 billion in the Coega Development Zone to date. We are also waiting eagerly for the outcome of the robust negotiations between the Coega IDC and the Canadian Aluminium Giant Alcan for an investment of some R15 billion. Under the banner of ASGISA, the national Government has given the green light for two of the Eastern Cape's icon projects, namely the Timber Industries Cluster at Ugie-Maclear and the Umzimvubu Catchments Project. These two projects will have a major impact on accelerated and shared growth, providing some 3 000 direct employment and 10 000 downstream employment opportunities. Other projects in the pipe-line such as the Wild Coast Meander, the Moltena/Indwe Coal Mining Initiative and the Gariep Irrigation Scheme to provide water to the Cacadu District will give an additional boost to job creation opportunities in the province.

Sectoral Priorities

Madam Speaker,
I would like to reflect at this juncture on the sector priorities for the 2006/07 financial year. In the education sector, the priorities are to reduce the backlog in school equipment, expand Grade R, teacher development and HRM systems, extend the new curriculum to Grades 10-12, continue to implement the norms and standards for school funding, support special schools, and expand information management systems.

In the health sector, the priorities are to enhance human resource management, recruit health professionals, expand the emergency medical services, implement the new Ambulance Services Model, expand Primary Health Care, and improve services in the rural areas.

In the social sector the focus will be on expanding the existing welfare services, implement the Children's Bill, Older Persons Bill and the Child Justice Bill in phases, and implement the Expanded Public Works Program (EPWP). The EPWP in this sector involves mainly the expansion of existing community health workers, home/community-based care and early childhood (ECD) development programs. The program also covers the provision of training of practitioners, stipends and materials, and food and basic health care. Over the medium term 2006/06 to 2008/09, a total of R671,3 million will be available for the EPWP in the province.

Infrastructure Planning and Investment

The significance of infrastructure in the province's economic transformation and growth has been recognised in the PGDP. Infrastructure is central to economic growth, global competitiveness, and poverty alleviation. The transformation of the provincial economy to create jobs, generate income, and thus reduce poverty is the single most important challenge confronting the government of this province. Underpinning this challenge, however, is the need to provide appropriate and adequate social and economic infrastructure. Poorly maintained and unreliable infrastructure and service delivery systems hamper both private and public sector activity. Although continued delay or neglect of investment in infrastructure projects may provide immediate savings for other expenditures, a heavy price could be paid in the longer term in the form of lower economic growth, high unemployment and an increase in poverty.

Over the medium term, the infrastructure budget will increase significantly from R2,9 billion in 2006/07 financial year to R4,3 billion in 2008/09, with the bulk of the money going into the provision of roads, school infrastructure and hospital facilities. Departments are therefore urged to ensure that realistic and comprehensive Infrastructure Plans are developed to cover the medium term. Already, the National Treasury is developing guidelines and formats for infrastructure planning for all provinces. Several interactions have taken place between our own Treasury and the National Treasure on this matter. Beginning in March 2006, the Provincial Treasury will commence the coordination of the development of the Infrastructure Plans for the province. In terms of the 2006 Division of Revenue Act, provincial departments are required to submit their Infrastructure Plans to the provincial Treasury by not later than 31 August 2006.

Public-Private Partnership

Madam Speaker,
The challenges posed by the need for infrastructure development, rehabilitation and maintenance are of such a magnitude that government alone cannot meet them. At the same time, it is believed that the province is among those in the country with the lowest capital stock per worker, reflecting both the size of the province's population, inability to attract significant investment resources from outside, and loss of private domestic wealth to other provinces. The government's approach to addressing this problem is to broaden the participation of the private sector in infrastructure development. The strategy is to attract private financial support through direct equity investment and assistance in developing entrepreneurial and managerial capacity in areas such as project planning and financial management, outsourcing of non-core businesses, leasing, Build-Operate and Transfer (BOT), etc.

Madam Speaker,
Kindly permit me to be very specific in this regard. The government has had a long standing relationship with the First National Bank. I think the time has come for both parties to benefit from this relationship. From the government side, the time has come for the Bank to be seen to be supporting the social and economic development agenda of the province. Three areas where the Bank's support could be of immense help to the government and people of this province are bond financing for government employees (junior staff and middle-level managers) who do not qualify for government housing subsidy, the provision of office accommodation in Bhisho for leasing, and micro-financing of cooperatives, small, medium and micro enterprises (SMMEs), and local emerging black contractors to develop local entrepreneurship and create wealth. Madam Speaker, there is the FNB Stadium in Johannesburg. How does it sound to have FNB House in Bhisho? The

government will engage the FNB in discussions around this matter in the coming financial year.

Under-spending

Madam Speaker, Honourable Members,
The pursuit of budgetary outcome closer to the intent and achievement of success in fiscal stabilisation requires addressing the problems that afflict the budget implementation phase. These include poor or no planning, cut and paste business plans, long delays in finalising the procurement process, insistence on several procedural formalities that are mostly unrelated either to the task at hand or to the changing requirements, etc. During the current financial year, these developments have caused considerable under-spending of infrastructure and some conditional grants. A shortage of money is one thing, but an inability to spend the already inadequate allocation is unacceptable. Regardless of the causes, it is necessary that the problem of under-expenditure is addressed.

During the 2006/07 fiscal year, Treasury will undertake a comprehensive study into the causes of under-spending of infrastructure and other conditional grants, and develop appropriate responses to deal with the problems. I must also add that, until the pace and efficiency of expenditures are improved, the system of roll-overs of unspent budgeted funds will undergo a serious review. Treasury will critically scrutinize the pattern of expenditure during the year and progress of expenditure closure to the end of the financial year, and selectively approve roll-overs. I wish to emphasise that unspent recurrent funds will have limited chances of being rolled-over. Treasury will also seriously consider reviewing the two Adjustments Budgets usually tabled during the financial year. Adjustments Estimates Budgets will not be prepared for the purposes of creating an opportunity for departments to clean their books before the end of the financial year. This will constitute an abuse of Section 31 of the Public Finance Management Act. Departments are therefore encouraged to plan their expenditures and cash flows very carefully. Adjustments to budgets will only be done in very special circumstances.

Financial Management Enhancement

Budget planning and preparation are the mechanisms for achieving control of expenditure to ensure affordability; effective means for achieving resource allocation that reflects expenditure priorities; efficient delivery of public services; and, effective means of minimising the financial costs of budgetary management.

Madam Speaker, Honourable Members of the House,
This ideal is rarely matched by the practices in the province. Quite apart from weaknesses in the institutional arrangements, decisions on affordability, priority setting, and efficiency in spending have all become artificial because of the following factors:

- Subsequent cash allocations or adjustments (made twice a year) render them redundant:
- Amounts allocated to programmes or given by line items are deliberately loose or unclear; and
- In some instances, the priorities are set outside the formal budget framework.

Although the allocation of resources across spending departments is a political decision, those planning and preparing the budgets will need to advise on what is realistically achievable. For this, economic analysis should play an important role.

A cursory look at the internal organisation of departments of the provincial administration, however, shows that many are extremely weak in economic analysis, policy formulation, planning, forecasting, monitoring and evaluation, and effective service delivery. Even the introduction of the new management philosophy that places emphasis on strategic planning, performance and accountability, application of market principles, and investment in relevant information systems have not made these departments any more corporate in outlook than they have been. The capacity and skills required to embrace the new changes are very low in some departments, although in general the commitment for change is as high as the demand for change. The challenge though, is how departments would go about attracting and retaining staff with the requisite experience and skills, reinforce their commitment to work, and forge their co-operation to become the dominant feature of service delivery.

To address the problem I have just outlined, the provincial Treasury will design and implement a comprehensive “Financial Management Improvement Programme” in the whole provincial administration during the 2006/07 financial year. An important element of this programme will be the building of capacity in financial management and planning in departments.

Search for Economies in Expenditure

The Financial Recovery Program introduced two years ago has tended to create a budget management culture that focuses on securing higher allocations and spending them during the year. While there is always a need for more resources, this has to be tempered by the recognition that resources are limited and have alternative uses. The budgetary process will begin to emphasise the search for economies in expenditure, particularly in the context that the existing legislation often limits the range of flexibility in the annual budget. This search for economies will focus on the evaluation of the existing legislation, programs, and projects so that there can be improved delivery of services within given resources. As part of the Financial Management Improvement Programme, Treasury will engage in a serious consultative interface with departments, with the view to identifying areas where economies can be found and develop joint strategies to harness them.

Cash Planning and Management

The ability to adjust spending, both in the timing as well as the amount, is of strategic importance in any budget system. Careful cash planning and efficient in-year management of the budget delivery are very critical in this context. As an integral element of financial management, cash planning and management should be able to keep budgeted expenditure in cash terms and prevent unanticipated overdrawn accounts that might disrupt the fiscal stability objectives. To this end, the Treasury has begun to institute a more organized form of cash management, a technique that will allow, through systematic and regular forecasting of revenues and expenditures, a firm link between cash flows and the budget implementation plans. Departments are expected to do likewise.

Madam Speaker,

A good cash plan cannot compensate for an unrealistic budget. Indeed, the cash plan must not become a substitute for the budget itself. The budget planning and preparation procedures is a prioritisation process within specific revenue constraints, and this prioritisation process should be fully in place before expenditure is broken down into weekly or monthly cash limits. Yet the reverse is often the experience in this province. Decisions about expenditure priorities are not adequately discussed or settled at budget preparation time by departments. I wish to remind departments of the following five prerequisites of good cash management:

- A realistic budget;
- Clear procedures for the release of appropriations;
- Strict observance of the budget execution rules;
- Experienced and skilled staff to prepare and monitor the cash plans; and
- Clear borrowing rules.

If departments fail to respect the cash management prerequisites I have just outlined, the provincial Treasury will have no option but to exercise its power over real prioritisation and expenditure cuts through cash allocations. To assist departments in this regard, the provincial Treasury is in discussion with the provincial banker (the First National Bank), with the view to getting the bank to provide cash management training to officials performing this important function. Details of the cash planning and management training will be unveiled during the year.

Authorisation of Unauthorised Expenditures

Several unauthorised expenditures were incurred by many departments of the provincial administration during the pre- and post-1998/99 financial years. Honourable Members will recall that on numerous occasions, the Portfolio Committee on Finance and Provincial Expenditure has prevailed on Treasury to table a Finance Bill to deal with these unauthorised expenditures. The pre-1998/99 unauthorised expenditures, amounting to some R363 million was part of the write-off of some R1,06 billion owned by the former Transkei/Ciskei and Cape Provincial Administrations. The Finance Bill for these unauthorised expenditures is ready and will be tabled in the House for discussion and approval. I wish to inform members that the process will have no financial implications for the province as the expenditure has been written off in the provincial accounts. The

National Government passed a Bill authorising the write-off and so, our Finance Bill will be asking for your concurrence for the write-off.

The post 1998/99 unauthorised expenditures amounting to some R3,1 billion will require departments who have not already met with the Standing Committee on Public Accounts to do so and explain their cases so that the Committee can pass resolutions on them. Thereafter, Treasury will formulate a Finance Bill to give effect to the resolutions. Treasury is arranging a time table with SCOPA for departments to appear before it and defend their unauthorised expenditures.

Municipal Debts

The provincial administration owes a number of municipalities in respect of services rendered to departments. Up to June 2004, and after reconciliation of accounts, it was discovered that four departments of the provincial administration, including the Departments of Social Development, Roads and Transport, Local Government and Housing, and Health owe the Nelson Mandela Metropolitan Municipality a total of R41,6 million. The Nelson Mandela Metropolitan Municipality, for its part, is holding back some R92,6 million of provincial money in respect of licences and vehicle registration fees. The Government has taken the decision to pay the Nelson Mandela Metropolitan Municipality debt. Accordingly, provision was made for the payment of the debt in the second Adjustments Budget I introduced in the House a week ago. I implore all departments and their spending agencies to ensure that they pay for the services rendered to them by the municipalities timeously to avoid interest charges and a build up of debts. The Nelson Mandela Metropolitan Municipality has been requested to release all monies belonging to the province before the financial year ends on 31 March 2006.

Municipal Oversight

The current state of financial management at municipal level is in flux, necessitating the introduction of the Municipal Finance Management Act in 2003. The Act, however, recognises that the National Government alone cannot implement and monitor the financial and budgetary reforms of all the municipalities in the country. The approach therefore is that:

- The National Treasury will monitor the Metros and the 20 largest category B municipalities, which together represents over 75% of the total local government expenditure in the country;
- Provincial Treasuries will monitor District Councils and the remaining category B municipalities;
- District Councils will monitor the smaller primary municipalities within their jurisdiction and report on their progress to Provincial Treasuries;
- In his speech last week the Minister of Finance, Mr. Trevor Manuel disclosed that the Development Bank of South Africa is currently assembling a task force of engineers and project managers to be named “Siyenza Manje” to contribute to operational and strategic capacity in distressed municipalities so as to accelerate the roll-out of basic services. An improved maintenance, standards and management system will be implemented. Under the umbrella of Project Consolidate we will give focussed attention to municipal finance management and procurement administration.

As the first phase of the implementation of the Municipal Finance Management Act, the National Treasury has selected 12-point priorities to implement. Provincial Treasuries are required to monitor and report on the progress of the implementation to the National Treasury. This is a monumental responsibility bestowed upon Provincial Treasuries. Our Treasury will need to boost its financial management and planning capacity in this area in order for it to be able to perform not only the oversight role but also to support the major improvements necessary for the municipalities to implement the financial management and budgetary reforms. The 2006/07 financial year will therefore witness a major capacity building exercise in the Provincial Treasury.

Demarcation of Provincial Boundaries

The newly demarcated boundaries will take effect from 1 March 2006 or at the commencement of sections 2 and 4 of the Constitution 12th Amendment Act of 2006. The result of the boundaries demarcation process is that Uzimkhulu is incorporated in KwaZulu-Natal and Matatiele in the Eastern Cape. The process has some budgetary implications for the province, as the equitable share and conditional grants have to be aligned with the new boundaries. This will mean shifting of funds, transfer of ongoing programs and projects, and transfer of assets, liabilities and staff between the two provinces. Treasury and the Department of Housing, Local Government and Traditional Affairs are playing active roles in this process to ensure a smooth transfer and in keeping the affected departments up to speed with their new responsibilities.

Government Employee Medical Scheme

Government agreed on specific incentives to allow for low-income public servants (approximately 40% of its workforce) to have access to medical coverage at affordable cost. The implementation of the Government Employee Medical Scheme (GEMS) therefore commenced on 1 January 2006. To support provinces to implement GEMS, funds were added to the provincial equitable shares. These allocations top up what provinces should budget for the employer's contribution for medical aid coverage for all employees. In the interim, provinces have been requested to ensure that their budgets adequately provide for all personnel related cost, including provision for medical aid coverage for all employees, whether they will be on GEMS or any other medical aid scheme. The funding for all the personnel related costs remains a provincial responsibility while the funds added to the equitable share is just to augment the provincial funding. The GEMS funding has not been allocated to departments because the guidelines spelling out how the Scheme is to be implemented has not been finalised.

THE FISCAL FRAMEWORK

Madam Speaker,

The total provincial revenue for fiscal year 2006/07 will amount to R27,9 billion, representing an increase of 10,7% over the 2005/06 revenue figure. This R27,9 billion is made up of the following:

Equitable Share	R 24,6 billion
Conditional Grants	R 2,8 billion
Own Revenue	R 475,0 million

Compared to the figures for the 2005/06 financial year, the increases are as follows:

Equitable Share	11,0%
Conditional Grant	9,9%
Own Revenue	10,7%

We propose a total budget of R26,8 billion, representing an increase of 12,3% over the 2005/06 projected total expenditure. This figure is composed of the following:

Compensation of Employees	R 16,3 billion
Non-Personnel Non-Capital Expenditure	R 8,5 billion
Capital Expenditure	R 2,0 billion.

Compared to the projected expenditure figures for 2005/06, the increases in the 2006/07 figures are as follows:

Compensation of Employees	6,6%
Non-Personnel Non-Capital Expenditure	20,8%
Capital Expenditure	29,2%

DEPARTMENTAL ALLOCATIONS

Madam Speaker,

I now wish to turn to the specific allocations to departments of the provincial administration. As I mentioned earlier, total appropriation proposed for the financial year 2006/07 amounts to R26,8 billion, indicating an increase of R3,1 billion over the 2005/06 adjusted budget and a surplus of R1,1 billion.

Vote 1: Office of the Premier.

The Office of the Premier is currently undergoing major structural changes. To facilitate and support the process, the department's budget is increased by R37,9 million in 2006/07 financial year. The bulk of this allocation will fund the Provincial Coordinating and Monitoring Unit, whilst the filling of critical posts, branding of the province, and coordination of the implementation of the PGDP have also been catered for in the allocation.

Vote 2: Provincial Legislature

Madam Speaker, you will be pleased to note that the allocation to the Provincial Legislature has been increased by R29,7 million, bringing the total allocation in financial year 2006/07 to R129 million. This allocation has been made to accommodate the new Standing Rules that will increase House sittings, public participation and Committee reports. These changes will pose new challenges to the Legislature, especially regarding the provisioning of enabling facilities, equipment, housing and office support. Treasury is also cognisant of the fact that the Legislature wishes to revamp the House. During the year Treasury will engage in discussions with the officials of the Legislature on this matter.

Vote 3: Health

For the financial year 2006/07, the Department of Health will receive an allocation of R6,9 billion, representing an increase of 13,2% over the previous year's allocation. The conditional grant portion of the department's allocation amounts to R905,1 million. The conditional grant is to fund the Comprehensive HIV/Aids Programme, forensic pathology services, health professional training and development, hospital revitalisation and national tertiary services.

In addition to the key sectoral priorities I have already outlined, the increased allocation will fund the implementation of the revised service platform, particularly the realignment of tertiary services, de-institutionalisation of chronic patients, and the promotion of home-based care. The allocation will also support the roll-out of the anti-retroviral programme.

Vote 4: Social Development

The allocation to the Department of Social Welfare for financial year 2006/07 is R762,8 million. This figure represents an increase of 41,4% over the 2005/06 allocation. As all social assistance grants will be administered through the South African Social Security Service, the department can now focus its efforts entirely on social welfare services and development. This move necessitates a change in the approach of service delivery towards strengthening self-reliance among individuals and households. In addition to the priorities for the social sector that I have mentioned earlier, the increase in the department's allocation will assist the implementation of the following programmes:

- Transformation of services from the traditional approach to social development;
- An integrated poverty alleviation programme; and
- Special Development Programmes, such as HIV/AIDS, Old Age Support, Victim Empowerment Programmes, Disability Management, and the prevention of substance abuse.

Vote 5: Public Works

The allocation to the Department of Public Works is reduced by R13,3 million to R514,3 million in financial year 2006/07. This is attributed solely to the shifting of the roads maintenance function to the Department of Roads and Transport, leaving the department to coordinate the Expanded Public Works Programme (EPWP). The EPWP offers the Department of Public Works the opportunity to engage actively in projects that aim at creating job opportunities and skills development, thereby contributing to the eradication of poverty in the province.

Vote 6: Education

The allocation to the Department of Education increases by R1,8 billion in the financial year 2006/07. This increases the total allocation to the Department to R13,1 billion in 2006/07. Included in the total allocation is an amount of R319,99 million conditional grant for FET recapitalisation, HIV and AIDS, and the National School Nutrition Programme.

The huge increase in the baseline allocation will enable the department to continue to enhance its service delivery capacity by filling critical vacancies in schools and offices, reduce infrastructure backlogs, and provide more and better school facilities. Part of the additional funds allocated to the department will be used to develop a medium term strategy for the delivery of learner and educator support materials; broadening the Matriculation Intervention Programme; and prepare the department to take over the management of the School Nutrition Programme from the Department of Health.

Vote 7: Housing, Local Government and Traditional Affairs

For the financial year 2006/07, the Department of Housing, Local Government, and Traditional Affairs will receive R1,2 billion. This amount represents an increase of 24% over the previous year's allocation. Included in the department's allocation is an amount of R104 million for the traditional institutional arrangements and resource administration, and conditional grant of R761,99 million for the Integrated Housing and Human Settlement Development.

In an attempt to effectively address the issue of housing in the province, the department has introduced the "Breaking New Ground" policy. This new policy signifies a shift from the traditional RDP housing delivery approach to the creation of integrated and sustainable human settlements. An important element of the new approach is the provision of social and economic amenities, such as water, electricity, sanitation and roads.

Vote 8: Agriculture

For the financial year 2006/7, the department will receive an allocation of R869,7 million, indicating an increase of 5,8% over the previous year's allocation. Included in the department's allocation is a conditional grant of R63,7 million for the Comprehensive Agricultural Support Development and the Land Care Programme.

The implementation of the Green Revolution Programme is the key driver of the department's allocation. The department is focussing attention on transforming subsistence farming into commercial farming to strengthen the latter's contribution and participation in the mainstream agricultural economy. Among the key projects to be implemented by the department to support the agrarian transformation during the year are the following:

- Food Security/Massive Food Production (Siyazondla Siyakhula);
- Uvimba Transformation: Uvimba and Vulithuba;
- Land care projects;
- Land Redistribution for Agricultural Development;
- Comprehensive Agricultural Support Programme; and
- Micro Agricultural Finance Scheme (Mafisa).

Vote 9: Economic Affairs, Environment and Tourism

The allocation to the Department of Economic Affairs, Environment and Tourism is reduced by R103 million in financial year 2006/07 as a result of the funding of the Coega IDZ being taken over by the National Government. The allocation to the department therefore is R519,1 million.

The department, in collaboration with its public entities and the private sector will, however, continue to market the province aggressively as a destination of choice for tourists and investors to support the growth of the provincial economy.

Vote 10: Roads and Transport

The Department of Roads and Transport receives an allocation of R1,98 billion in the 2006/07 financial year, representing an increase of some 12.2% over the previous year's allocation.

The additional allocation to the department is to support the revival of public transport in the province. During the year, the department will continue with the extension of the East London/Berlin to King William's Town rail commuter service project; the proposed Port Elizabeth/Motherwell/Coega IDZ railway commuter service project, and the continuation of the Kei Rail project.

Vote 12: Provincial Treasury

Allocation to the provincial Treasury is increased by R16 million to R196,8 million in financial year 2006/07. A large chunk of this allocation, which represents an increase of 9,1% over the previous year's allocation, will fund the following projects that will be implemented by the department during the year:

- Provincial Financial Management Improvement Programme;
- Provincial Infrastructure Plan;
- Provincial Suppliers Electronic Database;
- Skills development in cash planning and management;
- Provincial Own-Revenue Studies;
- Municipal finance oversight;
- Filling of critical posts; and
- Public Financial Services Agency (PFSA) Programme

Part of the increased allocation will also fund the enhancement of the telephone management system.

Vote 14: Sports, Recreation, Arts and Culture

The allocation to the Department of Sports, Recreation, Arts and Culture is increased from R267,3 million in the previous year to R322 million in 2006/07. This represents an increase of 20,5% in financial year 2006/07. Included in the department's allocation is a conditional grant of R17,1 million for the Mass Sport and Recreation Participation Programme.

The increase in the allocation to the department is attributed to the following:

- The expansion of the Siyadlala Mass participation Programme in all local municipalities;
- Expansion of provincial library services. Subsidies to provincial libraries will be increased to ensure that the services are sustained and contribute to eradication of illiteracy. All District Municipalities will also be provided with "Libraries on Wheels" units to increase access to library services in the rural areas;
- Implementation of phase 1 of the construction of the Mthatha Stadium for the 2010 FIFA World Cup; and
- Support to the Provincial Geographical Names committee.

Vote 15: Safety and Liaison

The Department of Safety and Liaison receives the largest increase in allocation during the 2006/07 financial year. The allocation to the Department increases from R13,4 million in 2005/06 to R24, 4 million, indicating and increase of some 82%. The additional allocation will enable the department to fill critical posts to enhance its service delivery capacity.

CONCLUSION

Madam Speaker, Premier, Honourable Members of the House,
In conclusion, I believe that the budget and policy statement I have delivered today marks the commencement of the second phase of the expenditure restructuring process. The first phase, covering the two financial years of 2004/05 and 2005/06 placed emphasis on stabilising the finances of the province. During this period, measures were introduced to consolidate expenditures by reducing wasteful and fruitless spending, seeking economies in expenditure, making spending departments and their agencies to recognise the constraints on revenue, and generally enhancing fiscal discipline.

In the second phase, emphasis is placed on redirecting spending towards sectors that have the potential to accelerate economic growth, create employment, and reduce poverty. Reducing poverty in this context should not be misinterpreted to mean giving handouts to the poor, but rather opening the door widely for the poor, vulnerable and neglected to enable them to increasingly participate in the mainstream economic activity. In doing so, we are guided by the saying that "if you feed a person, you will feed him for ever, but if you teach a person how to feed himself he will not only feed himself but will also teach others how to feed themselves".

Madam Speaker,
I will like to take this opportunity to thank the Premier and Members of the Executive Council for their unflinching support to the budget planning and preparation and the financial management of the province. I will like to assure the House that with the appointment of a permanent Head Official, the Treasury is going to position itself in a

manner that will enable it to become the fulcrum around which the wheels of the government rotate.

Enormous words of appreciation go to the management and staff of the Treasury for their commitment and sense of duty. This budget is the culmination of months of hard work and weeks of long hours spent in the office. Be assured that your efforts have not gone by unnoticed.

Honourable Speaker, I hereby table:

- The Appropriation Bill for Financial Year 2006/07
- Budget Statements 1 and 2, and
- A copy of the Budget Speech and Policy Statement.

Enkosi Kakhulu! Ek dank u! I thank you.