



BUDGET SPEECH

2007

MEC for Finance

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Sir Alex Fraser Tytler, Scottish jurist and historian who lived between 1742 and 1813 said that:

“A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves largesse of the public budget.

From that time on, the majority always votes for the candidates promising the most benefits from the public budget, with the result that a democracy always collapses over mismanagement of public finances, followed by a dictatorship.

The average age of the world's great democracies has been 200 years. These nations have progressed through this sequence:

- from bondage to spiritual faith;
- from spiritual faith to great courage;
- from courage to freedom/liberty;
- from freedom/liberty to abundance;
- from abundance to selfishness;
- from selfishness to complacency;
- from complacency to apathy;
- from apathy to dependency;
- from dependency back again to bondage”.

Madam Speaker,

With this warning, it is my pleasure and privilege to present to your august House the annual budget and medium term expenditure framework that will give direction to the activities and interventions of the North West Provincial Government for the period 2007-2010.

We should not forget that although this budget gives direction to the activities of the provincial government, it is really the people's budget, not the government's; the government, as a representative of the people, has the enormously important task of ensuring that the people's priorities are addressed in the budget. It is for this reason that the task of managing the people's money by government is described as "public finance".

For the public finance in the North West Province to be an appropriate vehicle for the developmental state that we aspire to, it requires two crucial inputs.

One, we require the participation of the people themselves, specifically the people of the North West. This is why, during the past year, our Department has reached out to the people of the North West through various opportunities to make inputs into our budgetary process, and in fact to make clear to the people that this annual event, the tabling of the budget is the outcome, the culmination of a process wherein their participation is paramount.

During the past year, we have emphasized the importance of public input into the budgetary process through the slogan "Its your budget, become a player!" to indicate that the province's annual budget is not a one person affair, or a one stakeholder affair, but a team event, wherein we are all players focusing on the goal posts, in this case, the sustainable development of all our people.

The second crucial input for the public finance in the North West Province to be an appropriate vehicle for our developmental state, it must be grounded in a

thorough understanding of the socio-economic and political environment that face our people.

We must understand the international, national and local context within which people and households make their daily decisions.

We must gauge the health of the provincial economy so as to ensure that our expenditure priorities adequately address the needs of our people. No medical doctor will prescribe medicine to a patient before making a thorough examination and coming to a likely diagnosis. And so it must be with the provincial economy. Its challenges and opportunities must be understood so that we can apply the correct interventions through our expenditure decisions.

International best practice dictates that the health of an economy can be most properly assessed through a six-point checklist. These six points, or dimensions of economic development, are the following:

- One, how do we face up to poverty and, are there people and places in the Province that might be caught up in the poverty trap?
- Two, how does our economic policy environment look like and does it encourage investment and growth?
- Three, is our fiscal framework appropriate and are we avoiding the fiscal traps?
- Four, how does our physical geography affect our ability to grow and develop?
- Five, is good governance ensured and, how do we deal with government challenges?
- Six, how do the geopolitics of the country, the African continent and the international community affect our choices?

Given that we are now well and truly into our second decade of democratic public finance in South Africa, let us stand still for a moment and contemplate how we, as a Province, fare in terms of these six dimensions of economic development, and how we have progressed during the first decade.

Madam Speaker,

Let us firstly start with our greatest challenge, namely poverty. It is an international norm to distinguish between extreme and moderate poverty. People are in extreme poverty when they have to live on less than **one US dollar** per day, and in moderate poverty when they have to live on less than **two US dollars** per day. It is the target of the Millennium Development Goals (MDG) of the United Nations, to which the South African government is a signatory, to halve the number of extremely poor people by 2015. The North West Province's Growth and Development Strategy (PGDS) aims to achieve this by 2014.

Before proceeding further, let me remark that we need to expand our PGDS to also take explicitly into account ALL eight of the Millennium Development Goals. These other goals are very important to us. Let me quickly list these goals, as it is my call today that we must be able to quantify our progress towards them in the coming year, especially since the bulk of our public expenditure is on health, education and social welfare.

The Millennium Development Goals that need closer integration into the PGDS include:

- One, the eradication of extreme poverty and hunger. Let me hasten to mention that despite the fact that South Africa is a net exporter of food, there is hunger and malnutrition in our Province. A recent research study

by the North-West University¹ found that the nutritional and health status of farm dwellers to be the worst in the Province. We cannot become complacent on this issue, especially in the light of the significant rises in food prices over the past year.

We are pleased to announce that the North West Provincial Government held a successful Poverty Eradication Summit in 2006.

- Two, the achievement of universal primary education. It is estimated that by 2005 there were still some 300,000 people over the age of 15 with no formal education in the North West Province.
- Three, the reduction in child mortality. By 1997 the infant and under-five mortality rates in the North West Province were estimated at 42% and 56% respectively, somewhat below the national average². However, we must note that of all the children under five years who die in the Province, about 12% die from entirely preventable conditions such as malnutrition and low birth weight.
- Four, improvements in maternal health. In 1998, 3.6% of pregnant women received no antenatal care in the North West Province, compared to 3.1% nationally³.
- And five, the combating of HIV/AIDS and other diseases. It is estimated that there are currently more than 440,000 people in the Province living with HIV/AIDS. Already back in 2000, one-third of all deaths in the Province were AIDS related, making it the leading cause of death in our

¹ VORSTER Hester H. ; VENTER Christina S. ; WISSING Marié P. ; MARGETTS Barrie M. (2005). The nutrition and health transition in the North West Province of South Africa : A review of the THUSA (Transition and Health during Urbanisation of South Africans) study, *Public health nutrition* , vol. 8, n°5, pp. 480-490.

² Medical Research Council (1998). South Africa Demographic and Health Survey 1998.

³ Medical Research Council (1998). South Africa Demographic and Health Survey 1998.

Province. AIDS caused five times more deaths than the next major cause of death, namely cardio-vascular disease⁴.

Our ability to achieve these goals must be strengthened through further investments in our health sector capacity. According to the 2004 United Nations Development Report, and I quote “In many hospitals and clinics around the country, there are insufficient medical and support staff to handle the workload. There are simply not enough funds being allocated to the hiring of additional staff and the payment of more attractive salaries.”

One way in which our inadequate resources are reflected is in terms of the number of doctors per 1000 people. In the North West Province there are 0.8 doctors per 10,000 people, whilst in Gauteng Province there are 6.8 doctors per 10,000 people.

Madam Speaker, let me now proceed to comment on how we are doing in terms of poverty alleviation in the Province.

In terms of extreme poverty, Global Insight Southern Africa recently reported that extreme poverty in the North West Province increased from 4.1 % in 1996 to over 8.6% in 2005. Our extreme poverty rate is close to the national average of 8.8%. The number of people in moderate poverty increased from 11.5% of the population to 16.7% of the population.

We must put these figures in context of a population that has grown on average by 1.3% per annum between 1996 and 2005, and is currently variously estimated at between 3.7 and 3.9 million people.

However, the number of poor people have grown by about 7% per annum, which means that (a) it is not due to increased population that our people are falling into

⁴ Medical Research Council (2000). South African National Burden of Disease Study: Provincial Profiles.

poverty but rather due to unemployment, which increased from 38% in 1996 to 44% by 2005⁵, (b) there are at least 650,000 people in the Province who are living in either moderate or extreme poverty and (c)– **listen very closely** - if the current trends continue, we will have 1.2 million people living in moderate and extreme poverty in the Province by 2014.

Madam Speaker,

To achieve our PGDS target of halving poverty by 2014 will mean that we will need to lift more than 850,000 people out of poverty between now and 2014, given that the population will continue growing between now and 2014.

Honourable members: It is clear that we need to ensure fast progress and implementation of our PGDS if we are not to fail dismally in our task.

The need for conscientious implementation of the PGDS has become so much more significant because of the number of risk factors which we need to manage. And, let me daresay that our current implementation process needs to be strengthened and augmented as a matter of urgency to effectively manage these economic risks.

In particular, the following risks can throw significantly more households into poverty:

One, we face significant disease threats from HIV/AIDS and XDR (Extreme Drug Resistance) Tuberculosis, to name but two. Recent figures from Quantec Research show that the number of HIV infected persons in the North West increased **exponentially** from 73,000 in 1996 to at least 440,000 in 2005, with AIDS-related deaths increasing from 1,200 in 1996

⁵ Global Insight Southern Africa (2006). Regional Economic Explorer.

to at least 27,000 in 2005. Research has clearly underlined the negative impact this pandemic has on economic growth, development and poverty.

Two, we face environmental threats, from land and soil degradation, water pollution and water scarcity to dangerous toxic materials generated by mining and predicted changes in climate as a result of global warming. In fact South Africa now has the dubious reputation of having the highest known concentration of threatened plants and the highest extinction estimates for any area in the world.

Biodiversity is threatened by inappropriate land use methods and by the degradation of land-based resources. In our Province this has serious implications for the important programmes of land reform and rural poverty alleviation. For instance, of the 116,000 square kilometers of surface area of the North West Province, already 11% is significantly degraded.

This must be seen in the perspective that only 18% of the surface area is currently cultivated, with droughts and soil conditions making further cultivation difficult. Thus, the area of degraded land in the Province is almost as much as the area of cultivated land!

Furthermore, it is estimated that demand for water in the North West Province will increase by 50 percent by 2030. With only 8.6 percent of rainfall available as surface water in the high rainfall areas of the Province, the rational management of water resources is of utmost importance.

Further environmental damage will undoubtedly wreak havoc on the livelihoods of rural inhabitants and farm dwellers, who are currently amongst the poorest of the poor in the Province.

Three, we continue to face adverse fluctuations in commodity prices, such as in prices of gold, platinum, maize, sunflowers, and in input prices such

as diesel and oil. Our continual dependence on basic commodities keeps placing us at adverse terms of trade with the rest of the world. About 15,000 net direct job opportunities were lost in the agricultural sector alone over the past ten years as a result of these environmental factors, price fluctuations and other uncertainties in the world market.

Madam Speaker,

It is clear that, in spite of our past efforts at fighting poverty alleviation, the task that remains is a formidable one. It should therefore be a matter of consensus that an appropriate budget for the North West Province should be one that prioritizes poverty, and one that has the maximum impact on poverty. When I deal with the various Departmental Votes in a few minutes, I will stress that the current budget aims to make a significant impact on poverty alleviation in the Province.

On the **second dimension** of development, namely the economic policy environment, the outlook is much more positive, but not without some cautionary notices.

The Members of this House should all be aware by now, following the National Minister of Finance budget speech, that the South African economy is growing fast, with a 4.9% growth rate expected for 2006, and that the public revenue account is, as a result, earning much more income than expected.

South Africa's good economic growth is due to its prudent fiscal, monetary and exchange rate policies, and its appropriate trade policies, which have resulted in lower inflation and interest rates, and in the ability of the national government to earmark more than 400 billion Rand for infrastructural development in terms of the Accelerated and Shared Growth Initiative (ASGISA) for South Africa programme.

Sometimes, the requirements of prudent and consistent macro-economic policy entail that some unpopular decisions need to be taken. We have seen some of this during 2006. For instance, as a result of growing consumer expenditure and debt, and a worsening current account acting together to put inflationary pressures in the economy, the Monetary Policy Committee was forced to raise interest rates on a number of occasions during 2006.

As such we can expect slower growth in 2007 and 2008 than over the past two years. We will also see slower growth in house prices over the coming year with hopefully less speculation in the property market.

Madam Speaker,

Our call today to our North West households is to be weary of further credit and debt, and to start saving. It is a matter of concern that households in the North West Province only save on average 3% of their disposable income, whilst we need savings rates of about 30% of GDP to generate the funds for investment required to grow.

Over the period 1996 to 2005 the average annual growth rate in the North West economy was about 2.9%, according to Statistics SA. Global Insight estimates that the North West economy grew by 5.2% in 2005, the highest annual growth on record for the Province. Much the same type of growth, of between 4% and 4.5%, is expected to be realized for the past year.

By 2004 the total value of goods and services produced in the North West had exceeded 87 billion Rand. As a result, income per capita increased from R16,000 (Sixteen thousand Rand) in 1996 to over R18,000 (Eighteen thousand Rand) in 2005 at constant prices. Annual total disposable income also increased from R31 billion (Thirty one billion Rand) in 1996 to over R38 billion (Thirty eight billion Rand) in 2006 in constant prices.

These increases in incomes are reflected in the strong growth in retail trade in the Province. In fact the trade sector, which includes wholesale and retail trade, was one of only two sectors (the other being business and financial services) where the employment share in the Province increased. The number of shopping malls going up in the Province, examples being in Rustenburg, Klerksdorp, Potchefstroom - is a constant reminder that much of our current growth is strongly driven by consumer retail spending.

Whilst we are encouraged by the good economic growth performance of the South African economy in general and the North West specifically, it is clear from the aforementioned discussion on poverty and unemployment that not all people share equally in this good growth.

Madam Speaker,

Our growth path is not one where growth translates into enough new job opportunities. One reason for this is a skills mismatch between the skills being needed in a modern globalizing economy, and the skills available. We clearly need to continue to improve on our skills base, and to invest, as it were, in "human capital". And here it is not only a question of the amount of money we spend on education.

Let me point out that South Africa spends a substantial amount (more than 5%) of its GDP on education - in fact using this yardstick, it is amongst the top five education spending countries in the world. However, improving the quality, outcomes and relevance of our education, especially in science, mathematics, informatics and business studies, remains an important challenge.

A second reason is the inflexibilities in the labour market itself, a cause that is receiving increasing credibility from various analysts. One manifestation of market inflexibilities and rigidities is to be found in the quick growth in the informal sector in the North West – from about 55,000 people who were

employed in the informal sector in 1996 to over 155,000 that are estimated to be in the informal sector in the Province today.

A third reason for the low rate of job creation accompanied by rising levels of inequality in South Africa may relate to weaknesses in the strategy of Black Economic Empowerment (BEE) in South Africa. Recent research by Seekings and Nattrass from the University of Cape Town calculates that the benefit of BEE to poverty alleviation and job creation in South Africa has been negligible. It did however, benefit a small Black elite, with about 5000 new Black dollar-millionaires joining the ranks of the super-rich in 2005.

As Minister Alec Erwin has pointed out, the best way to empower poor Black people in this country is through job creation, and to quote the Minister “It is pointless having a BEE economy that is growing at 1%”.

These are some of the economic development hurdles that gave rise to the enactment of the Broad Based Black Economic Empowerment Act (BBBEE). The objective of this Act is to promote the economic transformation in order to enable meaningful participation of Black people in the economy.

For us to effectively switch to broad-based with regard to the application and implementation of Black Economic Empowerment we need to develop institutional mechanisms for the implementation of the codes of good practice and Preferential Procurement in the Public Sector.

Madam Speaker,

The **third dimension** of economic development refers to the public finance framework and the degree to which a fiscal trap, in other words high borrowing to finance government expenditure, is avoided.

In these respects, South Africa and the North West Province are doing very well on all accounts. We do not face a fiscal trap. The degree of fiscal discipline, and the rate at which the government's deficit has been brought under control, is legendary. South Africa is not only a miracle of political transformation and stability; it is also an economic miracle. Despite the turbulence of the global economy over the past five years, the country is a model of macro-economic stability and growth. Our fiscal deficit has been brought down to less than 1% of GDP in recent years, our government debt ratio halved, and our inflation rate brought down to single digits.

Various measures and systems are in place to limit and detect fraud and corruption, and as the members of this House are aware, the protection of public funds have featured prominently in every budget speech of this Province.

The one area where we need to improve in our management of the public's finances is an area which I emphasized in my previous budget speech, and that is, in accelerating spending on approved projects and programmes, especially on capital projects and conditional grants. We will be giving ongoing attention to the bottlenecks which limit the timeous spending of our budgets.

The **fourth dimension** of economic development refers to a country or region's physical geography. Until recently policy makers and social scientists have tended to ignore the physical geography facing a country, and assumed away factors such as quality of soils, rainfall, altitude, distance from markets, and population density and distribution.

For us in the North West Province, it is appropriate to recognize our geographical strengths and weaknesses. These are firstly, that we have a good climate, with sufficient rainfall in the east and north, and a generally disease-free climate. The eastern areas of the Province border the huge markets of Gauteng, and would therefore be the areas where industrial development and manufacturing for export markets will be located.

The most significant geographical weaknesses in the North West imply that we should be targeting expenditure on trade and transport infrastructure, particularly roads, airports, rails etc. as well as on agricultural extension and improved farming methods, appropriate for a dry region.

The reasons for making this plea are that: (a) the Province is landlocked, with substantial distances and high transport costs to ports which have a negative impact on international trade from the Province; (b) arable land is relatively limited, and that the Province is overall water-scarce, which limits agricultural productivity, and (c) the population density is low, and the size of the total market relatively small, with the implication that very few outside investors would invest in the Province with a view to supplying the domestic market – rather, our outside investors tend to be typically interested in obtaining access to mineral resources.

This realization also applies to our existing local sectors: An analysis making use of the recently constructed Social Accounting Matrix of the North West shows that most domestic sectors produce predominantly for the relatively small local market, with little production going to the rest of the country (the exception being the transport equipment sector) or to international markets (the exception being gold and platinum and metal products). Therefore, the aims of the PGDS for these sectors to expand capacity may be seriously flawed if not linked to the expansion of markets nationally and internationally. Why, for instance, would any producer wish to invest in expanding his or her capacity to produce if they cannot sell that extra production?

Appropriate sectoral growth and investment targets for the various economic sectors of the North West should therefore be derived only after market demand studies have been done and the implications for where the expansion can take place within the spatial economy has been assessed. Only in this way can we deal with the views contained in the National Spatial Development Perspective of the Presidency and the Regional Industrial Development Strategy of the

Department of Trade and Industry in which the North West Province is assessed to have only one to two sustainable long-term growth nodes in total.

The fifth and sixth dimensions of economic development concern the levels of governance, government efficiency and geopolitics. In this respect, South Africa's democratization and the building of democratic institutions, including the strengthening of institutions that uphold the rule of law, has done much to lay the foundations for the good economic growth that the country is now enjoying.

Madam Speaker,

Freedom is an inherent part of development and also a prerequisite for sustained development. Our country participates fully in all regional, continent-wide and international groups, and our membership of the UN's Security Council reflects our country's standing as a growing geopolitical force on the globe.

We rejoice in the democratic elections that were held last year in the DRC, in which South Africa, and our Province, played an important role. Incidentally, today, the 6th of March, the international community joins Ghana in celebrating her 50th Anniversary of independence from colonialism.

Madam Speaker,

Lest we become complacent in our achievements in establishing democracy in South Africa, let us pause to consider that much remains to be done to entrench and improve on aspects of our democratic dispensation, not least the fight against crime, corruption and mismanagement of public finances and resources.

Let us remind ourselves that according to the Economist's Democracy Index for 2006, South Africa is only a "flawed democracy", with an overall ranking of 29th, in the same league as Chile and South Korea.

Let us also consider the fact that according to Transparency International's Corruption Perception Index (CPI) South Africa was ranked in 51st position in 2006, with a score of 4.6 out of 10. This is a fall in the country's position from 46th position in 2005.

For this reason we would like to invite all the people of the North West to join us in the fraud and corruption prevention campaign. It's our social responsibility.

Through you Madam Speaker, we invite all members and guests present in this august House today *"to get on de bus"* parked outside before they depart. And for the Community at large *"to get on de bus"* when we visit your area.

Madam Speaker,

The public budget of the North West Province needs to be informed by the wishes of the people of the Province, as well as an assessment of the socio-economic development prognosis of the Province. I have therefore spent some time in giving this House a straightforward and frank assessment of where we stand on the road to economic development.

I believe such an assessment, even if it does make us uncomfortable, is vitally necessary to underpin the public budget as a truly public instrument in a truly democratic dispensation.

The challenges that we face in a truly appropriate public finance in the North West Province, as we have learned from our "become a player" participative workshops, and from the overview of the six dimensions of economic development of the North West, as set out here today, inform our budget allocations.

Under-spending on Infrastructure and Conditional Grants

Under-spending remains one of the biggest challenges we are faced with. During my 2005/06 Budget Speech I elaborated on this matter and indicated that we are compromised by under-spending because it is something that we cannot defend against the background of huge backlogs that these funds must address.

We know that it is not something that we can address in one financial year but we expected some progress in this regard.

We are happy to announce that infrastructure spending increased from 63% after the first three quarters of the 2005/06 financial year to 67% for the same period in 2006/07. Conditional grant spending shows a similar increase for the same period of 65% in 2005/06 to 69% in 2006/07.

Although there is still MUCH work to be done in this regard, under-spending on infrastructure and conditional grants are now restricted to a few smaller departments. The larger departments Education, Health, Transport, Roads and Community Safety and Public Works are now on track with their spending capacity. The Provincial Treasury will now concentrate on the smaller departments with less capacity to improve their spending ability.

Budget framework

Disestablishment of cross-boundary Municipalities

Madam Speaker,

When I tabled the 2006/07 Provincial Adjustments Budget in this august House during November 2006, we undertook to deal with the financial impact occasioned by the disestablishment of the cross-boundary municipal boundaries during my main budget speech. The revised allocation of funds due to the disestablishment of municipal cross-boundaries will be implemented with effect from 1 April 2007 and will therefore impact on the Provincial Budget for 2007/08.

At the end of 2005, Legislative Amendments were passed to redefine municipal boundaries to ensure that cross-boundary municipalities are entirely located in one province. The following areas that were previously in the North West Province were affected by the disestablishment of cross-boundary municipalities: Kgalagadi and the eastern part of Bojanala are now part of the Northern Cape and the Gauteng Provinces respectively. Merafong, which was previously in Gauteng, is now integrated into the North West Province. The net decrease in the population of the North West Province due to the disestablishment of municipal cross-boundaries is estimated at almost six hundred and eighteen thousand (617,914) based on the 2001 Census.

The application of the Finance and Fiscal Commission's (FFC) formula, which is mainly driven by the number of people in a province, resulted in the North West Province losing more than R2 billion (Two billion Rand) per annum of its equitable share.

The re-demarcation process has also reduced the own revenue base of the North West Province by more than R70 million (Seventy million Rand) per

annum. Two of the main sources of own revenue that were lost are casino levies (the NW Province lost two casinos) and motor vehicle license fees.

Obviously, we have also transferred functions that were previously funded by the North West Provincial Government in the affected areas to the recipient provinces. The cost of the functions transferred to other provinces amounts to R1, 8 billion (One billion eight hundred million Rand) of which R1, 7 billion (One billion seven hundred million Rand) was transferred from social departments namely Health, Education and Social Development. The Department of Education contributed the largest portion of R1, 4 billion (One billion four hundred million Rand).

The net effect of the disestablishment of the cross-boundary municipalities on the provincial budget is an estimated shortfall of R300 million (Three hundred million Rand) in 2007 - 2008.

Important items that are part of departmental allocations

New social development bills

In the previous financial year we started to align the budget to the implementation of the Children's Bill, the Older Persons Bill and the Child Justice Bill. In the previous year's MTEF budget we provided sufficiently for the recurrent cost associated with these Bills, especially for the appointment of Social Workers and other related skills. In the 2007/08 budget, we have concentrated on providing for infrastructure required in terms of the Bills. An amount of R144 million (One hundred and forty four million Rand) has been budgeted over the MTEF period for this purpose.

Primary health care

The Department of Health is in the process of centralizing primary health care at the provincial level as a way of improving primary health care that is currently provided by municipalities. An amount of R125 million (One hundred and twenty

five million Rand) has been provided for this purpose in the budget over the MTEF period.

Scarce skills in health

To recruit a sufficient number of health professionals to the rural areas in our Province remains a challenge. To overcome this challenge the salaries of health professionals will be adjusted and R322 million (Three hundred and twenty two million Rand) has been made available over the MTEF period for this purpose. A further amount of R290 million (Two hundred and ninety million Rand) has been budgeted over the MTEF period to appoint more health professionals.

No fee schools

Many of our poor communities' children cannot go to school because their parents cannot afford school fees. This is an enormous challenge in the North West Province where unemployment is still relatively high.

No-fee schools are already being addressed starting from the poorest schools in our Province. An amount of R327 million (Three hundred and twenty seven million Rand) has been budgeted over the MTEF period and the learners of the 928 (Nine hundred and twenty eight) schools in the North West Province will eventually benefit from this exemption.

Education personnel

The salaries of educators will be upgraded starting from 2007/08. An amount of R150 million (One hundred and fifty million Rand) has been budgeted over the MTEF period for this purpose. In addition, R419 million (Four hundred and nineteen million Rand) has been budgeted over the MTEF period to appoint more educators as well as administrative staff at schools.

Support to municipalities to improve capacity

Continued support to municipalities is essential for the improvement of service delivery. In addition to the support provided to municipalities by the Provincial

Treasury and the Department of Developmental Local Government and Housing, an amount of R26 million (Twenty six million Rand) has been budgeted over the MTEF period to assist municipalities with specialized capacity building such as planning, project and financial management.

Infrastructure and development

Madam Speaker,

We can report that, for the current financial year, provincial spending on infrastructure and development is progressing well and that we expect a close to 100% spending by the end of the current financial year. For 2007/08 a total amount of almost R2,3 billion (Two billion three hundred million Rand) was allocated for infrastructure and development spending compared to R1,9 billion (One billion nine hundred million Rand) in the 2006/07 Provincial Budget. We have achieved a significant increase of 21% in 2007/08 compared to 2006/07 despite the reduced available revenue.

North West Growth Fund

With reference to the Premier's state of the Province address, we have pledged R50 million (Fifty million Rand) per annum over the MTEF period for the establishment of a North West Growth Fund. The fund will facilitate economic growth and accelerate the expansion of the Province's infrastructure base. This fund will act as a channel for private participation in enhancing the Province's economic structure, job creation and social development. It will focus initially on a limited number of sectors in order to promote BEE in activities and projects that enjoy sustainability and financial viability. To this end, we are looking forward, in particular, to partner with the mining houses in the Province to address some of the key developmental objectives. This project is still at its preliminary stages.

Improvement in sanitation

Bucket eradication is a national priority which is mainly addressed by the National Government and municipalities. Although the President stated that the bucket system will be eradicated by 2007 in “established settlements”, the Provincial Government has identified a need for improving sanitation generally in various areas throughout the Province. The Provincial Government’s programme of improving sanitation will therefore go beyond 2007 and an amount of R170 million (One hundred and seventy million Rand) has been budgeted over the MTEF period for this purpose.

Community Development Workers

A total of 285 (Two hundred and eighty five) Community Development Workers were trained during 2006 and deployed to municipalities throughout the Province. The Community Development Workers were drawn from local communities to assist municipalities with communication between Municipalities, the Provincial Government, the community and other stakeholders. An amount of R128 million (One hundred and twenty eight million Rand) has been budgeted over the MTEF period for this purpose.

Provincial Priority Matrix

The Executive Council adopted the Provincial Priority Matrix as a basis for the Provincial Growth and Development Strategy (PGDS) to ensure an economic growth rate of 6,6% by 2014.

A total amount of just more than R2,3 billion (Two billion three hundred million Rand) or 15.9% of the Provincial Budget was allocated for this purpose. This amount includes the Infrastructure Conditional Grant, the Housing Grant and the Hospital Revitalisation Grant. The aim remains to allocate at least 20% of the Provincial Budget for this purpose.

With the budget framework as background, allow me to turn to the departmental allocations for 2007/08.

Provincial Revenue

We have a total amount of R14,412,358 million (Fourteen billion four hundred and twelve million three hundred and fifty eight thousand Rand) available for the 2007/08 financial year. This amount consists of R11,972,842 million (Eleven billion nine hundred and seventy two million eight hundred and forty two thousand Rand) received from the National Government as the provincial equitable share, R2,000,647 million (Two billion six hundred and forty seven thousand Rand) as conditional grants from various national departments and the estimated provincial revenue of R438,869 million (Four hundred and thirty eight million eight hundred and sixty nine thousand Rand).

Provincial Expenditure

Madam speaker,

Despite the several challenges mentioned above we have managed to produce a balanced budget for the 13th (Thirteenth) consecutive year.

The budget voted for 2007/08 amounts to R14,412,358 million (Fourteen billion four hundred and twelve million three hundred and fifty eight thousand Rand), R16,344,891 million (Sixteen billion three hundred and forty four million eight hundred and ninety one thousand Rand) for 2008/09 and R18,164,390 million (Eighteen billion one hundred and sixty four million three hundred and ninety thousand Rand) for 2009/10.

Funds have been allocated as follows:

The Governance and Administrative Cluster receives an amount of R1,605 billion (One billion six hundred and five million Rand) representing 11.14% of the total budget for the 2007/08 financial year. This amount increases to R1,764 billion (One billion seven hundred and sixty four million Rand) and R1,947 billion (One billion nine hundred and forty seven million Rand) in the outer years of the MTEF.

Allocations to individual departments that form part of the Governance and Administrative Cluster are as follows:

The Department of Finance receives a total amount of R262,546 million (Two hundred and sixty two million five hundred and forty six thousand Rand) in 2007/08 increasing to R265,873 million (Two hundred and sixty five million eight hundred and seventy three thousand Rand) and R278,917 million (Two hundred and seventy eight million nine hundred and seventeen thousand Rand) respectively during the outer years of the MTEF. The money allocated for 2007/08 is almost the same as in the 2006/07 Provincial Budget. Additional funds had to be allocated to the Department to enable it to support Municipalities as required by the Municipal Finance Management Act (MFMA).

Office of the Premier receives a total amount of R246,277 million (Two hundred and forty six million two hundred and seventy seven thousand Rand) in 2007/8, increasing to R261,012 million (Two hundred and sixty one million and twelve thousand Rand) and R276,770 million (Two hundred and seventy six million seven hundred and seventy thousand Rand) during the outer years of the MTEF respectively. Provision was made for the implementation of the new Traditional Leaders Act amounting to R34 million (Thirty four million Rand) in 2007/08, R35,490 million (Thirty five million four hundred and ninety thousand Rand) in 2008/09 and R37,265 million (Thirty seven million two hundred and sixty five thousand Rand) in 2009/10.

The Provincial Legislature receives R97,298 million (Ninety seven million two hundred and ninety eight thousand Rand). The amount increases to R105,030 million (One hundred and five million thirty thousand Rand) and R111,414 million (One hundred and eleven million four hundred and fourteen thousand Rand) during the outer years of the MTEF.

The Department of Developmental Local Government and Housing receives R999,302 million (Nine hundred and ninety nine million three hundred and two thousand Rand) in 2007/08, R1,132,507 million (One billion one hundred and thirty two million five hundred and seven thousand Rand) in 2008/09 and R1 280,064 million (One billion two hundred and eighty million and sixty four thousand Rand) in 2009/10.

The key deliverables of the Department are:

- Facilitation of housing projects and
- Assisting municipalities in capacity building.

The Economic Development and Infrastructure Cluster

The Economic Development and Infrastructure Cluster receives an amount of R3,106 billion (Three billion one hundred and six million Rand) representing 21.55% of the total budget for the 2007/08 financial year.

This amount increases to R3,629 billion (Three billion six hundred and twenty nine million Rand) and R4,049 billion (Four billion and forty nine million Rand) over the MTEF period.

The allocations to departments within this cluster are as follows:

The Department of Transport, Roads and Community Safety receives an amount of R1 534,110 million (One billion five hundred and thirty four million one hundred and ten thousand Rand) in 2007/08, R1 893,102 million (One billion eight hundred and ninety three million one hundred and two thousand Rand) in 2008/09 and R2,163,524 million (Two billion one hundred and sixty three million five hundred and twenty four thousand Rand) in 2009/10.

An amount of R2,241 billion (Two billion two hundred and forty one million Rand) has been budgeted for over the MTEF period for the construction and maintenance of roads.

The Department of Public Works receives an amount of R473,133 million (Four hundred and seventy three million one hundred and thirty three thousand Rand) in 2007/08, R535,658 million (Five hundred and thirty five million six hundred and fifty eight thousand Rand) in 2008/09 and R595,768 million (Five hundred and ninety five million seven hundred and sixty eight thousand Rand) in 2009/10.

These amounts allocated to the Department exclude projects implemented on behalf of other departments such as Education and Health.

An amount of R453,933 million (Four hundred and fifty three million nine hundred and thirty three thousand Rand) has been allocated for the maintenance and upgrading of government buildings over the MTEF period.

The Department of Agriculture, Conservation and Environment receives an amount of R505,998 million (Five hundred and five million nine hundred and ninety eight thousand Rand) in 2007/08, R538,043 million (Five hundred and thirty eight million and forty three thousand Rand) in 2008/09 and R579,137 million (Five hundred and seventy nine million one hundred and thirty seven thousand Rand) in 2009/10.

Key deliverables for this Department are:

- Land Distribution for Agricultural Development and the Comprehensive Agricultural Support Programme to provide support to beneficiaries of land reform;
- Landcare; and
- The development and maintenance of World Heritage Sites.

The Department of Economic Development and Tourism receives an amount of R272,696 million (Two hundred and seventy two million six hundred and ninety six thousand Rand) in 2007/08, R316,479 million (Three hundred and sixteen million four hundred and seventy nine thousand Rand) in 2008/09 and R324,916

million (Three hundred and twenty four million nine hundred and sixteen thousand Rand) in 2009/10.

The key deliverables for this Department are centered around the Provincial Growth and Development Strategy, that is to stimulate economic growth and to achieve an economic growth rate of 6,6% by 2014.

The Department of Sport, Arts and Culture receives an amount of R320,237 million (Three hundred and twenty million two hundred and thirty seven thousand Rand) in 2007/08, R345,758 million (Three hundred and forty five million seven hundred and fifty eight thousand Rand) in 2008/09 and R385,773 million (Three hundred and eighty five million seven hundred and seventy three thousand Rand) in 2009/10. The aim of the Department is to promote, develop and enhance communities through equitable, accessible and sustainable sport, arts, culture and library programmes

The Social Cluster

The Social Cluster receives an amount of R9,686 billion (Nine billion six hundred and eighty six million Rand) representing 67.21% of the total budget for the 2007/08 financial year. This amount increases to R10,861 billion (Ten billion eight hundred and sixty one million Rand) in 2008/09 and R12,010 billion (Twelve billion and ten million Rand) in 2009/10.

The allocations to departments within this cluster are as follows:

The Department of Education receives an amount of R5 323,945 million (Five billion three hundred and twenty three million nine hundred and forty five thousand Rand) in 2007/08, R5 936 416 million (Five billion nine hundred and thirty six million four hundred and sixteen thousand Rand) in 2008/09 and R6 462,130 (Six billion four hundred and sixty two million one hundred and thirty thousand Rand) in 2009/10. The key issues for which additional funds were allocated in the budget are:

- No-fee schools;
- Expand Basic Adult Education and Training (ABET);
- The recapitalization of Further Education and Training (FET) Colleges; and
- The review of teachers' salaries.

The Department of Health receives an amount of R3 754,518 million (Three billion seven hundred and fifty four million five hundred and eighteen thousand Rand) in 2007/08, R4 169,928 Million (Four billion one hundred and sixty nine million nine hundred and twenty eight thousand Rand) in 2008/09 and R4 638,810 million (Four billion six hundred and thirty eight million eight hundred and ten thousand Rand) in 2009/10. Health services in general in the North West Province are still lagging behind the rest of the country and the increase in the budget allocation should remain above average until the backlog has been eliminated. The need to upgrade Emergency Services for the 2010 Soccer World Cup is also receiving attention in the budget.

The Department of Social Development receives an amount of R607,628 million (Six hundred and seven million six hundred and twenty eight thousand Rand) in 2007/08, R754,355 million (Seven hundred and fifty four million three hundred and fifty five thousand Rand) in 2008/09 and R909,605 million (Nine hundred and nine million six hundred and five thousand Rand) in 2009/10.

This relatively large increase in the budget of this Department is due to the fact that Social Development remained under-funded when they were still responsible for social pensions. The North West Province is also making preparations for the introduction of the three new social development Bills that were mentioned earlier.

The Contingency Reserve

Over the MTEF period, contingency funds amounting to R14,670 million (Fourteen million six hundred and seventy thousand Rand) have been budgeted for 2007/08, R90,730 million (Ninety million seven hundred and thirty thousand

Rand) in 2008/09 and R157,562 million (One hundred and fifty seven million five hundred and sixty two thousand Rand) in 2009/10.

Madam Speaker,

Please allow me now to table the following documents:

- The North West Appropriation Bill 2007
- Revenue and Expenditure Estimates
- The People's Guide to the Budget
- A schedule of transfers to Municipalities
- A copy of the Budget Speech

Madam Speaker,

Preparing a budget is an enormous task which consumes a lot of time, in fact it's a full year's work by a dedicated team of individuals. If you add the challenges which the disestablishment of cross-boundary municipalities' exercise added to this equation it made this year's budget an almost impossible task, and probably one of the most difficult budgets ever to be prepared in this Province.

I would therefore like to sincerely thank the following, whose contribution to this budget process is immeasurable and made this day possible:

- Premier Edna Molewa, for your visionary leadership in navigating the process and ensuring that we deliver this budget.
- Colleagues in the Executive Council for your support.
- Honourable S. Mokaila and M. Matladi, Chairpersons of the Finance and Public Accounts Committees respectively, and members of the two

Committees, for your valued inputs and oversight over the management of the budget process.

- The former Superintendent General, Mr. Tjie for his legacy and for not severing ties with us.
- The former Director General, Dr. Bakane-Toane and Heads of Departments, for your diligence in implementing, at times, complex policy decisions.
- Dr. Iraj Abedian, Dr. Wim Naude and Dr. Waldo Krugell for their intellectual insights and invaluable support.
- The Acting Head of Department of Finance, Mr. Geo Paul, the Deputy Director General of the Provincial Treasury, Mr. E van Wyk and the formidable “Team Finance” whose professionalism, persistence and dedication ensure that our finances are prudently managed.
- The Auditor-General and the Provincial Audit Committee whose work has greatly enhanced financial management in government.
- Our colleagues in the media for your support and the dissemination of our information is valued.
- My family and husband, Dr. Peter Modiselle, who have always encouraged and spurred me on to face challenges with equanimity.
- The people of the North West Province for holding us accountable.

CONCLUSION

Madam Speaker,

May I conclude by stating that, it was our intention, given the well-known constraints of financial and human resources that we face, to have presented a truly people-focused, public budget to support the socio-economic development of all of the people of the North West.

There are important challenges that lie in the sphere of nation-building where the budget can play only a small role, and wherein far-sighted leadership, is needed to guide us so that we can successfully deal with the Targets of the Millennium Developments Goals, i.e. the eradication of extreme poverty and hunger, achievement of universal primary education, reduction of infant mortality, improvement of maternal health, combating HIV/AIDS, tuberculosis, malaria and other diseases, reduction of unemployment, crime, fraud and corruption.

THESE ARE OUR GREATEST CHALLENGES.

It is the Honourable former State President, Nelson Mandela who is reported to have said,

“After climbing a great hill, one finds that there are many more hills to climb”.

Therefore, Madam Speaker and Honourable Members, we must all be addicted to constant and never ending improvement.

People of the North West this is your Budget.

I thank you

Ke a leboga