

PEOPLE'S BUDGET 2008/09



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PROVINCE OF KWAZULU-NATAL

Budget Address by Dr Z. L. Mkhize, MEC for Finance and Economic Development, on tabling of the Budget in the Provincial Legislature – 28 February 2008

Mr Speaker

Honourable Premier and colleagues in the Executive

Deputy Speaker

Honourable Members

Members of the diplomatic corps

Distinguished guests and business leaders, ladies and gentlemen

I. INTRODUCTION

Fifty three years ago, peaceful and freedom loving people of South Africa met in Kliptown to create a vision for a post apartheid free and democratic South Africa. They called it the FREEDOM CHARTER. It declared as follows:

"We, the People of South Africa, declare for all our country and the world to know:

that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of all the people;

that our people have been robbed of their birthright to land, liberty and peace by a form of government founded on injustice and inequality;

that our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities;

that only a democratic state, based on the will of all the people, can secure to all their birthright without distinction of colour, race, sex or belief."

I am humbled and privileged, together with Honourable Members of this House, to represent that democratic government "based on the will of all the people".

I thank those who participated in our people's budget campaign to help us fashion what is essentially their budget – the PEOPLE'S BUDGET. Interestingly, the aspirations of the people who attended the roadshows do not differ, in essence, from the declarations made at Kliptown all those years ago. This proves that we still have a lot of work to do.

Three years ago, in introducing the budget speech, we announced a strategy we called "the stepwise rise to prosperity", which represents government investments at various stages of an ascending ladder to help our people move from poverty to prosperity. The strategy recognised



that the wide gap between the impoverished second economy and the privileged elite at the apex of our economic structures could only be addressed through a targeted and incremental process of transformation and empowerment.

And so, in the ensuing years, our economic development strategy pursued multiple objectives:

- poverty alleviation and job creation for the masses trapped in poverty in the lower rungs of our economic and societal structures;
- carefully targeted second economy interventions, incorporating initiatives such as the co-operatives and SMME financing programmes, aimed at increasing participation and broadening the base of the economy; and, thirdly
- major investments in infrastructure aimed at increasing productive capacity and access to the economy.

I remain firmly of the view that this economic development strategy was based on a correct diagnosis of our economy, which outwardly appeared healthy, but which was suffering from fatal underlying flaws. Growth rates had stalled in the 2-3 per cent range, with low savings and minimal capital formation and investment. Poverty, unemployment and inequality levels were unacceptably high, and there was far too little emphasis on broad-based empowerment and skills development. While there was growth, the economy was not producing the requisite number of jobs – ordinary people were not benefiting from that growth.

I am still convinced that, not only was the diagnosis correct, but that the three-pronged treatment regime encapsulated in the stepwise strategy which we devised for this ailing economy was correct. As has been seen in many jurisdictions where programmes of this nature have been implemented, we are making strides in the right direction.

Consider the following: In the last four years the provincial government has injected R124.4 billion into the regional economy. We have, in the same period, spent a total of R95.8 billion on the education and health sectors alone, which is 77 per cent of the total allocations. We have spent R11.6 billion on capital and infrastructure projects, R314.3 million on co-operatives and SMME programmes.

What has this astronomical level of expenditure achieved?

Though not only a function of government investment, there has been a noticeable decline in the unemployment rate from 33 per cent in 2004/05 to 29 per cent in 2006/07 (Global Insight, 2008). Poverty rates have also declined from 54 per cent in 2003/04 to 50.6 per cent in 2006/07 (Stats SA). The backlogs in basic services have been steadily driven downwards. 19 new schools and 5 314 classrooms have been built, thanks mainly to the fast track programme which commenced in December 2005. By the end of last year, 5 553 schools had been provided with potable water. An additional 325 schools have been connected to electricity in the last four years. 110 896 houses have been built in the last four years since 2004 (IGFR, 2007), and a total of 320 kilometres of the provincial road network have either been constructed or upgraded. Some 1 904 kilometres of local access roads have been constructed. No less than 4.4 million m² of roads have been rehabilitated. In 2007/08 alone, 19 new primary health care clinics have been built, and 3 new community health care facilities constructed. More than 2 million people are now recipients of welfare grants in the province, and nearly 20 million people are expected to attend our primary



health care facilities by the end of this financial year. Approximately 1 330 SMME businesses and 1 996 Co-operatives have been funded in the last three years.

All of this is impressive, but, on further analysis, we are not entirely satisfied with the outcomes achieved for the level of expenditure. We constantly evaluate whether our government interventions have, in fact, made a difference proportional to the vast amounts of money we have expended on them.

Employment and poverty rates have not declined proportionately to the increase in government expenditure, and indeed inequality has not improved significantly. It is no coincidence that, in its January 8 Statement, the ruling party, the African National Congress, elevated the need to renew the fight against poverty and under-development. Similarly, the President referred to the creation of a national war room for the war against poverty in his State of the Nation address.

This implies that, as servants of the people, we need to ask ourselves, truthfully, if all the freedoms enunciated in the Founding Freedom Charter of 1955, and subsequently enshrined in our Constitution, have been won?

The Freedom Charter states that:

"our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities".

How far are we from the vision of our forebears? Can we really say that:

- all our citizens enjoy equal rights and opportunities,
- that land has been distributed equally to all those who work it,
- that education is free, universal and equal for all our children,
- that adult illiteracy is ended,
- that all our citizens are decently housed,
- that citizens can bring their families up in comfort and security, and
- that all slums have been abolished?

When we answer any of these questions in the negative, that answer is an indicator of the work yet to be done. The "stepwise strategy to prosperity" was designed precisely to provide answers to these searching challenges posed by the Freedom Charter, yet in measuring our success thus far, we must conclude that it is certainly still work in progress.

Mr Speaker, in this medium term period, we are going to focus on three things, namely:

- Fighting poverty through improved service delivery, focusing on the health and education sectors as priority;
- Refining and improving our second economy interventions, with the emphasis on skills development, training and preferential procurement; and
- Upscaling investment in economic and social infrastructure.



Fighting poverty through improved service delivery

Education

Improving education outcomes is the key to breaking the inter-generational cycle of poverty – people who succeed in breaking out of poverty do so through education. If our quest for freedom from poverty, ignorance and disease is to be achieved, education needs to be universal, accessible, affordable and mostly free. But improving education outcomes is not really only about increasing funds and resources. Comparative studies show that, as a country, our expenditure on education as a percentage of GDP, at 5.3 per cent (2008 Budget Review), compares favourably with most developing and even some developed countries, yet we consistently rank near the bottom in terms of a range of outcome indicators such as pass rates, literacy, numeracy, maths, science skills, etc.

We need to re-evaluate the way in which we measure educational outcomes. Good quality education has to be relevant to the needs of the economy, and it should be judged by the extent to which it makes an individual self sufficient and able to maintain sustainable livelihoods on leaving school, irrespective of the level attained.

Quality education depends on the linkages between education and a variety of other social and economic outcomes, such as health, social stability, productivity, economic growth – to mention a few. Quality education also depends on the availability of physical infrastructure, basic services such as water, sanitation and electricity, housing, roads and health services. All of these need to be strengthened to support the schooling system.

Fundamentally, quality education depends largely on the quality of educators and managers of education, and a significant role is played by principals of schools. Achieving the desired quality of teaching and learning is an issue of good leadership, and a positive attitude of departmental management and school principals, that cascades down to educators to inspire the learners to reach greater heights of knowledge acquisition. Change of attitude comes at no cost to the fiscus. The history of black education in the province has a long list of schools which, in the past, became nationally famous for the quality of their education, to the extent that they attracted pupils from outside the province's borders. Similarly, today we have some schools in very poor communities which have achieved outstanding results, despite very limited facilities. We need to encourage this emphasis on quality. I am certain that the Premier, my colleague the MEC for Education, and Members of this House, would be pleased to see new centres of excellence in at least 100 schools per year.

We call upon communities, the private sector, learners, managers and practitioners in education to co-operate to ensure that the quality of education, particularly for the black child, is restored to the correct status. The ANC's January 8 Statement referred to a set of non-negotiables – including punctuality and commitment to teaching and learning, which we must all support to ensure that the education rand stretches further.

Mr Speaker, Honourable Members, as I have said, improving education outcomes is not only about increasing resources and funding, but, even so, the MTEF budget tabled today contains substantial increases in funding for education over the MTEF. In total, the 2008/09 MTEF makes available R5.8 billion in additional funding across all departments over the three years to fund both national and provincial priority areas.



In keeping with the call from the National Minister of Finance, Minister Manuel, the department receives R1 billion in new money in 2008/09. This brings the year-on-year increase from the 2007/08 main budget to 2008/09 to R2.8 billion, which represents a 15.1 per cent increase. This increase is larger than any other department in the province, indicating the priority which this government is according to the education sector.

Mr Speaker, within a space of six years, the baseline allocation for education has nearly doubled and continues to rise significantly over the coming MTEF. It is therefore appropriate at this point in time to ask a fundamental question – **Is the province getting the appropriate return on this investment?** It may be prudent to propose to my colleague, Mrs Cronje, that we commission research that will provide an answer to this question. The findings of this research should help the province develop a set of targeted policy interventions that will catapult the performance of the education sector and also identify non-monetary contributions which will have an impact on our children's education around which communities can rally.

Health

Mr Speaker, in respect of the health sector, I frequently ask myself whether our budgeting is a routine bureaucratic exercise of incremental allocations, or whether it is based on targeted outcomes that our society desires – i.e. a particular impact on morbidity, mortality and improvement of the productive capacity of all individuals. There is a close connection between education outcomes and health. Therefore education has a critical role to play in helping us to achieve wellness and healthy lifestyles. The underlying philosophy of our health care system indicates the need for our health efforts to shift increasingly to preventative measures and educating people and our children, especially at the adolescent stage, on basic life-skills and what is required to stay well. Our efforts should achieve a reduction in teenage pregnancies and life threatening diseases, especially HIV and AIDS, drug-resistant tuberculosis, and diseases of lifestyle. A sickly population also has adverse consequences on productivity and economic growth. By investing in the knowledge of individuals on how to stay well, we are effectively creating an army to fight poverty and disease.

The concept of "wellness" also implies that a range of other services impact on the health of individuals and communities, including clean water and decent sanitation, adequate housing, access roads and bridges to social and economic facilities, balanced nutrition, etc. Mr Speaker, the fight against communicable diseases cannot be won without the involvement of all government departments. An integrated approach is not an option – *it is essential*. Collectively, government departments should use their allocations to contribute to this community wellness programme. In short, the health of our nation does not depend on the Department of Health alone.

However, the importance we attach to the health sector is reflected by the fact that, in this budget, nearly R3,6 billion of new money is allocated to the Department of Health over the MTEF period. In 2008/09, the department receives R492.4 million in new money, together with an increase of R1.138 billion in the existing baseline, giving a total increase for the year-on-year budget of R1.630 billion, or 12.2 per cent. Again, this very substantial increase confirms the priority which government is giving to health, especially the preventative health care and wellness programmes I have mentioned.



To reflect our serious concern with the raging pandemic in this province, allocations to the HIV and AIDS programme will increase from R1.2 billion to R1.6 billion over the next three years, and this excludes allocations to the Departments of Education and Welfare for the same programme. Altogether, no less than R4.6 billion is allocated to the HIV and AIDS programmes in the province in these three government departments over the next three years. This very substantial allocation affirms government's commitment to combat this crippling disease.

I am encouraged to see that, in the past year, the Department of Health has actually exceeded its target of 66 000 for the ARV roll-out – as at January this year, the figure was already at 130 000. Based on evidence of proper planning for expansion of this programme to reach more people, we are prepared to consider allocating even more funding in future.

In summary, this budget allocates no less than 89 per cent of the new equitable share and provincial own receipts funding available over the MTEF period to the education and health sectors. For this money, however, we expect improved results and better outcomes, through adopting the “business unusual” approach outlined by the President in the State of the Nation address, and efficient and effective implementation of these education and health policies and programmes.

Integrated and efficient delivery of government programmes in other sectors:

The fight against poverty, of course, cannot be limited to education and health interventions alone. This budget accordingly provides substantial funding, some of it additional to baseline, to other interventions aimed at combating the pervasive effects of poverty and unemployment in the province.

In Agriculture, we will be placing renewed emphasis on sustainable food security and increasing production through the agrarian revolution. The objective of this programme is to ensure that government reaches out to communities, making them independent and self-sufficient, thereby eliminating hunger, starvation and extreme poverty in our rural areas.

In support of the national initiatives announced in the State of the Nation address and by the Premier in his State of the Province address regarding land reform and restitution, we will be focusing on establishing sustainable agricultural co-operatives on communal land. The objective will not only be to improve food security, but to position communities to grow crops for export through the Dube TradePort when it opens for business in 2010. In this regard we will be exploring the concept of “one village one product”.

In the Department of Transport, we will be continuing to fund, in this budget, the successful labour intensive EPWP programmes being run by the department, such as *Zibambeke*, as well as similar programmes in departments such as Works and Housing.

Good governance and resource preservation

Mr Speaker, fighting crime is a priority of both the national government and the government of this province. In this budget, we have provided for the MTEF escalation costs of the volunteer corps to fight crime announced by the Premier and my colleague the MEC for Safety and Community Liaison. This is over and above the measures announced by the President in the State of the Nation address and by Minister Manuel, aimed at increasing our capacity to fight



crime and strengthening our criminal justice system. Our provincial government will strengthen the community mobilisation aspect to ensure a secure environment by 2010.

Fighting poverty through improved service delivery also means maintaining focus on good governance and resource preservation – simply put, achieving maximum value for money through eliminating wastage, fraud and corruption. We have strengthened capacity in the Provincial Treasury to analyse spending patterns in all departments.

Similarly, Treasury now has a fully staffed supply chain management compliance unit. Treasury's Internal Audit Unit has joined hands with the South African Police Services to identify and investigate a variety of fraud and corruption activities involving provincial departments and entities in the province. 25 cases of theft, fraud, corruption and mis-management are currently being investigated, totalling nearly R40 million. Currently, there are 19 cases in court in which government officials and outsiders are being prosecuted. I want to give the assurance that all identified perpetrators will be brought to book through the criminal justice system, and we will keep this House and the public informed of progress at regular intervals.

In addition to the abovementioned investigations, we are implementing a pro-active strategy to curb the scourge of fraud and corruption in the provincial administration, through project "UNEMBEZA 2008". This project is aimed at identifying vulnerability factors on the provincial IT systems and networks. We will give details of this project during the presentation of Vote 6 to the House.

Mr Speaker, in respect of Treasury's role in monitoring the expenditure of departments, we believe that over and under-utilisation of resources are equally unacceptable. I wish to remind Honourable Members of the standing rule that we will not condone either under expenditure or over-expenditure.

The Performance Budgeting System (PBS) continues to be rolled out in the province. Eleven of the sixteen provincial departments have commenced with the implementation of PBS. This system will, when fully implemented, enable provincial departments to provide a budget which is directly linked to the outputs planned for the MTEF.

II SECOND ECONOMY INTERVENTIONS

"that our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities."

In keeping with our stepwise rise to prosperity, we are placing emphasis on three critical second economy interventions in this medium term. These are:

- providing an instrument that will enhance access to finance at a rural community level;
- strengthening our BEE effort in the Province; and
- the massification of the skills development effort in the Province.

Notwithstanding the financial support available from Ithala for co-operatives and SMMEs, the public feedback reflects that the biggest hindrance to daily entrepreneurial activities at subsistence level remains the lack of access to micro-finance. Thus we are proposing to introduce, in this budget, a rural community saving and lending scheme for the business



activities of small traders, to be managed through Ithala's existing banking services in rural areas. The scheme will benefit from existing initiatives to encourage a culture of savings such as the *Zibambeleni* savings clubs, stokvels, etc.

Premised on the concept of Financial Service Co-operatives where trust among members will provide the security for loans, the scheme will be aligned to Traditional Council areas and groups of co-operatives. It will focus on rural agricultural participants and street vendors in the main, stimulating entrepreneurial activity on the smallest scale. It is hoped that especially youth and women in rural and peri-urban areas will benefit. We are proposing in this budget an initial capitalisation of R10 million for the community lending and saving scheme, providing for lending from an amount of R200 up to R5 000 per case. The scheme shall be named "ISILULU SABAHWEBI". The loans will only be available for business and trading purposes to stimulate a culture of entrepreneurship at lower levels.

In support of this initiative, we also intend to focus attention on financial training, particularly for co-operatives. Pre-existing Financial Services Co-operatives will be audited to avoid their automatic incorporation and importation of previous mistakes into the new scheme, while we learn from their experience.

Government procurement spend remains the key to ensuring the survival and long term viability of both co-operatives and small businesses. We previously announced that 10 per cent of government procurement spend would go to co-operatives. It has been difficult to assess the success of this policy largely because there were no systems in place to monitor this. We have now put these systems in place and Treasury will be able to track this on a bi-monthly basis.

I trust that my colleagues, the MECs, will publicly indicate the 10 per cent amount and services to be procured only from co-operatives, as well as the type and value of services that will be delivered only by SMMEs to the value of 40 per cent of their procurement spend. When passing the votes and the budget, therefore, this House will be aware of targets that both Cabinet and Portfolio Committees can monitor.

Skills

In keeping with national priorities outlined in the January 8 Statement and the State of the Nation address, and the Honourable Premier's State of the Province address, the massification of the skills development effort is going to be a key focus of the provincial government in the next three years.

We are investigating a number of initiatives to address the issue of technical and professional skills shortage in the province. The Departments of Education and Economic Development are collaborating on a major research study aimed at quantifying the skills needed in the economy, sector by sector, in order to achieve sectoral and aggregated growth targets in our province for purposes of dedicated and targeted funding.

A total of R1,8 billion has been allocated in this budget to the Department of Education's FET training programmes over the next three years, including R213 million in new funding. While this represents a major investment, and it is expected that 345 000 students will be trained through these existing FET programmes over the next three years, the output, especially in the technical trades, is not nearly enough to meet the demands of the market.



In addition to this training, we are engaging the Department of Education to extend its FET training programmes to provide artisan training to students in a number of fields relevant to the automotive and construction industries, such as spray painting, panel beating, brick-laying, plastering, plumbing and tiling as well as general skills such as entrepreneurship and financial management. With the current boom in the civil construction industry expected to increase further as we approach 2010, it is essential that we can meet the demand for technical skills at all levels.

Another initiative involves the establishment of a specialised institution for accelerated training in mathematics, science and information communication technology. This is a pioneer project we are implementing in partnership with the National Research Foundation (NRF), National Department of Science and Technology, the provincial Departments of Economic Development and Education, and UKZN. The most important objectives are to improve the quality of teaching in our schools, and to drastically upscale the quantum of students matriculating with mathematics, science and ICT.

The Institute will operate on a hub and spoke basis, using connected IT systems to reach a large number of students in various locations, focusing on the teaching of maths, science and IT and bridging the gap between school and university. Funding for this Institute is included in Vote 4: Economic Development.

Mr Speaker, some thirteen years after the attainment of democracy, we should not be importing any skills into the country. As departments we are funding bursaries in various technical and professional fields, but the fact that we still have these shortages means that our bursary efforts are insufficient or we are not targeting the correct areas. We therefore call on all departments to review their efforts in the training of professionals in their respective sectors, to ensure that we get enough of these rare skills in the province. For our part, we are prepared to seriously consider proposals by departments for an increase in resources for training and bursaries in future allocations.

III INFRASTRUCTURE

Many international studies confirm that infrastructure development is the foundation for economic growth and poverty reduction in developing countries (Gramlich, 1994; Aschauer, 1989; Day and Zou, 1994). Apart from the substantial increases in the baselines of departments for social and economic infrastructure over the MTEF period, this budget makes provision for additional funding for the following infrastructure projects currently underway in the province:

- An additional amount of R300 million has been allocated in the coming MTEF to partially finance the construction of the Moses Mabhida Soccer Stadium;
- We have also made an additional amount of R315.1 million available over the MTEF to finance cost escalations associated with the Dube TradePort. The TradePort intends to grow cargo volumes from a number of sectors that use airfreight, including perishables and other dry cargo sectors, such as electronics, auto components, and clothing and textiles;
- The Department of Transport receives an additional allocation of R516.2 million over the MTEF to finance the completion of the John Ross Highway and the construction and upgrading of the road network supporting King Shaka International Airport and the Dube TradePort; and
- The Infrastructure Grant to Provinces increases by R821.1 million over the MTEF, of which 81.2 per cent will go towards Education infrastructure.



Going forward, Mr Speaker, emphasis will also be placed on maintenance spending to keep pace with the roll-out of new infrastructure. As a norm, at least five per cent of infrastructure spending needs to be earmarked for maintenance work.

Mr Speaker, let me now turn to the most important aspect of this budget speech – the provincial fiscal framework. I will start with the provincial receipts.

IV PROVINCIAL FISCAL FRAMEWORK - RECEIPTS

There are three main sources of funding that make up the receipts-side of the provincial fiscal framework, namely, the equitable share, conditional grants and provincial own-receipts.

Table 1: Summary of Provincial Fiscal Framework

| (in 000 Rands) | 2008/09 | 2009/10 | 2010/11 |
|---|-------------------|-------------------|-------------------|
| 1. Receipts | | | |
| Baseline Allocation | 49,005,634 | 54,659,860 | 57,557,387 |
| Transfer receipts from national | 47,508,414 | 53,065,349 | 55,867,205 |
| <i>Equitable share</i> | <i>41,870,497</i> | <i>46,697,600</i> | <i>49,499,456</i> |
| <i>Conditional grants</i> | <i>5,637,917</i> | <i>6,367,749</i> | <i>6,367,749</i> |
| Provincial own receipts | 1,497,220 | 1,594,511 | 1,690,182 |
| Increase / (Decrease) in allocation | 2,095,292 | 3,395,408 | 6,459,544 |
| Transfer receipts from national | 2,000,788 | 3,270,574 | 6,299,481 |
| <i>Equitable share</i> | <i>1,375,146</i> | <i>2,324,408</i> | <i>4,178,592</i> |
| <i>Conditional grants</i> | <i>625,642</i> | <i>946,166</i> | <i>2,120,889</i> |
| Provincial own receipts | 94,504 | 124,834 | 160,063 |
| Revised allocation | 51,100,926 | 58,055,268 | 64,016,931 |
| Transfer receipts from national | 49,509,202 | 56,335,923 | 62,166,686 |
| <i>Equitable share</i> | <i>43,245,643</i> | <i>49,022,008</i> | <i>53,678,048</i> |
| <i>Conditional grants</i> | <i>6,263,559</i> | <i>7,313,915</i> | <i>8,488,638</i> |
| Provincial own receipts | 1,591,724 | 1,719,345 | 1,850,245 |
| 2. New funding available for distribution (excluding conditional grants) | 1,469,650 | 2,449,242 | 4,338,655 |
| Equitable share | 1,375,146 | 2,324,408 | 4,178,592 |
| Provincial own receipts | 94,504 | 124,834 | 160,063 |
| 3. Less Non-Discretionary Expenditure Responsibilities | 799,544 | 1,245,360 | 2,382,727 |
| Carry-through costs of 2007/08 Adjustments Estimate | 147,415 | 114,284 | 114,052 |
| Provincial contribution to the construction of Moses Mabhida Stadium | 150,000 | 150,000 | |
| Funding of national spending priorities (2007/08 priorities not catered for in outer years) | 145,300 | 153,980 | 163,138 |
| Funding of national spending priorities (2008/09 priorities) | 356,829 | 827,096 | 2,105,537 |
| 4. Surplus/(Deficit) [2-3] | 670,106 | 1,203,882 | 1,955,928 |
| Add Re-allocation from baseline budgets | 500,000 | 316,500 | 1,212,988 |
| <i>Government Employee Medical Scheme</i> | <i>200,000</i> | <i>250,000</i> | <i>500,000</i> |
| <i>Provincial Growth Fund</i> | <i>300,000</i> | <i>66,500</i> | - |
| <i>DubeTradePort</i> | - | - | 712,988 |
| 5. Net discretionary funding available for allocation to provincial priorities | 1,170,106 | 1,520,382 | 3,168,916 |

The 2008/09 provincial fiscal framework is characterised by a substantial increase in additional resources as shown in Table 1. National equitable share transfers to the province increase by R1.4 billion in 2008/09, R2.3 billion in 2009/10 and R4.2 billion in 2010/11. Conditional grant



allocations also increase by R625.6 million, R946.2 million and R2.1 billion over the MTEF. The province has also made an upward adjustment to provincial own receipts. We have added R94.5 million, R124.8 million and R160.1 million consecutively, in the three years of the MTEF period.

The gross effect of these additional allocations is that the province now has R1.5 billion, R2.4 billion and R4.3 billion (excluding conditional grants) over the MTEF to allocate to non-discretionary spending items and a range of government programmes and projects.

After accommodating non-discretionary expenditure, the fiscal framework remains with R670.1 million, R1.2 billion and R2 billion in available resources for allocation over the 2008/09 MTEF which we considered to be insufficient, given expenditure pressures in the Province.

We have then added into the *fiscus* a total of R950 million taken from the Government Employees Medical Scheme (GEMS), R366.5 million from the Provincial Growth Fund, and R713 million in the outer year from the Dube TradePort allocation.

Mr Speaker, with these re-allocations, the net discretionary funding available therefore increases to R1.2 billion in 2008/09, R1.5 billion in 2009/10 and R3.2 billion in the outer year of the coming MTEF period.

Mr Speaker, I now turn to the resource allocation side of the provincial fiscal framework.

Provincial Fiscal Framework - Allocations

Nearly all provincial departments have received additional allocations in the 2008/09 MTEF. Table 2 gives a summary of additional resource allocations per department. Let me highlight a few significant and strategic allocations.

Mr. Speaker, the largest share of additional resources is allocated to the Department of Education, followed closely by Health (Table 2).

Table 2 Summary of additional allocations, 2008/09 MTEF

| | 2008/09 | 2009/10 | 2010/11 | 2008/09 | 2009/10 | 2010/11 |
|--|------------------|------------------|------------------|------------------|--------------|--------------|
| | R000 | | | Percentage share | | |
| Vote 1: Office of the Premier | 25,272 | 52,355 | 40,147 | 1.7 | 2.1 | 0.9 |
| Vote 2: Provincial Legislature | 23,070 | 22,223 | 23,789 | 1.6 | 0.9 | 0.5 |
| Vote 3: Agriculture and Environmental Affairs | 20,848 | 55,460 | 124,543 | 1.4 | 2.3 | 2.9 |
| Vote 4: Economic Development | (145,695) | 199,242 | (617,416) | (9.9) | 8.1 | (14.2) |
| Vote 5: Education | 808,472 | 1,058,719 | 1,943,853 | 55.0 | 43.2 | 44.8 |
| Vote 6: Provincial Treasury | (305,435) | (387,854) | (573,386) | (20.8) | (15.8) | (13.2) |
| Vote 7: Health | 492,362 | 755,420 | 2,370,516 | 33.5 | 30.8 | 54.6 |
| Vote 8: Housing | 2,905 | 4,073 | 6,641 | 0.2 | 0.2 | 0.2 |
| Vote 9: Community Safety and Liaison | 5,490 | 10,697 | 16,104 | 0.4 | 0.4 | 0.4 |
| Vote 10: The Royal Household | 324 | 441 | 725 | 0.0 | 0.0 | 0.0 |
| Vote 11: Local Government and Traditional Affairs | 91,982 | 34,682 | 105,657 | 6.3 | 1.4 | 2.4 |
| Vote 12: Transport | 167,741 | 293,091 | 258,416 | 11.4 | 12.0 | 6.0 |
| Vote 13: Social Welfare and Population Development | 192,782 | 268,489 | 489,500 | 13.1 | 11.0 | 11.3 |
| Vote 14: Works | 9,747 | 12,735 | 22,458 | 0.7 | 0.5 | 0.5 |
| Vote 15: Arts, Culture and Tourism | 41,422 | 26,547 | 79,542 | 2.8 | 1.1 | 1.8 |
| Vote 16: Sport and Recreation | 38,363 | 42,922 | 47,566 | 2.6 | 1.8 | 1.1 |
| TOTAL | 1,469,650 | 2,449,242 | 4,338,655 | 100.0 | 100.0 | 100.0 |



Education

The 2008/09 MTEF makes available R808.5 million, R1.1 billion and R1.9 billion to the Department of Education in additional funding over the three years to fund both national and provincial priority areas. The following are some of the priorities that have benefited from the additional resources:

- Learner transport for normal and special schools (for the first time in KZN);
- Early childhood development and expansion of Grade R in public schools;
- Occupation Specific Dispensation for Educators;
- Expansion of inclusive education to accommodate learners with special needs,
- The provision of a full set of textbooks for Grades 10-12; and
- FET colleges (both for recapitalisation and to expand the curriculum to effectively deal with scarce skills).

Mr Speaker, investments in education infrastructure in the province (new schools and classrooms, etc.) continue to rise from R418.5 million in 2004/05 to nearly R2 billion in 2010/11.

Health

For Health, R492.4 million, R755.4 million and R2.4 billion is made available over the MTEF to finance, among other things, the following:

- Additional posts for health practitioners;
- Occupation Specific Dispensation for health workers;
- Tuberculosis, especially MDR/XDR TB;
- Strengthening of the primary health care facilities; and
- The modernisation of tertiary health care facilities.

Over and above these additional allocations to the Department of Health, the baseline allocations for key programmes continue to rise substantially. For example, infrastructure allocations for the health sector have seen phenomenal increases from R425 million in 2004/05 to R1.3 billion in 2007/08 and these allocations are set to increase to nearly R2 billion by 2010/11.

In line with the new mandate of focusing on population development, the **Department of Social Welfare and Population Development** is allocated R192.8 million, R268.5 million and R489.5 million over the MTEF. The following are some of the initiatives that will be financed:

- Prevention of substance abuse especially among youth;
- Occupation Specific Dispensation for welfare workers;
- Bursaries; and
- Expansion of early childhood development.

Apart from the additional allocations already mentioned to the **Department of Transport** to finance the completion of the John Ross Highway and the construction and upgrading of the road network supporting the Dube TradePort, an amount of R130 million over the MTEF is allocated for



the construction of access roads and pedestrian bridges in rural areas. The impressive growth in the department's infrastructure budget is illustrated by the fact that, in 2004/05, a total of R1.3 billion was spent on new construction, upgrades and major rehabilitations of strategic roads, construction of local access routes, causeways and bridges and gravel roads. This amount is set to increase to approximately R3.9 billion in 2010/11.

A total of R150 million is allocated over the MTEF to the **Department of Economic Development** for the purpose of rejuvenating trading centres in former black townships.

The **Department of Local Government and Traditional Affairs** is allocated a total of R232.3 million in additional funding over the MTEF for delivery of water, sanitation and electricity in poorer municipalities and the rehabilitation of small towns, etc.

A further R147.5 million over the MTEF is allocated to the **Department of Arts, Culture and Tourism** for various initiatives such as infrastructure investments, contribution to the hosting of the Tourism Indaba by the Province, and so on.

In line with the spirit of the 2010 Soccer World Cup, the **Department of Sport and Recreation** is allocated an additional R128.9 million over the MTEF to augment sport and recreation programmes and to finance the construction of sports facilities in under-privileged areas. One of the tips I received during the recent budget road-show held in the uThungulu District Municipality was that the provincial government needs to accelerate the construction of sports facilities in rural areas. Mjabuliseni Dladla of Mthonjaneni and S'khumbuzo Mgwaba identified the lack of sporting facilities as a real concern for the youth. I therefore hope that this allocation will, to some extent, address this concern.

Lastly, Mr Speaker, the **Office of the Premier** is allocated an additional R117.6 million in total for the 2008/09 MTEF to finance, among others, carry-through costs and the co-ordination of the implementation of the 2010 Soccer World Cup strategy for the Province.

After making the above-mentioned allocations, the Province of KwaZulu-Natal tables a balanced budget.

I invite the Members of this House to familiarise themselves with the details of the allocations as presented in Budget Statement 2 that I am tabling today.

In conclusion, Mr Speaker, there are many people who I would like to thank for their contribution to the budget proposals which we table today. The support provided by the Premier Hon JS Ndebele and my Cabinet colleagues is highly appreciated. Minister Trevor Manuel and the Team Finance have once again provided invaluable advice and guidance on national policy issues and the national budget framework which underpin this budget. Mr Speaker and Honourable Members, were it not for their support during the resource allocation process, I would not be smiling as I stand before you.

I must also extend my sincere thanks to the Chairperson of the Finance and Economic Development Portfolio Committee, Ms Belinda Scott, and her Committee as well as the Minister's Committee on the Budget – MECs Thusi and Mabuyakhulu – who have been most supportive and constructive in engaging with the Provincial Treasury on budgetary and financial management issues.



I also wish to thank the officials in my departments who have assisted me in the task of finalising the budget documentation we table today, led by Sipho Shabalala and his officials in Treasury, and Carol Coetzee in Economic Development, and to my team in the Ministry. Lastly, to my wife May and my daughters Nomalanga and Nokulinda, my son Dedani and the whole family, I thank you for your patience, support and understanding during the many late hours we worked on the budget proposals.

As we set out on the important task of honouring our commitment to the pledges made to the people of this country in Kliptown more than half a century ago, we need to remind ourselves of their pledge:

"that only a democratic state, based on the will of all the people, can secure to all their birthright without distinction of colour, race, sex or belief;

And therefore, we, the people of South Africa, black and white together, equals, countrymen and brothers, adopt this Freedom Charter;

And we pledge ourselves to strive together, sparing neither strength nor courage, until the democratic changes here set out have been won."

So there we are, our work has been cut out for us. We must strive together, sparing neither strength nor courage, until we emancipate all our people from the scourges of hunger, poverty, joblessness and illiteracy. That should be our pledge and commitment everyday as we set about our daily activities in the service of our people.

It is now my honour to formally table the Appropriation Bill, 2008 for the Province of KwaZulu-Natal for the consideration of this House, together with the Budget Statements.

Thank you.

