

**Limpopo Budget Speech 2008**  
**MEC**  
**Saa'd Cachalia**

**28 February 2008**

**Honourable Speaker**  
**Honourable Premier**  
**Distinguished Colleagues in the Legislature**  
**Stalwarts and Veterans of our struggle**  
**Mayors, Speakers, Councillors and Managers of Municipalities**  
**Esteemed Traditional Leaders here present**  
**Leaders of the ANC and MDM structures**  
**Leaders of the Trade Union Movement**  
**Leaders of Religious Organisations and Churches**  
**Leaders of Opposition Parties**  
**The DG and senior officials in our provincial administration**  
**Leaders of Chapter nine and ten Institutions**  
**Youth, Women, Business and Community leaders in our midst**  
**Representatives of the Media**  
**Distinguished guests**  
**Comrades**  
**The people of Limpopo**

When the former President of the State Council and the Ministers Council of the Republic of Cuba, Mr. Fidel Castro Ruz, addressed the South African National Parliament, among other things he said:

*"There are still today two South Africas, which I ought not to call the "White" one and the "Black" one; that terminology should forever be dropped if a multiracial and united country is meant to be created...I'd rather put it this way: two South Africas; the rich and the poor,...one where an average family receives twelve times the income of that of the other; one where the children who die before their first year of life are 13 per 1000 and the other where those who die [before their first year of life] are 57 per 1000, one in which life expectancy is 73 years, the other in which it is only 56 years; one where 100% of the people know how to read and write, another [where] illiteracy is more than 50%; one with almost full employment [and] another where 45% are unemployed;... one where 12% of the population own almost 90% of the land, other where almost 80% of the inhabitants own less than 10% of it; one that accumulated and has almost all the technical and managerial knowledge; the other doomed to inexperience and ignorance; one that enjoys wellbeing and freedom, the other having been able to conquer freedom but without well-being..."*

He went on to say: "Such a dreadful legacy cannot be changed overnight. There is absolutely nothing to be gained by disrupting the production system of wasting the considerable material and technical wealth, as well as the productive experience created by the workers' noble hands under a criminal and unjust system that was virtual slavery. Perhaps one of the most difficult tasks of human society is to carry forward social change in an orderly, gradual and peaceful way, so that such wealth

*could contribute to the optimal benefit of the South African people....And, in the opinion of this daring guest whom you have invited here to say a few words, that is the greatest challenge that South Africa is facing today..."*

A few weeks ago, William Saunderson-Meyer wrote an article which appeared in the Weekend Argus in which he pointed out some of the difficulties we, as South Africans, have to confront through a national dialogue. He argued that: *"Successful nations are optimistic and have an ability to transcend internal divides at times of adversity and crisis... much depends on the quality of national leadership but perhaps more depends on the willingness of individual citizens to be politically and emotionally engaged in their country."*

Honourable Speaker

Mindful of the critical role that government has to play to inspire confidence in the people and create many citizens who are willing to be politically and emotionally engaged in this country and work selflessly to turn this into an even greater and winning nation, we have reviewed the distance we have travelled in terms of implementing the mandate given by the people in 2004, and we are ready to redouble our effort in order not to betray the obvious and overwhelming confidence that our people showed in our capacity to govern.

As President Thabo Mbeki put it during the State of the Nation Address: *"Given that we are approaching the end of our mandate term, the government decided that it should identify a suite of Apex Priorities on which it must focus in a special way, using these as catalysts further to accelerate progress towards the achievement of the objectives the people mandated us to pursue."*

The President declared that: *"The identification of the Apex Priorities means that all three spheres of government, the national provincial and local, at both executive and administrative levels, are hereby making the firm undertaking that we will use the short period ahead of us further to energise our advance towards the realization of the all-important goal of a better life for all our people."*

*The entirety of our system of governance is therefore making the commitment that in the period ahead of us, it will do its best to live up to the imperative – Business Unusual!"* The President accentuated that: *"We speak of business unusual not referring to any changes in our established policies but with regard to the speedy, efficient and effective implementation of the policies and programmes, so that the lives of our people should change for the better, sooner rather than later."*

Consistent with the words of Fidel Castro and William Saunderson-Meyer, the President reminded us that: *"More than at any other time, the situation that confronts our nation and country, and the tasks we have set ourselves, demand that we inspire and organize all our people to act together as one, to do all the things that have to be done, understanding that in a very real sense, all of us, together, hold our own future in our hands!"*

*As we act together everywhere in our country, this we must also understand that what we have to be about is – Business Unusual!"*

In recognition of the central role that government has to play to inspire confidence during this critical period he further stated that: *"We will continue this year with efforts to improve the machinery of government so that it meets its obligations to citizens. If anything, the spirit of Business Unusual should apply to all individuals who carry the privilege of being public servants."*

*...It has been agreed across all spheres of government that especially the critical vacancies should be filled within six months of such openings emerging...By May of every year [and within two months of the beginning of the financial year at local government level] all senior managers should have filed their Key Performance Agreements with the relevant authorities."*

Honourable Speaker

Inspired by the Freedom Charter and the principles enshrined in the Reconstruction and Development Programme [RDP], our government continues with our social transformation programme, informed by the democratic principles of the people-centred and people-driven state and a value system based on human solidarity. These pillars are the attributes of a caring society and it beckons us to forge a social compact – made up of all races – that has, as its central objective a social policy, the preservation and development of human resources and ensuring social cohesion.

Our actions and the urgency with which we try to discharge the mandate we received from the people can best be described by the words of the great African patriot Amilcar Cabral, who wrote: *"Always bear in mind that the people are not fighting for ideas, for things in anyone's head. They are fighting to win material benefits, to live better and in peace, see their lives go forward to guarantee the future of their children."*

## **Provincial Economy**

Honourable Speaker

Although our economic growth has slowed down to 4.1 percent by the end of last year [2007], the long term outlook remains favourable. All sectors of the economy, except the tertiary sector have registered a decline. Mining and quarry remain the main contributors to our provincial economy.

As a province, we need to maintain a fiscal posture that will trigger and support continued economic growth and development, while, at the same time, create the required jobs that we so urgently need to fight poverty. We must work tirelessly to increase the rate at which our economy grows to about 5 percent by 2010.

As Minister Manuel pointed out in the 2008 Budget Speech, "We are all in this together – government, business and community organizations, the employed, the self-employed, the unemployed; the urban and rural; men and women; young and old. We may not be affected in the same way, but we face the same headwinds and uncertainties. None of us has the privilege of perfect foresight"... nor can anyone of us afford the privilege not to be politically and emotionally engaged in the challenges

we collectively face as a province and country. Our circumstances call on each one of us to do more, to act with greater determination and to act collectively.

Honourable Speaker

We recognize the hardships that our people are experiencing as a result of the high rate of unemployment within a context of increased food and fuel prices. The current rate of unemployment in Limpopo stands at 30.8 percent [end September 2007]. This is almost 6 percent above the national unemployment rate of 25 percent.

Mopani District has the highest unemployment rate [47 percent] while Waterberg has the highest employment rate in the province [about 79 percent]. Our high rate of unemployment remains our greatest economic challenge and it is at the centre of the war we are waging on poverty.

Minister Trevor Manuel, in the 2008 Budget Speech, suggested that: *“In particular, efforts to increase employment of young people have to be intensified and skills development better focussed. Options for a wage subsidy to contribute to employment creation are being examined. Tax measures introduced in this budget broaden the internship allowance to include longer term apprenticeships, targeted at technical skills. Support to small businesses is also focused on encouraging job creation.”*

At the centre of our economic programmes is, and should always be, the consideration whether their success is helping to improve the quality of life of all the people of our province, acting as an important weapon in our war on poverty and accelerating our advance towards the attainment of such objectives as the reduction of unemployment and advancing the goal of a better life for all.

We are a minerals resource economy. We are therefore committed to continue to support the mining industry. However, it is equally important that we support the processing industry and all other sectors in order to grow our economy and become a more competitive province.

It is imperative for all enterprises to become more energy efficient. In fact, as part of the nation-wide effort to tackle the country's electricity shortages, all of us must play our part to improve the efficient and responsible consumption of electricity. Government has made major commitments, including a R60 billion allocation to improve Eskom's generation and distribution capacity as well as to support initiatives aimed at improving the efficient utilisation of electricity. Further, as the President stated in the State of the Nation Address: *“Indeed, energy efficiency itself provides economic opportunity.”*

### **Progress In Respect of 2007/8 Targets**

Honourable Speaker

Alongside job creation, government's poverty reduction strategy also prioritises the social security net and extends the social wage – which includes services such as water, electricity, sanitation, education, health care and public transport.

Allow us therefore to briefly reflect on some of the key service delivery targets that we set and pursued during the 2007/08 financial year before we table the allocations for 2008/09. Through the PGDS we target that all households should have access to portable clean water by 2008, sanitation by 2010 and electricity by 2012.

- The 2007/08 target on households that have access to portable clean water is 994,798 households or 80% of the population. By the end of 2007, 1,069,407 households [86%, cumulatively] had access to clean water. This target has been surpassed by 6%.

- At the end of 2007, 498 544 [67.6%] out of 737 172 indigents in the province had access to Free Basic Water. We have every reason to believe that we will meet the target of 70% by the end of the 2007/08 financial year.

- 820, 708 [66%] households had access to sanitation by the end of 2007. This is 16% above the target of 621,748 households [50%] for 2007.

- 1 337 additional households were electrified in 2007. This brings the total number of electrified households to 896,655 [72.1%]. We seem to be well on course to reach the PGDS target of 100% connection by 2012.

- The latest available figures show that 113,661 or 71% of the 160 086 configured households within Eskom's area received Free Basic Electricity [FBE] in 2006.

- The 2001 census reported a housing backlog of 325 503 [85%] in the Province. The PGDS targets to reduce the backlog to 33% by 2009.

- Already, 176 525 units have been completed by the end of 2007, reducing the backlog to under 46% or about 13% short of the target for 2009

- South African Institute for Race Relations' survey confirms that Limpopo is still one of the safest provinces in the country or as the Premier put it, "Limpopo remains a 'Home of Peace'."

- 75% of the clinics in the province operated on a 24-hour basis from the end of last year [2007].

- Limpopo's HIV /AIDS prevalence rate has reduced from 21,5% in 2005 to 20,7% in 2006.

It is clearly evident from the aforementioned information, our policies are correct and we have our fingers on the pulse - we are on the right track. All we need is to work harder, with greater determination and closer coordination.

*As President Mbeki put it during an interview with the SABC on the 10th of this month, "...We have been saying this for a long time now that basically the policy directions in which the country is going are correct. The policy positions of the government are correct. ...the principle task we face is not to elaborate new policies. The principle task we face is to ensure that the policies that have been decided on*

*are implemented... We've got to address that matter of implementation in a new way. It probably comes back to the matter that we should not work in the same way as we have worked in the last five years. You need more energy, more application more attention to detail...to ensure that the correct policy position translates into change in much shorter periods of time. So we've got to do things differently. That's the point that we're making. And I'm quite sure that that is a perfect thing to do, and that's what we must do".*

## **BUDGET FRAMEWORK FOR 2008/9 MTEF**

Honourable Speaker

I now move to present the Budget Framework for the 2008/09 MTEF. The overall budget of the province will grow by R8,2 billion or 28,6% over the MTEF from the R28,6 billion baseline in 2007/08 to R36,8 billion in 2010/11. Accordingly, the provincial revenue budget will increase by 25,4% or R119,3 million; the conditional grants will increase by 49% or R1,4 billion and the equitable share will increase by 26,3% or R6, 8billion over the MTEF.

These increases will enhance the province's capacity to deal with some of the pressing backlogs and the national and provincial priorities, which we will come back to shortly.

### **The 2008/9 Budget Framework**

Honourable Speaker

The provincial Budget for 2008/09 will grow by R4,3 billion from R25,3 billion of the 2007/08 to R29,6 billion. The growth is comprised of R3,6 billion equitable share, R664 million conditional grants and R61 million own revenue.

### **Equitable Share Allocation**

While many of our people have access to social grants and other poverty alleviation programmes, many households and communities remain trapped in poverty, are dependent on the state and thus unable to access the opportunities created by an improving economic climate.

The need to respond effectively to the massive income inequalities that continue to bedevil our society as we make progress in pushing back the frontiers of poverty is among the many challenges that need our urgent attention.

Our responses to poverty must seek to empower people to access economic opportunities, while creating a comprehensive social safety net to protect the most vulnerable in our society.

This budget therefore deliberately places greater emphasis on the social sector. Our emphasis on quality education, health and social development must be understood in the context of our continued resolve to challenge underdevelopment and eradicate

poverty, and, against the backdrop of the huge investment in infrastructure and its attendant possibilities.

We need educated and skilled citizens who are healthy and therefore productive to benefit from the Accelerated and Shared Growth Initiative of South Africa [AsgiSA] and the diverse economic opportunities and possibilities that are now available to our citizens. Education and health are prioritized as the core elements of social transformation.

Accordingly, we are allocating 79,1% of the R26,5 billion equitable share to the social cluster in 2008/09 as compared to the 75,8% allocation it received last year.

The Economic and Governance and Administration Clusters' combined equitable share allocation declines from 24,2% in 2007/08 to 20,9% this year.

It must be noted though that the aforementioned decline does not necessarily mean that the clusters' programmes and projects, which are aligned to the PGDS and national priorities will be sacrificed. The budget shift is partly to ensure that the provincial departments do not bloat their organizational structures by filling non-core post which will result in high administration costs for the province.

## **CONDITIONAL GRANTS**

Honourable Speaker

There is an overall increase of 26.52% in the conditional grants allocation for the 2008/09 financial year as compared to 2007/08 budget. We beg your indulgence to take a few minutes to briefly reflect on some of the conditional grants that have higher growth.

### **National School Nutrition Programme [NSNP]**

As Honourable Members may be aware, the National School Nutrition Programme was not able to adequately cater for all needy learners in our primary schools. We are therefore delighted to announce to this August House that the grant will be increased by R60 million to R252 million in order to cater for more eligible learners up to grade 7 in more schools, improve the quality of meals and provide meals on more days of the year.

May we remind the people of our province that this programme was introduced as a response to the plight of millions of our children who go hungry and have no alternative sustainable means to access a nutritious meal on a daily basis. It was therefore never intended to primarily be a means to profit making.

We therefore challenge our communities to join hands with the Department of Education to ensure that our children become the main beneficiaries of this programme. We need more cooperatives and community based formations that will cook for their local children and see to it that they are well nourished and energized to take to their books with vigour and able to learn.

## **Comprehensive Agricultural Support Program [CASP]**

We continue to face challenges in agriculture, particularly with regard to extension and advisory services to emerging farmers. We are therefore confident that the R18,1 million increase to this grant, which brings the total allocation to R81,1million, will go a long way to alleviate some of the difficulties we face as a province.

## **National Tertiary Services**

We are very pleased to share with this House that most of the patients who used to go to Gauteng to get specialist services such as oncology are now being treated right here in our own province, thanks to the state-of-the-art unit that we have established. Our referrals to Gauteng have subsequently reduced dramatically. This grant increases by R70,5 million to R150,2 million. We are confident that the increase will strengthen the current specialist services unit and develop capacity to introduce new services such as colorectal surgery, Cranio /Facial and Ear, Nose and Throat services.

## **Library Services**

Breaking the back of illiteracy and promoting reading and writing in the province has proved to be a major challenge. The absence of libraries in the villages and most townships where our people can get access to reading material compounds the problem. The Library Services grant increase by R20 million to R42,9 million. This should assist the Department of Sport, Arts and Culture to gain momentum in rolling out the programme of exposing our children and communities to libraries where they can find valuable information and material to stimulate their interest in reading.

## **Integrated Housing and Human Settlement Development**

As alluded to earlier, our province has a huge housing backlog and the situation is compounded by the blocked projects which continue to be a major challenge. We believe that the R131,5 million budget increase, which takes the total up to R783,2 million, will assist in moving us closer to finding a lasting solution to this challenge.

## **Devolution of Property Rate Fund**

Honourable Speaker

The province will, with effect from 1 April 2008 pay rates and taxes for properties which were previously managed by the National Department of Public Works as a result of a change to the provincial department's mandate. An amount of R12,3 million has been put aside for this purpose.

## **Revenue**

In our Budget Speech last year, we undertook to review our provincial tariffs.



Indeed, we have done so in almost all areas, with due regard to inflation and other related factors. These revised tariffs will be implemented with effect from 1 April 2008. We are mindful of the fact that our province is predominantly rural and the majority of our people find it difficult to pay for certain services.

Having said that, we are equally aware of those among us who continue to access services under the false pretence that they cannot afford to pay for such, knowing very well that they are not eligible for free or discounted services. This phenomenon is particularly prevalent in the hospital services where people plead poverty when their medical aid budgets run dry. We are working on strategies to minimize the risk in this regard. We appeal to our communities to assist us by reporting such instances so that we can take the necessary corrective steps.

The provincial own revenue increases by R61 million or 13,1% from R468,8 million to R530,0 million in 2008/09. It will further increase to R557,7 million in 2009/10 and R588,1 million in 2010/11. Tax receipts will on average contribute 36,9 % towards the Provincial Own Revenue over the MTEF.

The main items under tax receipts comprise of Motor Vehicle License and Casino Taxes. Motor Vehicle licenses increase by 20% from R140 million to R167,8 million in 2008/09. It further increases to R176,6 million and R187,5 million during 2009/10 and 2010/11 respectively.

Casino Taxes increase by R6,9 million or 71,8% from R9,6 million in 2007/08 to R16,5 million in 2008/09 and by a further 20% and 5,8% to R19,8 million and R20,9 million in 2009/10 and 2010/11 respectively.

Non-Tax Receipts increase by 24,3% from R 253,1 million in 2007/08 to R314,5 million in 2008/09. By 2010/11 these receipts shall have increased to R345.6 million. Non-Tax Receipts comprise mainly of patient fees, commission on insurance earned, sale of tender documents and income on interest. This category will on average constitute 59.6% of the overall provincial own revenue over the 2008/09 MTEF.

## **Infrastructure**

Honourable Speaker

Our provincial departments' capacity to plan and implement projects has improved tremendously over the last few years. Departments are now focusing on aligning the Infrastructure cycle with the budget and strategic planning cycles. There has been a great improvement in the departments' capital expenditure since we introduced the IDIP in 2004. For example, the province's actual expenditure for buildings and other fixed structures as at December 2006 was 66,4% of the budget, whereas the actual expenditure for the same period last year stood at 75,6%. This translates into an improvement of more than 9% in just one year.

Our province used to spend almost its entire infrastructure budgets on new construction and rehabilitation projects with very little if any allocated to planned maintenance projects. Subsequently, many of our buildings, including relatively new buildings, are in a serious state of dilapidation. This is clearly not a prudent or

sustainable strategy to deal with our infrastructure. In order to address this shortcoming, this budget allocates R769,4 million over the MTEF for maintenance. We are also, in the interest of sustainability, rapidly working towards including maintenance plans as an integral and compulsory part of all future provincial infrastructure plans.

Our government will continue to focus on the Expanded Public Works Programme [EPWP] as part of a comprehensive poverty alleviation programme. Pursuant to this commitment, the Departments of Roads and Transport and Public Works will spend R98,4 million and R14,8 million respectively on EPWP related projects during the 2008/09 financial year alone.

The province's total infrastructure budget for 2008/09 amounts to **R3, 837** billion. This figure increases to **R4, 433** billion and **R5, 283** billion in 2009/10 and 2010/11, respectively.

Included in the total infrastructure budget is the Infrastructure Grant to Provinces [IGP], which mainly aims to assist with the acceleration of construction, maintenance and rehabilitation of new and existing infrastructure projects. The IGP allocation is R1, 152 billion for 2008/09; R1, 391 billion for 2009/10 and R1, 686 billion for 2010/11.

The following departments will benefit from this grant in 2008/09: Education [R435, 6 million]; Agriculture [R71, 6 million]; Health [R135, 7 million] and Roads and Transport [R509, 5 million].

Honourable Speaker

We are going to invest a staggering R13,5 billion in infrastructure over the MTEF, which can be broken down as follows:

- New construction R8,5 billion
- Rehabilitation and upgrading R3,4 billion
- Maintenance R769,4 million
- Other capital projects [such as water supply, electrification etc.] R805,6 million

The following are some of the major projects from our 2008/09 infrastructure projects lists that we would like to share with the people of the province:

## **Education**

- Marble Hall Secondary [R14 million]
- Bendor Secondary [R5 million]
- Nirvana Primary [R15 million]
- Extension 44/Green Side Primary [R15 million]
- Burgersfort/Driekop [R14 million]
- R37, 5 million has been allocated for the provision of water to schools and R60 million for mobile classrooms.

## **Health**

- Thabaleshaba Health Centre [R14 million]
- HC Boshoff New Health Centre [R16 million]
- New Academic Hospital [R37million for planning]
- Sekhukhune Central Laundry [R80 million]
- Mokopane New Nursing College [R93 million].

## **Agriculture**

- Resis [R71 million]
- Dam Safety [R1, 5 million]
- Rural Development [R72 million].

## **Roads and Transport**

- Chebeng to Koloti to Ngoesheng to Mmadigorong to GaMaribana to Ga-Kolopo to Kanana 50 km [R15million]
- Ceres [Ga-Ngwetsana] to WF Knobel Hospital to Rapitsi to Kanana to Senwabarwana [Helene Franz Hospital] [R35 million]
- Giyani to Phalaborwa [R15 million]
- Mamitwa to Mavele to Xihoko to GaWale to GaMokgwathi to Dzumeri to Mushiyani to Makhuva [R35 million]

## **Local Government and Housing**

The Department of Local Government and Housing will receive R783 million in 2008/9 to complete 15 553 units in respect of both blocked projects and informal settlement upgrading.

Honourable Speaker

The province is planning to host an Infrastructure Indaba during 2008/09 aimed at enhancing planning, budgeting and expenditure reporting. The key theme of the indaba will be "To encourage an integrated communication forum by creating linkages between the provincial administration and local government".

The Indaba will among others focus on context of infrastructure delivery from a National perspective, the impact on the economy, identification and prioritization of infrastructure projects, alignment models for budgeting and strategic planning processes and implementation as well as monitoring and reporting on infrastructure.

The need to look at alternative service delivery methods is also becoming more pertinent, particularly in a province such as ours with major infrastructural backlogs. Public Private Partnerships [PPPs] serve as an innovative procurement solution for procuring capital projects. PPPs are suitable for capital investments and the opportunities to leverage on private sector funding and skills as well as to deal with pressing service delivery challenges.

The Renal Dialysis Unit at the Polokwane/Mankweng Hospital Complex is undoubtedly a major PPP success story and is used as a benchmark nationally. Patients had to be referred and transported to Gauteng for renal dialysis treatment, resulting in the Department of Health spending R17m on Unitary Payment Fee Schedule [UPFS] to treat and transport the patients.

This is the first PPP in renal care in the country and the private party provides all services related to renal care including specialised nephrologist and nursing staff. National Treasury is currently finalizing the guidelines to regulate Municipal PPPs. We need to gear ourselves to test PPP viability in, among others, our municipal services, municipal support activities and the use of municipal property for commercial purposes by the private sector.

## **Hospital Revitalization Grant**

The Hospital Revitalisation Grant will increase by R100,4 million to R248 million in 2008/9 to modernize and equip the provincial hospitals to provide better services to our people. It should however be noted that this increase is actually a reallocation that was previously taken from the province as a result of under spending.

The current Hospital Revitalization Programme [HRP] is not making adequate impact given the magnitude of our province's infrastructure backlogs. It is estimated that it will take up to 20 years to complete the programme based on the current funding trends. Hence, the proposal to go the Big Bang route in an attempt to upscale the pace of delivery.

We will be guided by the National Treasury's Funding Process for Mega Projects in Provinces. We are also in the process of commissioning a feasibility study to determine if the project will be viable and sustainable as a Mega Project.

## **Compensation of Employees**

Honourable Speaker

Our allocation for compensation of employees will grow by R5,2 billion [32,9%] from R15,8 billion in 2007/08 to R21 billion in 2010/11. This increase over the MTEF is mainly to cover inflation and improve the conditions of service as well as attract and retain key strategic skills in the various departments in line with the provincial Human Resource Development Strategy.

## **Transfer Payments**

The budget that we present today includes transfer payments to the value of R13,4 billion over the MTEF to municipalities, public entities, NGOs, schools and hospitals in the Province. The yearly allocation is as follows: R4 billion for 2008/09, R4,4 billion for 2009/10 and R5 billion for 2010/11.

### *Municipalities*

The municipalities will receive R2,2 billion from the Municipal Equitable Share for 2008/09, R2,8 billion for 2009/10 and R3,4 billion for 2010/11. Over and above this, the province will top up the allocation by R260,8 million over the MTEF to assist with, among others, the People's Housing Program and the implementation of the Property Rates Act. All municipalities are advised to ensure that the allocated amounts are reflected in their Integrated Development Plans and Budgets, which will be tabled next month [March 2008]. These allocations must, under no

circumstances, be diverted or used for other purposes regardless of the financial situation in a municipality.

#### *Households*

The budget allocated to households is R3,7 billion over the MTEF, which mainly includes the integrated housing grant, food parcels and leave gratuity.

#### *Public Entities*

The public corporations and private enterprises will receive a total allocation of R5,5 billion over the MTEF to improve the economy of the province. We urge our public entities to pursue their mandates with vigour and to prioritise programmes that are aligned to their core business.

#### *Schools*

In order to enhance our institutional efficiency we will gazette an allocation of R1,8 billion over the MTEF that will go directly to schools to deal with their day-to-day running and minor maintenance work. Some schools have been complaining that the bureaucratic processes in some of the departmental district offices make it impossible for them to access funds for minor and straight forward things such as, to fix broken windows, buy teaching aids, pay rates and taxes, etc. Now they will have full control of their allocated funds and we hope to see improvements.

However we want to appeal to the school management teams and SGBs to ensure that the money is used for the intended purposes. Treasury will be supporting the Department of Education to ensure that there is accountability and transparency in how we disburse public funds in all our schools across the province. There will be strict monitoring of the schools' financial management.

#### *Non Governmental Organization [NGO]*

NGOs play a very critical role in assisting government to deliver important services to our people. It is for this reason that we are allocating R4 billion to NGO's over the 2008/09 MTEF.

There are minor challenges regarding the NGOs' capacity to adequately account for the funding received from government. We would like to take this opportunity to call on the NGO sector to invest in ensuring that proper financial management systems and improved accountability characterize their existence and way of operating. It will become increasingly difficult to access funding from government if issues of accountability and financial management are not addressed.

#### *Hospitals*

The Department of Health and Social Developed appointed Chief Executive Officers to head hospitals as part of the strategy to ensure that health professionals focus on their areas of specialization to deliver quality services to our people. However, without proper financial delegations and financial management capacity, these institutions are unable to provide services as effectively and efficiently as envisaged.

We will therefore, on the 6th of March 2008, gazette an allocation of R10,6 billion over the MTEF for hospitals in order to create more certainty around their budgets as well as to make it easier for them to know exactly how much they are entitled to. Our

plan is to ultimately gazette allocations that will go directly to the hospitals. For this to be realized, all hospitals will have to have their own bank accounts and take full responsibility and accountability for the running of their institutions.

The Department of Health must ensure that the necessary corporate governance structures are implemented to ensure that CEOs account on the performance of their programmes and budget. We therefore call upon the various hospital boards to monitor both the financial and non-financial performance of the hospitals and to support the management to deliver excellent services to our people.

## **CLUSTER BUDGET ALLOCATIONS**

### **SOCIAL CLUSTER**

The social cluster accounts for R22,6 billion of the 2008/09 budget, inclusive of conditional grants. Of this amount, Education receives R14,2 billion, Health R7,6 billion, Social Development R725.6 million and Safety, Security and Liaison R43 million. The R22,6 billion grows to R25,8 billion in 2009/10 and to R27,9 billion in 2010/11.

#### **Education**

Education is central to our objective of broadening opportunities and fighting poverty. In the words of Former President Fidel Castro Ruz, again:

“I harbor the most absolute conviction that only education can save our species. Only education has received the exceptional privilege of a fabulous intelligence with the capacity of creating unimaginable values and transmitting and acting in accordance with them, without which human beings would be nothing more than the blind product of the laws of nature, full of instincts and impulses, which could never merit the qualification of people.”

Honourable Speaker

Last year's budget provided R930,2 million to no-fee schools over the 2007/08 MTEF which translated into a per-learner-allocation of R579 in quintiles One and Two; R504 for quintile Three; R369 for quintile Four and R123 for quintile Five. These allocations were below the national average in all quintiles.

Our allocation for the 2008/09 MTEF has been increased to R1,2 billion in order to align our per-learner-allocation to the national adequacy amounts. Consequently, the allocation increases to R775 for quintile One; R711 for quintile Two; R581 for quintile Three; R388 for quintile Four and R129 for quintile Five.

FET remains one of our most critical areas of intervention if we are to succeed in our endeavour to provide the skills that are required to grow our economy. Accordingly, we have allocated an additional amount of R45,5million to increase the allocation to R111,6 million in 2008/9.

The overall allocation to education drastically improves our per capita expenditure [average amount spent on every learner] in the public ordinary schools from R5899 to R7,011 which is an increase of R1,112 per child when compared to the 2007/08 allocation.

May we, at this juncture, borrow the words of Minister Trevor Manuel when he tabled the National Budget, *“And so we have an obligation to ensure that our democracy is invigorated by schools that are equipped and furnished, curricula that are right for our times – and in the words of the January 8th statement of the ANC: teachers in school, in class, on time, teaching; no abuse of learners and no neglect of duty – non-negotiable.”*

We further call on our communities to take an interest in the running of their schools. To once again quote from the ANC’s January 8th statement, *“Education must be elevated from being a departmental issue, or even a government issue, to a societal issue – one that occupies the attention and energy of all our people.”*

Let’s therefore join hands and work together to open the doors of learning and culture to all. Arefaraneng!

## **Health**

The additional allocation to the budget for Health will among others cater for Multi Drug Resistance and Extreme Drug Resistance TB [MDR and EDR]; pharmaceuticals and other hospital running costs; the provincial waste management services; the occupation specific dispensation for health professionals - nurses, doctors, physiotherapists, radiographers, etc.

Our provincial health per capita expenditure of R777 is R102 higher than the national average of R675. In fact, Limpopo’s spending is only R73 less than the highest per capita spending province in the country [Northern Cape which spends R829].

## **Social Development**

The additional allocation to the budget for Social Development will among other priorities address the following over the MTEF:

- R174,8 million to expand ECD by funding 220 crèches;
- R11, 7 million to set up and develop the department’s capacity to monitor and evaluate welfare services, including those provided by NGOs;
- R71,2 million to expand Home and Community Based Care, including a R100 monthly increase in the stipend for care givers as well as to expand drop-in centres by 47 sites; and
- R79,7 million for the implementation of the Occupation Specific Dispensation for Welfare Services and R51,8 million to fund the expansion of services to *“Children in conflict with the law”*.

The amount set aside for the expansion of services to “children in conflict with the law” will go a long way in addressing the call by Presidents Thabo Mbeki in his 2005/06 State of the Nation Address to rapidly reduce the number of children in police cells and prison custody. The department will fully implement the National

Secure Care Programme and place 60% of the children awaiting trial in secure care centres and a further 30% in home based supervision.

In this budget, we are able to announce several steps in extending social security over the period ahead. As Minister Trevor Manuel announced last week, *“The social grant increases this year match or exceed inflation, and take into account the disproportionate impact of price increases on the poor. The maximum values of the disability and old age grants will increase by R70 a month to R940 in April this year, while the child support grant will increase by R10 in April and by a further R10 in October, to R220 a month...”*

The Minister further announced that the qualifying age for men for old age pension should be reduced from 65 to 63 this year, to 61 in 2009 and to 60 by 2010 and that the child support grant will be extended to include children up to their 15<sup>th</sup> birthday with effect from January 2009.

## **Safety, Security and Liaison**

The department's total allocation is R140,6 million over the MTEF to, among others; fund the recruitment and retention of key personnel to reduce crime in the province by driving the implementation of the Provincial Crime Prevention Strategy.

## **ECONOMIC CLUSTER**

The economic cluster accounts for R4,9 billion of the 2008/09 budget, inclusive of conditional grants. The allocation will grow to R5,7 billion and R6,3 billion in 2009/10 and 2010/11 respectively. Of the 2008/09 allocation, Economic Development, Environment and Tourism receives R654 million, Roads and Transport gets R2,4 billion, Agriculture R1,6 billion, Public Works R649,7 million and Sport, Arts and Culture receives R186,9 million.

### **Agriculture**

Agriculture's allocation over the MTEF is R3,7 billion including conditional grants. This allocation will be used to intensify projects such as the production of black tea, mechanization revolving credit scheme, revitalization of small irrigation schemes, restitution and redistribution of land, agrarian reforms and aquaculture.

### **Economic Development, Environment and Tourism**

The department receives R2,2 billion over the MTEF to among others fund the 4 in 1 tourism destination approach, support small mining enterprise development, Small Medium Micro Enterprises [SMME] development and the implementation of the Liquor Act.

### **Roads and Transport**

The department's allocation of R8,3 billion inclusive of conditional grants over the MTEF will be used to, among others, improve traffic management, integrated rapid



public transport networks, the Gate Way Airport development, traffic and car license enforcement, EPWP and subsidy to bus operators.

## **Public Works**

The department is allocated R2,1 billion including conditional grants over the MTEF to among other things fund the Devolution of Property Rate Funds to Provinces and to employ labour intensive practices in the development and maintenance of government infrastructure [EPWP].

## **Sport, Arts and Culture**

Sport, Arts and Culture is allocated R668,9 million including conditional grants over the MTEF mainly to provide for the completion of the Provincial Archive, the provincial sports academy, preparations for hosting the 2009 SA games, mass participation sport, library services, planning of the Heroes' Acre and the Mapungubwe Festival.

## **GOVERNANCE AND ADMINISTRATION CLUSTER**

The Governance and Administration Cluster accounts for R2,1 billion of the 2008/09 budget. From this amount the Office of the Premier receives R515,6 million, The Legislature gets R115,8 million, Local Government and Housing gets R1,2 billion and Provincial Treasury receives R305,2 million. The annual allocation to this sector will increase to R2,3 billion in 2009/10 and R2,6 billion in 2010/11.

### **Office of the Premier**

The Office of the Premier is allocated R1, 6 billion over the MTEF to fund Traditional Authorities, create a shared legal service, coordination of EXCO and Clusters, Internal Audit and other transversal services

### **Provincial Legislature**

The Legislature has been allocated R369,2 million over the MTEF to fund its public participation, law making and oversight roles in the province. As the Honourable Premier mentioned in the State of the Province Address, there has been a marked improvement and a great sense of robustness in the way that the Committees of this August House go about their business with respect to promote accountability and their oversight role.

We would like to align ourselves with the Premier's analysis and encourage the Legislature to sustain the good work and foster even closer relations with the Office of the AG and to a certain extent with Provincial Treasury in order to further improve our province's overall performance and accountability.

### **Local Government and Housing**

The department is allocated R4,1 billion including conditional grants over the MTEF to among other things fund programmes aimed at assisting municipalities in capacity building and improve the housing stock and related functions.

## **Provincial Treasury**

The department is allocated R974,8 million over the MTEF to among others fund the Auditor-General's fees, administration of financial systems and financial management capacity building in both provincial departments and municipalities as well as the to coordinate Transversal Risk Management.

Honourable Speaker

At the beginning of the current [2007/08] financial year, the Limpopo Provincial Government had a nett bank overdraft of R465 million. Seven [7] departments had a combined bank overdraft of R976 million which was offset by favourable balances of R511 million in the other six [6] departments' accounts and the Exchequer Account.

The Executive Council approved a proposal to fund the provincial bank overdraft through the adjustment of departmental budgets and the introduction of a host of remedial measures to ensure that the province does not find itself in overdraft again. We are making good progress and it remains our objective not to be in overdraft when our books are closed at the end of next month [March 2008].

Another challenge that we are grappling with, relates to the provincial audit outcomes. The Auditor-General's [AG] report on the Limpopo Provincial Government Departments' financial performance for the financial year ended 31 March 2007 qualified all provincial departments.

The major causes for the qualification were the gaps that exist in respect of Asset Management. Most departments could not provide the AG with sufficient and satisfactory information about the validity, valuation, existence and completeness of their assets. This was mainly attributable to the shortcomings on the financial system used in the province.

Provincial Treasury is working towards resolving the challenges around the financial system as well as providing the necessary monitoring and support to departments. We believe that this together with the audit steering committees that we are establishing in all departments will adequately address the recurring issues that contributed to the qualified reports.

## **Honourable Speaker and Honourable Members**

May I take this opportunity to thank my colleagues in both the Executive Council and the Legislature for their contribution to the budget that we presented to the people of the province this morning. We can proudly say that it is a product of collective effort, engagement and participation.

A special word of gratitude goes to Mr. Rob Tooley, my Head of Department, for the able manner in which he steered the department during his first and very challenging

year as HOD. The Budget section worked tirelessly throughout the year to prepare the budget. I would like the entire team to accept my sincerest appreciation for the selfless and loyal manner in which they serve the department and people of Limpopo. The same should be said about the rest of the staff and management of Treasury, including the staff in my office.

Honourable Speaker

We are humbled to share with this House that the budget that we are presenting today has, for the first time in 14 years, been endorsed by National Treasury as a credible budget. That, Honourable Members, means that Treasury has satisfied itself that our budget is fully aligned to and addresses all the provincial and national priorities of government.

To all the Makgosi, religious leaders, mayors, councilors, speakers, community leaders, financial institutions, business fraternity and the media, we thank each one of you for your continued support. We look forward to a long lasting and fruitful relationship with you. Thank you for being here today!

To the many guests who took the time and effort to be with us here this morning, including those who are listening or watching the broadcast from wherever they are across the province, including the officials in Treasury who are watching this presentation from the office, kindly accept our humble appreciation for your support. A special word of appreciation must also go to Minister Trevor Manuel, the Director General of National Treasury and all the staff members of National Treasury who have guided us through our own budget process.

Honourable Speaker

There are many obstacles that still lie ahead. That we have to work together to overcome them and achieve our ambitions is without doubt. That there is hard work ahead is equally clear. We must together build an economy in which business can grow and prosper, in which productive work will be rewarded, in which community organizations have a place alongside government in delivering public services, in which there is respect and recognition of the skills, the talents, the diversity and the commonality that we have in abundance.

What I know and hereby declare boldly is: whatever the challenge of the moment, we are still on course – let no one doubt that. It is time for neither gloom nor panic!

I say this with unshakable conviction because I am certain that the people of Limpopo are capable and poised to meet the challenge of history. We are ready to respond to the challenges of building our economy, creating jobs, transforming the way we educate our children and take care of the most vulnerable in society who yearn for education, medical assistance, housing and social grants to sustain themselves and their dependants.

As the President said: “With all hands on deck, and committed to conduct our business in an unusual and more effective fashion...”

Always bearing in mind that the people are not fighting for ideas or things in anyone's head; they are fighting to win material benefits, to live better and in peace, to see their lives go forward and to guarantee the future of their children.

*A legacy as dreadful as ours cannot be changed overnight...This is the greatest challenge that South Africa is facing today!*

Honourable Speaker

Baie Dankie

Inkomu Ndza Khensa

Ndo Livhuwa Nga Maanda

Ke a Leboga

I thank you!

**It is our honour and privilege to table before this House:**

**The Budget Statements 2008/09;**

**The Provincial Budget Speech for 2008/09**

**The Provincial Gazette**

**The Citizens Guide to the Provincial Budget; and**