

# Limpopo Province

## Budget Speech

Presented by

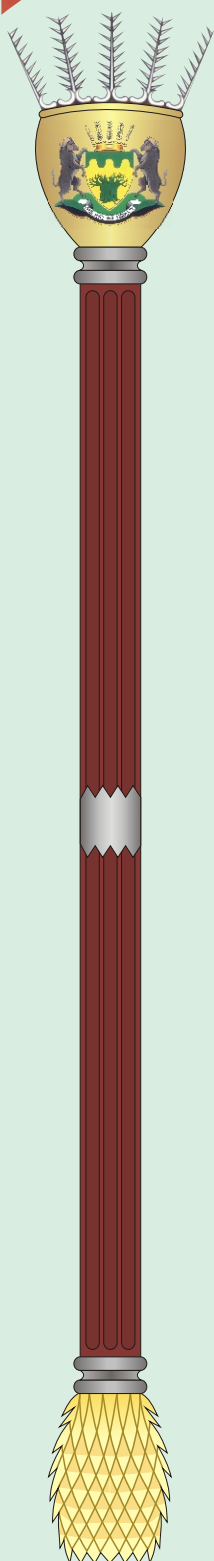
the

**Hon T.A. Mufamadi**

**MEC for Finance  
and  
Economic Development**

**26 February 2004**

**2004 - 2005 FINANCIAL YEAR**



# 2004 Budget Speech

Delivered on the 26 February 2004 by the Honourable MEC for Finance and Economic Development **Mr Thaba Mufamadi** at the Provincial Legislature, Lebowakgomo, Limpopo, South Africa.

Honourable Speaker, Honourable Premier, Honourable Members, Executive Mayors and Mayors, distinguished guests, ladies and gentlemen

Charles Dickens, a literary scholar of the 19<sup>th</sup> century England, through his pen and ink makes us see a Europe that was passing through a valley of tumultuous changes and uncertainties that brought to bear a body of thought which only did best to conceal the beauty of a society that was still to be. When he writes:

*“IT WAS the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way- in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only.”*

Let us agree with Charles Dickens about a period of the past that was a spectre of reality that was haunting Europe at the time.

Similarly, about the conditions of the old South Africa before 1994, the one that was struggling to be born and new, on the eve of and shortly after liberation, when referring to Dickens’ depiction, we see a dramatic watershed with such a striking parallel and resemblance with what this scholar had to pessimistically say about his Continent.

But unlike Dickens’ pessimism that he never sought to restore to optimism we can say that: here in South Africa we were in the process of rebirth; yes indeed, with the triumph of revolution it was the best of times. It was the age of wisdom and prudent leadership for South Africa. And yet the reality of the dawn of new era presented itself and weighed enormously upon the shoulders of the new government. It was an era of opportunities and enormous challenges. Yes, in deed, with the new age coming with our freedom many saw it as the culmination and realisation of the dispassionate yearns and dreams of our forebears, but our detractors sought to dupe our

people with a sense of self-ridicule. It is also true that we had everything before us, but at the same time we had nothing before us.

Limpopo inherited four administrations. Some of the provinces that inherited no such administrations envied us. We, at the time thought we inherited working civil service while other provinces had to build theirs from scratch. Later we discovered that the civil service inherited were founded on sand - quick sand at that - and had to be demolished. It was nothing but a mirage. We had to demolish it and start building fast in order to catch up with those that started by building their public service.

Yes, Limpopo was rich and well endowed with wealth but her people were all the poorest.

Again the epoch making changes of April 27th 1994 were a product of stern conviction and strong belief in the inevitability of freedom and; yet the enemies of liberty only wanted our people to snarl at the fruits of their toil and sweat.

As it was clear that there is light at the end of the long tunnel, the demagogues of apartheid would find every trick from their hat to make false pretences that sought to hoodwink our people back to slavery and misery of the past. The despair that the enemies of human progress sought to preach to the people suffered collapse in the face of unfolding optimism of the masses of our people. Still bruised with the scars of devastation from an era of tyranny, our people armed with the stall of experience of determination they refused to listen to charlatans of the late morning hours who strove to return our people to the evil night. Despair surrendered to hope.

Honourable Speaker,

Like a newly born baby raring to make its first walk, South Africa and this province in especial, close on ten summers ago fed the imagination of many with its yet-to-be seen courage, optimism and fortitude, as it announced its entrance into the community of free and democratic nations. Her first steps were taken amidst the fast-paced changes that heralded a system of inclusion and exclusion, of the maintenance and continued existence of the weak and the strong, the

poorest and the richest, the faint-hearted and the bold, the despondent and the hopeful.

As democratically elected guardians, entrusted with the responsibility of guiding this baby in its period of deserved mentoring, of making the right choice of friends and associates, of choosing a path from which it has to fashion its future, we sought to, in the basket of choices for transformation, for adjustments and for development and growth, orient ourselves on three pillars of our philosophy for social human development. That being; to borrow from the Minister of Finance Mr Trevor Manuel in his 2004 budget speech, a) people-centred development, b) expansion of the frontiers of human fulfilment and c) rolling back the frontiers of poverty.

As against the above, we developed an elaborate body of our macro-economic strategy and its implementation mechanisms so that we can be able to achieve the goals of a better life for all our people; the poor and the oppressed, the women and the disabled, the youth and the aged as contained in the Reconstruction and Development Programme.

We are assembled here today, and celebrate in the richest of manners as we see the baby that once was, making confident strides to her teen years. As aptly elucidated by the Premier of the Province, Hon. Dr Ngoako Ramatlhodi, in his closing address of the first Provincial Legislature on March 25, 1999: "In the fullness of time, historians will reflect dispassionately about the nature and the magnitude of the revolution that occurred in South Africa... Then as now our revolution will in all probabilities stand out as one of the greatest wonders of our times."

Honourable Speaker, in telling the proud upbringing of the one who has brought so much smiles to the faces of friends and foes alike, the aged and the young, the humble and the proud – our diverse family, this is how we take you through the journey of her coming of age.

## ECONOMIC OVERVIEW

Inflation targeting has been the main central theme in the macroeconomic management of the country. Managing of inflation and ensuring the stability of the buying power of the Rand are critical

for long-term economic growth, improvement of welfare of the poor and also crucial for the reduction of poverty. From a provincial perspective, poverty reduction is the ultimate aim of our Provincial Economic Strategy.

Despite some turbulence in the monetary sector due to the 1998 financial crisis in the emerging markets, and the subsequent depreciation of the Rand at the dawn of this decade, there has been a triumphant continuous decline of inflation and interest rates.

The low levels of interest rates and inflation, provides an opportunity for growth and investments, long-term economic growth and ensuring a strong buying power of the Rand.

In the words of Minister Alec Erwin the South African economy has enjoyed sustained growth never seen since 1945 during this new dispensation.

The economy created about 1.6 million new jobs between 1995 and 2002, according to the document "Towards Ten Year Review". However, more needs to be done to enable the economy to absorb new entrants in the labour market.

At the centre of issues in South Africa lies, inter alia, the need to redress economic disparities created over centuries by oppressive policies. There is need to include in the mainstream economic activity Blacks who have been denied opportunities for growth.

## **The Provincial Economy**

Through micro-economic strategy focused on mining, tourism and agriculture, the economy of the province turned around to be the fastest growing economy in the country.

The Gross Domestic Product per Region (GDPR) statistics showed that Limpopo province maintained an average economic growth rate of 4% in six years as against the 2.8% average national growth rate.

The provincial economy more than doubled in size at current prices from R31.065 billion in 1995 to R72.562 billion in 2002. In 1995, the provincial economy was 5.6% of national Gross Domestic Product (GDP). It has since climbed to 6.15% in 2002.

Mr Speaker, if you want to be on top and you start from the bottom of the pack; climb faster than the rest.

### *Mining*

Mining's contribution to GDPR at current prices increased from 16.5% in 1995 to 21.8% in 2002.

### *Manufacturing*

The manufacturing sector's contribution to GDPR improved slightly 3.8% from a deep of 3.7% in 2001.

### *Service Sector*

The services sector of the economy is the largest at 58.4% of the GDPR and is followed by the primary sector which is dominated by mining at 24.2%. The secondary industries form 8.4% of the provincial economy in which manufacturing is the largest sector.

The Official Unemployment level in September 2002 stood at 34.6% and Limpopo was among the two other provinces where unemployment level was declining since February 2002. However, due adverse conditions related to drought, by March 2003 the Official unemployment level climbed to 38.4%.

Mr Speaker, it is now evident that those sectors of the economy that have positive sensitivity to job creation should be targeted for growth. These sectors include agriculture, construction, manufacturing and substantially sectors that are involved in the rendering of service to others.

At the same time, cognizance should be made of the fact that there exists a large size of a second economy in the province due to decades of deliberate under-development. It is therefore instructive to

accelerate the implementation of the Provincial Growth and Development Strategy so that overtime, the dual economy that is characteristic of development in our society should ultimately cease to exist.

In our discussions with members of civil society a strong suggestion emerged that government may in future consider convening a provincial employment conference in order to advance the goals of the Growth and Development Summit. Such a conference will consider among others, the question on how to advance the cooperative movement in the province, expanded Public Works programme, Broad Based Black Economic Empowerment and skills development.

In the meantime, budget proposals that we are tabling today, Mr Speaker, an additional R50 million is allocated to Limdev to enable access to finance by SMME's. This intervention will no doubt increase job opportunities. This together with the procurement forum established with the growing mining sector in the province will also improve opportunities for small business to grow. Furthermore, additional R30 million is provided to advance co-operatives making total expenditure on this job creating initiative to R60 million in two years. The Limpopo Province drew up an infrastructure plan that will unlock economic growth in the targeted sectors that have greater potential for job creation. To implement this plan we have provided in this budget an amount of R1.18 billion that will increase to R1.24 billion in 2005/06 and R1.3 billion in 2006/07 amounting to a cumulative spending of R3.72 billion in three years.

Investments totalling some R24 billion occurred in the province between 1998 and 2003. Substantially these investments were in the mining sector which is currently a dominant sector at 21.8% of the Gross Domestic Product per Region.



## **ECONOMIC CLUSTER**

The provincial Spatial Development Initiatives have developed into brands that attract investments. We have already mentioned that no less than R24 billion investments occurred in the province and underpin the Provincial Growth and Development Strategy.

The rollout of this strategy during the 2001/02 strengthened the intergovernmental relations and co-operative governance thus paving way to engaging meaningfully with external stakeholders. It facilitated integrated approach to development and wealth creation for our people. The successful investor conference held last year apexes the benefits that accrue from integrated approach to development.

Province is certain to harvest greatly for many years from these initiatives.

Government shall continue to quicken the pace of the restructuring of state assets in order to unlock potential wealth therein. Of note and within the framework of intergovernmental relations we shall improve on the pace of land restitution. In resolving the outstanding land claims, empowerment shall become certain.

### **Black Economic Empowerment**




This fiscal year is at its dusk. It is marked by the passing of the Broad Based Black Economic Empowerment legislation. This legislation is preceded by the Preferential Procurement Policy Framework Act, The Mineral and Petroleum Resources Development Act, Skills Development Act, to mention but a few. At dusk of this fiscal year we hear the echoes of the Mining Charter and the Financial Services Charter, marking the response by the Private Sector on the issue of Black Economic Empowerment. This ending year is marked by the completion of the Expanded Public Works Programme. All of these policies and programmes are unequivocally confirming the resolve not only by government but by the fellow South Africans that this land, this country of ours has plenty for all of us and for our children.

## *Mining*

Last year, the premier announced that the government held platinum shares will be sold to a successful bidder in order to advance Broad Based Black Economic Empowerment in the mining sector.

Sekoko Mining, a company that includes marginalised local businesses, Magoši and communities in and around the mining areas, as shareholders were the successful bidder. 480 000 shares in Anglo Platinum have been acquired by Sekoko.

Other Black Economic Empowerment investments in the mining sector are: -

-  Nkgapu Investments at Ga – Matlala at an estimated R2 billion investment.
-  Sebatakgomo Mining at Tjate – an investment estimated at R2.3 billion
-  Pelwan Investments at Pashaskraal an investment estimated at R2 billion.

Additionally, a Mining Procurement Forum has been formed to facilitate preferential procurement by BEE's.

## *Tourism*

A transaction advisor has been appointed by the Limpopo Tourism and Parks Board in taking forward the commercialisation of the fifteen (15) nature reserves within the parameters of Broad Based Black Economic Empowerment.

## *Transport*

The privatisation of Great North Transport has reached a stage where the transaction advisor has been appointed. This coming fiscal year we hope to announce the successful preferred bidder within the framework of BBEE. Equally the Public Private Partnership on government fleet shall be finalised during the coming financial year.

## *Procurement services*

Last year we have proposed that R900 million of the capital budget be earmarked for Black business. We have as at 31 January 2004 through our procurement services awarded contract to the value of R1, 024 billion to HDI's of which R600 million was awarded to women.

This year, Mr Speaker, we again propose that a minimum of R900.00 in capital expenditure budget that we are tabling today be earmarked for Black Business with specific focus on the youth and women.

### *Co-operatives*

Last year, we announced a budget of R30 million for the development of co-operatives in the Province. An amount of R5 million was utilised for the necessary research and development in this regard.

During this year five model cooperatives with 1 770 members were launched by the province and received a total of R11.7 million. Their scope of operation involves chicken abattoir, maize processing, waste recycling, trading and stone crushing. Nurturing these enterprises will fortify economic development while dealing a fatal blow to poverty thus ushering our people into the economic mainstream.

Co-operatives that received assistance are the following: -

| <b>DISTRICT</b> | <b>NAME &amp; BUSINESS</b>  | <b>MEMBERSHIP</b> | <b>AMOUNT (Rand)</b> |
|-----------------|-----------------------------|-------------------|----------------------|
| Bohlabela       | Champagne Chicken Abattoir  | 25                | 5 800 000            |
| Sekhukhune      | Glen Cowie Maize Processing | 500               | 2 250 000            |
| Capricorn       | Kitlano Waste Recycling     | 25                | 950 000              |
| Capricorn       | Bakwena Trading             | 1 200             | 200 000              |
| Vhembe          | Mukula Stone Crushers       | 20                | 2 500 000            |
| <b>TOTAL</b>    |                             |                   | <b>11 700 000</b>    |

There are still several co-operatives that are in the process of being evaluated. Once the evaluations are completed further funding will, in need, be allocated.

In the budget that we are tabling today, a proposal for a further R30 million allocation to the co-operative programme is included.

In collaboration with our social partners we have a provincial co-operative framework that is based on the understanding that co-operatives should be sustainable business entities that are able to empower members and effectively expands wealth creation.

Our thanks goes to all those who took part in this collaborative processes.

### *Organised Business*

Organised business has been going through major transformation recently. We are encouraged by signs of normality in the organised business and are eager to commence joint projects aimed at Black Economic Empowerment.

In our discussion with organised business, it emerged that immense benefits would accrue out of a partnership with government, especially in the area of small business development.

### *I-Community*

As we empower communities it is important to also bridge the digital divide. The partnership between the Limpopo administration and Hewlett Packard will no doubt advance the communities in the province further in the field of information technology and service economy. This partnership will enable communities to access services of government electronically and minimise costs of accessing such services.

Through this partnership, for instance, specialised medical treatment will be able to reach the remotest areas of our society. The

Mogalakwena I Community is one of the two such projects in the World.

We thank the Hewlett Packard for agreeing to start this project in the Limpopo Province, the first of its kind in Africa.

## **Transport**

The bus industry was developed to accommodate the previously disadvantaged groups. Twenty-one small operators penetrated the bus commuter market sharing on the R51 million government subsidies from a mere R400 000 in 1994.

Over two hundred new buses were introduced to the government parastatal Great North Transport. The investment in this regard amounted to R355 million. Now, new and safe buses ferry about 41 million commuters per annum.

The road accidents were reduced by almost 52% since 1994.

## ***Agriculture***

In 1994 there were 171 irrigation schemes covering 51 000 hectares of land, worth R4 billion and unutilized. 10 000 hectares were under sisal plantation which faced declining market and accumulating losses. The Agricultural Development Corporation of the then homelands depended on government subsidy for survival. The industry was not integrated.

A total of 5 500 hectares of irrigation schemes have been revitalised benefiting 3 500 emerging farmers. In the next five to ten years additional 14 500 hectares is in the process of being revitalised and this will benefit additional 10 000 emerging farmers.

The 10 000 hectares of sisal is being cleared to provide for more value crop farming that will benefit minimum of 23 communities.

The assets of the development corporations which have been absorbed by the Agricultural Rural Development Corporation are being commercialised in partnership with the successful commercial farmers. Some successes have already been recorded in this regard. Zebediela is now fully exporting as well as Gilenberg.

The agricultural sector is being integrated through Community, Public Private Partnership principles (CPPP).

1 292 people acquired 44 132 hectares of land under the Land Redistribution for Agricultural Development programme.

The transformation in the agricultural sector is beginning to bear fruit and showed growth at 6% and 12.9% in 2001 and 2002 respectively. However, the recent crippling drought is threatening to contract the sector. In this regard R10 million has been budgeted for recovery plan of the farming community.

The total Economic Cluster budget grew from R1,324 billion in 1995/96 to R2,266 billion in 2004/05

## **INFRASTRUCTURE CLUSTER**

The Province has managed to tar a total of 712 km of roads during this decade notwithstanding minimum capital resources available from the provincial budget. Improvement costing a total of R1.014 billion has been completed in upgrading hospital and Medical Centres. Improvements at the cost of R276 million are still under construction.

Spending on the provision of housing increased from R173 million in 1997/8 to R365 million in 2002/03. Cumulatively the Limpopo government spent R1.656 billion in housing development between 1997/8 and 2002/03 fiscal years. Total number of houses build amounted to 110 875.

In period of eight years from 1995/06 to 2002/03 total number of school classrooms built amounted to 20 280 reducing the backlog of classrooms by almost 60%. Capital expenditure between 1999/0 and 2002/03 increased from R30 million to R186 million. Cumulative expenditure on classrooms in the four years from 1999/0 amounted to R373 million.

The total infrastructure cluster grew from R1,082 billion to R2,156 billion in 2004/05.

## **SOCIAL CLUSTER**

The total Social Cluster budget grew from R6,769 billion in 1995/96 Financial year to R19,579 billion in 2004/05 which is a  $\pm$  three times growth of R12,8 billion.

### ***Health***

In 1994, a health services inherited by this government were at best dysfunctional. The 371 clinics serving mainly black communities were opened to the public only at certain days and hours of the week, forcing our people to attempt reconciling the day they would fall ill with the day the clinic will be opened. Today over 262 clinics operate 24 hours a day. Today there are over 521 public health facilities in Limpopo out of which 44 are hospitals and 477 clinics and health centres.

Cancer treatment has, for many years, been conducted in other provinces making it difficult for relatives to provide necessary support to the patient due to long distances involved. This fiscal year the Oncology Unit at the Polokwane Hospital was commissioned with equipment about the best in Africa. We are now able to treat 55 patients a day at the Oncology Unit.

The Health budget grew from R1,544 billion in 1995/96 to R3,976 billion in 2004/05 which is twice bigger than when we started.

### ***Welfare***

The intensified protection of the weak and the poor and the maintenance of human dignity saw the widening of the security net. In 1996/7 Social Security Services covered a total of 334 854 beneficiaries. Currently there are 1 027 360 beneficiaries of our pension and grant system.

The Welfare budget grew from R1,387 billion in 1995/96 to R6,249 billion in 2004/05 which is more than 4 times bigger than the one when we started 8 years ago.

### *Education*

In 1994, 133 475 students sat for Matric examinations in the province. Only 32% or 42 110 of them passed. 37% of those that passed, or 12% of the 133 475 students that sat for Matric examinations, obtained Matric exemption. That the region was once the cradle of academic excellence was becoming a historical fantasy.

The provincial government introduced a focused education programme to change the status quo. This included the establishment of Maths Science and Technology College (MASTEC).

On Sunday 22 June 2003, Rowan Philp wrote in the Sunday Times "Province leads the way in school maths and science as industry warns of critical shortage of black doctors and engineers."

He further wrote: "Limpopo has emerged as a surprise capital of South Africa's scientific future, accounting for almost a third of all higher-grade passes for maths and physical science by black learners last year."

In 2002, one-third of the higher-grade Matric maths passes were produced in Limpopo and that was the highest in the country. Limpopo also produces 1 990 passes in Higher Grade Physical Science against a total national of 6 075. Once again being the highest single province with such outstanding results. Dr Michael Khan, the Head of HSRC's Knowledge Management Research Unit, and who has conducted the study, said "Someone in Limpopo needs to be congratulated."



During 2003 there were 13 792 Matric Students who wrote Mathematics Higher Grade Examination and 11 428 of them passed. The highest number of students - 4 016 (36%) - that passed were from Limpopo.

26 937 Matric Students set for Physical Science Higher Grade examination. Of the 20 531 students that passed 8 010 or 39% came from Limpopo.

The Education budget grew from R3,838 billion in 1995/96 to R9,282 billion in 2004/05 which is a growth of 141,8%.

### ***Sports Arts and Culture***

Between 2001/02 and 2003/04 we spent R40.7 million in upgrading our sporting facilities. A further R66.5 million was spent on Arts and Culture programmes among others, erecting the Lemana Memorial, decorating Mapungubwe Heritage Site and the Statue of King Sekhukhune I.

The cultural assets of the province include the diversity and the humility of its citizens, the historical monuments such as Makapan Caves which echoes the existence of humans dating as far back as 3 million years ago, Mapungubwe which carries memories of thriving civilisation of the thirteenth century, the sacred lake Fundudzi and the natural endowments of the Baobab.

These bring about a sense of value to the citizens of this, our province and make us the envy of nations beyond.

### ***Safety and Security***

Prosperity cannot be sustainable in the absence of security. Crime prevention is not a police matter alone but a collective responsibility. Over the years, Mr Speaker, we have made emphasised this point. We have brought communities and law enforcement agencies together through making police stations community access points, involvement of the youth in the combating of crime, the establishment of District Crime Management Forums as well as Business Against Crime Forums.

There is need for all of us to ensure that we uphold value systems enshrined in our constitution. We have to act collectively to enable minimisation of even less predictable crimes such as domestic violence and inhuman tendencies.

### ***THE 2004/05 BUDGET FRAMEWORK***

#### **RECEIPTS**

The total estimated receipts for the province consist of the following:

|                    |                        |
|--------------------|------------------------|
| Equitable share    | R21,789 billion        |
| Conditional grants | R 2,164 billion        |
| Own Receipts       | R 0,342 billion        |
| <b>TOTAL</b>       | <b>R24,295 billion</b> |

The Limpopo provincial budget baseline for the fiscal year 2004/05 was estimated at R23,477 billion. Estimates for own receipts declined from R345 million to R342 million resulting in the new baseline of R23,474 billion. The province received an additional allocation of R821,094 million in 2004/05.

The equitable increased from R21,109 billion to R21,789 billion. The additional of R821,094 million received from National for 2004/05 is made up of R679,6 million equitable share and R141,5 million in conditional grants.

The bulk of this additional allocation goes to Welfare R299,7 million; Health R207,8 million; Education R85,0 million; Transport R45 million; Public Works R12 million; Finance & Economic Development R30 million.

The provincial equitable share is determined through the Financial and Fiscal Commission (FFC) formula and allocated to provinces through the Division of Revenue Act (DORA) annually. Our equitable share is R21,789 billion and is projected to increase to R23,730 billion in 2005/06 and R25,496 billion in 2006/07.

The bulk of the increase in conditional grants R73,8 million relates to the increase in infrastructure grant, the increase in the Child Support Extension grant R37,4m; the shifting of Primary School Nutrition programme from Health to Education; net increase R1,343 million as well as increase in comprehensive HIV/AIDS grant of R34,951 million and the new conditional grants viz Comprehensive Agriculture Support R1 million.

The equitable share of 89,7% of total receipts constitute the bulk of the provincial allocation whilst conditional grant accounts for 8,9% with our receipts a paltry 1,4% of total provincial receipts.

The provincial receipts are mainly from Motor vehicle licences 33,4%; interest, dividends and rent on land 24,7% and patient fees 14,9%. The other sources account for the remaining 27% of the provincial own receipts.

## **PROPOSED BUDGET ALLOCATIONS FOR 2004/05**

“Decision-making would be easy if it were always a choice between good and evil or right and wrong. In the real world, leaders have to make decisions that are multidimensional, usually between two or more imperfect remedies, on criteria that encompass long-range goals and plausibility”: R.W. Giuliani in his book “Leadership.”

Budgeting is about making choices of allocating scarce resources amongst a myriad of competing needs. In this budget we attempt to balance our responsibilities of extending social services with the need to fight poverty, creation of job opportunities, skills training and building economic infrastructure.

## **EXPENSES BY ECONOMIC CLASSIFICATION**

The Bill before this house seeks to appropriate R24,295 billion for the 2004/05 financial year. The forward estimates for expenses reflect R24,295 billion; R26,944 billion and R29,317 billion for the outer years.

Current expenses accounts for the largest year on year allocation and accounts for 66,3% of the total expenses proposed for 2004/05.

Compensation of employees receive the highest allocation at R12,543 billion or 51,6% of the total provincial budget.

Transfers and subsidies are second with the allocation of R7,182 billion or 29,6%. Transfers to households R6,094 or 84% is for social benefits in the form of pension grants for the aged, Child Support grant, disability grant and others. The other portion of transfers refers to transfers to households in the form of housing subsidies. We have pleasure in announcing the grant increases of R40 and R10 respectively from 1<sup>st</sup> April 2004. The maximum pension and disability grant will increase from R700 to R740, and the Child Support grant increases from R160 to R170.

Capital expenses or payments for capital assets of R998,8 million or 4,1% represent an increase of 26,2% from the baseline of 2003/04. The increase in infrastructure grant allocation has boosted our capital funding and is in line with our commitment to improve service delivery through investing in social and economic infrastructure.

## **EXPENSE ALLOCATION PER CLUSTER**

### **Budget Priorities**

The provincial priorities are:

- Accelerating service delivery;
- Reduction of poverty, inequalities and vulnerability;
- Economic growth and job creation;
- Expansion of early childhood development;
- Increased investment in infrastructure, education and health;
- Increased take up of child support grant beneficiaries with the extended threshold age to 14 years over the MTEF period

- The fight against HIV/AIDS epidemic

The 2004/05 allocations is but an expression of a commitment by government to address the priorities as set out above.

### **Social Cluster**

|                              |                    |
|------------------------------|--------------------|
| Education                    | R 9,281,885        |
| Health                       | R 3,976,317        |
| Welfare                      | R 6,249,446        |
| Sport, Arts and Culture      | R 57,811           |
| Safety, Security and Liaison | R 14,159           |
| <b>Total allocation</b>      | <b>R19,579,618</b> |

### **Social cluster**

The total social cluster budget grows by 9,1%, from R17,9 billion in 2003/4 to R19,5 billion in 2004/05 and it accounts for 80% of the budget.

**Education** budget grows by 6,3% from R8,7 billion to R9,3 billion. The budget among others cater for Learner support material (LSM) of R453,661m for 1 841 700 learners in 2004/05 which is an increase of R46milion and Early Childhood Development.

**Health** budget increases from R3,6 billion to R3,9 billion which is a growth of 9,25% and the additional budget also provide for recruitment and retention of scarce skills R103 million and purchase of drugs and medicine R320 million and comprehensive HIV/AIDS treatment.

**Welfare** budget increases by 13,3% from 5.5billion to 6,2 billion. The welfare share of the total equitable share is 25,3% in 2004/5 and it grows above normal norm because of the above average increase in the number of social security grant beneficiaries hence an additional allocation of R299 million in 2004/05. Implementation of Child Justice Bill is provided at R10m in 2004/5. the total number of beneficiaries

under the social security grant amount to 1514 554 of which 1 047 998 are beneficiaries under the child Support Grant.

**Sports Arts Culture-** the department budget has grown by 9,4% from R52,8 million to R57,8 million. An additional amount of R1 million has been allocated in 2004/5 to fund selected number of development sport activities.

**Safety Security and Liaison** -the budget grows from R13 million to R14 million which is an increase of 7,5% and an additional amount of R0,4 million is provided for IT support.

## **ECONOMIC CLUSTER**

**Agriculture-** increased from the baseline of R804,6 million to R905,2 million which is an increase of 12,5%. A new conditional grant for Comprehensive Agriculture Support Programme for LRAD and other land claims of R33,428 m for 2004/05 and R35,600 million for Farmer Support Programme was transferred to the department from Rural Infrastructure Development grant bringing the total additional allocation to R69,028 million.

**Transport-** increased from R392,2 million to R440,2 million which is an increase of 12,25% and an additional allocation provided for negotiated bus contracts and Taxi Recapitalisation of R45 million.

**Finance and Economic Development-** increased from a baseline of R893,6 million to R920,1 million.

-  An additional allocation for SMME development,
-  Trade Regulations,
-  Co-operatives Development,
-  Economic Infrastructure and Industrial Cluster formation as well as skills retention in rural areas through provisioning of housing for professionals and DBSA loan of R50 million
-  Implementation of the New Procurement Framework
-  Implementation of financial management system
-  Implementation of Municipality Finance Management Act

## **INFRASTRUCTURE CLUSTER**

The infrastructure cluster budget decreased by 0,23% mainly because the flood reconstruction disaster fund ends in 2003/04 of which Public Works received R91 million and Local Government received R18 million.

**Public Works-** The budget allocation increased from R1,2 billion to R1,3 billion, the growth of 7%. The budget for 2003/04 includes the special allocation of R74 million for Rural infrastructure development hence the 1% increase. The department also receives an additional allocation of R12 million in 2004/05 for labour intensive jobs.

**Local Government** budget increased from R793 million to R822 million which is a growth of 4%. The estimated expenditure for 2003/04 includes an amount of R47 million for rollovers from 2002/03 financial year. An allocation for Community Development Workers is provided at R77million for 2004/5.

## **ADMINISTRATION CLUSTER**

The cluster budget grew by 13,9% mainly due to the anticipated additional activities for the Legislature. Office of the Premier has an allocation for the coordination of the activities of the Provincial Administration, transformation of the public service and monitoring of compliance with public service standards, coordinate and manage special programmes on women, children, disabled, elderly and youth and promotion of the Province.

### **Capital Budget for 2004/05 and the MTEF**

The capital budget increased from R1,773 billion in 2003/04 to R1,796 billion in 2004/05 and this represents 1,3% increase.

The capital budget grows notwithstanding the fact that the flood reconstruction disaster fund is phased out with effect from the end of the fiscal year 2003/04 where an amount of R120 million was allocated. The debt overhang will be settled in the 2003/04 financial year and the amount of R190 million which was provided for that is top sliced from 2004/05 budget as capital reserve and this will be provided for over the MTEF for infrastructure development.

The total allocation for the MTEF per cluster is as follows:

|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Welfare                                 | 6,249,446         | 7,480,241         | 8,396,936         | <b>22,126,623</b> |
| Sorts Arts and Culture                  | 57,811            | 62,492            | 67,751            | <b>188,054</b>    |
| Safety, Secury and Liason               | 14,159            | 14,853            | 15,717            | <b>44,729</b>     |
| <b>Total</b>                            | <b>19,579,618</b> | <b>21,677,324</b> | <b>23,628,070</b> |                   |
| <b>ECONOMIC CLUSTER (R 000)</b>         |                   |                   |                   |                   |
| <b>Year</b>                             | <b>2004/05</b>    | <b>2005/06</b>    | <b>2006/07</b>    | <b>TOTAL</b>      |
| Finance and Economic Development        | 920,161           | 937,778           | 1,011,958         | <b>2,869,897</b>  |
| Agriculture                             | 905,227           | 1,046,168         | 1,116,722         | <b>3,068,117</b>  |
| Transport                               | 440,238           | 495,372           | 571,194           | <b>1,506,804</b>  |
| <b>Total</b>                            | <b>2,265,626</b>  | <b>2,479,318</b>  | <b>2,699,874</b>  |                   |
| <b>INFRASTRUCTURE CLUSTER (R 000)</b>   |                   |                   |                   |                   |
| <b>Year</b>                             | <b>2004/05</b>    | <b>2005/06</b>    | <b>2006/07</b>    | <b>TOTAL</b>      |
| Public Works                            | 1,333,743         | 1,573,078         | 1,702,528         | <b>4,609,349</b>  |
| Local government                        | 821,982           | 862,863           | 914,634           | <b>2,599,479</b>  |
| <b>Total</b>                            | <b>2,155,725</b>  | <b>2,435,941</b>  | <b>2,617,162</b>  |                   |
| <b>ADMIN AND TRANSFORMATION (R 000)</b> |                   |                   |                   |                   |
| <b>Year</b>                             | <b>2004/05</b>    | <b>2005/06</b>    | <b>2006/07</b>    | <b>TOTAL</b>      |
| Office of the Premier                   | 202,216           | 254,805           | 269,265           | <b>726,286</b>    |
| Legislature                             | 92,167            | 97,023            | 102,844           | <b>292,034</b>    |
| <b>Total</b>                            | <b>294,383</b>    | <b>351,828</b>    | <b>372,109</b>    |                   |
| <b>TOTAL MTEF FIGURES</b>               | <b>24,295,352</b> | <b>26,944,411</b> | <b>29,317,215</b> |                   |

In summary Mr Speaker the total budget tabled here today is R24, 295 billion and grows to R29, 314 billion in 2006/07.

The Social Cluster gets a total of R19, 579 billion which grows to R21, 677 billion and R23, 628 billion in the MTEF period.

Education gets a R9, 281 billion and their budget grows to R9, 773 billion and R10,413 billion in 2005/06 and 2006/07 respectively. Projected budget for education amounts to R29.469 over the Medium Term Expenditure period.



Health is allocated R3, 976 billion and this grows to R4,346 billion and R4,734 billion in the MTEF period. Total spending on health would amount to R13.05 billion over the MTEF period.

The Welfare budget is R6, 249 billion and grows to R7,480 billion and R8,397 billion in 2005/06 and 2006/07 respectively. Welfare budget cumulates to r12.127 over the MTEF period.

The total Economic Cluster gets R2, 266 billion and this grows to R2, 479 and R2, 699 in the MTEF period. Total proposed expenditure on the Economic Cluster amounts to R7.444 billion over the MTEF period.

The Infrastructure Cluster budget is R2, 156 billion and grows to R2, 436 billion and R2, 617 billion in the MTEF period. Total proposed expenditure on the Infrastructure Cluster amounts to R7.208 over the MTEF period.

## **Conclusion**

After more days and trials than we can count we have succeeded to build a strong foundation for our freedom and democracy. Today, we have the fastest growing economy.

We are old now and yet we were young this morning, we have no shame nor do we regret our actions for we have learnt things (lessons) which are rarely found in any scripts, and discovered secrets which scholars have no knowledge of.

Today, South Africa is a democratic country; today Limpopo is a united province. And we can pronounce without fear of contradicting ourselves that, “we are one in all and all in one. There are no men and women, but the great WE, One, indivisible and forever”

Today, in our hearts there is the first peace we have not known for over 340 years.

Today, we have a caring government that has created opportunities for all South Africans of all colours, beliefs, ages, abilities and disabilities. To this end, we have created jobs, build houses,

electrified hundreds of villages in the rural areas, we constructed roads, we build clinics and schools and we delivered water, and we shall continue to do so for years on end as we ceaselessly expand the frontiers of human fulfilment.

## ACKNOWLEDGEMENTS

As we gradually teeter towards the greatest of moments to celebrate the tenth birthday of this baby, homage should be paid to the one who stood and watched it as it was brought to earth, who was privileged to give it a name, who told it heroic stories of its ancestors and who even at the worst of times, stood firm and unshakeable in his resolve that this baby must grow to sustain the restored hope of the sons and daughters of Limpopo, and indeed we concur with your words that Limpopo is viable entity, Mr Premier.

And as we bid him farewell he will reminisce about the early days of his parenthood to this great child and remember that at first it was an environment of mixed reactions. Sometimes we, in Treasury, marvel at how it was possible in those graceless years of transition, where we appeared false in the face of our detractors, who did not know whether we were coming or going. Yet we forged ahead to continue to fight joblessness, poverty and hunger. Mr Premier those were the days of trial and error.

In bidding farewell to a soldier, the most loyal, the bravest and most tenacious of fighters that he is we reconcile ourselves with the stark reality of two possibilities of return and non-return. In this internecine war against poverty and hunger. Yesterday, Mr Premier, you were young and seemed novice, yet today you have come of age and imbued with wisdom and a profound humility. Personally, Mr Premier I am confident that you will continue to be the shining star that I have known him to be and revered the most. Your heroic return is guaranteed.

Honourable Speaker, allow me to also pay homage to the honourable members in this legislature, colleagues in the cabinet, the Portfolio Committee on Finance, the Public Accounts Committee, the Auditor-General and his team, the Director-General and her team of Heads of Departments, we have just been what we have been to each other-a

frank, supportive and focused collective that has at all times taken the people to a new social transformation and an economic journey of success. Ours have been memorable days.

My special gratitude and appreciation go to the Head of Department of Finance, Mr. Morore Ben Mphahlele and his management team, together with the rest of the staff of the department of Finance and Economic Development. Your hard work is not going unnoticed.

Our province is blessed with well-meaning men and women from the disabled, labour, business and church and people of faith who are all united behind the restoration of human dignity to all who believe in a better Limpopo. I thank you for your commitment support.

Mr Speaker, I dare not fail to acknowledge the unsolicited and unending support from my wife and our three children, who stood by me during the best and worst of times. To them I remain forever indebted.

Mr Speaker, Mr Premier, Honourable members a tree is recognized by its fruits.

It is my honour to table before this honourable house: -

The Appropriation Bill 2004

Estimates of Receipts and Payments

The Citizens Guide to the Provincial Budget

The Provincial Budget Speech for 2004/05

**Thank you all.**