



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

Provincial 2010 financial year Budget Speech delivered by MEC Sa'ad Cachalia,
on the 25th of February 2010@10H00



The heartland of southern Africa - development is about people

PROVINCIAL 2010/11 FINANCIAL YEAR BUDGET SPEECH DELIVERED BY THE MEC OF LIMPOPO PROVINCIAL TREASURY MR SA'AD CACHALIA TO THE SECOND SESSION OF THE FOURTH DEMOCRATIC LEGISLATURE, LEBOWAKGOMO

INTRODUCTION

Honourable Speaker,

Honourable Deputy Speaker,

Honourable Premier,

Distinguished colleagues in the legislature

Stalwarts and veterans of our struggle

Executive Mayors, 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 the Religious Organizations and Churches

Leaders of the Opposition Parties

The DG and senior officials in our provincial administration

Leaders of the 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

Honourable Speaker,

Allow me the privilege to present the first budget of the Limpopo Province under the leadership of comrade Premier Cassel Mathale. Coming just a week after a most impressive and inspiring address by our Premier, this budget speech will find the State of the Province Address a hard act to follow

Honourable Speaker,

The last budget speech in 2009 was introduced amidst the doom and gloom that had gripped all the major economies of the world including South Africa. There was unpredictability all around and we rapidly moved into a recession which was the most hard hitting the world economy experienced in over seventy years. As South Africa we remained calm and stuck to the basics and

attempted no fancy footwork like bail outs. As we now slowly emerge from the recession we can only take pride in the response of our government which was, in the face of such adversity, able to map out and keep us on a disciplined fiscal path. Through the world economic crisis our national debt remained at a modest 23% of GDP allowing us much more space to borrow should things gotten worse. Above all, this borrowing was not for bail outs. Colleagues, ladies and gentlemen you will remember from last year's budget speech, much of our borrowing went into public spending. We spent on infrastructure, we spent on education, we spent on health. The Honourable Premier spelt out our remarkable achievements in the area of housing delivery, water provisioning electricity supply, road works and the access to basic primary health services in areas where the poorest of our people reside. We did our best with the little that we were given. This is what makes the people of South Africa so extraordinary. We expect our economy to grow by 2.3% in 2010, above the projected 1.5% we made in October last year. In spite of this little glimmer of hope and joy there are still some economists and pundits who caution that the world economy could very easily within a short space of time experience another recession. We must remain vigilant and battle ready, and for this reason we have to ensure that we continue on the strict and disciplined fiscal path

that we have chosen for ourselves. It is also encouraging to note that as a country we have planned to reduce our budget deficit from 7.3% this year to 4.1 % in the outer year of the MTEF. This means that we are going to be borrowing less.

Honourable Speaker,

We remain fully aware of the enormity of the economic and social challenges that face us in our province. Our readiness, capability and determination, has to now more than ever before shine through. Our people need jobs, our economy in the province has to grow, our people are sick and tired of poverty, our people need water and sanitation, clinics and proper health care, the shopping list is indeed a long one Honourable Premier. As comrade President Jacob Zuma mentioned to us *“none of us can rest or sleep peacefully until every South African can say:*

“I can see a better future. I can find a job. I can learn a skill. Hard work will enable me and my family to have shelter and food. If my children work hard at school and college, they will have a better future and a thousand opportunities”

We have to help our people to improve their own lives and that of our communities. Our people deserve nothing less.

President Zuma pointed out that we South Africans are an extraordinary people. Limpopo after all is a province of extraordinary people with extraordinary achievements. Comrade Premier as you pointed out in your address we are a province who produced struggle icons like Ellias Motsoaledi, Peter Nchabeleng, Lawrence Phokanoka, John Phala, Flag Boshielo, amongst many others. We have produced the young lions of your generation comrade Premier namely Peter Mokaba, Frans Mohlala, Solly Maditsi, “Fellow Fighter” Norman Mashabane, Dudu Madisha, Tracy Malatjie, Ephraim Mogale and Rachel Maleka.

President Zuma saw it necessary to include four ministers and two deputy ministers in his cabinet, all sons and daughters of Limpopo.

We have produced world champions like Caster Semenya, Mbulaheni Mulaudzi in athletics, Retief Goosen in golf, in wrestling we have Terry van Rensburg, Dale Steyn the best bowler in world cricket, in rugby John Mametja and Victor Matfield.

In short comrade Speaker the people of Limpopo have what it takes. In youthful parlance “we rock”.

It is this special and extraordinary attribute that we will have to call upon to give our people hope and to lead our people. It is this attribute that will assist us to meet the challenging tasks facing us. All the people of our province, business, government, labour and civil society will have to work together, using our various skills, talents and resources to deal with our socio-economic challenges.

As Minister Gordhan puts it *“As South Africans, we have learnt over the past twenty years that our shared humanity, our generosity, our resilience and our capacity to deal honestly with each other present a formidable capacity to fight adversity, to find common ground and to move forward. In an important sense this is our most precious national asset-our social capital in the making”*.

What we are saying therefore is that whether you live in Ga Kibi, Smasher Block, Muyexi or Bendor village in Polokwane we will all have to work together and work differently. It cannot be business as usual and we will have to take heed when President Zuma said “we must do things differently”.

Honourable Speaker,

We have seen in the last eight months of our new administration a concerted effort and desire to do things differently.

The executive cluster committees have been re-organised and restructured and now include participation from national government departments in the province, municipalities and public entities which hitherto did not form part of the cluster committees.

This allows for better planning, it avoids duplication and wastage and enhances our new outcomes approach to service delivery and governance. Our Lekgotlas have become more targeted and focused fed by peoples suggestions and concerns at monthly EXCO – Meets the people programmes held throughout the province.

We are therefore driven by an “outcomes” approach in our developmental path guided by our national as well as provincial priorities.

Honourable Speaker,

This budget has to deal with our priorities we have determined for ourselves at both national and provincial level. Education and

Health are paramount to ensure that our country is set on a concerted path of growth and prosperity. Services for our people in the form of housing, water and sanitation remains an acute challenge for us in this province. This budget must deal with this. Our province is very rich in scarce minerals and the type of mining activity being carried out and planned for in the future makes us the richest province in the country. Yet we are a province which has a high number of poor and unemployed people. This cannot continue and this budget must address this anomaly. This province accounts for 43% of the R2 billion annual turnover of the Johannesburg Fresh Produce market, yet we see no benefit for our people particularly for our emerging farmers. This budget must deal with infrastructure development and maintenance particularly the backlogs in education and health. Our infrastructure budget must give access to communities to facilities such as schools, hospitals, roads, water, housing, etc. In this way it will help meet the challenge of basic needs. It will also create employment, develop skills and SMME development opportunities, as the policy and practice of our Expanded Public Works Programme is implemented. Our new Limpopo Employment Growth and Development Plan (LEGDP) is a move away from the usual Provincial Growth and Development Strategy (PGDS) we have been accustomed to in the past. As the Premier

explained at length in the State of the Province Address, the Limpopo Employment Growth and Development Plan is an all embracing strategic plan aimed at dealing with the challenges that the province faces in unlocking its economic potential for the full benefit, upliftment and growth of all the people of our province. It is imperative therefore that our strategic plans across all our departments be informed by the Growth and Development Plan if we are to have a competitive edge and advantage in our developmental and growth path. The plan shows a new growth path in pursuit of the social and economic outcomes that we desire.

Honourable Speaker,

This year's budget must deal with the key spending priorities;

- Creation of decent jobs and sustainable livelihoods;
- Education;
- Health;
- Rural development, food security and land reform;
- The security of our people in the fight against crime and corruption; and
- Investing in local government and human settlements.

Honourable Speaker,

After a baseline budget cut of R224 949 million the consolidated budget of the Limpopo provincial government increases from R35 954 875 billion for this financial year to R39 652 691 billion for the 2010/11 financial year.

Over the MTEF period we will be spending R127 billion. Eighty percent of the total equitable share for this financial year, excluding conditional grants, is allocated to Education, Health and Social Development, thus confirming our spending on our key priorities.

The provincial own revenue projects to decrease minimally from R554,438 million in 2009/10 to R553,438 million in 2010/11 before growing marginally over the MTEF to R619,967 million by 2012/13.

In his State of the Nation Address and as one of our responses to the financial crisis, President Zuma committed government to spending R846 billion over three years on the infrastructure needed for future growth and development.

Our provincial total infrastructure amounts to R19.3 billion over the 2010 MTEF. In the Limpopo Province we have allocated a

budget of R5.566 billion for the 2010/11 financial year across departments for infrastructure development as follows:

- *Education at R1. 022 billion;*
- *Agriculture at R256.636 million;*
- *Health at R894.799 million;*
- *Roads and Transport at R1.999 billion;*
- *Economic Development at R3.407 million;*
- *Public Work at R57.500 million;*
- *Local Government and Housing at R1.234 billion;*
- *Social Development at R75.424 million and*
- *Sport, Arts and Culture at R23.000 million*

Infrastructure provision and asset maintenance make huge demands on the Provincial budget and therefore difficult choices have to be made when allocating resources amongst the different infrastructure sectors and projects. Furthermore the backlog in infrastructure provision combined with an ever increasing asset maintenance demand compounds the problem on how and where to allocate resources to have the biggest impact. The challenge is to ensure that planning, budgeting and implementation processes

are synergized to meet the needs of infrastructure delivery in Limpopo.

Our focus will be on infrastructure delivery through the examination of both its impact and the needs of the economy, based on expected migration patterns, population figures, availability of water, sanitation, electricity and industrial clusters.

The focus will include identifying alternative service delivery methods for possible opportunities and potential investments; thus leveraging funding and providing skills to meet the demands and challenges that Limpopo experiences.

Infrastructure assets should be planned and budgeted for throughout their life cycle from planning to disposal. This will ensure that assets operate efficiently and are maintained cost effectively. Unless maintenance is improved, funds to address the cost of repairs and unplanned replacements will have to be sourced from capital budgets. This will severely limit the budgets for addressing backlogs and expanding service delivery. Therefore, maintenance should be high on our provincial agenda, as it is a strategic tool that offers outstanding opportunities for economic stimulation, jobs creation, capital expenditure

expansion and sustainable delivery achieved while community aspirations are met.

A task team has been established to explore the possibility of various funding opinions for the building of the Legislature Chamber in Polokwane scheduled to start in the 2010/11 financial year.

We will also continue to collaborate with government financial institutions such as DBSA and IDC to assist in the funding of our infrastructure at both provincial and municipal level.

We are encouraged by Minister Gordhan's pronouncement on the wage subsidy to the business sector for employing our youth who do not have any work experience. We will eagerly watch this development which aims to address our economy's structural unemployment problem.

Honourable Speaker,

We are more than ready and prepared to host the FIFA 2010 World Cup spectacular at the Peter Mokaba Stadium. The stadium was completed on time and meets with the requirements

of FIFA. The stadium will be handed over to FIFA on the 24th May 2010. As a province we have the necessary security and medical services ready. Visitors and football fans to our province are guaranteed a warm Limpopo reception.

Honourable Speaker,

I will now proceed to present the allocations per vote. These allocations also include conditional grants. A full breakdown per programme will be presented by Members of the Executive Council when tabling their respective departmental budgets.

Department of Health

The budget of the Department of Health increases from R9, 368 billion to R10, 535 billion for this financial year.

Provision has been made for Occupation Specific Dispensation (OSD) affecting health professionals.

The budget will be used to finance policy priorities such as, the Pharmaceutical Services, Medical Waste Management, Modernization of Tertiary Services, Tuberculosis, Emergency

Medical Services (EMS), Laundry Services, HIV/AIDS and ARV treatment and malaria reduction programme.

Social Development:

The budget of Social Development increases from R761, 600 million to R805, 705 million for this financial year. The allocation is to finance policy priorities such as substance abuse, early childhood development, Occupation Specific Dispensation of social workers, and implementation of the Children's Justice Act. The old age pension and the disability grant rises to R1 080-00 per month. The child support grant increases to R250-00 a month to include an additional 2 million children up to the age of 18 years.

Department of Education:

The budget of the Department increases from R 16, 366 billion to R18, 814 billion for this financial year.

This allocation will focus on the priorities such as the extension of the no fee school policy. Support to inclusive education and learner teacher support material. The National School Nutrition Programme gets a grant allocation of R659, 233 million and a life

Skills Education grant of R28, 322 million for HIV and Aids. It includes new conditional grants for technical Secondary School Recapitalization grant of R8, 479 million and R435, 854 million for Further Education and Training conditional grant. The necessity to improve on our matric results remains a priority; in this regard we welcome the initiative to test all learners in grades 3, 6 and 9 to help raise our literacy and numeracy levels.

The increase in the Education budget confirms that education remains our number one priority.

Department of Roads and Transport:

The budget of the Department increases from R2, 992 billion to R3, 237 billion in this financial year. The allocation will be used for the traffic road safety programme, the improvements of the provincial road network through transfers to RAL and the subsidisation of the public transport operations.

Department of Economic Development, Environment and Tourism:

The budget of the Department increases from R749,113 million to R874, 897 million for this financial year.

This allocation will finance the promotion of economic planning, stimulating growth through industry development, management of environmental activities, conservation and biodiversity development. An allocation for the provincial growth fund to be utilized in the main to stimulate industrial clusters in the Province is included in this vote.

Department of Local Government and Housing:

The budget of the Department increases from R1, 468 billion to R1, 886 billion this financial year. This allocation will focus on the implementation of the strategic support to municipalities. An allocation of R1, 235 billion for the implementation of the Integrated Human Settlement. Included in the vote is an allocation for municipal infrastructure including water and sanitation.

Department of Agriculture:

The budget of the Department increases from R1, 185 billion to R1, 376 billion in this financial year.

This allocation will finance the implementation of the Revitalization of Smallholder Irrigation Schemes (RESIS) and the renovation of facilities. The land care programme will receive a grant of R8, 176 million. The Comprehensive Agricultural Support Programme (CASP) receives a grant of R144, 562 million and Letšema projects receive a grant of R20, 000 million.

Department of Public Works:

The budget of the Department increases from R724, 872 million to R750, 701 million in this financial year.

This allocation will be used to finance the implementation of the Government-wide Immovable Asset Management Act (GIAMA), management and updating of the provincial asset register, the implementation of the energy optimization plan, office space audit, the disposal of properties and the renovation and maintenance of government buildings. A further grant of R35, 194 million is allocated for the Devolution of Property Rate Fund. An incentive grant of R18, 057 million for the coordination and

implementation of the Expanded Public Works Programme (EPWP) across all government departments. An allocation of R14,000 million for capacity building within the department as the implementing agent for provincial infrastructure delivery.

Department of Safety, Security and Liaison:

The budget of the Department increases from R47, 133 million to R53, 172 million in this financial year and increase to R58, 786 million in the outer year of the MTEF.

This allocation will finance the advocacy and oversight functions over the South African Police (SAP), implementation of the rural safety plan, school safety awareness programme and establish community policing fora. The provincial department of the South African Police gets a separate allocation in excess of R500 million in this financial year for policing duties in the province.

Office of the Premier:

The budget of the Office of the Premier amounts to R528, 992 million in this financial year.

An amount of R119.343 million has been subtracted as a result of a function shift of Community Development Workers (CDW) in the

amount of R77.094 million to Department of Local Government & Housing and R42, 249 million for shared legal services to the various departments.

The budget will increase to R581, 354 million in the outer year of the MTEF

Sport, Arts and Culture:

The budget of the Department increases from R231, 040 million to R245, 672 million in this financial year.

This allocation will finance cultural programmes, make provisions for library infrastructure, materials and establish the Limpopo sports academy. A grant of R43,604 million for Mass Sport and Recreation Participation Programme, which is made up of Siyadlala, School Sport and Club development and R62,733 million for Library services.

Provincial Treasury:

The budget for the Provincial Treasury increases from R329, 544 million to R362, 093 million in this financial year.

This allocation will finance the provincial audit fees to enforce financial management, maintenance of systems through SITA costs, rendering support and assistance to government departments and municipalities. An addition R10, 000 million for the roll out of IDIP to relevant provincial departments.

Provincial Legislature:

The budget of the Provincial Legislature increases from R123, 869 million to R182, 824 million. The allocation includes R20, 000 million for the funding of political parties in the provincial legislature. The allocation will further finance public participation and provincial interaction with the National Council of Provinces (NCOP), the funding of political oversight functions and support to the political parties and committees of the legislature.

Honourable Speaker,

In line with our Strategic priorities we also want to emphasise that we require a body of public servants who remain committed to service delivery and to the principles of BATHO PELE. We have no doubt in our mind that the committed cadres in the public service will rise to the challenge.

Honourable Speaker,

We must guard against dishonesty and against individuals who defraud government in the provision of services. Fraud and corrupt practices merely serve to deprive our people of the services they so justly deserve and erodes all the values we stand for.

We cannot tolerate corruption. The Premier put it clearly crisply and unambiguously *“corruption delays development and compels people to lose trust in the structures of government. We will continue to fight against corruption through all means available... Corruption wherever it is practised remains a criminal offence in this country and its perpetrators must be charged and prosecuted.”*

Honourable Speaker,

I would like to take this opportunity to thank my colleagues in the executive council, led by comrade Premier Mathale for the support and guidance afforded to me particularly when difficult choices have had to be made. This budget is our collective expression.

I would like to thank the Minister of Finance and his team at the National Treasury for all the support and advice on matters affecting our budget.

The Head of Department Rob Tooley who has admirably and with astute resolve led the Provincial Treasury team for the last three years in preparing the budgets for our province in the most professional and focused manner. The budget team in the Provincial Treasury also deserve a special thanks.

The Director-General and all the Heads officials and Chief Financial Officers of the various departments for their support and co-operation throughout the financial year particularly during the budget process.

The speaker of the Legislature and chairperson of the Legislative committee on Finance led by Comrade Rosina Semanya and other members of the committee and the legislature. Their critical comments and advice on financial and budgetary issues have been more than useful.

All the staff in my office and in the protocol and communication services of the department whose enthusiasm and assistance to me in the budget process will always be appreciated. A special thanks to Gobetse Nchabeleng and DDG Nape Nchabeleng from

the Department of Local Government and Housing for the guidance on the framework and crafting of this budget speech.

I take this opportunity on behalf of us all to say farewell to the head of department Rob Tooley, someone known to us all in this honourable house as comrade Rob, as he completes his stint at Treasury tomorrow. We wish him well in his future pursuits and have no doubt that issues such as a better life for all, fighting poverty and the upliftment of the people particularly of Limpopo will be the primary consideration in whatever he chooses to do.

Honourable Speaker,

In presenting this budget I would like to reiterate what we said last year. As a province we continue to face serious challenges of rural marginalization, poverty, high unemployment and deepening inequality. Our focus therefore will have to be on rural development, food production, decent work creation and sustainable livelihoods, education, health and the safety and security of our people. It is imperative that our programmes and plans deal with and be linked to these developmental priorities. This budget will, I am sure allow us to do all of these things differently.

We have the will to succeed. We exist as an independent and free nation today precisely because we fought for a society and a country in which the needs of our people, denied through years of injustice and oppression, were foremost on our revolutionary agenda. As Minister Gordhan said, in concluding his first budget speech;

“ Today we need that spirit again, to come together, to draw on our collective experience, put aside our differences and work together to chart out a new path for an economy that benefits all of us... the future we choose today will determine the kind of South Africa our children and their children will live in. The prospect of prosperity for all is a struggle worth fighting with all the will and determination that we can muster. We must give real meaning to justice. For with jobs comes dignity. With dignity comes participation. And from participation emerges prosperity for all”

Honourable Speaker,

This is in essence exactly what President Nelson Mandela was saying to the court at the Rivonia Trial when he said...” *I have cherished the ideal of a democratic and free society in which all persons will live together in harmony with equal opportunities”*

Except honourable speaker, the father of our nation went a step further “*but my Lord, if needs be it is an ideal for which I am prepared to die*”.

I thank you.