

**Provincial Government Western Cape
Provincial Treasury**

**Medium Term Budget Policy Statement
2008-2011**

and

**Adjusted Estimates of Provincial
Expenditure
2007**

SPEECH

***Minister of Finance and Tourism
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Introduction

Speaker, members of this House; the first democratically elected Government in 1994 acknowledged that the developmental goals of the country could not be achieved within the first decade let alone within a single year. However, this reality motivated us to put in place processes, programmes and systems that would ensure that today would be better than yesterday and that tomorrow will be better than today. It has been a steep learning curve and we probably did not get it right in every instance, but as our first properly elected president said: *“The greatest glory in living lies not in ever falling, but in rising every time we fall”*. (Nelson Mandela).

So it's with great humility that I today present this 2008 MTBPS to you, our spending plans for the next three years, knowing that as Gill Marcus once said: *No one ever gets it perfectly right, and certainly not governments*. We have certainly tried our best and will keep on learning and rising to the occasion if we should falter in any way. In this sense this House has an important function to fulfil in scrutinising our spending plans for the new MTEF period.

Nonetheless, I'm happy to say that fairly recent research findings have concluded that Government is making progress in achieving its socio-economic objectives. As noted by our National Minister of Finance, the 2007 Community Survey showed that sound progress has already been made in improving access to and quality of government services.

Similarly, as members would know, findings from the “Perceptions of Government Performance and Service Delivery: A population survey of the Western Cape released in May 2007 provided a snapshot of Western Cape citizen's perceptions regarding service delivery in the Province.

The survey results highlighted that provincial and municipal government investments have greatly expanding service delivery in education, housing, water, sanitation, health care, roads and so on. The impact of the investment was tested in the survey questions. Approximately 80 per cent of the sample population felt that they had reasonable to good access to most basic services and facilities, which included schooling, health services, road maintenance, police stations and electricity.

Respondents, in general, were positive about Government's performance in providing school education, meeting the needs of vulnerable groups, promoting Black Economic Empowerment, business development and building infrastructure. The survey also suggested that Government prioritise addressing challenges in housing delivery, fighting crime, reducing unemployment, narrowing the gap between rich and poor and boosting economic growth.

Ike Uzondo, a Nigerian musician said: *"the art of governing is not rocket science. Being honest; knowing that you are here to serve the people, not steal from the people; and finding a way to deliver the goods – that is the key"*.

That's indeed what we intend to do. The 2008 MTEF is guided by both national and provincial imperatives. The iKapa Growth and Development Strategy (iKapa GDS) draft White Paper responds to the current and anticipated economic, social, environmental and spatial trends within the Province. The Strategy builds on and fleshes out national imperatives and our funding choices are guided by both the iKapa GDS and the Premier's State of the Province's address earlier this year.

Our policy imperatives are to provide greater access to services such as education, health, housing, and basic infrastructure. Our allocations have made significant strides in improving the quality of social and economic services. The policies in the main are also aimed at reducing inequality and increasing investment in communities. Our policies furthermore provide a basis for sustainable livelihoods; much needed skills development; improved governance; and regional economic development.

The themes of the 2008 MTBPS build on those we committed to in the 2007 MTEF in supporting the goals of the iKapa GDS. These are:

- Strengthen strategic and economic infrastructure
- Boost skills development and job creation.
- Improve the quality and reach of social services within health, education and social development.
- Provide and support responsible and responsive governance.

Over the 2008 MTEF we will build on past achievements and will **refine** initiatives funded in previous MTEFs. During the course of the 2008 MTEF the Treasury together with the Department of the Premier will facilitate a process through which provincial departments can pursue ways of building greater **synergies** and complementarities in the way they work and use public resources. Later I will point to some of the areas of work where our

responsiveness and effectiveness can be improved by greater **collaboration** between departments.

Collaboration with external bodies is similarly essential to improve our effectiveness with municipalities being our most important partners. The Local Government MTEC processes and other initiatives launched by the departments of Local Government and Housing, that of the Premier, and municipalities themselves, that we have embarked on since 2005, are beginning to bear fruit. We have opened up the channels to municipalities and vice versa, and are now better able to align our spending with one another to improve our chances of meeting shared growth objectives at local and sub-regional levels in the Province.

“If risks are to be taken, it should be the risk of trusting each other”. (Julius K Nyerere, 1st president of Tanzania, 1972)

For the sake of our people we cannot fail in this endeavour. Indeed the imminent LG MTEC 1 series of engagements driven by municipalities in collaboration with the Province will be a key testing ground for our resolve and capabilities in achieving spatial integration in service delivery.

“There is no faster way for us to develop except to pool our resources, our knowledge and our markets for the development of our economies”. (Ali Hassan Mwini, Tanzanian president, 1995)

We have also begun working together with the City, with the Organisation for Economic Cooperation and Development (OECD) to understand the factors that drive economic growth in the greater functional region of Cape Town.

Overview of the Western Cape Economy

Economic growth for South Africa is projected to moderate to 4.5 per cent for the 2008/09 fiscal year mainly due to the slowdown in domestic demand and the risks posed by the volatility in international financial markets which might continue to unfold. Thereafter, economic growth is projected to accelerate to 4.9 per cent in the 2009/10 financial year and 5.4 per cent in 2010/11. The projected acceleration in economic growth emanates from anticipated growth in consumption expenditure associated with the 2010 FIFA World Cup.

The outlook for inflation is clouded by exogenous risks related to rising oil and food prices. The South African Reserve Bank (SARB) projects a modest deterioration in the inflation outlook, particularly in the short-term.

CPIX inflation is now expected to remain above the upper level of the inflation target range and to peak in the first quarter of 2008 at an average of 6.8 per cent before declining to the upper end of the inflation target range in the second quarter of 2008. Thereafter, CPIX inflation is expected to follow a downward path and reach around 5.2 per cent at the end of 2009.

The economic growth performance of the Western Cape remains positive and is anticipated to outperform the national economy in the current fiscal year. The economic growth rate for the Western Cape is estimated to average 5.1 per cent for 2007/08 compared to 4.7 per cent for the national economy.

Over the medium term, the Western Cape economic growth outlook is expected to remain positive, driven by the services and construction sectors as well public infrastructure investment. However, the performance of the economy as a whole is headed towards a moderate slowdown due to rising inflation and interest rates.

The September 2000 and the September 2006 Labour Force Surveys highlight that the Western Cape's working age population grew by 375 000 individuals for the period 2000 to 2006. This represents an average growth rate of 2.1 per cent a year, and is almost a full percentage point higher than the growth in the national working age population. Growth in working age population holds further implications for the Province as it requires the economy to increase its labour absorptive capacity.

Furthermore, increasing employment opportunities for women and youth remain a challenge. Against this backdrop, the 2008 MTBPS sees continued investment in infrastructure, skills development and access to social services as critical for shared growth.

The 2008 Western Cape MTBPS thus considers the policy choices in the context of prevailing and future macro- and socio-economic, as well as the governance environment. As an arm of Government, what we set out to achieve has to be informed by the resources that we have available. So in the words of Kwame Nkrumah (1st president of Ghana), we "*start with what you know and build on what you have*".

The Resource Envelope and Financing Issues

Over the upcoming medium term period, the resources available to the Western Cape Government are budgeted to expand yet again. Over the MTEF period the budget will grow on average at 10.5 per cent per year, significantly above the inflation rate of 5 per cent predicted for this period.

This year data revisions to the equitable share formula resulted in an increase of 0.2 of a percentage point in the Western Cape's share of the provincial equitable share. The overall impact of the data revisions together with the increase in the provincial equitable share baselines is an additional R2.986 billion allocation over the 2008 MTEF.

An estimated total of R1.457 billion of **additional conditional grant funds** will flow to the Western Cape over the 2008 MTEF. Conditional grant allocations are projected to grow at an average annual rate of 12.6 per cent between 2007/08 and 2010/11. The biggest increases are budgeted for the Infrastructure Grant to the Province and the Integrated Housing and Human Settlement Grant. These increases emphasise Government's commitment to continued investments in public infrastructure and services.

It was decided not to raise motor vehicle licence fees (the largest source of provincial own revenue) for 2008/09. The growth rates portrayed over the MTEF are based on the net growth in the number of projected new vehicle registrations.

Unfortunately the delay in the passing of the new Western Cape Liquor Act caused a substantial downward revision in estimated liquor licence fees over the MTEF. As it is currently drafted, the Liquor Bill provides for substantial changes in the way that the industry is regulated. I trust that my colleague, MEC Essop, will get the bill promulgated in the course of next year.

The Province has set up an Asset Financing Reserve (AFR), as a third source of revenue to primarily finance roads infrastructure, construction and maintenance. R814.664 million of the AFR has been allocated over the 2008 MTEF.

Cluster Progress, Priorities and Plans

In support of the iKapa GDS objectives and strategies, the Social Sector Cluster's allocation (including Housing) rises by R8.6 billion or 15 per cent from R57.9 billion over the 2007 MTEF to R66.5 billion over the new MTEF. The Economic Cluster rises by R2.2 billion (23.49 per cent) to R11.4 billion over the new MTEF.

We turn now to the themes of the 2008 MTEF.

Strengthening infrastructure, including housing and transport

Speaker, a number of the main binding constraints to shared growth in the Province can be addressed by expanding and improving the public infrastructure and built environment network. As the iKapa GDS points out shared growth is constrained by poor spatial connections between economic activities and the costly and complicated logistical arrangements that have to be overcome for business and accessing opportunities. Moreover, growth is constrained by the physical distances between different social groups, neighbourhoods, urban centres and facilities.

The creation of **Integrated Human Settlements**, one of the path-breaking iKapa GDS interventions, will allow poor, immobile communities to more readily access economic opportunities; greater spatial integration will lower the costs of travel and services and reduce the energy used by settlements, making settlement sustainable, and will lead to greater social inclusion.

Through the **Urban Restructuring and Climate Change** initiatives the Province will provide resources to allow a number of departments to step up the technical support they give to municipalities in the restructuring of their townscapes so that they can eventually become truly integrated and offer sustainable livelihoods for all. The departments involved in providing the support include Environmental Affairs and Development Planning; Local Government and Housing; and Economic Development and Tourism. The work done by the Department of Transport and Public Works on transport precincts will interface with this. This initiative is one of the instances that I spoke about earlier where, through co-ordinating their efforts, our departments can achieve better outcomes. For this purpose an amount of R37 million have been provided over the 2008 MTEF.

Housing and Local Government receives an extra R368 million in the outer years of the MTEF via the National Housing Grant for the Province's Integrated Human Settlement Strategy, *Isidima*. *Idisima*, launched earlier in 2007, explains how the different types of subsidies available to the Province and municipalities can be used to change the location of subsidised housing from the outskirts of cities and towns, closer to their economic centres.

The 2008 MTEF will also provide extra resources for the second of the iKapa GDS path-breaking interventions, namely, bringing public, private and non-motorised transport into better balance with each other to improve efficiency and lower costs for consumers. The provincial road network, as a conveyer of public and private transport and of freight, is one of main elements of the **integrated transport network** in the Province.

There are a number of aspects of the road network that have to be well functioning for the **2010 FIFA World Cup** event so that spectators are able move from their accommodation to various tournament venues in good time. One of the key road upgrades funded within the current MTEF is phase one of the Koeberg Interchange upgrade on the N1. The upgrade will increase the capacity of the interchange and have a positive impact far beyond WC 2010. As part of the preparation for the WC 2010, the Province is also contributing to the building of public transport lanes along the N2 Airport-City link. The inward bound lane is complete and before-and-after studies show that the benefit to the public has been significant – public and private transport travel times have decreased. Buses and taxis from Khayalitsha now take 30 minutes less to reach Mowbray, while a private car takes 5 minutes shorter.

To allow the Transport and Public Works department to continue to maintain the road network, to make the road upgrades necessary to host the World Cup 2010 and to compensate for rising roadwork costs, the Department will receive resources in addition to the amounts currently provided for roads over the MTEF. The resource increases take the form of additions from the National Infrastructure Grant to Provinces amounting to R211 million over the 2008 MTEF, additions from the equitable share and the AFR, amounting to R1.7 billion in total over the 2008 MTEF.

Improving the quality of and access to social services

Improving the quality of and access to social services continues to be a priority and major theme of the 2008 MTEF. The 2008 MTBPS therefore focuses on consolidation and refinement of programmes targeted at improving access, quality and equity in education, health, social and other community services.

As the philosopher Aristotle stated: *“All who have meditated on the art of governing mankind have been convinced that the fate of empires depends on the education of youth”*.

Similarly, *“Education is the great engine of development. It is through education that the daughter of the peasant can become a doctor, that the son of a mineworker can become the head of the mine, that a child of farm-workers can become the president of the nation. It is what we make out what we have, not what we are given, that separates one person from another”* (Nelson Mandela).

Therefore getting the basics right in Early Childhood Development, General Education and Training and Further Education and Training creates the platform for more wide-spread tertiary level skills interventions needed to bring about the job creation that the Province needs. Strong growth in the Department of Education’s budget over the MTEF allows for the

continued expansion of Early Childhood Development and Grade R. These services are particularly targeted at rural and poor communities. The focus is not only to increase the number of Grade R places available, but also to improve the quality of delivery and the learning outcomes that result.

An additional amount of R75 million over the 2008 MTEF has been provided to Social Development to allow it to expand its Early Childhood Development services which cater for the under 5-year old age group. Expanding services targeted at Children in Conflict with the Law remains a priority for Social Development. The Western Cape currently has four places of safety for children in conflict with the law. Two of these places of safety, those in Outeniqua and Vredelus, are currently being upgraded to improve their effectiveness in dealing with children in conflict with the law by implementing the Complimentary Business Optimisation Model (COMBO model).

The quality of the services we provide is a function of our investment in the women and men at the forefront of service delivery in our schools, hospitals and clinics. Although Dr MT Liman, Nigerian Minister of Education, 1996, said that *“A teacher is one who takes pride in producing educated and useful elite for this country – that is his pleasure. They used to say that a teacher’s reward is in heaven. What’s wrong with having a reward in heaven?”*; Government has developed the Occupation Specific Dispensation (OSD) strategy as part of the new remuneration policy framework to attract and retain specialists and professionals in the social sector.

In working towards this goal, new and continued funding has been provided to Education, Health and Social Development to implement the OSD. One of the areas of focus will be improving remuneration by rewarding and recognising performance and experience.

The environment in which our children learn plays a crucial role in the quality of learning that take place. **Education** therefore receives an additional R464.826 million through the equitable share and the Infrastructure Grant to Provinces to improve the condition of our classrooms and school buildings.

The **Burden of Disease** and **Health Care 2010** are two sectoral iKapa GDS strategies that emphasise the significant roles that all provincial departments play in achieving a healthy and capable population. The strategies also demonstrate that for medical services to be effective, primary health care should be prioritised. To continue delivering accessible and quality health services, and cope with the demands that increased patient loads place on health services, the Department receives an increase of R722 million over the MTEF. Over the 2008 MTEF the Department will continue to rollout the imperatives that for which we gave

funding for in the 2007 MTEF. We will thus continue to strengthen district health services, expand emergency medical services, improve patient transport services and strengthen programmes for TB control and people living with HIV and Aids. Overall the allocations to Health is expected to increase by some R2.7 billion over the MTEF.

Findings from the Burden of Disease project reveal that road traffic injuries as one of the 5 leading causes of premature mortality in the Western Cape. An additional R23.4 million is allocated to **Community Safety** over the MTEF for the further implementation of the Motor Vehicle Accident Intervention Strategy. This strategy intends to reduce road fatalities on the Western Cape roads by at least 5 per cent. The intention is to extend the coverage of 24/7 traffic law enforcement services. The funds also provide for the recruitment of additional traffic police in 2009/10 and 2010/11.

Cultural Affairs and Sport will continue to expand its services and make its presence felt in communities across the Province. The Sport School in Kuilsriver is an important flagship of the Department. Through enhancing the performance of young athletes, the School contributes to human capital development and enhancement of social cohesion. In addition to the amount of R11.9 million which was earmarked over 2007 MTEF period to establish the Sports School, the Department receives a further R12.6 million over the 2008 MTEF period for the provision of infrastructure and maintenance of the Sports School.

Skills Development

Scaling up skills development, learnerships and job creation, the third path-breaker intervention of the iKapa GDS, is also one to which significant Provincial resources has been previously allocated. The 2008 MTEF continues to provide funds to multiple departments across economic and social clusters so that they can roll out skills development interventions including learnerships, training programmes and EPWP projects in various fields.

2008/09 is the last year of nationally funded FET College Sector Recapitalisation programme, but this is replaced by funding from the PES from 2009/10. During the course of the programme, the Department of Education has made significant progress in realigning the course offerings at FET Colleges to meet national and provincial labour market needs. To support economic growth in the Vredenburg-Saldanha area and to allow local people to position themselves to take up the jobs that result, the Department has also expanded the West Coast FET College.

The Micro-Economic Development Strategy identifies the agricultural sector as one that has strong potential to stimulate economic growth and create employment opportunities. The

Department of Agriculture continues to focus on developing human capital in the agricultural sector through skills development and the provision of bursaries to previously disadvantaged individuals. To improve the sustainability of new farming enterprises, land reform beneficiaries and emerging farmers will receive heightened support in the form of skills training and mentorship.

Economic Development and Tourism is spearheading the **Province's Workforce Development Programme** in non-agricultural sectors. Using the National Skill Fund and extra provincial resources provided in the 2007 MTEF, the Department will step up its skills development interventions in the high-growth sectors targeted in the Province's Microeconomic Strategy – call centres and business process outsourcing and in particular, oil and gas servicing industries and tourism. Economic Development works closely with a number of research and policy advocacy bodies such as the Centre of Extended Learning, and training providers, such as Sector Education Training Authorities (SETAs) and Further Education and Training (FET) colleges, to fine tune the content of training and identify sectors where investment in training will yield good results.

Learnership 1000 is, in the main, aimed at developing skills at the artisan level in the built environmental sectors, where skill shortages are currently pushing up the costs of provision and slowing delivery. Through the programme, Transport and Public Works co-ordinates the delivery of a number of learnerships. Of the first intake of learners, 550 are currently undergoing experiential training in road and building construction sectors and 100 in other sectors such as professional driving and arts and culture management. The bulk of the first intake will graduate in March 2008, at which time a second intake numbering 735 will occur.

The **Expanded Public Works Programme** has become an important pillar in our skills development and job creation strategy. In 2006/07 more than 44 000 EPWP compliant work opportunities were created in the Province, considerably higher than the results recorded in 2005/06 of 28 000 EPWP job opportunities. These achievements have not been without their challenges. It seems that much work is required to meet the potential for generating EPWP jobs in the municipal sector. The EPWP unit in the Department of Transport and Public Works has redeployed staff to assist municipalities to identify infrastructure projects that can become EPWP compliant and to design the projects in ways that they do indeed become EPWP compliant.

In the previous MTEF the Province received a boost to its road building resources through the national Infrastructure Grant to Provinces. A portion of the increase was earmarked for "upscaling the EPWP on roads". Every year the amount earmarked for the EPWP grows. Transport and Public Works has developed a number of approaches to make road

maintenance and building more labour intensive. The Department will now be tarring gravel roads and re-gravelling roads using methods that are more labour-intensive, and will re-organise its routine maintenance so that local labour can be readily used.

Speaker, the Province also aims to boost job creation in the Province by providing support to small businesses and to investors – albeit very different kinds of support. I have spoken before of the support we supply to businesses through our “special purpose vehicles” and through RED doors. The Department of Economic Development and Tourism has set up SPVs in a number of the key growth sectors in the Province to allow the main players in those sectors to plan and develop the support they require. Our RED doors are aimed specifically at supplying business support services to small and start-up firms.

Towards the end of the 2008 MTEF, when resources become available, the Department intends launching the “**Creative Precinct Plan**” and the “**Cape Catalyst**”. R19.5 million has been allocated in total for these projects. By targeting arts and crafts small and medium sized enterprises operating in a number of the Premier’s 21 Areas of Transformation, the Department of Economic Development hopes to cultivate precincts in these areas where creativity can thrive and be commercially rewarding. The aim is for the precincts to act as bulwarks against the gang and drug culture and economy prevalent in these areas.

The Cape Catalyst initiative aims to stimulate investment into the Western Cape economy by providing a facility through which investors can co-ordinate their activities and thus tackle large investment projects. The idea is that the Catalyst will facilitate this pooling of investment capital through providing both project management expertise and industry specialist knowledge to groups of investors so that large projects that are well conceptualised and competently implemented are put in place.

Balancing Responsive and Responsible Governance

Mr Speaker, for this Government to meet the objectives of enhancing access and improving service delivery we have to change the way we as government officials work, think and connect to the people we serve.

Changing how Government works requires that civil servants attain new skills, use those skills that they have already acquired and become familiar with new structures and processes that leads to improved service delivery. Changing people’s thinking of Government’s service delivery starts with employee perception of their contribution; work practices; and the value that they add to communities. Changing the way people connect is closely linked to a learning organisation, which suggests that we cannot continue to improve

access, quality and the responsiveness of Government services if we are not exposed to new ideas and listening to what our communities are telling us.

In the private sector listening to customers is regarded as one of the crucial elements that make the private sector successful. Listening to the citizens is likewise so for the success in the public sector. The linkage between government and citizens through the various *izimbizo* has further deepened the legitimacy of this democratic government. Government has become much wiser in setting its policy priorities by incorporating the views of citizens into its planning and policy development processes.

Through listening to citizens for the success of the public sector, the Premier has identified 21¹ areas, which require urgent social and economic investment to fight crime; gangsterism; reducing poverty; create employment opportunities; accelerate implementation of the Integrated Sustainable Rural Development programme and further concentrate on former Project Consolidate areas. The Social Transformation Project attempts to link-up the 21 areas, which urgently need social and economic investment, with the resources and information of government. The 21 areas will provide an opportunity for all sectors of society to forge networks that strive towards the achievement of a common purpose in a collective manner in line with the provincial vision of 'A Home for All'. The Social Transformation Project therefore seeks to intervene in the most marginalized communities in the Western Cape to ensure that the policy imperatives of the PGDS find expression in the 21 areas.

Local government forms a vital element in the governance system of the Province. A number of governmental, non-governmental and private players are active in the field of assisting municipalities. Indeed, within the Provincial Government nearly all departments interact with municipalities in some way or other, although in many cases improvement in this relationship is still required.

To assist in this endeavour the Economic Analysis unit in Treasury has produced their second Socio-Economic Profiling of Local Government, the SEP-LG 2007. This discerning work is meant to better inform our decision making and planning, whether by municipalities or by departments or by business. Its sobering message is that the decisions we take have far reaching implications not only for the current, but also future generations. The SEP-LG is meant to assist us in pursuing an informed developmental agenda towards fully achieving the Millennium Development goals by 2014. Each district, broken down per municipality, has its

¹ These areas include Mitchell's Plain, Khayelitsha, Manenberg, Hanover Park, Nyanga, Elsies River, Bishop Lavis, Delft, Kleinvlei, Gugulethu, Phillipi, Muizenberg, Vredenburg, Paarl, and Oudtshoorn, in addition to the Integrated Sustainable Rural Development Programme and Project consolidate areas.

own analysis, but they collectively demonstrate the social, educational, economic and environmental concerns and attributes in each municipal area, including that of the City.

The earmarked allocation made in 2007 MTEF to allow the key Department of Local Government and Housing to expand its “hands-on support to municipalities”, grows in the outer years of the 2008 MTEF. The growth will enable the Department to focus on supporting municipalities to improve efficiencies with which they deliver services and the efficacy of their management structures.

2007/08 Adjusted Estimates of Provincial Expenditure

Speaker, through the tabling of the Western Cape Adjustments Appropriation Bill, 2007, the executive seeks Parliamentary approval for its revised spending plans for the current financial year.

This year’s Adjusted Estimates increases the Main Budget allocation by R966 million or 4.7%. The details are set out in the Western Cape Adjusted Estimates. In the main, the budgetary increase is due to the rollover of a national conditional grant to fund projects approved for the N2 Gateway housing pilot project (R229 million), as well as additional equitable share monies received from the national government for the treatment of HIV/Aids and XDR tuberculosis (R105 million) and the improvement of personnel’s service conditions (R104 million).

A further R30 million was received from national funding sources for agricultural disasters, such as the droughts in the Central Karoo, the recent floods on the West Coast and damage due to the hail storm that hit Haarlem in November 2006. The contributions to Haarlem have been boosted by a further R1.6 million from provincial sources.

R444 million will be funded from provincial resources, as follows:

- Unspent funds from last year amounting to R184 million rolled over for re-appropriation in the current year;
- Revenue retention of R71 million from last year and increased own revenue of R101 million from the current financial year;
- R26 million from the Asset Financing Reserve for revitalisation of the Information Communication Technology and the purchase of IT equipment to replace network and infrastructure equipment that could no longer be repaired;

- From the contingency reserve R2 million will go to Cape Nature for legal fees and damages related to fire claims. A further R7 million from this source will be used to finance the cost of repairing the unsafe façade of the 4 Dorp Street office block;
- From increased gambling revenue R2 million goes to provide relief for our traffic police services, while R6 million has been allocated to the Department of the Premier to fund pressures within the vote, such as expenditure regarding World Cup 2010, social transformation, forensic audit, internal staffing pressures, IGR and legal services; and
- R45 million has been allocated from the Provincial Revenue Fund to Education (R25 million) and Health (R20 million) to finance additional costs due to the implementation of the Government Employees Medical Scheme (GEMS), especially the introduction of incentives for low-income public servants to become members of the scheme.

In the run up to the Adjustments Estimate, **Health** and the media reported cost and service load pressures at our health institutions, which resulted in a minimum over spending problem for the 2007/08 financial year amounting to R87 million. Funding to this effect was provided to the Department from the Provincial fiscus. Of this, R14.5 million is allocated specifically to Health Information Technology. The balance of R72.5 million is allocated to Health as a cost-pressure/service load relief on a sustainable basis over the MTEF, representing a permanent baseline adjustment.

Speaker, during the past couple of months we have been actively involved in discussions around the funding dilemma within our Health institutions. What was needed was to ensure that Health is sufficiently funded to maintain the service at current levels. The additional equitable share monies that we received from the national government for the treatment of HIV/Aids (R50 million) and XDR tuberculosis (R55 million) goes a long way to assist us and is an indication of the strength and effectiveness of the current Intergovernmental fiscal system. In total, R332 million or a third of the Adjustments Budget has been added to the Health budget to ensure that we manage the pressures in a responsible way. Of this amount, Province contributed R129 million and National Government contributed R203 million.

Conclusion

I would like to thank the Premier, my colleagues in the Provincial Cabinet, Heads of departments and their staff for their role in crafting this medium term policy statement and adjustment estimates.

Thanks too to the ever diligent staff of Provincial Treasury.

Speaker, it is with pleasure that I today table the 2007/08 Adjustments Appropriation Bill, Adjustment Estimates of Provincial Expenditure 2007, the Province's Medium Term Budget Policy Statement 2008-2011, and the 2007 Socio Economic Profiles of the 30 municipalities in the Western Cape.

I would like to leave you with these closing thoughts by Madiba: *"The time is always right to do right; a good head and a good heart are a formidable combination; the good must win the laurels in the end"*.

Thank you