*Speech Notes by Bobby Stevenson speaking on the Budget Vote of the Provincial Treasury – 4th June 2015*

**Budget fails to give real direction to the province.**

* **Job shedding policies destroying opportunities in the Eastern Cape**
* **Steps necessary to redirect funds in the province to service deliver**
* **High cost of employees destroying service delivery**

Budget plays an important role in shaping the economic direction of a province as it allocated resources and if done correctly can secure critical policy outcomes. It is important that we evaluate this budget against the background of South Africa’s economic crisis.

The latest economic indicators released last week by Stats SA show that South Africa is facing an economic crisis. Unemployment is rising and economic growth is dangerously low. All this is exacerbated by the triple triple challenges which our economy faces. The first triple challenge surrounds unemployment, poverty and inequality. The second triple challenge concerns the budget deficit, household deficits and the current account deficit. The third triple challenge that impacts on our economy is that of labour unrest, the excessive regulatory burden placed on businesses, and the lack of savings taking place in our country to facilitate capital formation.

All three of these triples are interrelated and to some extent self-inflicted. Therefore, a huge responsibility rests upon us as a Legislature to ensure that we make the right policy choices and that our budget does the best it can for this province in the context of these triple challenges that I have mentioned.

According to the statistics released by Stats SA last week, the official unemployment rate in the Eastern Cape has increased to 29.6% up 0.5% compared to the last quarter. The expanded rate of unemployment is not 43.2% up from 41.9%. This is the highest in the country along with the North West.

The job shedding policies of the ANC are wreaking havoc on families in the Eastern Cape along with our two major Metros. In a free society, a job is not simply about work. It is about dignity and being able to put food on your family’s table. Nelson Mandela bay has the highest official rate of unemployment of all the Metros at 33.1%, with Buffalo City at 27.4%.

Our dysfunctional Metros are simply not engines of economic growth but are instead sad examples of ANC job-destroying governance. In this province of the 1,358 million employed, 354 000 are found in Nelson Mandela Bay, 245 000 in Buffalo City the remaining 759 000 come from non-Metros. It is a tragedy that our Metros, particularly the Nelson Mandela Bay Metro that has such potential, has the highest unemployment rate of all Metros in South Africa.

This is a direct result of the dysfunctional nature of the governing party in that Metro. The Metro is riddled with corrupt practices and poor service delivery. By way of example, 40% of the Metro’s water is unaccounted for. The unemployment rate, particularly in this province, shows that the government is failing to create the right climate for growth and opportunity. In a fair society sound economic policies should be prioritised over failed ideological positions which are paralysing the ANC and destroying jobs.

The provincial government needs to do two things:

1. Firstly, it must provide the necessary foundation for an inclusive, growing economy by ensuring that there are quality basic services, effective health care, and quality education.
2. Secondly, the provincial government needs to come up with innovative policies such as opportunity centres which will serve as one stop shops for central business, as central nodes for young job seekers and entrepreneurs to access support. They should also create a provincial internship programme based on the successful model used in the Western Cape. Incidentally, this province created 91 000 jobs in the first quarter of 2015 – the highest of all the provinces.
3. The province also needs to pull out all stops to cut down on consumption expenditure and needs to ensure that the resources that we have are invested in creating a climate for economic growth. Cutting red tape, improving the efficiency of the civil service, and ensuring value for money on infrastructural spending are some of the easy steps that the province can take to improve the climate for job creation.

If we look at the current budget poor stewardship of the province’s finances erodes our limited resources which is compounded by rampant corruption. The province is wobbling along a fiscal tight rope due to the percentage decline in our equitable share. R7.906 billion has been lost due to the 2011 census results. The impact of the wage settlement above the originally projected 5.8% means that the new agreement, along with the new Labour Relations Act amendments regarding contract worker, could conservatively cost this province an additional R1.5 billion.

There are immediate interventions where more forceful action can be taken so that funds are re-prioritised for service delivery:

1. There are 3459 additional educators employed in the province at an annual cost of R1,190 billion. This issue has been dragging on for years and now needs strong intervention to deal with it. We cannot afford to waste R1,2 billion a year in a province which is facing not only an economic crisis but an educational crisis as well.
2. Secondly, it has been estimated that one could save up to R2 billion a year by offering non-core staff over 60 years of age retirement packages. When is this issue going to be addressed?
3. Eradicating corruption and irregular expenditure, which cost this province R2.45 billion in the 2013/14 financial year. We could also make huge savings from excessive amounts spent on travel and accommodation which amounted to R429 million in the 2014 financial year. This amounted to 25% of all provinces.
4. The province also pays above market rentals. Then there is the excessive cost of infrastructure due to the incapacity of Public Works. We pay R11.6 million per kilometre for roads while the Western Cape is R2.189 million. Our province spends 60% more than a national department to build the same school. A huge amount of funding is wasted on poorly built houses in the Eastern Cape and 135 000 houses need to be rectified. We could also make savings from the excessive use of consultants.

These are some areas where, if there was some more proactive intervention, we would be able to reallocate resources towards creating a better platform in this province for economic growth.

The key issue that haunts us in this budget is the high cost of employees. The current budget is R64.994 billion of which R10.060 billion is for conditional grants. This leaves and equitable share and the equitable share component of the budget is R54.32 billion. If one subtracts the budgeted R43 billion for cost of employees, it means that there is R10 billion left for service delivery.

This means that the current wage agreement that has been reached is going to have huge implications for service delivery in the province. It means that the service delivery component, the R10 billion, is potentially going to be reduced by up to R1.5 billion - a minimum of 10% - to settle wages assuming reserves are used. This means that our wage bill has a percent of equitable share and is going to exceed the 80% mark. This is completely unsustainable in the long term. This is something I have warned about in budget speech after budget speech but it is simply not being turned around.

This is one of the key factors that impacts on all of the triple challenges that I mentioned earlier on in my speech. In this country, we cannot afford to be borrowing money to pay civil servants’ salaries. This, coupled with poor levels of productivity, means we are paying more and getting less. This is undermining opportunity and is limiting our freedom to get ahead in life. What we need is South Africa is a climate of freedom.

Freedom is the engine of progress that will drive South Africa forward. It inspires our people to be innovative and allows the entrepreneurial spirit to thrive. In an environment of maximum freedom everyone is empowered to participate in a growing economy and live a dignified life.

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