

BUDGET SPEECH

2006

Gauteng Provincial Government

21 February 2006



BUDGET SPEECH 2006/2007

**SPEECH BY GAUTENG MEC FOR FINANCE AND ECONOMIC AFFAIRS,
PAUL MASHATILE, ON THE OCCASION OF THE PRESENTATION OF THE 2006/07
GAUTENG BUDGET TO THE LEGISLATURE, 21 FEBRUARY 2006.**

Comrade Speaker;
Comrade Premier;
Colleagues in the Executive Council;
Honourable Members of the Provincial Legislature;
Ministers and Members of national Parliament present here today;
Mayors and Speakers from various municipalities;
Heads of Department, Government Officials and Leaders of our Agencies;
Leaders of various political parties;
Leaders of the business community;
Leaders of civil society organizations;
Distinguished guests;
Learners from various schools in Gauteng present here today;
The People of Gauteng;
Comrades and Friends:

INTRODUCTION

Comrade Speaker, today we are presenting to this House and the people of Gauteng, a budget that seeks to further restore their dignity. It is a budget based on the foundations of the first decade of freedom and the realisation of vision 2014 of halving poverty and unemployment.

This year, being the second year of the second decade of freedom, we are confident that, gradually, we are succeeding in building a better future for the people of Gauteng. We are also succeeding in bringing hope where there was despair, light where darkness prevailed, optimism in the place of pessimism and have replaced stagnation with progress.

Each day that dawns for the citizens of Gauteng, brings with it possibilities of reducing the burden of the painful past, that our people suffered under the apartheid government. Indeed the age of hope is upon us.

From their own direct experiences, our people can attest to the objective reality that, despite the many challenges that still lie ahead, as the ANC government we have done everything possible to honour our commitments as outlined in our policy documents, the Manifesto, the RDP and the Freedom Charter.

Ours is to continue to eradicate the legacy of the apartheid state and replace it with a united, non-racial, non-sexist, democratic and prosperous South Africa that truly belongs to all who live in it, black and white.

Comrade Speaker, we are also presenting this year's budget as we observe; the celebration of the 50th Anniversary of the historic Women's March of 1956 to the Union Buildings and the 30th Anniversary of the 1976 Soweto Uprising.

As we observe these important milestones in the history of our liberation struggle we must recommit ourselves to gender equality and the full emancipation of women. In this regard, we will continue to ensure that women and in particular young women continue to occupy the centre stage in our development programmes.

Furthermore, we will create opportunities for women and youth to become agents of economic development as part of our agenda to transform the economy.

We will also contribute towards the 30th Anniversary of the Soweto uprising, by ensuring that the youth of Gauteng become economically active and are mobilised and organized to participate in the governance processes. Through the establishment of the Gauteng Youth Commission, we will focus resources that will indeed realize our vision of building Gauteng as a beacon of integrated youth development.

On the 1st of March, as we go and vote in the local government elections, we will also mark the end of the first decade of building democratic local government. The vision to build a developmental local government is premised on the understanding that the sphere of local government is at the coal face of delivery of services to our people.

As part of our effort to make Gauteng a globally competitive City Region, we will continue to strengthen our municipalities to be able to deliver quality services to our people.

Gauteng is an urban province with an ever-changing, dynamic modern society. This is as a result of the challenges brought about by globalization. In response to this reality, we will continue to build a province characterized by a seamless and integrated approach to governance and a holistic, compassionate and responsive government.

Comrade Speaker, in celebrating ten years of the adoption of the first democratic Constitution this year, let us remember its preamble that directs us to "improve the quality of life of all citizens and free the potential of each person." It is also in this context that we present this year's Budget.

THE ECONOMIC ENVIRONMENT

Comrade Speaker; the spirit of optimism among many of our people is largely underpinned by the robust performance of our national and provincial economy. Our country is experiencing the longest post war economic upswing. Consumer

spending has experienced the fastest growth in 20 years. The business confidence index, reflecting the private sector's confidence in our economy, is at its highest in 23 years.

In the corporate sector, profit margins and the performance of our stock market continue to be buoyant and this should be supportive of new business investment and expansion.

Capital inflows continue to reflect confidence in the South African economy. South Africa attracted capital inflows of up to 6.1% of GDP in 2004, and it is expected that the figure for 2005 will be 6.5% of GDP and rising in 2006.

As a major contributor to our country's GDP, accounting for over 33% of GDP, Gauteng has contributed massively to the robust performance of our national economy.

Our province continues to sustain higher levels of economic growth, above the national average. Of significance is that the sustained growth of the provincial economy has resulted in the creation of job opportunities and a reduction in unemployment.

As indicated by the Premier in the State of the Province Address, unemployment in Gauteng has declined from 30,4% in September 2001 to 22,8% in September 2005.

We are further encouraged by the outlook for the provincial economy which remains positive. We estimate that in 2006 Gauteng could see a real GGP growth rate of well above 5,5 %, taking us within reach of our target of growing the provincial economy at a rate of 8% by 2014.

This will strengthen our efforts aimed at positioning Gauteng as a gate way to the Southern African region and becoming the economic hub of Africa.

ACHIEVEMENTS

The spirit of optimism currently sweeping our country and the robust performance of our economy are some of the critical factors that put us in good stead to tackle the challenges we face and to respond in a comprehensive way to the genuine aspirations of the people of our province.

Already in the past two and half years we have made considerable progress in responding to the aspirations of our people.

We have made significant progress in enabling faster economic growth and job creation through the implementation of the provincial Growth and Development Strategy (GDS) and the establishment of the Gauteng Enterprise Propeller, an agency that provides financial and non-financial support to SMMEs and cooperatives in Gauteng. We have completed the provincial Broad Based Black Economic Empowerment Strategy which together with our drive to develop SMMEs will facilitate the achievement of our objective of ensuring that 70% of government procurement benefits BBBEE companies,

and that 40% of government procurement is targeted at SMMEs and cooperatives by 2009.

Considering that we as the provincial government procure goods and services to the value of more than R 6 billion per annum through the Gauteng Shared Services Center alone, this will be a massive injection towards broadening the empowerment of the previously disadvantaged, Africans and women in particular.

Collectively, these interventions continue to contribute towards reducing the gap between the first and the second economy and have broadened participation in the economic mainstream.

Our continued investments in infrastructure projects and the Expanded Public Works Programme have enabled faster economic growth and job creation. Over 10 000 jobs have so far been created from the implementation of the Expanded Public Works Programme.

We continue to direct more resources towards primary health care, Bana Pele, providing school uniforms to the poorest children, free scholar transport for children in rural and farm areas and the improvement of Science and Maths teaching in our public schools and implementing our comprehensive programme to combat HIV and AIDS.

In line with our commitment to fight poverty and build safe, secure and sustainable communities, we continue make significant progress in housing our communities in well located land. We are also making progress in the formalization of informal settlements. Thus far, more than 3 million residents of Gauteng have benefited from our programme to provide housing.

Through infrastructure investment, we will be making strides in upgrading facilities in the twenty identified townships. As indicated by the Premier in his State of the Province Address, resources to the tune of R3 billion will be utilized towards the improvement of infrastructure in the twenty identified townships.

These interventions will also form part of our contribution to the success of the Accelerated Shared Growth Initiative of South Africa (ASGISA). Our core objective remains halving poverty and unemployment by 2014.

Comrade Speaker, we continue to deepen democracy and ensure that the constitutional rights of our people are realized. This we are doing through regular engagements with communities, by calling Izimbizo and engaging in community outreach programmes.

Furthermore, we have launched the GPG portal as part of our commitment towards strengthening participatory democracy. This also contributes towards building an effective and caring government.

Through the Blue IQ project, we continue to improve the strategic economic infrastructure of our province and are contributing towards reducing the cost of doing business.

Our efforts to position Gauteng as a preferred destination for competitive sport, film making and production, tourism as well as foreign and domestic investment continue to bear fruit.

CHALLENGES

As the spirit of optimism continues to prevail among our people let us not be complacent and rest on our laurels. In-migration into the Province has resulted in a huge increase in population, estimated at 8,8 million people currently. The number of children in public schools has grown to about 1,8 million.

This has resulted in huge backlogs in infrastructure in our communities and the persistent unacceptable levels of poverty and unemployment.

We will also face challenges as a result of changes in provincial boundaries that have seen areas such as Winterveld, Ga-Rankuwa, Hamanskraal and Mabopane being incorporated into Gauteng.

In the next three years we will have to redouble our efforts in accelerating service delivery and infrastructure investment. In this regard one of the immediate challenges we have to address is to realize the eradication of the bucket system by the end of this financial year.

REVENUE AND EXPEDITURE

Comrade Speaker, allow me now to proceed to the allocations for this year's Medium Term Expenditure Framework Budget. Correctly so, this year's budget is reflective of the political priorities of our province. It builds on progress we have made towards the goals we have set for ourselves in our Five Year Strategic Plan and is in line with the Medium Term Budget Policy Statement we tabled before this House in November last year.

The 2006/07 MTEF budget is grounded on the reality that as a Province we are growing ever more confident of our ability to respond to the aspirations of our people without losing sight of the existing and anticipated challenges brought about by rapid urbanization.

Projected revenue for 2006/07 is R33, 824 billion, comprising;

- a) equitable share transfers of R 23,362 billion
- b) conditional grants of R 8,744 billion from national government and
- c) provincial own revenue is projected at R 1,758 billion after taking into account agency fees for the collection of revenue.

We would like Honourable Members to note that there is a major change in the provincial fiscal framework for the 2006 MTEF. This is as result of the shift of the social security grant function from the province to national government.

The South African Social Security Agency is now in a position to administer the social assistance function from April 1 2006.

Estimates for revenue have therefore excluded allocations for social security grants for the MTEF period. Amounts excluded from the Budget are R 7, 669 billion for 2006/07, R 8,324 billion for 2007/08 and R 9,083 billion for the 2008/09. A total of R 25,206 billion has shifted out of the Gauteng Budget for the MTEF period.

Even with this shift, revenue still rises significantly from R 33 billion in 2006 to R 40 billion in 2009.

Comrade Speaker, total expenditure for 2006/07 amounts to R 34,6 billion. However additional allocations for the Government Employees Medical Scheme and the Social Development Strategy have been set aside to be allocated pending the finalization of plans.

The expenditure for the 2006/07 financial year exceeds revenue by R 783, 8 million or 2, 3% of total revenue. This is as a result of carry through costs for funding of personnel in the Department of Education. The Department had to employ more teachers as a result of the increased number of learners in our public schools.

This difference will be funded by accumulated reserves from the Provincial Revenue Fund.

Over the MTEF, expenditure rises to R 36, 3 billion in 2007/08 and to R 39 billion in 2008/09. Expenditure on the Budget grows significantly by 25% in the 2006/07 financial year and by an average of 12,2% in nominal terms in the MTEF period.

We wish to emphasise that the rationalization and increased efficiency of budgetary expenditure will be key elements in eliminating over and under expenditure by departments.

Comrade Speaker, Provincial revenue is projected to increase by a total of R 5,9 billion or 8,5% over the MTEF. These increases are driven by substantial additions to national transfers, mainly the contribution to the Gautrain project and by increased provincial own revenue as a result of the strong performance of the Gauteng economy.

The provincial own revenue is estimated to grow at an average of 7, 9% in nominal terms over the MTEF period increasing from R 1, 76 billion in 2006/07 to more than R 2 billion in the outer years of the MTEF.

Revenue raised from vehicle licenses, which accounts for 52% of the provincial own revenue, continues to show a positive increase.

Honourable Members, as part of our efforts to increase provincial own revenue the following adjustments on motor vehicle license fees are introduced:

- a) An average fee increase of 6,6% on miscellaneous fees
- b) An average 8,5% increase on the registration and license fees of different categories of motor vehicles
- c) An increase ranging between 4,1% and 12,5% on fees relating to permits for abnormal motor vehicles and transportation of abnormal loads

These proposed fee increases will take effect as from the 1st of April 2006.

Since inception to date, taxes collected by the Gauteng Gambling Board on behalf of the provincial government amounted to R 2, 69 billion. Taxes collected for the 2005 financial year amounted to R 392 million and for 2006 are expected to be in excess of R 400 million. Casino taxes are expected to grow by 6% per year during the MTEF period.

As from the 1st of April 2006, application fees and license fees for gambling will increase by 6%.

Last year, during the presentation of the 2005/06 budget, we announced that we will begin to investigate measures that will assist us to increase provincial own revenue. Significant progress has been made in this regard and proposals will be announced when we table our 2007/08 budget.

Comrade Speaker, we are encouraged by the fact that estimated revenue of about R 40 billion by the 2008/09 financial year will result in a surplus of R 810,1 million in the Provincial Revenue Fund, thus giving us scope to address funding pressures in our programmes.

SOCIAL VERSUS ECONOMIC CLUSTER ALLOCATIONS

Over the past years, we have ensured adequate funding for the social services cluster, resulting in the split of 80:20 ratio in budget allocations.

For the 2006 MTEF the social services cluster will receive a combined allocation of 69% of total expenditure for the 2006/07 financial year. The decrease of the social sector share from 80% of the total budget in the previous financial year to the current 69% is as a result of the shift of social security grants from provinces to the new South African Social Security Agency. We wish to reiterate that social services such as Health, Education and Social Development will remain adequately funded over the MTEF.

As we indicated in the Medium Term Budget Policy Statement, we will in this year's Budget and those subsequent to it, increase allocations for capital expenditure which will be directed towards infrastructure projects that will serve as a catalyst to economic growth and job creation.

I will now move to how this year's Budget will be allocated to individual Departments.

DEPARTMENT OF HEALTH

The provincial Department of Health receives additional amounts of R 218 million, R 204 million and R 402 million for each respective year of the MTEF. This additional funding will be used to fund the following priorities in line with our strategic objective of developing healthy, skilled and productive people:

- a) Enhance human resource management by recruiting health professionals and creating incentives for retaining staff in the professional health sector;
- b) Expand emergency medical services and implement the new national ambulance services model;
- c) Medical Equipment for the Pretoria Academic Hospital
- d) Primary health care allocations include allocations for district management, community based services, community health clinics and community health centres to expand primary health care and improve services in rural areas;
- e) The allocation for the modernisation of tertiary services will be used for digitisation and equipment in central hospitals. The amount allocated for information services will be used to deal with information technology issues in Health.

Conditional grants amounting to R3 billion will be used during 2006/07 to fund improvements in the tertiary sector (central hospitals), hospital revitalization, provincial health infrastructure in twenty priority townships and a comprehensive HIV/AIDS programme. Conditional grants will amount to R10 billion over the MTEF period.

Out of this amount R 250 million will be used for improvements and provision of health facilities in the twenty identified townships over the next three years.

Our HIV/AIDS programme will receive an amount of R 1,6 billion over the next three years.

Comrade Speaker, the total budget for the Department of Health will be R 10, 4 billion in 2006/07 rising to R 11 billion in 2007/08 and R 11,9 billion by 2008/09. This represents an average 7% increase over the MTEF period.

DEPARTMENT OF EDUCATION

To respond to some of the serious pressures placed on service delivery by in-migration to our province, the Department of Education receives additional amounts of R 133, 4 million, R 469 million and R 875 million for each respective year of the MTEF. These funds will be used to fund the following priorities:

- a) Reduce the backlog in school equipment;
- b) Expand early childhood development;
- c) Provide for teacher development and human resource management systems;
- d) Extend the implementation of the new curriculum statement to grades 10 to 12;
- e) Implement revised norms and standards for school funding;
- f) Strengthen special schools and expand information management systems;g)
Implement the no fee school policy

Conditional grants amounting to R 389 million will be prioritized to fund Further Education and Training College Sector recapitalization, the national school nutrition programme, HIV/AIDS (life skills) education and provincial education infrastructure in the twenty priority townships. These conditional grants will amount to R 1,3 billion over the MTEF period. Of this amount R 498 million will be used to improve education facilities in twenty identified townships in the next three years.

Honourable Members, one of the binding constraints identified by ASGISA to accelerated and shared growth is the shortage of skilled labour. Skills development is necessary for us to achieve the kind of economic growth rates we envisage. Skills development is also critical to increase the capacity of the state to deliver on the mandate of government.

In realizing this objective, through quality and upliftment programmes, the Department of Education will focus on creating partnerships with institutions of higher learning and the private sector. This is an important task as it will help us produce learners, students and intellectuals who will contribute to the realisation of our objective of shared growth and pursuing the objectives of NEPAD.

The total Budget for the Department of Education is R 12, 2 billion in the 2006/07 financial year rising to R 13, 3 billion and R 14, 5 billion respectively in the two outer years of the MTEF. This translates into an average 8,7% increase over the MTEF.

DEPARTMENT OF SOCIAL DEVELOPMENT

Consistent with our commitment to expanding the social security net and welfare services as a measure of alleviating poverty, the Department of Social Development receives additional amounts of R 75, 6 million, R217, 9 million and R 423, 2 million respectively over the MTEF years.

Now that the Department does no longer have the function to manage social security grants, greater attention will be given to the implementation of the Social Development Strategy. The Department will become a catalyst in ensuring the enhancement of social cohesion in our communities.

The additional resources will be used for the following priorities in line with our objective a building a caring government:

- a) Implementation of the Child Justice Bill, Children's Bill and the Older Person's Bill;

- b) Early childhood development and Extended Public Works Programme which will contribute towards the creation of work through the HIV and AIDS Community Home Based Care Programme;
- c) HIV and AIDS and Integrated Social Development Services Grants;
- d) Expanding existing social welfare services;
- e) Adjustment to the salaries of social workers

In total, the Department of Social Development receives R 981, 7 million in 2006/07, rising to R 1, 1 billion in 2007/08 and R 1, 3 billion in 2008/09, representing an average of 19,1% increase over the MTEF.

DEPARTMENT OF HOUSING

Our drive to build safe, secure and sustainable communities will benefit massively from allocations that will be made to the Department of Housing in the form of conditional grants. In the 2006/07 financial year the Department will receive conditional grants amounting to R 1, 7 billion in 2006/07, R 2, 2 billion in 2007/08 and R2, 4 billion in 2008/09.

The increased allocations will be spent on the delivery of housing programmes, formalization of informal settlements and ensuring mixed income communities on well located land.

The Department will receive an amount of R 20 million this year to appoint project managers for the twenty identified townships project.

While funding will be made available in the respective budgets of the Departments of Health, Education and Public Transport, Roads and Works for the implementation of twenty priority townships project, additional allocations will be considered once the Department of Housing submits a comprehensive business plan to the Provincial Treasury.

Additional funding is also made available to cater for the Urban Renewal Programme focusing on Evaton, Bekkersdal and the Alexandra Renewal Project. The total allocation for Urban Renewal Projects for the 2006/07 financial year is R 369 million. Of this amount R 172 million will go towards the Alexandra Renewal Project while Bekkersdal and Evaton receive a combined allocation of R 197 million. Over the MTEF these projects will receive a total of R1, 1 billion.

Comrade Speaker, the Department of Housing receives a total budget of R 2 billion in 2006/07, R 2,5 billion in 2007/08 and R 2,7 billion in 2008/09 representing an average 14,7% increase over the MTEF.

DEPARTMENT OF PUBLIC TRANSPORT, ROADS AND WORKS

This Department receives additional amounts of R27, 9 million, R75 million and

R 225 million for each respective year of the MTEF. These funds will be used for the construction and maintenance of the provincial road network.

An additional amount of R 498 million over the MTEF will be prioritized for improvements and provision of tarred roads in the twenty identified townships.

The Department will receive an additional amount this year of R 4,6 billion for the implementation of the Gautrain project. This amount is made up of a R 3,2 billion conditional grant from national government and a R 1,4 billion provincial contribution.

An amount of R 11,5 billion is set aside over the MTEF period for the Gautrain project. Additional funding will be made available from private sector contributions and government borrowing. Arrangements for borrowing are currently being finalized with National Treasury.

The MEC for Transport will introduce legislation in March for the establishment of a government agency that will manage the Gautrain project.

The total allocation for the Department of Public Transport, Roads and Works will be R 6,2 billion in 2006/07, R 5,3 billion in 2007/08 and R 5,2 billion in 2008/09. This translates into a 8,3% average decrease over the MTEF.

OFFICE OF THE PREMIER

The Office of the Premier receives an additional allocation of R13,5 million for 2006/07, R8,4 million for 2007/08 and R8,8 million for 2008/09. The additional resources will be used to fund the Global City Region initiative, NEPAD activities, particularly the Peer Review Mechanism, and Izimbizo programmes. Furthermore this Office requires funding to coordinate the entire programme of government.

Comrade Speaker, the Office of the Premier receives a total budget of R 118,4 million in 2006/07, R 120,5 million in 2007/08 and R 125,9 million in 2008/09. This will be an average 3,2% increase over the MTEF.

DEPARTMENT OF ECONOMIC DEVELOPMENT

The Department of Economic Development receives a total allocation of R 572 million for 2006/07 rising to R 589,3 million for 2007/08 and R 713,8 million for 2008/09. This is an average 12% increase over the MTEF.

The bulk of the funding will constitute transfers to the Provincial Agencies namely Blue IQ, the Gauteng Economic Development Agency, the Gauteng Enterprise Propeller, the Gauteng Tourism Authority and the Film Office.

Funding has also been made available for special projects such as Dinokeng, the

Cradle of Humankind World Heritage Site and the GPG Precinct. An amount of R 55 million is set aside this year for funding the Dinokeng Game Reserve which will open for business by December 2006.

DEPARTMENT OF LOCAL GOVERNMENT

The provincial government will increase its efforts over the next three years to contribute towards the building of a developmental local government with an intention to assist in particular District Municipalities. In this regard, the Department of Local Government in collaboration with the Provincial Treasury is currently finalizing plans to assist District Municipalities.

This programme will focus on supporting municipalities;

- a) to develop Integrated Development Plans that speak to the needs of communities;
- b) implementing the Municipal Finance Management Act;
- c) improving the billing system and
- d) project management capacity towards developing specialised skills in local government.

For this purpose, an additional amount of R 50million has been set aside this year to be allocated to the Department of Local Government. Additional funding will be made available on the MTEF budget once business plans are finalized.

Comrade Speaker, it is in the interest of all of us to ensure that local government works better and is able to deliver quality services to our people.

Additional funding has also been made available for the Disaster Management Centre.

The Department of Local Government receives a total allocation of R 160,3 million for 2006/07, R 180 million for 2007/08 and R 159 million for 2008/09, translating into an average 0,3% increase over the MTEF. These amounts will increase once the R50 million is added to the 2006 budget. Additional amounts will also be made available in the two outer years of the MTEF period. This will be dealt with during the adjustment budget later this year.

DEPARTMENT OF COMMUNITY SAFETY

This Department receives a total allocation of R 220,1 million for the 2006/07 financial year, R 264,3 million and R 222,8 million respectively for the two outer years of the MTEF period. The Department's budget therefore increases by an average 2,2% over the MTEF period.

The additional resources will be used for the implementation of a comprehensive Road Safety Plan that will focus on traffic management and passenger safety.

Allocations have been made available from the GDS Fund to fund the implementation of a Provincial Integrated Safety and Security System as part of the preparations for hosting the 2010 FIFA Soccer World Cup.

DEPARTMENT OF AGRICULTURE, CONSERVATION AND ENVIRONMENT (DACE)

DACE receives a total allocation of R 242 million, R 270 million and R 223 million for the three MTEF years, representing an average 7,9% increase.

The additional resources will be used to fund the implementation of the Gauteng Agriculture Strategy, with greater focus on assisting and developing emerging black farmers in the province.

The Department will also use the additional funding to promote sectors such as agro-processing and biotechnology.

DEPARTMENT OF SPORTS, RECREATION, ARTS AND CULTURE

The total allocation for this Department remains constant over the MTEF starting with an allocation of R 221,2 million in 2006/07, which declines to R 179,3 million in 2007/08 and increases slightly to R 189,7 million in 2008/09.

Allocations to this Department will go towards positioning Gauteng as a home of competitive sport, the hosting of major events and the implementation of the provincial Arts and Culture Strategy.

Refurbishment of stadia in partnership with municipalities and the sports fraternity will receive attention ahead of the 2010 FIFA Soccer World Cup.

Additional resources given to this Department will also fund the activities of the Gauteng Youth Commission.

GAUTENG SHARED SERVICES CENTER (GSSC)

The GSSC's allocation over the MTEF increases by an average of 7,5% starting at R 751,3 million in 2006/07 increasing to R 822,3 million in 2007/06 and further increasing to R 866,6 million in 2008/09.

The additional allocations will be used to fund the roll out of the Gauteng e-Governance Strategy. Priority will be given to improving and expanding our Call Center Project from the current capacity of 150 seats to 600 seats by July this year.

GSSC will also embark on a partnership with GEDA to promote the Call Center industry in Gauteng. Young people with skills relevant to this sector will be trained. We have already partnered with Vodacom to assist the company to locate its more than 1 000 seats Call Center into the CBD of Johannesburg.

GAUTENG PROVINCIAL TREASURY

The new Gauteng Provincial Treasury will be a separate Department from the Department of Finance and Economic Affairs as from the 1st of April this year. It will focus on the following key areas:

- a) Strengthening financial management to achieve operational efficiency and promote accountability in government;
- b) Attracting and retaining an appropriate technical skills base to the Gauteng Provincial Treasury;
- c) Providing technical assistance including analysing, monitoring, evaluating and advising Departments to enable good financial planning and management;
- d) Developing and implementing efficient internal systems and processes;
- e) Investing in and empowering Gauteng Provincial Treasury employees.
- f) Assisting municipalities with the implementation of the MFMA

A fully fledged Private Public Partnership (PPP) Unit will also be established within Treasury to take responsibility of all our current and future PPP initiatives. This move is necessitated by the fact that National Treasury has devolved more powers to Provincial Treasuries to handle PPP transactions.

The total budget for the Provincial Treasury will be R 70,4 million in 2006/07, increasing to R 86,6 million in 2007/08 and reaching R 107,2 million in 2008/09, an average 23,4% increase over the MTEF.

THE GAUTENG LEGISLATURE

The Legislature receives a total budget of R 129 million for 2006/07, R 133,3 million for 2007/08 and R 125,6 million for 2008/09, representing an average 1,2% decrease over the MTEF.

Honourable Members, we are currently considering the request of the Speaker for additional funding to be made available to the Legislature. The additional funding requested is to take care of additional facilities including office space for administrative support for Members.

Once office space has been secured, Treasury will ensure that funding is allocated accordingly. This matter will be dealt with later in the year when we finalize our adjustment budget.

Comrade Speaker, we are currently working with the Leader of Government Business to investigate measures that will ensure proper funding of political parties. We believe it is vital that all political parties involved in our democratic system of governance should receive adequate funding from the public purse to be able to engage the electorate on an ongoing basis, thereby strengthen democratic participation.

Once this work is concluded the Leader of Government Business will present proposals to the House which might include tabling relevant Legislation for this purpose. Additional funding will be made available to the Legislature when we finalize our adjustment budget later this year.

ORGANIZATIONAL AND PERSONNEL IMPLICATIONS

We received additional amounts of R 124,1 million, R 249,1 million and R 374,9 million over the respective MTEF years for the Government Employees Medical Scheme. These amounts have not been allocated as further planning and trends will inform the allocation to Departments in the 2006/07 adjustment budget.

The Department of Social Development has been allocated additional amounts of R15 million, R 15,7 million and R 16,5 million for each of the MTEF years to adjust the salaries of social workers.

The Department of Health has been given amounts of R 16,3 million, R 50 million and R 100 million respectively over the three MTEF years to enhance human resource management by recruiting health professionals and creating incentives for retaining staff in the professional health sector.

The Gauteng Treasury will receive an increased budget over the MTEF, to recruit further expertise and develop internal capacity. It will also receive R 5,6 million to undertake capacity building initiatives in financial management in provincial and local government.

Departments were given funds to address all aspects of personnel policy and other special projects. This includes general salary increases, carry through costs for personnel and increases in departmental establishments.

Adjustments to baseline amounts took full account of anticipated cost increases on goods and services, consistent with the inflation outlook published by the National Treasury.

GROWTH AND DEVELOPMENT STRATEGY (GDS) COMMITMENTS

In line with the ASGISA, the GDS identifies some of the key interventions we as the provincial government will make in order to accelerate the growth of the provincial economy, create jobs and fight poverty.

Among others, the Strategy seeks to achieve a shared economic growth rate of 8% by 2014.

Over the MTEF period we have set aside more than R 1,3 billion which will be allocated to specific Departments to fund GDS commitments.

The Department of Sports, Recreation and Culture receives a total of R 72 million over the MTEF to fund the upgrading of four major stadia in preparation for the 2010 FIFA Soccer World Cup and promoting Gauteng as a home of competitive sport. R 12 million of this allocation will go towards the development and implementation of the Arts and Culture Strategy which will among others invest in programmes aimed at developing the creative community.

The Gauteng Enterprise Propeller receives a total of R 250 million over the MTEF to offer comprehensive financial and non-financial support to SMMEs and cooperatives in Gauteng.

In order to realize our objective of building an inclusive, wealth generating economy through the promotion of Gauteng as a preferred destination for tourism, film making and production, we are setting aside from the GDS fund a total of R80 million over the MTEF.

Through the work of the Gauteng Tourism Authority, we will ensure that we attract 53% of total international arrivals to Gauteng and that we substantially increase the amount and number of days that tourists spend in our province.

We are also setting aside R 100 million for purposes of attracting foreign and domestic investment into Gauteng as well as enabling the Gauteng Economic Development Agency to carry out its new and broadened mandate of being not only an investment promotion agency but more broadly an economic development agency.

Over the next three years, Blue IQ will receive R 200 million from the GDS fund to continue the work of improving the economic infrastructure of Gauteng and reducing the cost of doing business.

The Department of Agriculture, Conservation and Environment receives a total of R 48 million over the MTEF to fund the Agriculture Development Strategy which will include agro-processing and bio-technology.

The Department of Public Transport, Roads and Works receives R 300 million over the MTEF from the GDS fund. This allocation will be used to develop a holistic traffic management system to monitor traffic incidents, congestion and other traffic management issues.

The Department of Community Safety will receive an allocation of R 75 million from the GDS fund over the MTEF to fund a Provincial Integrated Safety and Security System.

The Department of Housing receives R 35 million over the MTEF for the rehabilitation through infrastructure investment of twenty identified townships across Gauteng.

In order to enhance interaction between communities and the provincial government and to give meaning to our commitment to build an effective and caring government, the Gauteng Provincial Government Contact Center administered by the GSSC will receive an allocation of R 150 million over the MTEF from the GDS fund.

INFRASTRUCTURE PROGRAMME

Infrastructure investment forms the cornerstone of our efforts aimed at achieving higher levels of shared economic growth. As ASGISA points out, public sector investment in infrastructure is one of the critical elements necessary to move our economy onto a higher growth trajectory.

Infrastructure expenditure over the MTEF will approximate R25,706 billion with the larger share of the infrastructure budget accounted for by the Departments of Public Transport, Roads and Works, Housing, Health and Education.

Comrade Speaker, the infrastructure budget for 2006/07 is almost double the budget for 2005/06. This can largely be attributed to the huge investment in the implementation of the Gautrain project.

Consistent with our commitment to achieve higher levels of economic growth and job creation, the expenditure on infrastructure will be directed towards projects that will serve as catalysts to job creation.

CONCLUSION

In conclusion Comrade Speaker, the people of Gauteng continue to be steadfast in their confidence in the ANC led government as their only beacon of hope. Increasingly, they are becoming convinced that indeed a better country and a better Gauteng is in the making.

With this budget, and the work that we continue to do as the provincial government, we are hopeful of the realisation of the New Age of Hope.

I would like to end by quoting one of the greatest leaders of the people of South Africa, former President Nelson Mandela who said in his book *The Long Walk to Freedom*: "I have walked that long road to freedom. I have tried not to falter; I have made missteps along the way. But I have discovered the secret that after climbing a great hill, one finds that there are many more hills to climb"

I therefore wish to urge all our public representatives and officials in government to continue working tirelessly towards building a better life for all. We must do so, in order not to dampen the spirit of optimism currently sweeping our country and in particular our province.

We have a responsibility not to let our people down!

Comrade Speaker, in the preparation of this budget we received essays from the following schools in Gauteng; Katlehong High School; Westonaria Hoerskool; Kwa-Dedangendlale Secondary School; Leshata Secondary School and Lotus Gardens Secondary School

We wish to thank learners from these schools for their valuable suggestion many of which we took into account in the preparation of this budget. We wish to thank, Marotholi Suzan, Tisetso Keorapetsi, Fatima Raphahlela, Thando Gama, Floyd Zondo, Buhle Mabaso, Thami Sibiya, Nosipho Luphondo, Christopher Radebe, Happy Mphela, Masechaba Malefane, Ayanda Kunene, Innocentia Tshelakgolo, Perseverance Mpholo, Jeffrey Tseloekoe, Navada Mersich, Jeanette Nkomo, Cynthia Mphuti and Maria Mthethwa all of whom have submitted well written and researched essays which proved useful in the preparation of this budget.

I wish also to thank the Premier for his firm and decisive leadership in ensuring that we deliver on our objectives, my colleagues in the Executive Council for their collective wisdom in the process of formulating this budget; Honourable Members of the Finance Committee led by Comrade Bheki Nkosi, Ms Bongzi Kunene and all HOD's, government officials and the Treasury team led by Nomfundo Tshabalala who worked hard to produce the documents before the House today. I also wish to thank Percy Mthimkhulu and Mduduzi Mbada for working tirelessly with me in putting together this speech.

Lastly I wish to thank family and friends for their continued support.

Comrade Speaker, I now table the following documents for consideration by the House:

- a) The Budget Statement 2006/2007 (Estimates of Revenue and Expenditure)
- b) The Appropriation Bill G001/2006
- c) The Explanatory Memorandum to the Bill
- d) Budget Booklet 2006/2007
- e) A copy of my speech

Let us not forget that there are many more hills to climb!

Keya Leboga!

Addendum to 2006 Budget Speech

MTEF Budget Allocations and Provincial Expenditure

Table 1: Percentage Change (Year on Year)

| R thousand | 2005/06 Adjusted Appropriation | 2006/07 MTEF | % Change In Budget from 2005/06 to 2006/07 | 2007/08 MTEF | % Change In Budget from 2006/07 to 2007/08 | 2008/09 MTEF | % Change In Budget from 2007/08 to 2008/09 | Average Annual % Change from 2005/06 to 2008/09 | Average Annual % Change over the MTEF |
|--|---|-------------------------|---|-------------------------|---|-------------------------|---|--|--|
| 1 Office of the Premier | 104,747 | 118,431 | 13,1% | 120,516 | 1,8% | 125,918 | 4,5% | 6,5% | 3,2% |
| 2 Gauteng Legislature | 114,097 | 129,010 | 13,1% | 133,349 | 3,4% | 125,695 | (5,7%) | 3,6% | (1,2%) |
| 3 Economic Development | 603,242 | 572,071 | (5,2%) | 589,336 | 3% | 713,816 | 21,1% | 6,3% | 12,1% |
| 4 Health | 9,840,640 | 10,404,351 | 5,7% | 11,010,679 | 5,8% | 11,900,064 | 8,1% | 6,5% | 7% |
| 5 Education | 10,807,411 | 12,281,967 | 13,6% | 13,338,340 | 8,6% | 14,508,449 | 8,8% | 10,3% | 8,7% |
| 6 Social Development | 859,520 | 981,782 | 14,2% | 1,143,033 | 16,4% | 1,391,020 | 21,7% | 17,4% | 19,1% |
| 7 Housing | 1,764,295 | 2,081,462 | 18% | 2,520,532 | 21,1% | 2,728,445 | 8,2% | 15,8% | 14,7% |
| 8 Local Government | 129,085 | 160,350 | 24,2% | 179,938 | 12,2% | 158,842 | (11,7%) | 8,2% | 0,3% |
| 9 Public Transport, Roads and Works (DPTRW) | 2,088,007 | 6,225,193 | 198,1% | 5,380,786 | (13,6%) | 5,223,218 | (2,9%) | 60,5% | (8,3%) |
| 10 Community Safety | 181,268 | 220,172 | 21,5% | 264,383 | 20,1% | 222,876 | (15,7%) | 8,6% | 2,2% |
| 11 Agriculture, Conservation and Environment (DACE) | 223,245 | 241,891 | 8,4% | 269,844 | 11,6% | 280,974 | 4,1% | 8,0% | 7,9% |
| 12 Sports, Arts, Culture and Recreation (SACR) | 196,288 | 221,272 | 12,7% | 179,330 | (19%) | 189,744 | 5,8% | (0,1%) | (6,6%) |
| 13 Gauteng Shared Services Centre (GSSC) | 639,880 | 751,339 | 17,4% | 822,385 | 9,5% | 866,663 | 5,4% | 10,8% | 7,5% |
| 14 Gauteng Treasury | 27,749 | 70,447 | 153,9% | 86,692 | 23,1% | 107,227 | 23,7% | 66,9% | 23,4% |
| Total Payments & Estimates: GPG | 27,579,474 | 34,459,738 | 24,9% | 36,039,143 | 4,6% | 38,542,951 | 6,9% | 12,2% | 5,8% |