



BUDGET STATEMENT NO. 3

Capital Estimates

INTRODUCTION

1. OVERVIEW

Summary of Capital Budget for the Financial Year 2004/05 – 2007/08

The Gauteng Provincial Government continues to make infrastructure delivery a priority as it greatly contributes to the achievement of the provincial strategic priorities, which have been agreed upon by the Gauteng Executive Council and which are aimed at halving unemployment and poverty by 2014. The province has set aside the total budget of R4, 2 billion in 2005/06, R6 billion in 2006/07 and R6,6 billion in 2007/08 for the delivery of the infrastructure. These amounts will be utilized for the construction of new projects, rehabilitation and upgrading as well as the maintenance of the existing infrastructure. The departments in the process of infrastructure delivery will also use labour intensive methods in their quest to create jobs in the province.

Table 1 (below) shows the actual and estimated capital spending over a seven-year period. The capital spending over the previous financial years has been increasing by over 12 per cent per year except that the estimated spending for 2004/05 shows an increase of just 7,6 per cent compared to 2003/04 financial year. This meager increase, in 2004/05 is due to the implementation of the new standard chart of accounts that reclassifies expenditure in respect of maintenance and capital assets worth less than R5,000 as goods and services under current payments. The trivial or minor increase in the outer year is largely due to the completion of Blue IQ projects such as Auto Cluster and Supplier Park Development.

It is however important to note that the Province's planned infrastructure-spending increases by 37,4 per cent in 2005/06 financial year, 43,2 per cent in 2006/07 and 10,5 per cent in 2007/08. The increase in 2005/06 mainly relates to:

- The Department of Finance and Economic Affairs; due to the estimated spending of Gautrain for 2004/05 which amounts to R250 million and anticipated to grow to R900 million in 2005/06 and R2 billion in 2007/08. The Cradle of Humankind and Dinokeng projects also contribute to the increased allocation for 2005/06 when compared to 2004/05 financial year.
- The increased spending by the Department of Housing as a result of the eradication of informal settlement by 2009, addressing the backlog as captured on the Gauteng Waiting-List specifically for beneficiaries who applied for houses in 1996 and 1997;
- The increased spending by the Department of Public Transport, Roads and Works as a result of maintenance and rehabilitation of roads in the province.

Table 1: ACTUAL AND PLANNED CAPITAL SPENDING

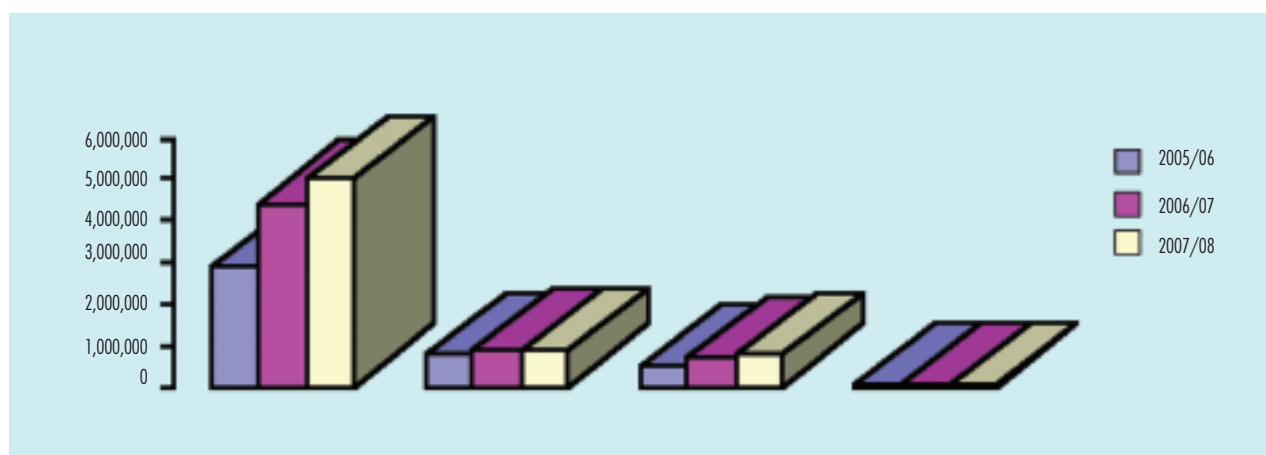
R thousand	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Capital expenditure	1,483,272	2,247,012	2,830,644	3,046,069	4,184,727	5,993,936	6,624,730
% Increase in nominal terms	12,8%	51,5%	26,0%	7,6%	37,4%	43,2%	10,5%

Capital budget according to infrastructure category

The table and the graph below indicate the allocation of capital budget according to the different categories of infrastructure.

Table 2: CAPITAL BUDGET ACCORDING TO INFRASTRUCTURE CATEGORIES

Department	2005/06					2006/07					2007/08				
	New Construct-ions	Rehabil-itations/Upgrading	Capital Mainte-nance	Other Capital projects	Total	New Construct-ions	Rehabil-itations/Upgrading	Capital Mainte-nance	Other Capital projects	Total	New Construct-ions	Rehabil-itations/Upgrading	Capital Mainte-nance	Other Capital projects	Total
R thousand															
Finance and Economic Affairs	1,190,698				1,190,698	1,582,045				1,582,045	2,072,071				2,072,071
Health	142,997	94,215	209,673		446,885	318,826	75,696	244,229		638,751	293,847	38,000	324,319		656,166
Education	248,818	93,283			342,101	352,089	176,298	82,000		610,387	376,835	152,046	80,000		608,881
Social Development	3,420		21,000		24,420	3,420		21,000		24,420	3,420		21,000		24,420
Housing	1,184,897	304,190	30,780		1,519,867	2,053,856	354,500	30,081		2,438,438	2,140,978	373,000	30,081		2,544,059
Public Transport, Roads and Works	105,100	259,204	277,515	1,000	642,819	125,150	278,787	277,690	1,000	682,627	118,900	290,759	292,355	1,000	703,014
Agriculture			3,500	2,038	5,538			3,500	2,368	5,868			3,500	2,719	6,219
Sports		12,400			12,400		11,400			11,400		9,900	9,900		
Total Capital															
Budget	2,875,930	763,291	542,468	3,038	4,184,727	4,435,386	896,681	658,500	3,368	5,993,936	5,006,051	863,705	751,255	3,719	6,624,730

Graphic 1: CAPITAL EXPENDITURE ACCORDING TO INFRASTRURE CATEGORIES

From the total capital allocation of R 4, 2 billion for 2005/06, R2, 9 billion (or 69 per cent) has been set aside to cater for new construction projects. The allocation for new construction grows to a total of R4, 4 billion in 2006/07 and R5 billion in 2007/08.

Rehabilitation also takes a bigger share of the allocation, which is about R763 million (or 19 per cent of the total capital budget) in 2005/06 financial year. It increases to R897 million in 2006/07 and then decreases by R33 million to R864 million in 2007/08.

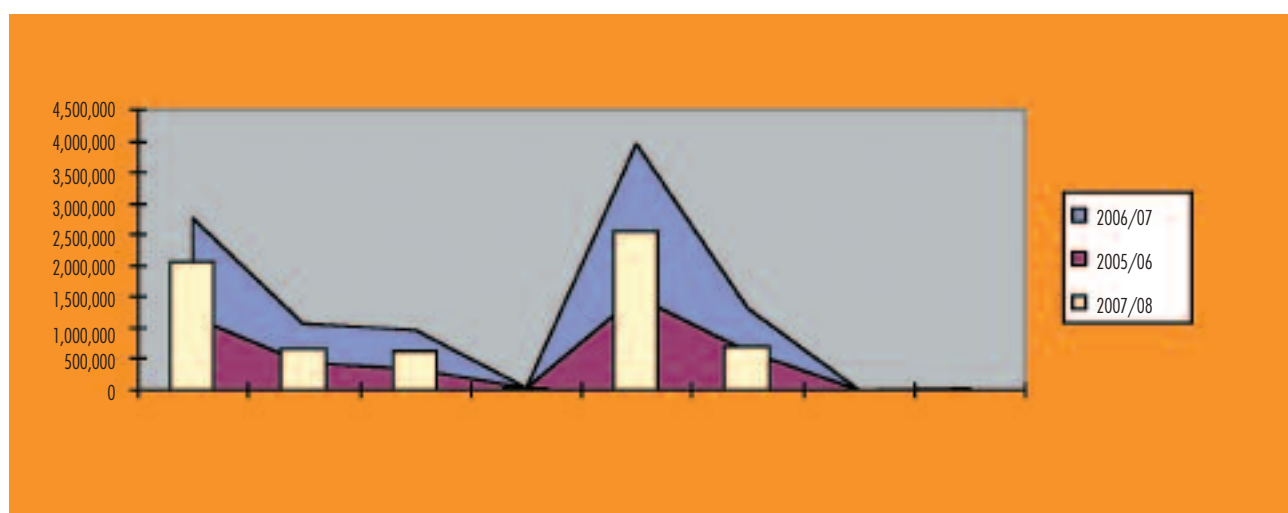
The total maintenance budget amounts to R542 million in 2005/06. The allocation increases to R659 million in 2006/07 and R751 in 2007/08.

Distribution of capital allocation by department

The table and the graph below summarize the capital budgets for 2005/06 – 2007/08 financial years.

Table 3: SUMMARY OF CAPITAL ALLOCATION PER DEPARTMENT

Department	2005/06	% of dept over total allocation	2006/07	% of dept over total allocation	2007/08	% of dept over total allocation
Finance and Economic Affairs	1,190,698	28%	1,582,045	26%	2,072,071	31%
Health	446,885	11%	638,751	11%	656,166	10%
Education	342,101	8%	610,387	10%	608,881	9%
Social Development	24,420	1%	24,420	0%	24,420	0%
Housing	1,519,867	36%	2,438,438	41%	2,544,059	38%
Public Transport, Roads and Works	642,819	15%	682,627	11%	703,014	11%
Agriculture	5,538	0%	5,868	0%	6,219	0%
Sports	12,400	0%	11,400	0%	9,900	0%
Total Capital Budget	4,184,727	100%	5,993,936	100%	6,624,730	100%

Graphic 2: SUMMARY OF CAPITAL ALLOCATION PER DEPARTMENT

The Province, through the Gauteng Department of Housing, has set aside over R1, 5 billion in 2005/06 to spend on the housing projects. This amount translates to 36 per cent of the total capital budget in the said financial year and increases to a total of R5 billion over the MTEF. From the total allocation of R1, 5 billion in 2005/06, R1, 2 billion will be spent on new construction works and mainly caters for the servicing of stands and the building of houses.

The total capital allocation set aside by the Department of Public Transport, Roads and Works is R642 million (or 15% of the total provincial capital budget) for 2005/06 and it grows slightly over the MTEF period. The bulk of the allocation will be utilized for the rehabilitation and maintenance of roads.

The 2005/06 planned spending in the Department of Health amounts to R447 million, of which 47 per cent is for capital maintenance. This is in line with the strategic objective of ensuring the construction, rehabilitation, upgrading and maintenance of infrastructure of hospitals and clinics in the Province. The total allocation for Health increases to R656 million in 2007/08.

Of the R342 million capital budget for Education, R30 million will be spent on GautengOnline projects (new construction) and the remainder will be spent on rehabilitation and maintenance of existing as well as construction of new schools in 2005/06 financial year. The total allocation in 2007/08 is slightly above R600 million.

Finance and Economic Affairs is one of the departments with a total allocation in excess of R1 billion for 2005/06. This increases to R2 billion in 2007/08. The increase is due to the allocation of Gautrain, which forms 76 per cent of the Finance capital budget for 2005/06.

Distribution of capital allocation by municipal area

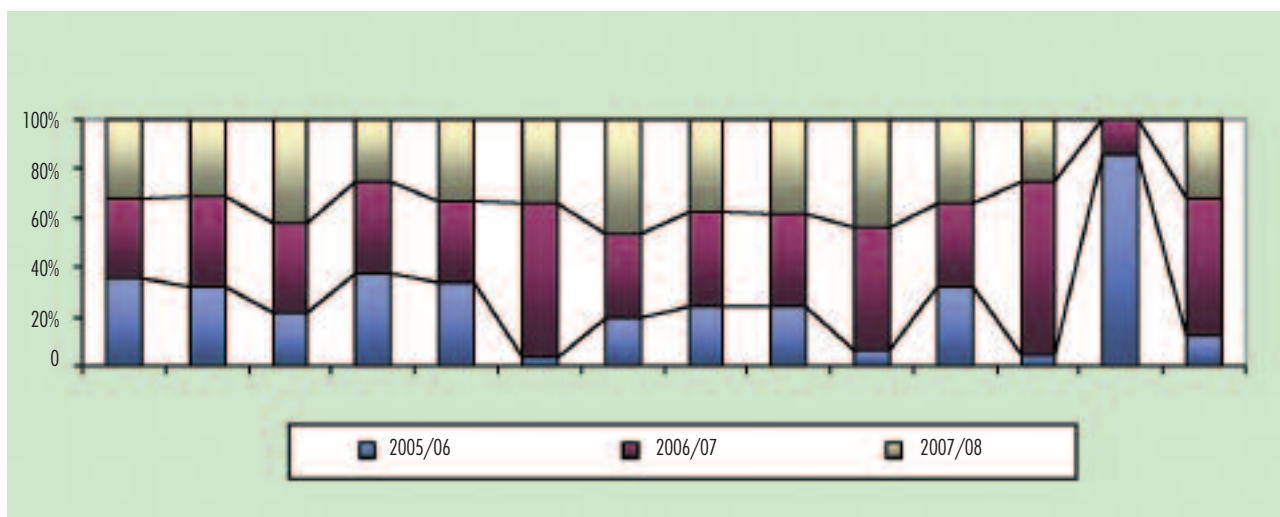
Table 4 and Graphic 3 below indicate the capital budget that will be spent on various infrastructure projects across different municipalities.

Table 4: SUMMARY OF CAPITAL SPENDING PER MUNICIPAL AREA

Name of Municipality	2005/06	% of municipality over total allocation	2006/07	% of municipality over total allocation	2007/08	% of municipality over total allocation
Metros						
Ekurhuleni	477,205	11.4%	443,449	7.4%	432,114	6.5%
Johannesburg	1,138,176	27.2%	1,263,059	21.1%	1,113,432	16.8%
Tshwane	769,039	18.4%	1,330,892	22.2%	1,501,743	22.7%
Sub-total	2,384,420	57.0%	3,037,400	50.7%	3,047,289	46.0%
District and Local						
Sedibeng	243,317	5.8%	243,825	4.1%	158,554	2.4%
West Rand	197,417	4.7%	188,073	3.1%	190,938	2.9%
Metsweding	4,553	0.1%	76,058	1.3%	41,450	0.6%
Emfuleni	48,145	1.2%	78,800	1.3%	75,985	1.1%
Westonaria	76,736	1.8%	119,178	2.0%	119,848	1.8%
Mogale City	45,001	1.1%	47,852	0.8%	47,604	0.7%
Nokeng Tsa Toemane	732	0.0%	11,065	0.2%	3,852	0.1%
Kungwini	1,740	0.0%	300	0.0%	-	0.0%
Merapong	655	0.0%	2,960	0.0%	1,712	0.0%
Sub-total	618,296	14.8%	768,111	12.8%	639,944	9.7%
Other						
Various/ unspecified	1,166,802	27.9%	2,060,225	34.4%	2,825,483	42.7%
Unallocated	15,209	0.4%	128,199	2.1%	112,013	1.7%
Sub-total	1,182,011	28.2%	2,188,424	36.5%	2,937,496	44.3%
Grand total	4,184,727	100%	5,993,936	100%	6,624,730	100%

Graphic 3: SUMMARY OF CAPITAL SPENDING PER MUNICIPAL AREA

The total capital allocation that will be spent in the municipal areas in Gauteng Province for 2005/06 financial year



amounts to R4, 2 billion. This amount grows to a total of R12, 6 billion over the MTEF period. The largest share of the allocation over the three-year period, which is estimated at R2, 4 billion in 2005/06, R3 billion in 2006/7 and 2007/08 will be spent in the metropolitan areas. The highest allocations during the period under review will be spent in Johannesburg metropolitan in 2005/06 and Tshwane metropolitan in the medium term.

An allocation that will be spent in the district and local municipalities rises from R618 million in 2005/06 to a projected R768 million in 2006/07. This will decrease by R128 million in 2007/08 when compared to 2006/07 financial year. Sedibeng, West Rand and Westonaria municipalities receive the largest share of the allocation over the three-year period.

An allocation for various/unspecified municipalities represents allocations that the departments have set aside for spending in various municipal areas but not allocated according to projects type. The Gautrain allocation is the major contributor to the category of various/ unspecified with R900 million in 2005/06, R1, 5 billion in 2006/07 and R2 billion in 2007/08.

The unallocated amounts in the table are mainly due to departments that could not provide the split in terms of individual municipalities at the time of finalizing the budget.

3. REVIEW OF CAPITAL PROGRAMME FOR THE FINANCIAL YEAR 2004/05

The financial year 2004/05 has seen the implementation and progress on the new and the continuing projects in the social sectors, other departments and economic sectors. The highlights of major achievements are indicated below.

Social sectors

- The Department of Health completed the new stores and installed new laundry equipments at Chris Hani Baragwanath Hospital, Johannesburg General Hospital and Dunsward Laundry. The department completed and handed over Pretoria Academic Hospital in August 2004. The first phase of the theatre upgrade at Kalafong Hospital was completed in November 2004 and the second phase is due for completion in August 2005.
- The Department of Education completed twenty-six new schools with six schools being partially complete. Five of the seven schools listed as work in progress will be completed in March 2005 and the last one is due for completion in December 2005.

Economic sectors

- Housing Department has built a total of 17,718 houses to date and 3,669 houses being under construction. A number of stands serviced to date amounts to 21,113 with 23,816 stands being work in progress. A total of 7,800 houses have been transferred to beneficiaries through the TORPS (Transfer of Residential Properties) programme.
- The Department of Public Transport, Roads and Works completed the upgrading of road 795 to a dual carriageway, rehabilitation of road K69 and renovations to the Pretoria State Theatre.
- The Innovation Hub (Blue IQ project) recorded the near completion progress in respect of the first 12 500m2 campus building in Tshwane. The Constitutional Hill project reported completion of the major demolitions that were conducted with due approval by South African Heritage Resources Agency.
- The Gautrain project completed the Best-and-Final Offer (BAFO) phase and the final BAFO documents were made available to the Bidders for completion and submission to the Province. After the final analysis and evaluation of the BAFOs the provincial Political Committee will be in a position to select the Preferred Bidder before the end of March 2005.

3. OUTLOOK OF THE CAPITAL PROGRAMME FOR THE FINANCIAL YEAR 2005/06

Job Creation

The table below reflects the number of jobs that the province anticipates to create during the 2005/06 financial year and the MTEF period. It is estimated that over 110,287 temporary jobs would be created in 2005/06 as a result of the implementation of infrastructure projects. This number goes down considerably in the MTEF. The downward trend is due to the fact that most of the Blue IQ projects will be completed in 2005/06. The capital

programmes to be implemented during 2006/07 will generate an estimated 43,000 permanent jobs and this is mainly as a result of projects administered by Department of Finance and Economic Affairs.

Table 5: SUMMARY OF JOB CREATION TARGETS

Job Creation		Temporary		Permanent		
Department	2005/06	2006/07	2007/08	2005/06	2006/07	2007/08
Finance and Economic Affairs	92,469	11,676	12,100	6,654	43,123	10,200
Education	5,580	5,580	5,580			
Housing	11,788	11,788	11,788			
Agriculture	100	150	280			
Sports	350	350	280	100	100	50
Total No. of Jobs	110,287	29,544	30,028	6,754	43,223	10,250

Key Outputs for the Province

Highlights of the major projects and the other projects in the pipeline that the social sectors, other departments and economic sectors have planned to implement during 2005/06 financial year include the following:

Social sectors

- The complete renovation, relocation of services and demolition work will take place at Chris Hani Baragwanath Hospital in order for the New Accident, Emergency and Trauma Unit, OPD, Audiology and Radiology to commence early in 2006 with the completion set for early 2008. The equipping of Pretoria Academic Hospital will be completed in 2004/05. Construction of Casualty units will also take place at Sebokeng Hospital, Leratong Hospital and Tembisa Hospital. The department will also commence with the upgrade and refurbishment of the old Pretoria Academic Hospital to establish the Tshwane District Hospital.
- Education has planned to build 341 classrooms, 78 toilets, 8 Administration blocks, 3 Combi courts and rehabilitate 59 schools in 2005/06.

Economic sectors

- Finance plans to complete the Blue IQ projects such as JIA Freezone, Innovation Hub, Kliptown and Newtown in 2005/06 financial year.
- For Gautrain project, the proclamation of the route and stations will commence in April 2005 after the announcement of the preferred bidder. Thereafter the expropriation will commence, which will be completed by the time construction starts. It is anticipated that the procurement phase will be completed by the end of October 2005 and the construction will begin thereafter.
- The Department of Housing plans to deliver 85,000 serviced stands through Essential Services Programme, build 14,000 houses through Community Builder Programme, complete 6,553 serviced stands and build 2,000 Medium Density Social Houses. It will also transform 15 hostels and upgrade 30,000 infills and backyard shacks. The department will also deliver 20,000 houses through the Community Builder Programme as a contribution towards the Extended Public Works Programme.
- The Department of Public Transport, roads and Works commence with the construction of road K60 and the construction of a dual carriageway and access to Cosmo City from P103/1.