

# **BUDGET SPEECH 2007**

Gauteng Provincial Government

26 February 2007





## **SPEECH BY GAUTENG MEC FOR FINANCE AND ECONOMIC AFFAIRS, PAUL MASHATILE, ON THE OCCASION OF THE TABLING OF THE 2007/08 GAUTENG BUDGET TO THE LEGISLATURE, 26 FEBRUARY 2007**

Comrade Speaker and Deputy Speaker;  
Comrade Premier, Mbhazima Shilowa;  
Colleagues in the Executive Council;  
Honourable Members of the Provincial Legislature;  
Ministers and Members of 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;  
Learners from various schools in Gauteng present here today;  
Distinguished Guests;  
Comrades and Friends;  
The people of Gauteng:

We are tabling the 2007/08 provincial budget, a few months after reaching the half way mark of our current term of governance. This means that we have now entered the last mile of the journey we began in 2004.

It is during this mile that we must and will continue to intensify efforts aimed at honouring the pledge we made to our people back in the 2004 general election and implementing our vision for 2014.

During this last mile, we must elevate our gains to a higher level. This we must do in order for us to say at the end of the journey in 2009 that: ours was indeed a journey of success.

Since 2004, and even before that, we have tabled to this House successive budgets that have progressively extended the resource envelope devoted towards meeting the goals we have set for ourselves.

The budget we are tabling today is no different. It seeks to sustain the momentum we have built in accelerating the shared growth of the provincial economy, creating new opportunities for employment, fighting poverty, promoting skills development, building healthy and safe communities, deepening democracy and building an effective and caring government.

The achievement of these objectives is at the core of our approach to meet the genuine expectations of our people, clearly articulated in the mandate they gave us in 2004.

Years of prudent economic policy choices both at national and provincial levels, once again give us the opportunity to channel more resources to address the socio-economic needs of our most vulnerable citizens.

Through this year's budget we will strengthen our ability to improve access to quality services, address vulnerability and inequality; increase investment in communities to ensure sustainable livelihoods; and develop the skills needed by the economy through enhanced education and training.

Also of significance is that we have once again managed to strike a balance between capital and social expenditure.

Furthermore, through this year's budget, we will consolidate our quest to enhance our global competitiveness as outlined in the Gauteng City Region Perspective. In this regard, we have allocated resources to strengthen integrated governance to ensure collective planning, coordination and implementation across departments and in cooperation with local government.

This budget seeks to accelerate and optimize the role of the different departments in driving sustainable economic growth and development and reducing disparities between the first and second economies.

Comrade Speaker, allow me to take this opportunity to emphasize that: in line with the GCR perspective and working together with local government, we will continue to allocate adequate resources towards ensuring that Gauteng will be ready to host the 2010 FIFA World Cup.

## **ECONOMIC OUTLOOK**

### **Global economic prospects**

We are tabling the 2007/08 Budget against the background of a global economy whose growth remained buoyant between 2004 and 2006. The forecast for global growth has been revised upwards to 5.1 % in 2006 and slightly coming down to 4.9 % in 2007.

This solid performance in the global economy was achieved despite record high prices of crude oil and other commodities, military conflict in some parts of the world and various natural disasters. It also defied the adoption of tighter monetary policies in many parts of the world.

In the United States real output growth moderated somewhat in 2005. It rebounded strongly in the first quarter of 2006 but slowed again in the second quarter. Growth in the US is expected to slow from 3.4 % in 2006 to 2.9 % in 2007, as a result of a cooling housing market.

Economic growth in the Euro area decelerated slightly in 2005 only to regain some momentum in the first half of 2006. Real output growth remained strong in most Latin American and Asian emerging market countries, especially in China and India which are experiencing a growth rate of more than 10 % and 8 % respectively.

In our Continent, we registered real growth of around 5.4% in 2005. A slight further acceleration in real growth is expected for the whole of the African Continent in 2006 and 2007, supported by strong growth in oil-exporting countries and robust global demand for non-oil commodity exports.

### **Prospects for the South African economy**

Our country recorded a real growth rate of almost 5.1% in 2005. Of significance is that the economic expansion of 2005 forms part of a sustained and robust upswing, which to date has been the longest in the history of the South African business cycle.

This, Comrade Speaker, is a direct result of the sound economic policy choices, the African National Congress government made after our liberation in 1994.

In the first half of 2006, real growth rebounded from a slump experienced in the second half of 2005, supported by a recovery in manufacturing activity. The construction and the tertiary sector also contributed to growth during this period.

Real disposable income of households continues to maintain a robust rate of increase, spurred on by rising employment and wage levels, higher transfers from government to households in support of the poor as apart of our effort to strengthen the quality of social development and expand the reach of the social security net.

Foreign direct investment activity continues to show a positive increase and last year included some large transaction indicating growing confidence and increased appetite by major international investors in our economy.

In 2005, the improvement in the performance and resilience of our national economy was recognized by no less than two credit-rating agencies, Standard and Poor's and Fitch Ratings both of whom upgraded our country's sovereign debt rating from BBB to BBB+.

This points to the impressive progress we have made in turning our economy around from a position of stagnation prior to 1994 to that of sustained growth.

### **The provincial economy**

Comrade Speaker, the structure of the provincial economy has changed considerably from its traditional reliance on the primary sector, which for many years has been its back-bone. In recent times, the services sector has expanded its importance to the provincial economy.

The importance and concentration of the service sector, especially finance and business services, which could be harnessed to promote more industrial development and investment in other parts of our country, further highlights Gauteng's critical role in the development of the South African economy, and the economies of the southern African region and the African Continent.

Like the economies of many City Regions across the world, the Gauteng economy is poised to continue to be a major contributor to the national and regional economic product.

We have fully embraced the changes taking place in the world economy, where technology has helped to annihilate the barriers of space by bringing all parts of the world into ever closer contact with one another.

Our efforts to organize and manage the Gauteng economic, political and geographic space in a manner that encourages strong integration and promotes synergies continue to gather momentum.

In all material respects, urban Gauteng has become an integrated multi-centered urban network, offering many opportunities for specialization. We have in our province clearly defined economic clusters, which are interdependent and form a key component of building a successful and globally competitive economy.

It is these developments, Comrade Speaker, that further indicate to us that our vision to position Gauteng as a Global City Region is taking shape.

We are also encouraged that in line with the trend nationally, the provincial economy continues to show strong growth. According to Statistics South Africa, the provincial economy grew at a rate of 5.4 % in 2005.

Pointing to the improvement in the quality of life of the citizens of Gauteng is the fact that disposable income has shown a significant increase from 4% of total income in 2004 to well over 12% in 2005.

Business confidence in Gauteng remains at impressive levels. This can be seen by the increased investment the private sector is making in the provincial economy. According to the Gauteng Business Barometer, in 2005 business activity in Gauteng increased by 10.7% compared to the year 2004.

Between 2000 and 2005, net capital investment grew by 17.2 %. Capital investment in all major sectors of our economy such as finance and business services, construction and manufacturing continues to show a positive increase.

We are beginning to make a dent on unemployment. As the Premier indicated during the State of the Province Address, 426 000 new employment opportunities were created in Gauteng between March 2002 and March 2006.

The creation of new job opportunities is a crucial factor in making Gauteng a more competitive global city region. This is because global investment tends to favour destinations where a significant portion of the population is in gainful employment.

It is therefore vital that we continue to increase our employment figures so as to enhance our prospects to attract investors.

Despite a slow down in economic activity in the fourth quarter of 2006 as a result of higher inflation and increased interest rates, we are optimistic that the provincial economy will continue to be resilient in 2007.

With interest rates likely to moderate in 2007, we anticipate a growth rate of around 6 % by the end of this year. This indicates to us that we are firmly on course towards reaching our objective of growing the provincial economy at a rate of 8% by 2014. It further indicates that we have embarked on a journey of success.

## **OUR JOURNEY OF SUCCESSES**

Comrade Speaker, the Premier in his State of the Province Address eloquently articulated the progress we have made in honoring the pledge we made to our people in 2004.

Our mid-term report also indicates clearly that we have made significant progress in meeting the priorities we identified in our Five Year Strategic Plan.

We are on course towards meeting our strategic objective of enabling faster economic growth and job creation. Through the implementation of the provincial Growth and Development Strategy we have made significant progress in stimulating economic activity in sectors such as the information and communication technology, automotive, knowledge intensive, agriculture, competitive sport, film and creative industries.

The implementation of the Broad Based Black Economic Empowerment (BBBEE) Strategy and the support we are offering to Small Medium and Micro Enterprises through the Gauteng Enterprise Propeller (GEP) form part of our ongoing endeavour to expand participation in the economic mainstream and boost shared economic growth.

From 2004 to 2006, more than 2 700 black owned businesses benefited from our procurement spending. Of these more than 1 400 were women owned, 73 were owned by people with disabilities and 17 were owned by the youth. We expect these numbers to improve significantly as we accelerate the implementation of our BBBEE Strategy. Our target is to ensure that by 2009, 70% of government procurement benefits BBBEE companies.

Since its inception in 2005, GEP has assisted more than 400 SMME's in strategic areas such as productivity enhancement, quality assurance and marketing. A further 1 000 aspiring and existing entrepreneurs have also been trained. More than 2 000 SMMEs are registered on GEP portal. We are confident that our target to support 30 000 SMMEs by 2014 is within reach.

As part of implementing the GDS, we are supporting the development of creative industries. This we are doing because creative industries the world over have proven themselves to be important elements in the building of a successful city region and contribute to social and economic development.

We continue to increase our investment in infrastructure in an effort to stimulate economic growth, create new employment opportunities, contribute to the economic regeneration of targeted areas and create new nodes of economic activity.

As we have said in the 2006/07 Medium Term Budget Policy Statement, together with local government we will spend more than R50 billion over the next three years to improve infrastructure across the province.

We are delighted that we have reached financial close with our private sector partners in the implementation of the Gautrain Rapid Rail Link project. As we know, Gautrain is currently the second largest Private, Public, Partnership rail project in the world, with the public sector committing close to R 22 billion towards the project. The private sector's commitment to the project will total over R 3 billion.

I must thank both Standard Bank and Rand Merchant Bank for the confidence they have shown in our economy by contribution these resources. Likewise we thank the Industrial Development Corporation (IDC) and the Development Bank of Southern Africa (DBSA) for making funding available in support of the BBBEE partners in the project, committing a combined amount of R 400 million.

We believe that this major infrastructure project will radically change the face of our province, contribute to accelerated economic growth and job creation and will no doubt take us closer to our vision of becoming a globally competitive city region.

The implementation of a comprehensive provincial Agricultural Development Strategy which includes bio-technology and agro processing will go a long way in addressing some of the challenges faced by the agricultural sector in our province. Most importantly, it will contribute to our overall objective of fighting poverty and building safe, secure and sustainable communities.

In pursuance of this objective we have since 2004 made significant progress in uplifting poor communities, improving access to basic services and in expanding the social security net, including through the Bana Pele programme which provides free services to poor children in our province.

Furthermore, through the Expanded Public Works Programme, we are succeeding in alleviating poverty among our people while simultaneously providing them with work experience and skills. Since 2004 a total of 3 973 new job opportunities have been created as part of the Extended Public Works Programme. Our comprehensive urban renewal programme to upgrade social and economic infrastructure in 20

priority townships across Gauteng is one of the key interventions that will take us closer to the objective of fighting poverty and building safe, secure and sustainable communities. This programme is also a major intervention aimed at promoting even development in our province.

As an integral part of building Gauteng as a Globally Competitive City Region, local government is also engaged in a number of infrastructure projects aimed at fighting poverty and building safe, secure and sustainable communities.

We are making progress in developing healthy, skilled and productive people by ensuring access to quality health care, education and training. Last year we launched the Human Resources Development Strategy which provides a framework to advance skills development in line with the needs of the provincial economy.

We have intensified our learnerships and internships programmes with a view to provide our young people with relevant skills that will enable them to secure gainful employment. We are also paying attention to early childhood development.

As part of our quest to deepen democracy and ensure the realisation of the constitutional rights of our people, we continue to pay attention to the emancipation of women, the youth and people with disabilities.

Through our programme of Izimbizo, we are interacting with our people, offering them an opportunity to influence government policies and programmes.

The deployment of skilled professionals such as engineers and accountants to municipalities is underway. The provincial Treasury is also working with municipalities to assist them in strengthening financial management capacity.

The results of these interventions are starting to bear fruit and place us firmly on track towards our objective of building an effective and caring government.

Comrade Speaker, as we enter the last mile of the journey we began in 2004, we look back with pride on what we have achieved. Going forward, we will act with even more determination to ensure that the progress we have made is not only sustained but also elevated to a higher level.

To sustain the momentum we have built, we will this year strengthen efforts aimed at further growing the provincial economy, broaden participation in the economic mainstream and creating more opportunities for employment.

This we will do by intensifying the implementation of the provincial GDS, the BBBEE Strategy and strengthening support to SMMEs. Our capacity to monitor and evaluate the impact of our programmes will be strengthened.

We will also pay attention to the development of skills required by our economy. The programme to recruit and retain highly-skilled professionals will also be intensified.

We will achieve further advances in our fight against poverty and underdevelopment by intensifying the implementation of the Expanded Public Works Programme and the Gauteng Social Development Strategy.

Efforts aimed at building safe, secure and sustainable communities will also be prioritized through the

provision of quality policing services including in poor and marginalized communities.

Investment in infrastructure will be stepped up. We will strengthen efforts to improve inter-governmental planning, coordination and implementation so as to maximize the impact of our collective interventions. Our focus will also shift to the implementation of programmes that will deliver maximum impact towards the attainment of our goals.

Guided by the GCR perspective, we will continue our endeavours to strengthen the capacity and organization of the state. Towards this end, we will this year identify critical skills, knowledge base and technical expertise that are essential to manage a successful city region.

One of the challenges we face in our endeavor to become a smart province, is to ensure expanded access to information and communication technology across the province. The Blue Umbrella initiative, for ICT infrastructure roll-out, will enable us to respond to this challenge in a comprehensive manner. This initiative will also improve access to government services by all the citizens of Gauteng.

Comrade Speaker, strategies to sustain the momentum we have built and to deal with the challenges we face are already in place. Our task will be to vigorously implement them. The budget we are tabling today will go a long way in facilitating the implementation of these strategies.

## **ESTIMATES OF REVENUE AND EXPENDITURE**

I will now 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 the 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.

It takes into account that; this is the last mile of the journey we began in 2004, and therefore positions us to make new and further advances in responding to the aspirations of our people.

Estimated revenue for the 2007/08 financial year is R 40 billion increasing to R 45 billion in the 2008/09 financial year and rising further to R 49 billion in 2009/10.

Estimated Revenue for 2007/08 comprises of the equitable share of R 28.2 billion, conditional grants from national government of R 9.6 billion and provincial own revenue of R 2.8 billion.

Honourable Members; this brings the total estimated revenue available during the current MTEF period to R 134 billion.

Total estimated expenditure is also expected to increase significantly over the next three years. For 2007/08 we are allocating R 40.3 billion, rising to R 44 billion in 2008/09 and R 47 billion in 2009/10. This brings total expenditure over the next three years to R 131 billion.

We anticipate that the allocated budget estimates for 2007/08 will fall short of revenue thereby realising a deficit of R336 million. This will be financed from the surplus in the Provincial Revenue Fund.

We are however encouraged that in the 2008/09 financial year we will record a surplus of R 643 million and again in the 2009/10 financial year we will record a surplus of R 1 billion, amounting to a total of R1.6 billion available for spending in the last two years of the MTEF. This will allow the Executive

Council to increase spending on programmes aimed at boosting economic growth and thus contribute to job creation.

## **SOCIAL VERSUS ECONOMIC CLUSTER ALLOCATIONS**

Comrade Speaker, this year, the social sector which includes health, education and social development receives a combined allocation of about 70% of the total budget. This allocation is maintained in the two outer years of the MTEF. Likewise allocations to the economic cluster are maintained at around 30% of the total budget over the MTEF period. This represents a major boost for capital spending which rises significantly over the MTEF

Education receives 36 % of the 2007/08 budget to provide for quality public education and contribute to skills development. Health receives about 30% of the total budget to provide responsive and quality health services to the citizens of Gauteng. Social Development receives the remaining 4% of the total budget to provide social welfare services and promote social cohesion.

The largest share of the remaining 30% goes to the Departments of Housing, Public Transport Roads and Works and Economic Development.

We wish to reiterate that we will continue to find the right balance between expenditure on social services and on programmes that will serve as catalysts for job creation, economic growth and development.

I will now focus on how this year's budget will be allocated to individual Departments.

## **THE DEPARTMENT OF EDUCATION**

Comrade Speaker, we remain acutely aware that central to our effort to overcome poverty, create jobs and grow the economy is the need to enhance the human potential of our people through education and skills development.

The development of skills is also critical to ensuring that the Gauteng City Region becomes globally competitive.

The Department of Education will this year focus on, among others, the following priority areas:

- Funding the intake of teachers in areas where there are shortages;
- Improve the quality of teaching in public schools;
- Providing for the no fee school policy to identified schools;
- Increasing access to Further Education and Training (FET) Colleges in order to develop the skills required by our economy;
- Providing adequate school infrastructure;
- Funding for Adult Basic Education and Training institutions to reduce the levels of illiteracy in our province; and
- Cover expenditure on new areas as a result of demarcation

The total budget allocated to the Department of Education for 2007/08 is R 14.5 billion, rising to R 15.9 billion in the 2008/09 financial year and rising further to R 17.1 billion in 2009/10.

This large increase in the budget of the Department of Education is to ensure that we can adequately cater for the needs of learners in the re-demarcated areas and also strengthen the quality of teaching in all public schools.

## THE DEPARTMENT OF HEALTH

To advance further our objective of creating healthy, skilled and productive people, the Department of Health receives additional resources to cater for, amongst others, the following:

- The provincialization of TB beds and primary health care services;
- Providing for critical care beds including intensive care unit and high care beds;
- The control of communicable diseases;
- Additional resources for the pre-pack unit at the medical supply depot;
- Revitalisation and building of hospitals and other health facilities;
- Review and appointment of additional health professionals;
- Introduction of smart cards for all patients using our hospital services; and
- Strengthening the Emergency Medical Services in preparation for 2010 FIFA World Cup

To further strengthen our response to the challenge of HIV and AIDS, we are allocating R 577 million to the Department of Health for the 2007/08 financial year to fund our comprehensive HIV and AIDS plan. This amount will increase to R 645.7 million in 2008/09, rising further to R 854.9 million in 2009/10.

In order to ensure that all our people have access to quality health care, we are allocating R1.6 billion over the MTEF for the revitalisation and building of hospitals. Further funding will be made available over the MTEF from the equitable share to ensure that all these facilities are completed by 2009.

Comrade Speaker, the total budget allocated to the Department of Health for the year 2007/08 is R 12 billion, rising to R12.7 billion in 2008/09 and to R 14.2 billion in 2009/10.

## THE DEPARTMENT OF SOCIAL DEVELOPMENT

In line with our commitment to expand the social security net and deepen the quality of social development as part of our comprehensive response to the challenge of poverty, the Department of Social Development receives an additional allocation to focus on the following priorities:

- The development of Early Childhood Development Centres in the 20 priority townships;
- The establishment of an electronic data management system to manage social programmes rendered by non-governmental organizations on behalf of the Department;
- The implementation of the provincial Social Development Strategy;
- The improvement of incentives for social workers and recruitment of social auxiliary workers; and
- Intensify the implementation of Bana Pele to ensure that we continue to provide, among others, school uniforms to learners from poor households

The Department of Social Development will continue to play a critical role in enhancing social cohesion in our province.

Comrade Speaker, for the 2007/08 financial year, the total budget for the Department of Social Development is R 1.4 billion. It increases further to R 1.6 billion and R 1.7 billion respectively in the two outer years of the MTEF.

## THE DEPARTMENT OF HOUSING

The provision of affordable housing on well located land forms a critical part of our overall effort to build sustainable communities. Furthermore, housing has an important influence on overall economic performance and the quality of life in our communities.

The Department of Housing this year receives additional allocations to accelerate programmes to for-

malize informal settlements, provide social housing and ensure adequate funding for urban renewal programmes in Alexandra, Bekkersdal and Evaton.

We are allocating R 750 million over the MTEF to intensify our programme of urban renewal in Alexandra, Bekkersdal and Evaton.

As indicated by the Premier in the State of the Province Address to the Legislature, the Department of Housing will begin a process to do a feasibility study and conclude a business plan for the regeneration of Winterveld.

Comrade Speaker the total budget for the Department of Housing is R 2.6 billion. In the two outer years of the MTEF it increases to R 3 billion and R 3.4 billion respectively.

## **THE DEPARTMENT OF LOCAL GOVERNMENT**

Working with the provincial Treasury, the Department of Local Government continues to support municipalities in the management of their finances. These interventions, which form a critical part of our overall commitment to make local government work better, are starting to bear fruit as more and more municipalities show an improvement in the management of their finances.

This year, we are allocating additional resources to the Department of Local Government to enable it to:

- Provide resources for Traditional leaders;
- Strengthening Municipal support programmes; and
- Develop sound and modern disaster management facilities

The total budget for the Department of Local Government in 2007/08 is R 228.4 million. For the 2008/009 financial year, this Department receives R184.5 million, rising to R 190 million in 2009/10.

These amounts will be adjusted once detailed business plans for support programmes for municipalities are considered by the provincial Treasury.

## **THE DEPARTMENT OF PUBLIC TRANSPORT, ROADS AND WORKS**

Improved mobility and physical connectivity will play a vital role in the competitiveness of the Gauteng City Region.

The Gauteng City Region needs to effectively connect people with places of work, places of recreation and entertainment as well as other community facilities whilst managing the growth in car travel and encouraging greater use of public transport and other sustainable modes.

The Department of Public Transport, Roads and Works has a critical role to play in this regard. The Department will do this through the integration of the bus and taxi industries, the implementation of the Gautrain Raid Rail Link and public transport legacy projects for the 2010 FIFA World Cup and the implementation of the Intelligent Transport System.

This Department receives additional resources to cater for improvements in road infrastructure across the province, including R 40 million for the rehabilitation of the R21 road to improve connectivity between Tshwane and the OR Tambo International Airport. Resources are also set aside to strengthen

the implementation of the Expanded Public Works Programme.

For the 2007/08 financial year, the total budget for the Department of Public Transport, Roads and Works is R 6.5 billion. Of this amount R 4.5 billion goes towards the implementation of the Gautrain project.

We are setting aside a total of R 14 billion over the next three years for the implementation of the Gautrain project. An additional amount of R 5 billion will be raised through borrowing.

The Department of Public Transport, Roads and Works will receive R 7 billion in 2008/09 and once again another R 7 billion in 2009/10.

## **THE DEPARTMENT OF COMMUNITY SAFETY**

Comrade Speaker, ensuring effective public safety remains one of our key priorities. In this regard, we will continue to work in a systematic, focused and determined way to ensure that our people can enjoy both freedom and security that they deserve. As indicated by the Premier we will continue to intensify efforts aimed at reclaiming our streets from criminals.

As we have said before; what is required to reduce crime effectively, is a comprehensive integrated strategy that includes a focus on improving the quality of policing, community mobilization and partnerships, better coordination of law-enforcement operations by the South African Police Service and the Metropolitan Police Departments and increased involvement of local authorities. Towards this objective, we have launched the Gauteng Safety Strategy.

In its drive to build safer communities, the Department of Community Safety, will pay attention to the strengthening of Community Policing Forums, the implementation of the Gauteng Safety Strategy and the establishment of a social movement against crime. We have also made provision for this Department to cater for policing and traffic management functions inherited as a result of new demarcations.

To enable the Department to carry out its important work and as an indication of our unwavering commitment to deal effectively with crime in our province, the Premier in the State of the Province Address indicated that a world class police emergency response centre to the value of R 600 million will be established by July this year.

We are also this year increasing the budget for the Department Community Safety from R 222.3 million to R 335.4 million. This, Comrade Speaker, represents an increase of more than 50% in the budget of this Department!

Over the next three years the Department of Community Safety will receive a total allocation of R 948 million.

## **THE DEPARTMENT OF AGRICULTURE, CONSERVATION AND ENVIRONMENT**

Part of our responsibilities as a Global City Region is to protect our local and global environment. This we must do as part of our efforts to improve the quality of life of our people. In pursuit of this objective the Department of Agriculture, Conservation and Environment will pay attention to waste and air quality management.

The Department will also focus on the implementation of the provincial Agricultural Strategy with particular emphasis on assisting and developing emerging black farmers.

The total Budget for this Department in the 2007/08 financial year is R 294.6 million. It increases to R 315.5 million in 2008/09 and to R 366.4 million in 2009/10.

## **THE OFFICE OF THE PREMIER**

Comrade Speaker, we are this year allocating additional resources to the Office of the Premier to continue playing a leading role in coordinating the implementation of the Global City Region initiative, facilitating public participation in the development of policies and legislation through Izimbizo and coordinating the overall functioning of the provincial government.

The total budget for the Office of the Premier is R 121.7 million, rising to R 128.2 million in 2008/9 and to R 134.3 million in 2009/10.

## **THE GAUTENG LEGISLATURE**

We have allocated additional resources to the Legislature to provide for spending pressures on overseas travel and visits as well as funding of political parties. The funding of political parties will allow all political parties, represented within the Legislature, to engage effectively with their constituencies. This we believe will deepen democratic participation and enhance our democratic systems.

The total budget for the Legislature is R 164.8 million. In 2008/09 it increases to R 165.4 million and rises further to R 173.6 million in 2009/10.

These amounts include R 20 million provided for the funding of political parties for each respective year of the MTEF. These amounts are subject to change once the House has finalised the funding needs of political parties. The changes will be effected when we do the adjustment budget later in the year.

## **THE DEPARTMENT OF ECONOMIC DEVELOPMENT**

The identification of programmes and interventions that will further stimulate shared economic growth and job creation is one of the key factors that contribute towards the development of a successful Global City Region. Through its agencies, the Department of Economic Development plays a critical role in achieving this objective.

Indeed the bulk of the funding for this Department will constitute transfers to provincial agencies namely the Blue IQ, the Gauteng Economic Development Agencies, Gauteng Tourism Authority, the Gauteng Film Commission and the Gauteng Enterprise Propeller.

Resources are also set aside to fund the Dinokeng and Cradle of Humankind World Heritage Site projects. Funding has also been allocated for the implementation of the Gauteng Provincial Government Precinct.

These agencies and projects form the core of our efforts to make targeted interventions with a view to accelerate further the shared growth of the provincial economy.

The Department of Economic Development will also pay attention to coordinating the implementation of the provincial Growth and Development Strategy, the Broad Based Black Economic Empowerment Strategy and the provincial Spatial Development Perspective.

To further strengthen the support we are offering to Small, Medium and Micro Enterprises (SMMEs) we are allocating R 231 million to GEP over the next three years.

The total budget for the Department of Economic Development for the 2007/08 financial is R 627.3 million rising to R 763.6 million in 2008/09, and rising further to R 843.5 million in 2009/10.

We have not increased funding for the Department of Economic Development in the 2007/08 financial year. This is because the Department together with the provincial Treasury is currently finalizing plans to fund all infrastructure projects through partnerships with the private sector.

Business Plans for the Blue Umbrella Project, which is a Public, Private, Partnership project, will be completed by April this year. The setting up of an Infrastructure Development Fund is expected to be finalized by June this year. The public sector contribution to these initiatives will be dealt with in the adjustment budget later this year.

## **THE GAUTENG SHARED SERVICE CENTRE (GSSC)**

The GSSC plays an important role in the creation of an effective government. And through its progressive procurement policies, it continues to impact positively on the advancement of Broad Based Black Economic Empowerment and the development of Small, Medium and Micro-enterprises.

Additional resources are made available to the GSSC for the management and implementation of the Gauteng on line project and the Bana Pele programme as part of our integrated e-governance approach. Resources are also set aside to enhance performance audits.

In the 2007/08 financial year, an amount of R 200 million is set aside for the implementation of the Gauteng on line project. This project will receive a total of R 600 million over the MTEF period.

The total allocation for the GSSC in the 2007/08 financial year is R 1 billion. Over the next three years the GSSC will receive a total of R 3 billion.

## **THE GAUTENG TREASURY**

Comrade Speaker, we are this year allocating additional resources to the provincial Treasury to cater for the recruitment of staff. This we are doing with a view to build and strengthen the capacity of our Treasury to effectively carry out its mandate of improving financial management and accountability both at provincial and local government level.

Treasury will work hard to ensure that by 2009, all provincial departments receive unqualified audit opinions. In the long term our goal is to ensure that departments receive clean audits.

The budget for the Gauteng Treasury is R 104.2 million. For the 2008/09 financial year, the allocation for Treasury will increase to R 124.6 million, rising further to R 130.8 million in 2009/10.

As part of our efforts to develop relevant skills that meet the needs of the provincial economy, the provincial Treasury will this year announce a bursary scheme to support deserving learners from disadvantaged communities in furthering their studies at institutions of higher learning.

We are honoured that among us today we have learners from various schools in Gauteng. We wish to thank them sincerely for gracing this occasion. We are confident that some of them will benefit from the bursary scheme that the provincial Treasury will be announcing this year.

## **THE DEPARTMENT OF SPORTS, ARTS, CULTURE AND RECREATION**

Additional resources are allocated to this Department for hosting Soccerex. This event, which will bring to our province some of the best known names in the soccer fraternity, gives us an opportunity to showcase our competitive advantages on the international stage. It will strengthen our efforts to accelerate shared economic growth by attracting investment, tourism, sporting and other major events. In addition, it will contribute towards building Gauteng as a globally competitive city region.

Resources are provided for this Department to upgrade sporting facilities not only as part of preparations for the 2010 FIFA World Cup but also as part of our efforts to make Gauteng the Home of Competitive Sport.

Additional resources also made available to this Department to improve library services across the province and to promote sports and recreation, particularly among young people. An amount of R 103 million over the MTEF is made available to the Department to fund community library services. This will strengthen infrastructure and stock of books and also encourage a culture of reading among our young people.

Comrade Speaker, the Gauteng Youth Commission is now in place. For the 2007/08 financial year, we are setting aside R 8 million to enable the Youth Commission to strengthen its operations and continue to develop and implement programmes that support youth empowerment.

Once detailed plans are completed and submitted to the provincial Treasury additional funding will be made available to the Youth Commission. This will be dealt with during the adjustment budget later in the year.

The total Budget for the Department of Sports, Arts, Culture and Recreation for the 2007/08 financial year is R 296.6 million. In the next three years this Department will receive a total allocation of R 934.2 million.

## **CHANGES IN PROVINCIAL BOUNDARIES**

The realignment of provincial boundaries has changed the population profile of our province. It has resulted in us having to take over the provision of services that were previously rendered by provinces such as the North West and Mpumalanga.

To address this challenge an amount of R1.5 billion has been allocated to cater for existing services and priorities that were transferred to Gauteng. This will increase to R 1.6 billion in 2008/09 and R 1.7 billion in 2009/10, bringing the total allocation to cater for changes in provincial boundaries to R 5 billion.

We wish to reiterate that the provision of services in these areas will not be disrupted. We wish to emphasize that plans from departments must take into account backlogs that may exist in the areas we are inheriting.

## **IMPROVING PROVINCIAL OWN REVENUE**

As part of efforts to boost provincial own revenue, motor vehicle licenses will increase by an average of between 5 and 15% in the coming financial year. This will generate additional revenue of R 1.2 billion after direct charges.

We will this year raise an additional R 499 million from taxes on casinos and horse racing. We will also improve our collection efficiency, including for patient fees, as part of our efforts to boost provincial own revenue.

In addition, we are exploring other mechanisms to further ease the burden on the fiscus and respond to the pressures placed on our resources by among others in-migration into Gauteng.

The measures we are investigating include increasing the use of Public, Private Partnerships and the establishment of an Infrastructure Development Fund. The Fund will also cater for strategic investment needs of municipalities in Gauteng.

## **CONCLUSION**

Comrade Speaker, as we enter the last mile of our journey, we do so cognizant of the immense challenges that still lie ahead. We are cognizant of the fact that, two years from now, we will have to return to our people and report back on how we managed to put together the building blocks that will continue to bring about a better life for all.

When we began this journey in 2004, we said we are entering into a contract with our people to create jobs and fight poverty. As we continue to walk this road we will always be guided by these objectives. We will use the resources at our disposal prudently and diligently in order to improve the quality of life of ordinary people, and change their lives for the better.

Honourable Members, all the policies are in place, all strategies are in place, all business plans are in place and the resources have been made available to allow us to complete our journey. We must succeed because we do not have the luxury to fail. We are building a winning nation.

Let us walk this road, together with our people, and make sure that in 2009 we can look back and say: "This was indeed a journey of success!"

## ACKNOWLEDGEMENTS

Comrade Speaker, let me thank Premier Mbhazima Shilowa for his stewardship. The Premier continues to be the driving force in our ongoing efforts to respond to the aspirations of the people of Gauteng.

I wish also to thank my colleagues, Members of the Executive Council for the collective effort they made in the past year as we worked on this budget.

The Director General, Heads of Departments and the Chief Financial Officers continue to be pillars of strength in our budgetary process – for that we thank you dearly.

My HOD for Gauteng Treasury, Ms Nomfundo Tshabalala, whose past Sundays have been messed up because she had to come to my house to work on the budget speech, I commend you for your tireless leadership in steering the Treasury boat.

Let me also thank Jeff Mashele who worked tirelessly with us to ensure that all the analysis we needed to put together this speech is available. My gratitude also goes to Dr. Julian Naidoo and his team, who made sure that all relevant documents needed today were done, printed on time and ready to be presented to the Honourable Members of the House.

Let me also commend Percy Mthimkhulu, my speech writer, for the long hours he put in working on draft after draft until I was satisfied that it is a final draft. Dumisani Hlophe, from the Office of the Premier, has always been with us even on weekends making critical inputs into the budget speech. To him we say; we appreciate your support.

Our appreciation also goes to the Chairperson of the Finance Committee, Honourable Bheki Nkosi, for the constructive manner in which you continued to engage me and my team. We appreciate the support of all members of the Finance Committee. Your wisdom has brought considerable strength to our budgetary process.

To Honourable Members of this House we say; thank you for the oversight work you are doing on the budget.

My appreciation also goes to my wife Manzi for her tireless support especially when our house was turned into a budget office on weekends. Let me also thank family and friends for their support and encouragement.

Once again lets us make sure that this indeed will truly become a journey of success.

I now present to the Speaker the following documents for consideration by the House:

- The Appropriation Bill for 2007;
- The Explanatory Memorandum to the Bill;
- Budget Statements 1 and 2;
- The Budget Booklet;
- Provincial Gazette regarding transfers to municipalities; and
- A copy of my speech.

Ke a leboga.



