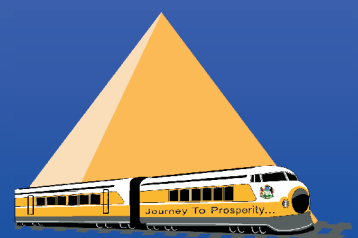


Province of KwaZulu-Natal



BUDGET SPEECH 2007-08

**Presented to the Provincial Legislature
on 1 March 2007**



Journey to Prosperity

PEOPLE'S BUDGET 2007/08



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MEC for Finance
and Economic Development**

1 March 2007

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PROVINCE OF KWAZULU-NATAL

Budget Address by Dr Z. L. Mkhize on tabling of the Budget in the Provincial Legislature – 1 March 2007

Mr Speaker

Honourable Premier and colleagues in the Executive

Deputy Speaker

Honourable Members,

Members of the diplomatic corps

Distinguished guests and business leaders, ladies and gentlemen

INTRODUCTION

When the Premier delivered the State of the Province address on the 14th of February, fifteen days ago, under the theme **BUILDING THE ECONOMY THROUGH PARTNERSHIP**, he presented an honest picture of KwaZulu-Natal. He portrayed KZN as a province emerging from a dark and divided past, facing daunting challenges but determined to lift itself up and shake off all scepticism, surge forward as an unstoppable force towards a positive future.

I am one of those who feel honoured to serve the people of our province at this crucial time in the history of our new democracy. We are determined to create political stability, lasting peace, tackle unemployment and banish poverty and relegate our sad history of apartheid exclusion and political conflict to the distant memories of only those of us who lived through those turbulent times. We are determined to create a safe, secure and prosperous province. For the sake of those who laid down their lives for our country to be free and for the sake of our children and their future, KwaZulu-Natal must succeed. We are determined to make KwaZulu-Natal the leading economy in South Africa.

As I deliver this Provincial Budget for deliberation by this House, I do so with a sense of pride and optimism.

I am reminded of the tribute by Francis Carey Slater to the South African poet Roy Campbell which says much about where we aim to take this province.

"Soar again, young eagle, soar again –

Leave carrion to vultures! – soar above

The blazing precipices of the sun,

The huddled glaciers of the arctic moon;

Soar, soar and scatter with ascending wing

The swirling hailstones of the fierce, white stars."



Last year the President in the State of the Nation Address referred to the fact that the “masses of our people had entered into their Age of Hope.” In tabling our budget, we spoke about the dreams and aspirations of poor and unemployed people across the province that we encountered during our people’s budget consultations. This year we are convinced that our people are determined to soar up to the lofty heights of those dreams and turn them into reality.

Building a Developmental Province

Building onto that message this year the Premier spoke in this House of a **developmental state**. One of the attributes of a developmental state, particularly given our conditions, should be its strategic capacity: Popular legitimacy deriving from its democratic nature and approach of people-centred and people driven change. In this regard, it should be able to mobilise society to take part in its implementation.

The economic change we all seek to achieve must be located within a very clear understanding of the nature and context of our developmental state and province. It is becoming abundantly clear that a democracy can only survive if it is founded on a thriving economy. The structure of that economy should:

“reflect the natural endowments of the country and the creativity that a skilled population can offer. It should be an economy in which cutting edge technology, labour absorbing industrial development, a thriving small business and cooperative sector, utilisation of information and communication technologies and efficient forms of production and management all combine to ensure national prosperity.”

A thriving economy in a national democratic society requires efficient markets that address the racial and gender exclusions of the apartheid past as well as address the peri-urban squalor and grinding rural poverty.

We are driven by this vision and commitment to work harder to convert the province’s undoubted economic development potential into reality. According to the latest statistics, 29 per cent of the economically active population in the province is unemployed. This is a significant improvement from the 35.4 per cent in 1996. The Human Development Index in the province is 0.57 representing an improvement from 0.52 in year 1996. This means KZN is in the medium range of human development. According to the latest figures from Global Insight, the poverty rate for KZN stands at 51.9 per cent - the vast majority of which are Black Africans. Infant and child mortality rates stand at 68 and 124 per 1,000 live births, respectively. This is so, despite the significant progress being made in the provision of water and electricity and delivery of basic services to our communities.

An important part of being a developmental province implies a dynamic government willing to negotiate its development priorities with the people it serves. This entails listening to the needs and aspirations of our communities and letting our policies and strategies be informed by the views of the people. This is the genesis of our program of action and the fundamental thesis upon which it is built.

It is in this spirit that as government we recommit to the international, national and provincial agenda to combat poverty in all its forms, as articulated in the Millennium Development Goals (MDGs), national service delivery targets, ASGI-SA and our own PGDS.



In line with these goals, South Africa has developed its own set of national service delivery targets such as:

- By 2008 all households will have access to clean water;
- By 2010 all households will have decent sanitation facilities;
- By 2012 every household will have access to electricity; and
- By 2014 30 per cent of white owned agricultural land will be distributed for sustainable agricultural development.

Mr Speaker, the main objectives of the Accelerated and Shared Growth Initiative (ASGI-SA) are to place the SA economy on a permanently higher growth path of more than 4.5 per cent in the period to 2009. We have set ourselves a target of at least 8 per cent growth from 2010 to 2014, and to halve unemployment by 2014.

The Provincial Spatial Economic Development Strategy

KwaZulu-Natal has developed and adopted a comprehensive Provincial Spatial Economic Development Strategy (PSEDS) during the course of the past year as a logical step since the adoption of the Provincial Growth and Development Strategy. The principles and imperatives of the National Spatial Development Perspective (NSDP) form the basis of any provincial development strategy to which it must be aligned. The implication of this is that provincial development strategies must take cognisance of and clearly reflect national strategic developmental and spatial imperatives and priorities, whilst at the same time providing a framework for the development of municipal spatial development strategies. The PSEDS seeks to address a key weakness identified in the current Provincial Growth and Development Strategy (PGDS), namely that it lacks a spatial context.

The PSEDS is premised on the recognition that all government development programmes necessarily have to take place within a spatial context and therefore directs its fixed infrastructure investments to areas of greatest economic development potential as well as areas of greatest need based on poverty densities. The PSEDS reviewed the competitive and comparative advantages of the province's economy to identify the sectors which have the greatest potential to drive growth and impact on poverty and unemployment. This exercise confirmed that the following broad sectors really make up the economy of the province:

- Agriculture and agri-industry (including land utilisation mapping and giving particular attention to Land Reform)
- Industry, including heavy and light industry and manufacturing
- Tourism, including domestic and foreign tourism
- Services sector, including financial, social, transport, retail and government

The PSEDS has been tabled to all municipalities in the province during the LED conference held last year and a series of municipal development and growth summits. It has been used as a guide to inform the municipal IDP and LED planning and implementation frameworks. To complement this approach, Treasury has encouraged all departments to embark on a programme of spatial budgeting analysis to ensure that there is equity across different municipal districts to avoid urban bias in our expenditure pattern.



Also, our focus on economic sectors includes those labour intensive sectors which are struggling, such as the clothing and textiles sector and mining. In March we will be holding a provincial summit on the clothing and textiles sector, one of the main objectives being to identify strategies to ensure the domestic industry is sustainable and competitive after the two year window period provided for in the recent trade agreement with China. We are putting into place strategies to revive both these sectors, and we will provide more details during the forthcoming debate on Vote 4, Economic Development.

Our Investment Partners in the Provincial Economic Development Strategy

Investment by Parastatals

To get a true picture of the scale of infrastructure investment in the province one must include the expenditure of the national government and Parastatals despite the fact that their budgets do not lie in the coffers of the provincial government. Transnet and the National Ports Authority are investigating a proposed investment of R15 billion in upgrading the capacity of Durban Harbour over the next five years.

Private Sector Investments

Foreign Direct Investment

Foreign direct investment into KZN is increasing exponentially. Between 2000 and 2005 over R27 billion was invested in the province by foreign companies.

This investment was in a variety of sectors, with the largest amounts being invested in the automotive sector, steel and metals (mainly aluminium), forestry and paper, property development and oil and gas sectors. FDI transactions which stand out during the 2004-05 period include a R3,4 billion investment by Toyota Motor Corporation of Japan, a R1,4 billion investment by the UK-based Anglo American Plc in Mondi, a R900 million investment in the Merebank paper mill by Anglo American Corporation, the R800 million investment by a Portuguese company in Natal Portland Cement, and a R630 million investment by Shell/BP in the Sapref refinery. Our province will intensify our efforts to attract investors as well as encouraging companies to set up their headquarters in KwaZulu-Natal.

Foreign Trade Missions

We are in the process of aligning trade and investment activities to avoid municipalities going abroad to compete against each other instead of collectively working for a unified province. A new Board of the TRADE AND INVESTMENT KZN has been constituted to bring all municipalities to cooperate under a common investment promotion agency.

Trade and Investment KwaZulu-Natal has been actively driving the promotion of investment opportunities as well as assessing new markets to be explored for the possibility of soliciting investors to partner local companies in the establishment of operations within the province. In pursuit of these investors, we have led delegations comprising government and local industry showcasing key investments opportunities within the province. Key to this has been matching



local companies with potential partners within the selected regions. These trade missions have yielded some results. The following are some of the projects that resulted from such visits:

- Indian Apallo Tyres bought into Dunlop;
- Indian Tata Steel is building a manufacturing plant in Richard's Bay;
- Indian UniPhos Group entered into a joint venture with a KZN BEE company to set up a plastic manufacturing plant in Durban;
- Belgium's Rovoplast has bought property in Eshowe with the intention of setting up a PVC manufacturing plant;
- A Chinese company, Shanghai Haboa Chair, entered into a joint venture agreement with a BEE company to manufacture FIFA accredited stadium seats in Pietermaritzburg.

THE THREE DEVELOPMENTAL STRATEGIES

The 2007/08 budget framework is informed by three broad developmental strategies; namely:

- Stimulating sustainable and shared economic growth through partnerships
- Employment creation and empowerment initiatives, and
- Improving service delivery

STRATEGY ONE:

Stimulating sustainable and shared economic growth through partnerships

Chalmers Johnson who first coined the phrase 'a developmental state' said that 'a state's first priority will define its essence'. Our essence therefore is in building an economy in which all our people will share and thereby contribute to the eradication of poverty. We intend to get our province to be the leading economy in South Africa with the largest contribution to the nation's GDP. For this to happen there are a few necessary pre-conditions:

- Government investment in the economy
- Mobilisation of private sector investment to transform the provincial economy and make it participatory and inclusive
- Build relevant skills that will support a technologically advanced economy
- A labour absorptive business sector which directs its efforts to halving unemployment

We acknowledge that the government cannot achieve any of the above objectives alone. There are three clear partners in the development of this province. First is the provincial government itself. Second is the citizenry of the province in all of its formations and the private business sector this golden triangle. An important tool in the hands of our government is the provincial budget that must give meaning to our objectives and guide the development of this economy.



All efforts to grow the economy of the province have to be aimed at broadening participation in the economy by those communities that were previously excluded. Black Economic Empowerment is one significant consideration that must be taken into account by local and foreign investors. We want to ensure that meaningful Black Economic Empowerment takes the centre-stage of KZN business activity.

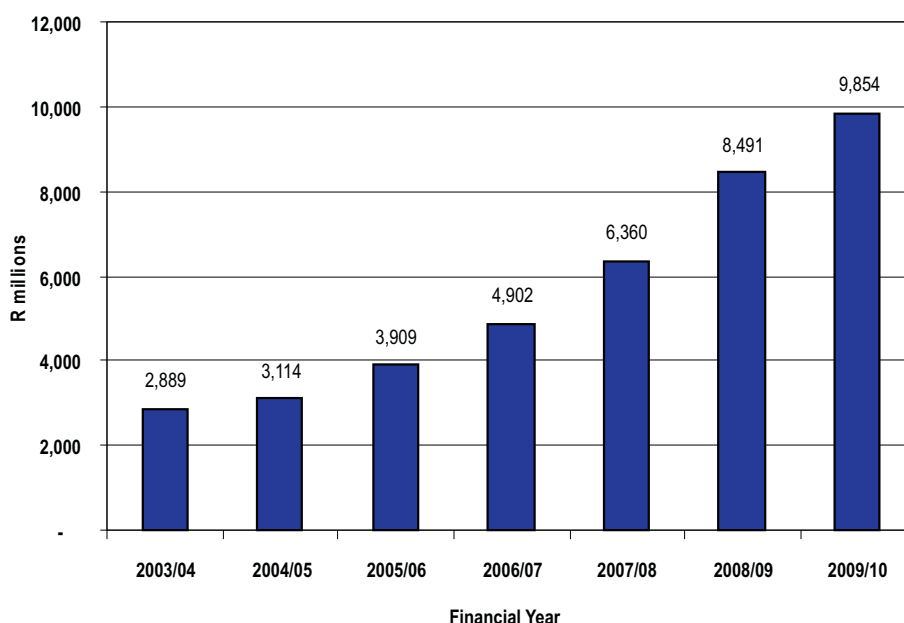
Government investment in the local economy

Mr Speaker an early analysis of economic sector cluster programmes for the 2007/08 MTEF reveals that government will be spending R7,637 billion in housing, road construction and maintenance, agriculture, land reform and restitution, tourism and corridor development projects in the prioritised corridors and nodes across the province. These projects are expected to create approximately 183,000 temporary jobs.

Infrastructure investment

Infrastructure expenditure by the provincial government has more than doubled between 2003/04 to 2007/08, from a baseline of R2,9 billion to R6,4 billion and it alone will grow to R9,8 billion in 2009/10 (**Figure 1**). Given its potential to stimulate economic growth across a broad front, infrastructure delivery will remain one of the key focus areas of this government. **We have also taken a firm view that we will not tolerate infrastructure under-spending. I am satisfied that several meetings that have been held with the relevant departments to put an end to this problem will provide a lasting solution. We will continue to intervene and reallocate funds from departments which show under-spending to those that can deliver, as was done in the last budget adjustment.**

Figure 1 Summary of Actual and Estimated Infrastructure spending:
2003/04 to 2009/10



In respect to transport infrastructure, the provincial budget we table today provides for a total of R3,18 billion to be spent by the Department of Transport over the next three years to upgrade major transport corridors in the province, including: John Ross Highway (allocated an extra R100m), P700 from Richards Bay to Ulundi and ultimately linking to Vryheid and the north, etc.

The Dube Trade Port and International Airport

We are grateful for the partnership with ACSA on Dube Trade Port, the biggest single government infrastructure investment in the province. When ACSA joined the project, specifications were revised with the attendant increase in the amount required for the project from R2,5 billion to about R5,3 billion. The preferred bidder has already been selected, namely the Ilembe Consortium. Negotiations with the Consortium are underway to reach an agreement by the end of March. The agreement between ACSA and DTP has been signed which will ensure that the relationship and respective roles are clearly defined. I would like to congratulate both ACSA and DTP for the commitment shown through the finalisation of this agreement. I wish to thank Minister for Transport Hon Jeff Radebe for his role in the conclusion of this matter. I also wish to thank Premier Ndebele and my cabinet colleagues and Heads of Departments for their support in delivering this long awaited project for KwaZulu-Natal.

Despite the appeal lodged in court against the selection of the preferred bidder, my confidence in the correctness and legality of the procurement processes has been so high that I did not expect this challenge to derail the construction of the airport and disturb the timelines beyond the 2010 target dates.

I am now pleased to announce that the appeal lodged against the selection of the preferred bidder was rejected with costs in a judgement issued by the Pietermaritzburg High Court last week. This means that the way is now clear for the project to move ahead on schedule to meet the 2010 timelines and beyond.

The catalytic impact of this project will not be confined to the growth node in the coastal area north of Durban, but will reverberate across the entire province and position KwaZulu-Natal as a destination of choice for domestic and international tourists – the inexhaustible gold mine of our province.

In the months leading up to the World Cup in 2010, citizens of this province will be able to look up into the skies, and see gigantic planes landing and taking off from the King Shaka International Airport.

The 2010 Soccer World Cup

Mr Speaker, the 2010 Soccer World Cup promises to bring significant economic benefits to the country and the province, particularly in the tourism sector. Our province is certain to get a semi final. The 2010 FIFA world Cup is about business opportunities for our province in many sectors: tourism, sports, security, hotel, food and beverage industry, transport and many others. KwaZulu-Natal must get ready!

Good progress is being made in the construction of the 2010 Soccer Stadium in Durban that will host the semi-final match. Negotiations with the preferred bidder are at an advanced stage to ensure timely delivery of the stadium. Given the importance of this iconic stadium, the province has committed itself to providing financial support towards the construction costs. We are satisfied that the current cost of building the stadium is unavoidable and therefore we intend to make a contribution of R300 million over the next MTEF cycle.



The Provincial Growth Fund

We intended that the Growth Fund would be fully operational during the current financial year. Despite the overwhelming enthusiasm from the private sector for this partnership, the process of finalising all the contractual agreements around the fund, involving five separate private sector lenders, has however taken a lot longer than we anticipated. It became necessary for me to intervene, the result of which was a decision to reallocate R400 million of this year's funding for the Growth Fund during the recent Adjustments Estimate. The assistance of the DBSA was secured to strengthen the Fund since it has also suffered from a lack of capacity in the Fund Management structure, thus slowing the process of identifying and packaging projects for consideration by the Fund's investment committee.

Treasury recently convened a meeting with the five financial institutions who are partners with government in the Fund to get the Fund to begin disbursing funds on major projects on a regular basis. I am confident that with these measures in place, we will be in a position to spend the bulk of the R500 million allocation to the Fund in the coming financial year. The oversight on the Fund will now reside in the Department of Economic Development.

Other government instruments to stimulate sustainable and shared economic growth

Government has put into place a number of other instruments to stimulate sustainable economic growth, built around the theme of creating a positive image and promoting KZN as a sporting and cultural Mecca.

The A1 Grand Prix

Last weekend the province was witness to a partnership of another kind. I am referring to the A1 Grand Prix, which involves a three-way partnership between the provincial government, eThekweni Metro and the local A1 Holding Company Dunrose Investments. This event has already made a major impact on the regional economy, generating approximately R350 million last year alone.

The KZN Film Industry

KZN has become a natural home for the shooting of feature films and TV commercials. Approximately 59 feature films and commercials were shot in KZN in 2004. This increased to 77 in 2006. This rise in film and commercial shoots can be explained by the fact that it costs 30 to 40 per cent less to shoot a film in South Africa than in Europe and the United States. In order to exploit this competitive advantage even further, Economic Development -through the KZN Film Commission- is considering a range of incentives to encourage more film houses to consider KZN as a home of filmmaking. Details of this will be provided during the Economic Development vote.

The music industry

In regard to the music industry, over the years KZN has produced some of the greatest musicians and artists, who have excelled both in South Africa and abroad. However, most of these artists/musicians have only reached their full potential after having migrated to other provinces and countries. This results in loss of local talent and to the KZN music industry; loss to the KZN economy and undermines KZN government policy to promote KZN as a cultural centre and Mecca for the creative arts.



In this budget we are providing funding in the amount of R10 million per year, to the Department of Economic Development, working with the Department of Arts Culture and Tourism, to establish a unique, commercially viable non-profit making agency that will promote the local music industry and enable our musicians and later all artists to achieve their dreams, without leaving our province. This will provide opportunities for musicians to record their music in the province and ensure that all profits generated will be for the benefit of the musicians themselves.

Tourism

KwaZulu-Natal is now market leaders for domestic tourism as well as number two in terms of international tourism. Over the past three years KwaZulu-Natal has steadily been growing its market share in both markets.

The hotel occupancies for the province for the period to December 2006 have been 1 per cent higher than the national average. Overall, the total contribution to GDP-R was 10 per cent. The tourism sector created 77,000 direct jobs and 154 000 indirect jobs, an important factor municipalities must note as they conduct their Local Economic Development Summits (LED).

There has been substantial investment in tourism infrastructure. Extensive renovations and refurbishments totalling some R89 million were carried over the past two years. In addition, there has been private sector investment of about R2,5 billion in new hotel infrastructure. Furthermore, three more hotels are in the planning stages including a coastal holiday resort.

In capitalizing from these past gains, the Economic Cluster working with Department of Economic Development and the Department of Arts, Culture and Tourism will work towards finalising a plan for packaging new tourism investment opportunities in different parts of the province, within the next six months.

**"Soar again, young eagle, soar above
Those jagged turrets and sky-tossing peaks..."**

STRATEGY TWO:

Employment creation and empowerment initiatives

Our overall goal of fighting poverty is intertwined with the need to create employment opportunities and to promote black economic empowerment through the following key interventions:

Supply Chain Management

All provincial departments have established Supply Chain Management Units and are now better placed to actively promote the provincial government's BEE and other provincial economic development policies. The analysis of the spending patterns of the past two financial years indicates that some 71 per cent of the 2007/08 budget will be utilised on salaries, payments for municipal services, Telkom services and transfers to NGO's and public entities. This leaves us with 29 per cent, or R12,3 billion that requires some form of procurement procedures.

The analysis further indicates that 37 per cent or R4,7 billion of this amount is in respect of procurement from contracts negotiated and controlled at national level (medicine and vehicles) and contracts with major national and international suppliers. Our preferential procurement prescripts and strategies thus far have not sufficiently influenced transformation at this level. The Treasury is accordingly formulating a new strategy to deal with these contracts to ensure local



economic development and enforce sufficient commitment to black economic empowerment from these companies. We will meet with all these companies during the year to ensure commitment to our economic transformation and empowerment policies and targets.

The remainder of the procurement budget (63 per cent or R7,5 billion), represents an amount that government can directly influence. We are determined to leverage this procurement spend more aggressively to benefit BEE and local economic development. **To companies who refuse to transform and support government's transformation policies and targets, the message is that the Provincial government will not do business with you.**

The analysis does indicate an increasing trend of BEE suppliers to government. Whilst this is a good sign, it also becomes clear that some of the suppliers behind these BEE groups have not embraced our policies of meaningful and sustainable Black Economic Empowerment. We will identify these suppliers and exclude those who refuse to cooperate with government in this regard.

Agrarian revolution and basic food security programmes

Agrarian Revolution as adopted by the government of this province remains the most important strategy to revive rural economy, reverse the scourge of poverty and ensure food security. It allows us to mobilize already existing resources such as communal land and take advantage of the indigenous farming skills.

Apart from revitalisation of the Nguni livestock, according to the Department of Agriculture 8,670 hectares of land was cultivated to maize and dry beans this year, with government supplying fencing, fertilisers seed and weed killers supported with tractors in the mechanisation programme. It is expected that more than 13,000 tons of maize and dry beans will be harvested for the benefit of people in Nongoma, Magudu, Nquthu, Nkandla, etc.

The implementation of this programme has, however, been beset with serious challenges which must be acknowledged. Over the past two years the programme has suffered from various planning and operational deficiencies, resulting in late plantings in some areas and over-expenditure. The department has received a disclaimer and other unfavourable comment from the Auditor General and attracted severe criticism from the Provincial Legislature. Despite this reality, there is little doubt regarding the benefit of the programme to the communities that received the assistance. The current investigation, once completed should allow the necessary steps to be undertaken to correct the operational deficiencies and restore the programme to a sustainable footing to achieve government's objectives in the forthcoming MTEF cycle. This is the commitment of the Premier and my colleague, the MEC for Agriculture and Environmental Affairs which I share and support.

We will also be focusing sharply on agri-processing export opportunities linked to the Dube Trade Port.

We are further investigating the viability of tea production since about 5,000 jobs were lost when this industry declined. The Ngome Estate shareholders have expressed their willingness to help us revive this industry. We have been advised by Japanese experts on the tea industry to concentrate on the high-end, ready to drink (RTD) green tea products. We are awaiting a final feasibility study before making a decision.



Ithala

To finance and increase opportunities for economic activity at the local level, we asked Ithala to be the main funder driving the cooperatives programme and the small, medium and micro enterprise programme as well as the promotion of Black Economic Empowerment. The management of Ithala has apprised us of the challenges associated with development of this sector. These have, quite expectedly, resulted in the amounts of arrear payments in both of these loan books at Ithala increasing significantly to reach about R52 million for the two years.

The Provincial Treasury together with the Ithala Board and Management met in January to discuss these matters in the light of further recapitalisation of Ithala that remains necessary to fund our development programmes. A strategy was agreed to deal with the arrear payments on the one hand and also to ensure that new businesses that are approved are provided upfront with support that will prevent them getting into arrears.

In addition, the Board and the MEC have agreed on a restructuring process that will be driven by the new Board of Ithala. In the restructured Ithala, focus will be on the finalisation of the deposit taking activities of Ithala and streamlining of the Development Corporation. This will ensure better coordination and conform to the market norms. We will address this House on the changes once they are finalised.

We are also encouraged by the commitment of management to recruit further skills into the organisation so that a true development finance institution can emerge.

In the next allocation to Ithala it will be recommended that a minimum of R50 million be reserved for youth owned enterprises and a similar target for women. In this budget, we are allocating a total of R1,3 billion over the three year MTEF period to Ithala for the purposes of financing small businesses - R665 million and cooperatives R635 million.

Support to small business and access to finance

The broader objective of the SMME financing facilities that we have established is to assist historically disadvantaged individuals to start up and expand business. Bridging the gap between the first and the second economy is not a choice but a must if we are to meet our policy objectives of black economic empowerment and job creation, amongst others.

To date, Ithala has approved SMME loans totalling R478 million for 465 enterprises in agricultural, manufacturing, services, construction, energy, tourism and other sectors. Through the finance provided to SMME's Ithala facilitated the creation of 3,552 job opportunities. To address challenges experienced by this sector, Ithala has appointed the Ukwakha Consortium to help with receiving and preparing business plans, mentorship, technical support and professional due diligence services for specific referrals on business loan applications.

Using the model from the Republic of India, the National Small Industries Corporation (NSIC) of India has assisted us in the development of a strategy to provide support the SMME's on a district basis which will be integrated with the Small Enterprise Development Agency (SEDA). This strategy will have the effect of strengthening our small business sector, create more employment and help to protect our investment in this sector through Ithala loan book.



Cooperatives programme

The Co-operatives Programme has two very specific objectives, namely to provide food security and create economic activity at a very basic community level. Ordinary people have testified that they are now able to support their families through this programme.

Though more cooperatives have received training, currently over 4,000 of them have worked with FET colleges to draw up business plans. Over 1,000 have had their funding approved by Ithala and a few have made own savings and are operational without any funding from Ithala. According to Ithala records, a total of R169,6 million in loan capital has already been approved to fund cooperatives, contributing to the creation of more than 7,130 jobs in the province.

The culture of co-operatives is here to stay and is growing. We need to make it clear that cooperatives are not entities established and run by government but are a community movement created for the benefit of the members while government creates a supportive environment for cooperatives to survive.

We look forward to members of co-operatives reaching several millions in the not-so-distant future in this province.

At our request, great strides have been made in collaboration with the University of Zululand in developing and implementing a curriculum which will make it possible for students to do studies on co-operatives and entrepreneurship. This university must be commended for appointing Professor Dele Braimorh and Professor Anthony Setsabi who are specialists in co-operatives, (Both from Lesotho University). Young people can now study and make a career for themselves after obtaining a certificate, a diploma, and degrees on co-operatives. Professors Braimorh and Setsabi will also oversee the revamping of the co-operatives programme and elimination of weaknesses in this programme which have contributed to among other things the large disparity between the numbers enrolled and operational cooperatives.

We will complete the establishment of secondary co-operatives to ensure that co-operatives do benefit in procurement, bulk buying, marketing, quality assurance and branding, and have meaningful participation throughout the value chain. By the end of this year, there will be at least one secondary co-operative operational in each district throughout the province. We envisage that secondary co-ops will be incorporated in poultry production, beef production, vegetable product, beans production and mechanization programme. A combination of grant funding and loan capital will be used to drive the programme.

Government remains committed to offering a market for co-operatives to trade, we commend the Department of Health for leading the way in procurement of linen, fresh produce and meat for public health institutions. We urge more departments to do the same.

Specific job creation programmes – EPWP

The Expanded Public Works Programme (EPWP) is one of the main second economy interventions of government aimed at job creation, empowerment and poverty alleviation. This budget provides funding for EPWP-related activities in the departments of Transport, Health, Social Welfare, Local Government, Education, Agriculture, and Works - targeting particularly women and the youth. EPWP programmes are wide-ranging in nature, and include the Department of Transport's Zibambele and Vukuzakhe programmes (expected to create 109,500 job opportunities by 2009/10), the community health and home-based care programmes in Health and Social Welfare (16,034 jobs by 2009/10), the Community Development Workers programme managed by the



Department of Local Government (410 jobs by 2009/10), and the alien weed eradication programme managed by the Department of Agriculture (4,500 jobs by 2009/10). Collectively provincial departments will be spending approximately R2,6 billion on EPWP programmes over the three years of the 2007/08 MTEF. Budgets for these items are integrated in departmental votes.

Business process outsourcing

Business process outsourcing (BPO) is the contracting out of a specific business task, such as payroll, human resources, and administration to a third-party service provider. Usually, BPO is implemented as a cost-saving measure for tasks that a company requires but does not depend upon to maintain their position in the marketplace. Already a large number of multinational companies are looking at offshore outsourcing of several business processes.

In the next financial year, Economic Development will establish three call centres – in Pietermaritzburg, Richards Bay and Newcastle as part of the provincial investment in the business process outsourcing arena. The first call centre under this programme will be operational in June 2007. A training programme for 1,000 call centre agents will begin in May 2007 and R20,8 million has been set aside to finance this project.

Empowerment through savings

It is a cause for concern indeed that South African households spend more than they earn. South Africans only save 0.2 per cent of disposable income. It is of vital importance that we revive and encourage the culture of savings at all levels. The hike in interest rates has been used as a deterrent to increased borrowing. We have to be vigorous in educating the public about the benefits that come with having a sound financial savings plan; hence we have given you each a money box.

In his Budget Speech, Minister Manuel had this to say: ***"In a country with a low level of savings, the planned fiscal surplus is government's contribution to a national savings effort and we would like our citizens to follow this example"***

STRATEGY THREE:

(A) Improving service delivery

The budget we present has demonstrable growth in allocations to provide sufficient funding in Departments' baselines to deliver quality services, which impact directly on poverty levels and quality of life in the province. In 2009/10, Education and Health will be receiving R10,2 billion over and above what they would have received if their 2003/04 baseline budgets had simply been adjusted for inflation only (**Figure 2**). There are however some budgetary constraints that must be acknowledged.

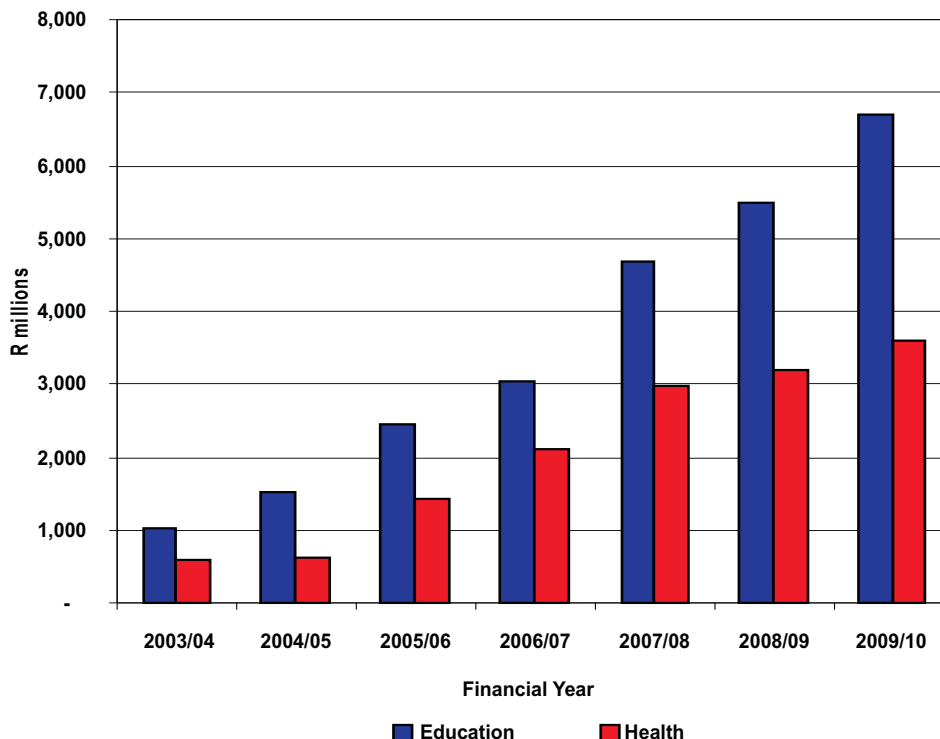
Education

The 2007/08 MTEF budget framework provides for a significant increase when compared with the allocation made in the 2006/07 MTEF. An additional amount of R2,4 billion representing a growth rate of 14.9 per cent has been added to the 2007/08 budget. This additional allocation to the Department of Education funds various initiatives, amongst which is the allocation for no-fee schools. We can proudly say that Education's budget is a pro-poor budget and Provincial Treasury is satisfied that all national priorities have been satisfactorily funded. Included in the



allocation is provision for salary increases and employment of more teachers. The number of no-fee schools in the province has increased from **1,346** in 2005/06 to **3,342** in 2006/07 and is bound to grow even further in the coming MTEF period. However, my colleague Hon Mrs Cronje and the whole provincial government are still concerned that the substantial additional allocations made to Education are not matched equally by significant improvements in matriculation pass rates.

**Figure 2 Additional provincial funding to 2003/04 MTEF Baseline Budgets:
2003/04 to 2009/10**



Budgetary allocations towards **Further Education and Training** (FET) programme continue to grow. From a baseline of R392 million in 2006/07, allocations to this programme will grow to R513 million by 2009/10. We consider this programme a key pillar in the provision of skills necessary to support the sustainable growth of our economy. The additional allocations include part of the funding for the **Masifundisane literacy campaign** to add to what Department of Labour has provided.

Health services

The 2006/07 Adjustments Budget allocated R75 million, to intensify the fight against multi-drug resistant TB, which has surfaced in the province. Going forward we will be stepping up this allocation.

The Department of Health will receive a budget of R13,4 billion for the 2007/08 financial year, representing an increase of R1,7 billion of new money or 14.4 per cent over the previous MTEF. This budget will strengthen our campaign against HIV and Aids through encouraging the programme of voluntary testing, counselling and increasing the number of people receiving anti-retroviral therapy. The allocations provided enable the Department of Health to fulfil their plan to increase the number of people receiving Anti-Retro-Viral Treatment from the current 30 per cent of patients who qualify for ARVs to reach the targeted 70 per cent by 2009. Budgetary allocations to this programme rise from



R988 million in 2007/08 to R1,3 billion by 2009/10. The increase in personnel allocation makes provision for phased implementation of the Health Professionals Remuneration Review and increase in the number of posts of the health professionals.

The fact that our Department of Health has reached the immunisation levels higher than the national average indicates the effectiveness of our Primary Health Care Services. Consequently the department will be stepping up the construction of primary health care (PHC) clinics, thereby increasing the annual visits beyond 19,9 million per annum in 2006 (from 10,4 million in 1995). Our PHC facilities are in the forefront in the fight against common and curable diseases many of which contribute to high infant mortality rates and general morbidity of our population as well as the reduction of life expectancy in the province.

The current delays in spending the capital budgets have been intensely discussed and working with the Department of Works, a lasting solution has been found to deal with this challenge. The capital budget has been reduced through the resolution of the National Department of Health. Treasury is currently finalising preparations for a **Private Public Partnership** to address the increased demand for revitalisation of hospital facilities. This will deliver the state of the art facilities despite our budgetary constraints.

Social Welfare

Honourable members will recall that at the beginning of 2006/07 an amount of R13 billion for social security grants function shifted to the national sphere. This amount which is handled by South African Social Security Agency includes grants for aged, war veterans, disability, grants in aid, foster child grant, care dependency and child support grants. In 2002, some 406,440 pensioners were receiving grants. In January 2007 we had 443,795 old age grant beneficiaries in our province. With regard to the Child Support Grant beneficiaries, 530,484 children were recorded in the system in 2002. This number has increased nearly four-folds to 1,903,802 by the end of January 2007.

The budget caters for the improvement in salary of social workers and employment of auxiliary social workers mainly for Population Development programmes below which will be strengthened:

- Prevention of substance abuse and rehabilitation,
- Care and services to older persons,
- Crime prevention and support for crime victims,
- Child care, care for the disabled and debilitated,
- Prevention of HIV and AIDS, unwanted teenage pregnancies, and
- General social relief and strengthening social fibre, etc

Function shifts to Economic Development

It has been decided to shift accountability for the managing the Provincial Growth Fund and SMME funds from Provincial Treasury to the Department of Economic Development. Many members of this house raised this matter in the budget debate last year. This function shift will take place with effect 1 April, and Honourable Members will notice that the funds for these programmes appear against Vote 4 in the budget proposals being tabled today. Amounts of R1,709 billion over the MTEF period representing the Provincial Growth Fund and R665 million over the MTEF representing the Small Medium and Micro Enterprise Fund have been transferred to Economic Development. Treasury will however assist the Department of Economic Development in the strategic management of these funds until capacity can be built in the latter Department, in the form of full-time project managers.



(B) Good Governance

Performance Budgeting System

The drive to improve service delivery is the essence of the Performance Budgeting concept (PBS). The implementation of the Performance Budget System started in July 2005 with the Departments of Health and Transport.

In April 2006, implementation of the system also started in Agriculture, Office of The Premier, Provincial Legislature, Economic Development and Treasury. These departments should also go live on 1 April 2007, except for Agriculture where the project is lagging behind because of lack of capacity.

There is a need for all departments to update the data lines in order to enable the system to really perform as a live system failing which there may be user apathy. Given the fact that the province is spending about R100 million (last year's budget) on this project, it cannot fail, and Treasury will do its utmost best to fully implement the system. Of course Treasury will also rely on the good will of all provincial departments.

Financial Management

Another key determinant in improving the quality of services delivered by government is the issue of financial management and reporting. If there is poor financial management and controls in a department, service delivery inevitably is the first to suffer through a combination of waste and loss of resources and fraud and corruption. In this regard the Treasury will be looking closely at the audit results of department in the coming year. The 2005/06 audit results did not reflect well on the province (*1 disclaimer, 9 qualified audits and high number of matters of emphasis*) and Treasury is determined to avoid a similar outcome in this and the outer years of the MTEF.

We have made a commitment to eliminate disclaimers and to halve qualifications in the audit findings of 2006/07. This is a very bold commitment, but we are determined to achieve it if we are serious about strengthening financial management in the province to improve service delivery.

Treasury will not hesitate to intervene in departments where there is continuous contravention of the PFMA.

Monitoring of municipal financial management performance

I should emphasise that our focus is not only on the standards of financial management in departments.

The promulgation of the MFMA was an important milestone in the area of local government financial management. Its underlying principles endorse greater financial accountability and sustainability of municipalities and municipal entities, thereby facilitating effective service delivery to communities. The implementation of the Act requires a number of financial reforms at municipal level, the most significant being the budget process and its link to the Integrated Development Plan (IDP); in-year and post financial year reporting; audit and internal controls; and supply chain management.

The role of the KwaZulu-Natal Provincial Treasury is to provide guidance and assistance on these MFMA implementation and financial management issues to 53 of the 61 municipalities which have



been delegated to the province. This is no small task. The combined provincial municipal budget, including the budgets for the ten district municipalities and eThekweni Metro for the 2006/07 financial year, amounts to R24,1 billion. The municipal budgets have grown by 18.8 per cent between 2005/2006 and 2006/2007.

Seventy five per cent of the delegated municipalities in KwaZulu-Natal have tabled their budget timelines for the preparation of the 2007/2008 budget. To date Uthukela, Nquthu and Mpofana were in overdraft and are implementing mechanisms to reduce this before June 2007. In terms of the submission and auditing of the 2005/06 municipal financial statements only two municipalities have not yet submitted, namely, Ulundi and Umkhanyakude.

(C) Fighting Crime and Corruption

Safety and security: Improving crime prevention measures

The unacceptably high levels of crime in the country have rightfully been the subject of much public debate in recent weeks.

This prompted the Premier in his State of the Province address to state as follows:

"Our government is not going to allow the criminal minority in our society to undermine our efforts to realize our social and economic potential as a province"

The budget provides an additional allocation of R105 million (R20 million, R35 million and R50 million) over the three years of the MTEF for use by the Department of Community Safety and Liaison for the crime prevention volunteer corps announced by the Premier. We have calculated that this funding should be sufficient to meet the personnel related costs of recruiting and training of 1,000 volunteers to the new corps in 2007/08 to over 2,000 in 2009/10. Further investigations into the technology announced will be provided later as more definite information becomes available. I have no doubt that these volunteers (modelled along the lines of the London Metro Police project), working hand in hand with the police and communities will make an immediate and measurable impact on the crime situation in the province.

Fraud and corruption

With regard to the issue of fraud and corruption, I want to state categorically that this government under the leadership of Premier Ndebele and the Executive of KwaZulu-Natal will not tolerate fraud and corruption in any form, size and in any area of the public sector. Zero tolerance of fraud and corruption is now an in-built and ongoing strategy in all government departments in the province. This government will not tolerate any form of fraud or corruption on the part of any public servant or elected official, no matter how senior, irrespective of political affiliation or any form of association. All suspected cases of fraud and corruption will be investigated without fear or favour.

I can report that sixteen forensic investigations ranging from fraud, corruption, theft, mismanagement, maladministration and other irregularities were conducted during the 2005/06 financial year and more are underway during this financial year. Some of these cases are before the courts of law and concerned departments have instituted internal disciplinary hearings.



Government took an unprecedented action to challenge litigations against the Department of Social Welfare and Population Development thereby saving government millions in welfare grants claimed by unscrupulous legal firms using touts. Consequently the Law Society has found two prominent legal firms guilty of misconduct in addition to the cases reported to the SAPS. We have joined forces with external forensic investigation fraternity in our fight against fraud and corruption, as well as the National Department of Home Affairs and South African Revenue Services. The Department of Local Government and Traditional Affairs has conducted investigations in more than 20 municipalities whenever there is information suggesting that good governance is being undermined. Under all circumstances government action will be guided by the results of a professional process of investigation and will not react with emotions generated by publicity that such matters inevitably attract.

We welcome the decision of SCOPA requesting the Auditor General to investigate the internal operations in Ithala to ensure that no favouritism is involved in the awarding of loans. A forensic investigation is currently underway in the Department of Agriculture and Environmental Affairs as ordered by the Premier following a decision in the Legislature. A full forensic report will be released soon and will not be discussed in this presentation.

THE 2007/08 PROVINCIAL FISCAL FRAMEWORK

More details are also contained in the Budget Statements we are tabling today. Nearly all departments have received additional funding over the MTEF. I invite the Honourable Members to familiarise themselves with the contents of the Budget Statements.

A summary of the provincial fiscal framework for the 2007/08 MTEF budget is given in **Table 1**. The provincial equitable share allocations increase over the MTEF by R5,7 billion. The increases in the conditional grant allocations are mainly due to the increase in the allocations of the Infrastructure Conditional Grant. There has also been a considerable upward revision in the provincial own receipts, which is mainly attributable to Transport's revenue estimates.

Section 2.1 of Table 1 gives the new funding available for distribution which amounts to a total of R6,3 billion over the 2007/08 MTEF. The non-discretionary expenditure areas that have a claim on this budget are as follows:

- Carry-through costs of the 2006/07 Adjustments Estimate. Details of these allocations are listed in **Table 2** below.
- The net financial implications resulting from expenditure responsibility associated with the incorporation of Umzimkhulu and the parting of Matatiele – these financial implications are presented in Table 1.
- National spending priorities – in Education, Health, and Social Welfare personnel, over and above inflation adjustments. The increase in Education's personnel budget is to provide, mainly, for the scaling up of the remuneration packages of principals from 1 April 2007 and extending it to other educators over the MTEF. In Health, the increase in personnel allocation is to provide for the phased implementation of the Health Professionals Remuneration Review. The increased allocation is to also cater for the creation of additional posts for health professionals to boost health professional numbers in the next five years. The additional funding in Social Welfare is to increase the number of social auxiliary workers. The breakdown of these allocations for the three departments is given in Table 2.



Table 1: Summary of Provincial Fiscal Framework

(R000)	2007/08	2008/09	2009/10
1. Receipts			
Baseline Allocation	41,932,609	47,010,085	50,344,488
Transfer receipts from national	40,692,720	45,683,403	48,918,305
<i>Equitable share</i>	<i>35,957,286</i>	<i>40,445,585</i>	<i>43,479,004</i>
<i>Conditional grants</i>	<i>4,735,434</i>	<i>5,237,818</i>	<i>5,439,301</i>
Provincial own receipts	1,239,889	1,326,682	1,426,183
Increase / (Decrease) in allocation	1,581,919	1,995,549	4,315,372
Transfer receipts from national	1,398,667	1,825,011	4,147,044
<i>Equitable share</i>	<i>1,109,732</i>	<i>1,424,912</i>	<i>3,218,596</i>
<i>Conditional grants</i>	<i>288,935</i>	<i>400,099</i>	<i>928,448</i>
Provincial own receipts	183,252	170,538	168,328
Revised allocation	43,514,528	49,005,634	54,659,860
Transfer receipts from national	42,091,387	47,508,414	53,065,349
<i>Equitable share</i>	<i>37,067,018</i>	<i>41,870,497</i>	<i>46,697,600</i>
<i>Conditional grants</i>	<i>5,024,369</i>	<i>5,637,917</i>	<i>6,367,749</i>
Provincial own receipts	1,423,141	1,497,220	1,594,511
2.1 New funding available for distribution	1,292,984	1,595,450	3,386,924
Equitable share	1,109,732	1,424,912	3,218,596
Less: Phasing-in of the FET College Recapitalisation Grant			(175,150)
Net equitable share	1,109,732	1,424,912	3,043,446
Provincial own receipts	183,252	170,538	168,328
2.2 Net new funding available for distribution	1,292,984	1,595,450	3,211,774
3. Less Non-Discretionary Expenditure Responsibilities	1,398,269	1,733,568	2,589,049
Carry-through costs of 2006/07 Adjustments Estimate	134,506	93,942	70,590
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	729,179	749,163	779,612
Funding of national spending priorities	534,584	890,463	1,738,847
4. Surplus/(deficit) [2 - 3]	(105,285)	(138,118)	622,725
Add Re-allocation from baseline budgets	235,000	222,000	68,750
5. Net discretionary funding available for allocation to provincial priorities	129,715	83,882	691,475

After taking into account the three non-discretionary expenditure responsibilities, the province is left with a deficit of R105 million and R138 million in the first two years of the MTEF. To meet this shortfall, the baseline budgets of some programmes in the Department of Economic Development have had to be reduced, namely the Richards Bay IDZ, the Growth Fund and the SMME Fund.

Taking into account these internal re-allocations from the baseline budget of the Department of Economic Development, the province is left with R130 million, R84 million and R691 million to allocate towards provincial bids. All the additional allocations to departments are shown in Table 2.

Mr Speaker, increases in the Governance and Administration cluster departments are as follows:

The Office of the Premier receives a total of R27,5 million over the MTEF to accommodate the carry-through costs of the 2006/07 adjustments with respect to *Izimbizo*.

Provincial Legislature: Amounts of R34,6 million in 2007/08, R32,5 million in 2008/09, and R34,8 million in 2009/10 are allocated. These allocations will cater for the following: constituency allowances, taking Legislature to the people, and the publication of *Iso Elibanzi*.

The Royal Household receives a total of R11,2 million over the MTEF to accommodate the carry-through costs of the 2006/07 adjustments.



Table 2: Summary of additional allocations, 2007/08 MTEF

	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
	R000			Percentage Share		
Vote 1: Office of The Premier - carry through of 2006/07 Adjustments Estimate: Izimbizo	8,560	9,160	9,800	0.7	0.6	0.3
Vote 2: Provincial Legislature	34,642	32,462	34,854	2.7	2.0	1.0
Carry through of 2006/07 Adjustments Estimate	10,842	11,602	12,414	0.8	0.7	0.4
Constituency allowance	8,665	9,272	9,921	0.7	0.6	0.3
Statutory payments	2,177	2,330	2,493	0.2	0.1	0.1
Taking Parliament to the People	10,200	10,700	11,200	0.8	0.7	0.3
Iso Elibanzi	3,500	3,760	4,040	0.3	0.2	0.1
Technological Improvements	7,100	3,200	3,200	0.5	0.2	0.1
Public Hearings	3,000	3,200	4,000	0.2	0.2	0.1
Vote 3: Agriculture and Environmental Affairs	33,134	26,889	168,825	2.6	1.7	5.0
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	25,084	26,889	28,825	1.9	1.7	0.9
Agrarian Revolution			100,000	-	-	3.0
Ezemvelo KZN Wildlife	8,050	-	40,000	0.6	-	1.2
Debt write-offs - Nedcor Group Loan	8,050			0.6	-	-
Infrastructure improvements - Road Maintenance			40,000	-	-	1.2
Vote 4: Economic Development	(18,256)	(19,743)	(18,750)	(1.4)	(1.2)	(0.6)
Carry through of 2006/07 Adjustments Estimate - Admin costs iro Co-ops	9,744	10,235	11,000	0.8	0.6	0.3
Establishment of Music Recording Studio	10,000	12,000	15,000			
Decrease in Richards Bay IDZ budget	(45,000)	(50,000)	(53,750)	(3.5)	(3.1)	(1.6)
Revised model for integrated business support	7,000	8,022	9,000	0.5	0.5	0.3
Vote 5: Education	566,096	969,031	1,853,147	43.8	60.7	54.7
Net financial implication of demarcation (Net of and Matatiele)	373,112	391,768	421,150	28.9	24.6	12.4
Phasing-in of the FET College Recapitalisation GrantUmzimkhulu			175,150			5.2
National priorities:	192,984	577,263	1,256,847	14.9	36.2	37.1
Personnel (mainly for 2007 Wage Agreement)	96,984	120,744	245,808	7.5	7.6	7.3
Personnel - (mainly for 2008 Wage Negotiations)		432,519	865,039	-	27.1	25.5
Teacher Development	16,000			1.2		
Teacher Development and Initial Supply (Bursaries)	20,000			1.5		
Systemic Evaluation	20,000			1.5		
Quality Improvement Development Support and Upliftment Programme	40,000	24,000	146,000	3.1	1.5	4.3
Vote 6: Provincial Treasury	(171,500)	(166,000)	(15,000)	(13.3)	(10.4)	(0.4)
Carry through of 2006/07 Adjustments Estimate	18,500	6,000	-	1.4	0.4	-
Planning/management costs of the Government Precinct	6,000	6,000		0.5	0.4	-
A1 GrandPrix	12,500			1.0	-	-
Decrease in SMME Fund	(30,000)	(12,000)	(15,000)			
Decrease in KZN Growth Fund budget	(160,000)	(160,000)		(12.4)	(10.0)	-
Vote 7: Health	511,708	513,137	702,582	39.6	32.2	20.7
Carry-through costs of 2006/07 Adjustments Estimate - XDR-MDR TB	80,250	50,000	30,000	6.2	3.1	0.9
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	143,858	149,937	160,354	11.1	9.4	4.7
Development of Oncology Services			30,228			
National priorities:	287,600	313,200	482,000	22.2	19.6	14.2
Health Professional Remuneration Review	237,600	313,200	432,000	18.4	19.6	12.8
Additional posts for health personnel	20,000			1.5		
Expansion of Emergency Medical Services in preparation for 2010	30,000		50,000	2.3	-	1.5
Vote 8: Housing - Capacity building in municipal housing component			5,000	-	-	0.1
Vote 9: Community Safety and Liaison	25,441	41,438	61,735	2.0	2.6	1.8
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	2,941	3,438	1,735	0.2	0.2	0.1
Employment of voluntary corps	20,000	35,000	50,000	1.5	2.2	1.5
Improving the effectiveness of the SAPS			5,000	-	-	0.1
Creating public awareness	2,500	3,000	5,000	0.2	0.2	0.1
Vote 10: The Royal Household - carry through of 2006/07 Adjustments Estimate	3,500	3,745	4,026	0.3	0.2	0.1
Vote 11: LGTA	53,886	31,585	124,786	4.2	2.0	3.7
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	53,886	31,585	34,786	4.2	2.0	1.0
Massification projects - Water and Sanitation			50,000	-	-	1.5
Rehabilitation of small towns			40,000	-	-	1.2
Vote 12: Transport	150,675	128,426	399,207	11.7	8.0	11.8
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	110,675	128,426	114,400	8.6	8.0	3.4
Dube Trade Port (R102 - Ballito and M4 - R102)			84,807	-	-	2.5
Maintaining the existing road network	20,000		150,000	1.5	-	4.4
Access to community facilities	20,000		50,000	1.5	-	1.5
Vote 13: Social Welfare & Population Development	61,077	7,430	22,987	4.7	0.5	0.7
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	7,077	7,430	7,987	0.5	0.5	0.2
National priorities:	54,000					
Employment of Social Auxiliary Workers	24,000			1.9		
Scholarships for social workers	10,000			0.8		
Substance abuse	20,000			1.5		
Early childhood development			10,000	-	-	0.3
Home community-based care			5,000	-	-	0.1
Vote 14: Works Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	5,331	5,220	5,595	0.4	0.3	0.2
Vote 15: Arts & Culture	9,500	7,150	9,425	0.7	0.4	0.3
Carry-through costs of 2006/07 Adjustments Estimate - Special Events	1,600	1,650	1,750	0.1	0.1	0.1
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	5,400	2,500	2,675	0.4	0.2	0.1
Accelerating transformation in the tourism industry	2,500	3,000	5,000	0.2	0.2	0.1
Vote 16: Sport & Recreation	19,190	5,520	18,705	1.5	0.3	0.6
Carry-through costs of 2006/07 Adjustments Estimate	1,510	1,550	1,600	0.1	0.1	0.0
Net financial implication of demarcation (Net of Umzimkhulu and Matatiele)	1,815	1,970	2,105	0.1	0.1	0.1
Major sport events	5,865	2,000		0.5	0.1	-
Decentralisation from regional to district municipal areas	10,000		15,000	0.8	-	0.4
TOTAL	1,292,984	1,595,450	3,386,924	100.0	100.0	100.0



Local Government and Traditional Affairs receives R53,9 million; R31,6 million and R124,8 million to finance Umzimkhulu expenditure, water and sanitation and to fund the rehabilitation of small towns.

Sport and Recreation receives R19,1 million, R5,5 million and R18,7 million to accommodate the decentralization expenditure, support for major sport events, as well as expenditure in Umzimkhulu.

The Economic Cluster Departments receive the following increases over their baselines:

Agriculture receives R33,1 million, R26,9 million and R168,8 million mainly for the agrarian revolution.

Transport receives R150,7 million; R128,4 million and R399,2 million for expenditure in Umzimkhulu, the R102 expansion to improve access to the Dube Trade Port; road maintenance and the construction of access roads.

Works: A total amount of R16,1 million is allocated for expenditure in Umzimkhulu.

Arts and Culture receives a total of R26,1 million over the MTEF to accommodate carry-through costs, expenditure in Umzimkhulu, and accelerating transformation in the tourism industry.

Economic Development is allocated R26,7 million; R30,3 million and R35 million for carry-through costs, the establishment of the music-recording studio as well as integrated business support.

As a result of these additional allocations, departmental baseline budgets have been revised upwards as indicated in **Table 3**.

Table 3: Summary of Revised Budgets by departments, 2007/08 MTEF

R000	Main Budget	Medium-term estimates (R000)			Annual per centage growth		
	2006/07	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
1. Premier	294,740	332,159	360,730	387,738	12.7	8.6	7.5
2. Provincial Parliament	139,235	178,081	185,638	199,518	27.9	4.2	7.5
3. Agriculture and Environmental Affairs	1,298,906	1,507,802	1,628,446	1,892,633	16.1	8.0	16.2
4. Economic Development	390,052	1,394,441	2,792,213	3,174,003	257.5	100.2	13.7
5. Education	16,209,078	18,630,316	20,457,547	22,678,919	14.9	9.8	10.9
6. Provincial Treasury	1,069,780	649,493	827,507	883,120	(39.3)	27.4	6.7
7. Health	11,736,761	13,423,315	14,375,559	15,792,291	14.4	7.1	9.9
8. Housing	1,252,133	1,520,850	1,796,788	2,096,708	21.5	18.1	16.7
9. Community Safety and Liaison	50,818	78,800	98,532	123,111	55.1	25.0	24.9
10. The Royal Household	31,409	36,479	39,032	41,959	16.1	7.0	7.5
11. Local Government and Traditional Affairs	595,585	768,070	935,834	1,096,854	29.0	21.8	17.2
12. Transport	2,415,983	3,066,372	3,501,226	4,078,550	26.9	14.2	16.5
13. Social Welfare and Population Development	894,810	1,000,360	1,005,331	1,095,731	11.8	0.5	9.0
14. Works	451,523	479,419	512,494	550,915	6.2	6.9	7.5
15. Arts, Culture and Tourism	254,726	287,394	313,838	347,070	12.8	9.2	10.6
16. Sports and Recreation	106,071	161,177	174,919	220,740	52.0	8.5	26.2
TOTAL	37,191,610	43,514,528	49,005,634	54,659,860	17.0	12.6	11.5



CONCLUSION

"Soar again, young eagle, soar above
The vast expanses of that silent sea,
Whose shallow waters are grey scrub, whose foam
Is shifting sand: here drowns the sun in floods
Of orange and of gold, of purple pomp
That pales to violet ere the stains of day
Are washed out by the waters of the moon."

Mr Speaker, the stains of yesterday will not dampen our spirit. Like the young eagles we shall lift ourselves up into the skies. As we implement our development objectives, we shall realise our commitments to the people of this province and our country, a better life for all. Indeed our people shall share in the wealth of our nation. Women, children and the youth will all say, we have at last realised the fruit of our freedom.

We will be turning dreams and visions into reality. As in the inspiring words of John Updike, *"Dreams come true; without that possibility, nature would not incite us to have them"*.

I would like to thank all the people across the province who have made a contribution to the 2007 peoples budget through their engagement in our budget roadshows, street interviews and telephone calls. We have had valuable comments and contributions from the youth, particularly from those represented on the SRCs of universities, academics, the clergy, the business sector, organised labour and from communities in general: mothers, fathers and the youth who turned out in their thousands to give us advice.

Drawing a budget is a job of many people whom I would like to acknowledge. For the strategic guidance I have received from the Honourable Premier of our province Thank you Manzankosi. It would not have been easy to put together such a budget framework without his wisdom. The support I have received from Minister Manuel, my Cabinet Colleagues, the Finance and Economic Development Portfolio Committee is highly appreciated especially Chairperson Belinda Scott, and members of the committee who accompanied me in the People' Budget Campaign, as well as the previous Chair Mr Cyril Xaba Nonkosi.

I also would like to sincerely thank my officials at Treasury and Economic Development – particularly Mshengu Sipho Shabalala and Carol Coetzee and my team in the Ministry, Sgananda and the Team who have assisted in the preparation of the budget documentation we have today. Finally, to my wife May, for the support spanning over two decades and my entire family especially Dedani and the girls who have now grown to become my advisors, thank you for all the support and understanding.

Mr Speaker, I am honoured to table in this House the Appropriation Bill, 2007 for the Province of KwaZulu-Natal together with the Budget Statements for consideration.

Borrowing from Slater we should all say:

Soar again, KwaZulu-Natal, soar again!

Thank you.

