

**Provincial Government Western Cape  
Provincial Treasury**

# **BUDGET 2007 SPEECH**

***Minister of Finance and Tourism  
L Brown***

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**Speaker, Premier, Members and distinguished guests:**

In his recent State of the Nation Speech, President Mbeki challenged us to ask ourselves squarely: What progress have we made in those objectives which we set for ourselves and promised our people in 1994? Although we can say, yes, much has been accomplished and undoubtable gains have been made. But we can do more, and better. We must move with bold leadership to ratchet up and roll out our best practices. We must close the remaining gaps of inefficiency. Where progress to eradicate backlogs has simply been too slow, we must speed up our action and cooperation.

We are now mid-term, past the theory of policy and strategy. As the Premier emphasised two weeks ago, we are at a transition point where we launch from policy into implementation, and from detailed sophisticated planning, into on-the-ground delivery. Siyasebenza siphumile ekuplaneni.

Minister Manuel spoke of three overriding objectives in his 2007 national Budget Speech. Those objectives were to: accelerate growth, modernise our public service and infrastructure, and reduce poverty and inequality.

Correspondingly the 2007/08 Budget for the Western Cape boils down to four key themes which support these national objectives while addressing province-specific goals. The four themes of this provincial budget are:

- Infrastructure investment;
- Learnerships, training, skills development;
- Quality of education and health care and access to social services, and
- Responsive and responsible governance.

Over the 2007 MTEF, this Provincial Government will spend just under R70 billion towards these goals. Budget 2007/08 provides for expenditure of R20,7 billion, which is R1,3 billion more than last year's revised estimate.

Over the next three years, the budget is projected to grow on average by 8,9 per cent, so that by 2009/10, it reaches R25 billion. Our chief responsibility is to use those resources to achieve maximum impact and accountability.

Ons moet verby die bou van lugkastele kom, die moue oprol en die daad by die woord voeg!

This means **spending on the right programmes**—ones which ideally have demonstrated evidence of impact and have shown themselves to be effective in tackling our social and economic challenges. It means **spending efficiently**, so that for every Rand, we buy or experience value. It means **being smart in where we spend**: targeting our funds towards the geographic areas in the province which have the greatest economic potential, while also ensuring an adequate level of social support to our most vulnerable communities.

Finally, it means **spending cooperatively**, in synergy with our local government partners, between provincial departments, with our national counterparts, and with our civil society and private sector partners.

As we examine the 2007/08 Budget in this legislature over the next few months, the question we need to ask ourselves is whether we are allocating these funds in the best way to support the goals of the Provincial Growth and Development Strategy (PGDS). As the Premier asked, how can we use our resources to intensify the struggle against poverty? The Budget tabled here directly supports the ten programmes of concrete on-the-ground delivery which the Premier described.

This Budget is also specifically designed to respond to the concerns expressed in a population survey commissioned by Provincial Treasury which gathered information on how people perceived their living conditions, the performance of provincial departments, service delivery and the most important problems facing the Western Cape. The answer came back clearly: crime, unemployment, housing and drug abuse. In making resource allocations decisions for Budget 2007/08, we listened to these results.

## **Economic Analysis**

The Province aims for a type of economic growth which leaves everyone better off, does not widen the gap between rich and poor, but instead translates into real improvements in the daily lives of vulnerable groups who struggle with poverty and other social challenges. We are fortunate that the economic outlook for the Western Cape remains upbeat and the provincial economy continues to expand. Between 2000 and 2005, real GDP averaged 4,7 per cent a year. In 2006, estimates indicate 5,5 per cent growth. With growth anticipated to quicken in the run-up to the 2010 FIFA World Cup, it is forecasted to reach 5,7 per cent in 2009/10, thanks to strong performance of the tertiary sector and superb double-digit growth in the construction sector.

However as our provincial economy enjoys growth, jobs are not being created at a comparable rate. Unemployment in our Province is dropping; latest figures reveal that the unemployment rate as at March 2006 was 15,9 per cent and remained the lowest in South Africa. However the lack of job opportunities in the formal and informal sectors is still unacceptable. With the increase in our working age population, the economy comes under mounting pressure to produce job opportunities, yet employment creation has grown at an average rate of only 1,50 per cent per year between 2000 and 2005.

Historically the agriculture and manufacturing sectors have been able to play an important part in absorbing labour. However, these sectors have recently been shedding jobs and have yet to experience a turnaround. The formal job sector remains our main source of employment, accounting for over 84 per cent of total employment in 2005. Besides the construction sector, the transport and communication and retail trade and catering sectors are set to do well.

In this climate, the key message from the economic indicators is that we must address our skills shortage and improve our infrastructure. This evidence provides the rationale for the thematic focus of this budget on skills development and infrastructure, especially roads and public transport.

Efficient and effective transport networks are critically needed to improve the mobility of goods and people, thereby eliminating bottlenecks and reducing the costs of doing business in the Cape. In a competitive environment, investment in economic and human capital is non negotiable.

## **Revenue**

Aggregate provincial receipt budget grows by 7 per cent from R19,4 billion in 2006/07 to R20,8 billion in 2007/08. Provincial receipts are set to grow at an annual average rate of 9,36 per cent over the 2007 MTEF to reach R25,389 billion in 2009/10.

National transfers increase by 10 per cent to R18,8 billion in 2007/08 and at an annual average rate of 7 per cent in real terms over the 2007 MTEF.

Equitable share transfers increase between 2006/07 and 2007/08 in nominal terms by 12 per cent and, over the 2007 MTEF, continues to climb at an annual average nominal rate of 12 per cent, to reach R19 billion in 2009/10.

Although the Western Cape is not affected by the demarcation of provincial boundaries, data revisions have resulted in the Province's overall share of the equitable share decreasing somewhat. However, the overall impacts of both data revisions and increased baselines result in a R1,99 billion net increase over the 2007 MTEF. The equitable share increases by R212 million in 2007/08, R528 million in 2008/09 and R1,25 billion in 2009/10.

18 per cent of our provincial budget in 2007/08 comes from conditional grants, which amount to R3,7 billion in 2007/08. Between 2006/07 and 2007/08, conditional grants will increase by 3 per cent and, over the 2007 MTEF, at an average annual real rate of 5 per cent.

Overall, conditional grants grow by R2,2 billion, of which: R900 million has been earmarked for the N2 Gateway Programme; R545 million for the Hospital Revitalisation Grant; R283 million for the Provincial Infrastructure Grant (PIG); and another R139 million for the National Tertiary Services Grant (NTSG). Over the 2007 MTEF, additional funds amounting to R135,8 million

are added to the HIV and Aids Grant. A new grant, the Community Library Services Grant, is introduced over the 2007 MTEF.

Provincial own receipts are estimated to total R1,614 billion in 2007/08 but will continue to decline slowly in real terms over the MTEF, at an average rate of 2,53 per cent each year.

Motor vehicle license fees are the largest contributor to tax receipts estimated to reach R776 million in 2007/08. With Western Cape motor vehicle licence fee tariffs currently the highest in the country, explaining why we have some of the best roads in the country, the Province has taken a policy decision not to increase motor vehicle licence fees in 2007/08. An analysis being conducted by the Provincial Treasury will help us to understand the impact of the current licence fees on consumer behaviour, to determine to what extent vehicles are being licensed in neighbouring provinces to avoid higher fees and to consider adjustments ahead of the introduction of the provincial fuel levy in 2008/09.

Moving to casino taxes, revenue is projected to contribute R246 million to provincial own receipts in 2006/07, and is set to grow at an annual nominal growth of 9,6 per cent in 2007/08. The contribution to total own receipts from horseracing taxes will drop to R18,5 million in 2007/08 and then rise slightly in the next two years.

With the Western Cape Liquor Bill scheduled for enactment at the end of March 2007, the Department of Economic Development and Tourism is anticipating that revenue from licence fees will more than triple to R20,5 million in 2007/08.

The Western Cape's financing situation is under stress over the medium to long term as the Province has been financing infrastructure spending by running fiscal deficits, but by 2009/10 the Asset Financing Reserve is expected to be depleted. Therefore to meet future expenditure obligations, the Province will have to augment its resources by additional streams of own revenue. The net deficit in 2007/08 will total R91 million and R18 million in 2008/09, offset by a net surplus of R109 million in 2009/10.

A number of taxes have been identified for consideration and exploration, including a fuel levy, tourism related levies and other levies. Apart from the fuel levy, a passenger movement tax, which would be paid by each passenger arriving or departing by air, tour bus or rented car, appears to be the most attractive option from the standpoint of tax administration, feasibility and revenue issues.

The bottom line is that the Province's own revenue is a small component of the R20,7 billion budget tabled today. With a relatively small equitable share discretionary budget in 2007/08, it becomes increasingly important to do two things: to add to own revenue and to much more closely examine the *baseline* budget, because if we limit our attention to the additional earmarked funds in this budget, we are only seeing the tip of the iceberg. The prioritisation and assessment processes we build into the budget process must be further developed to ensure that our entire budget — new funds and baseline amounts—will achieve the intended impact on service delivery and socio-economic outcomes.

**Strengthening infrastructure, including roads, public transport, schools and housing**

Speaker, the first theme of the 2007/08 Budget, a well functioning network of public infrastructure, is vital for boosting economic growth. Business activities can become more productive, costs are lowered, and public and private resources are released for investment into high-yield areas. Job creation follows. *kulandele imisebenzi*.

Infrastructure both gives access to existing opportunities and helps create new ones. The Province has budgeted R2 billion in 2007/08 and R6,6 billion over the MTEF – or 10 per cent of the total MTEF budget - to carry out its direct infrastructure responsibilities which include the building and up-keep of roads, public transport, social services and corporate infrastructure. 57 per cent of these resources will be spent on transport and related infrastructure, and 29 per cent on social service infrastructure.



Over the MTEF period, the main infrastructure implementing agency in the Province, the Department of Transport and Public Works receives R6,9 billion, or just over 10 per cent of the total provincial budget.

As argued in the PGDS, it is the improvement of the **transport elements** of the public infrastructure network that will have the biggest positive impact on economic and social development. Public, private and non-motorised transport need to be brought into better balance with each other to improve efficiency. The Service Delivery Survey has confirmed our assessment - that it is the public transport network, and the services which run on it, that need the most attention. This Budget directly responds to this need. The Province has provided additional earmarked funds of R115,4 million specifically for improving public transport over the MTEF.

In Cape Town, the Province is running a restructuring initiative together with the City and South Africa Rail Commuter Corporation. Bus services will be reconfigured to complement, rather than compete, with the rail-based public transport backbone of the City, which itself will be improved to carry more people in greater safety and convenience.

Successfully hosting the 2010 FIFA World Cup will require that we are able to effectively manage and facilitate the movement of spectators, by shortening travel times and keeping routes to the main stadium, practice venues and fan parks uncongested. The Province is partnering with the City to ensure that the movement needs of players and spectators in Cape Town are met in a manner that creates a lasting positive impact on transport in the metro. To date, R638 million has been secured for Cape Town from the national Public Transport Infrastructure Fund to help fund the required transport investments for WC 2010.

Already the upgrading of the N2, from the R300 into the heart of the City, is well advanced. Apart from contributions to the upgrade of the Granger Bay Boulevard, the planning and design for the upgrading of the Koeberg Interchange will begin next year, with construction scheduled for 2008 and 2009. The upgrade will considerably ease traffic flows along the N1, a main feeder route to Green Point.

The Province will also give R212 million of its own resources in 2008/09 to support the construction of the Green Point Stadium.

Outside of the metropolitan area, the Transport and Public Works Department will assist municipalities, where necessary, to improve their public transport planning and subsequent implementation.

Over the last year the Department has put much energy into improving the functioning of the Taxi Registrar and Operating Licensing Board. Taxi license applications are now processed faster, and the authorities are rapidly getting to a position where they can pinpoint illegal taxi operations in the Province. A strategic framework to better co-ordinate the efforts of enforcement agencies has been developed. These arrangements lay a strong foundation for the successful implementation of **taxi recapitalisation** in the Province – a central pillar for improving safety on road-based public transport.

In 2006/07 the Province attained a higher funding level for roads which it plans to maintain over the 2007 MTEF. R3,8 billion has been budgeted for roads over this MTEF period. The higher funding levels have allowed the Province to improve the condition of the surfaced roads trafficked by 95 per cent of the Province's motor vehicle flows and also provided for the surfacing of key tourist routes in the Western Cape.

To increase the efficiency of administrative operations, and allow for greater synergy and integration between departments, the Province is developing a plan for **consolidating and upgrading its office building holdings in the CBD of Cape Town**. This should increase efficiency, reduce costs over the long run and add to the revitalisation of the City inner bowl in collaboration with the City. An additional R109 million has been set aside for these tasks.

Although the Province has drastically reduced under-spending on its infrastructure budgets in recent years, infrastructure planning needs to be integrated more closely into the multi-year budget process so that we can ensure that infrastructure projects are delivered efficiently within cost and time estimates. The National Treasury launched its **Infrastructure Delivery**

**Improvement Programme** in 2006/07 to support provinces to improve all aspects of infrastructure planning. Our Treasury, the Department of Transport and Public Works, and the education and health departments have embraced the programme. A number of areas for improving education infrastructure planning have already been identified – for instance, the programme is working on developing a more refined demographic model that will allow for more accurate school planning and more nuanced infrastructure design solutions.

**Subsidised housing** is another critical priority identified by the respondents in the Service Delivery survey and targeted in this Budget. Housing is ranked as the most important infrastructure priority — above roads, community facilities, basic service and local social service infrastructure.

Indeed, providing well-located and good quality housing to poor people gives them a strong foothold in the first economy. Well-located houses allow their occupants to more readily access job opportunities in their cities and towns. Higher quality houses, when owned, can be used as collateral for starting or expanding small businesses.

In recognition of the importance ascribed to housing, the national government has boosted the housing grant budget of the Western Cape. The grant budget climbs steeply from an original amount of R598,8 million in 2006/07 budget to R1,47 billion in 2009/10 – an average increase of 35 per cent per year. Over the MTEF the Province receives just over R1 billion in additional subsidy funding. As the Premier has pointed out – the Department is developing a number of responses to the housing problem, each geared to the economic characteristics of the different beneficiary groups. The increases will be used to provide higher quality and better-located houses, often through the *in situ* upgrade of informal settlements - and so create assets of greater economic value to beneficiaries. Most of 90 per cent of the additional funds have been earmarked for the N2 Pilot Project – this allows funds set aside out of the provincial grant for the N2 project to be released for other priority projects.

Subsidised housing delivery is constrained by the lack of well-located land affordable to housing agencies. The Province intends to release **strategic pockets of land** in such a way as to supply the subsidised housing market and leverage private resources for subsidised housing delivery. The Local Government and Housing Department will co-ordinate closely with Department of Transport and Public Works to achieve these aims.

In sum, the Department of Local Government and Housing will see its budget grow by 10,5 per cent per year on average over the MTEF. R4,3 billion will flow to this Department over the MTEF.

The Province's natural habitat and reserve areas also constitute a network that should be considered part of the public infrastructure network – a “soft, green infrastructure” if you will, as opposed to the “hard, brown infrastructure” of the built environment. The Province's green infrastructure fulfils a number of important functions – for instance, it creates opportunities for recreational and cultural activities which in turn have employment creation spin-offs. CapeNature will receive an additional R52 million over the MTEF to develop **eco-tourism infrastructure and facilities in its reserve areas**.

Green infrastructure also gives the space to natural processes important for human life. For instance, natural water purification and storage processes occur in mountain catchment areas. Often where space is not provided for natural processes, disaster occurs – flooding, for example. Our changing climate also presents us with many challenges as we confront a future climate that is warmer, drier and more variable. The Province's green infrastructure thus forms an important bulwark against climate change. An additional R36 million has been allocated to CapeNature to scale-up fire management and remove alien vegetation in water catchment areas in the Province's nature reserves.

Siyasebenza siphumile ekuplaneni

### **Skills development, learnerships and job creation**

Speaker, two weeks ago, the Premier singled out the issue of scarce skills as “the Achilles heel of our rising prosperity and growth”. Our response to this challenge is based on a *holistic* strategy to skills development, and constitutes the second major theme of Budget 2007/08. On the part of the education sector, our interventions are designed to start *before* learners enter our schools and to extend beyond schooling into the workplace and second economy. Our response is also holistic in the sense that it does not rest with the education sector alone. If we are to transform the Western Cape into ‘a premier learning region in South Africa’, skills development and the creation of work opportunities must become the concern of *all* our departments. Budget 2007/08 therefore provides funds to multiple departments across the economic and social clusters so that they can roll out skills development interventions including learnerships, training programmes and EPWP projects in various fields.

As a struggling sector, Agriculture faces a skills shortage which hampers its growth. From 2000 to 2005, the sector grew by an annual average of only 1,6 per cent. Over the same period, agriculture’s share of the employment in the Western Cape dropped from 15 per cent to just 7 per cent. Given the sector’s historical importance in the Province and its key role in creating jobs and sustainable livelihoods, the total budget for the Department of Agriculture is R290 million in 2007/08, which is R21 million more than the revised estimate for 2006/07.

In order to address the shortage of scarce skills in the agricultural sector, the Department receives an earmarked allocation of R39 million over the MTEF which helps to push the budget for **Structured Agricultural Training** up by 22 per cent to reach R29,5 million in 2007/08. The focus of the skills-based training programmes is to empower emerging farmers, rural youth, women and land reform beneficiaries to enter into mainstream agriculture. Together with additional resources from the National Skills Fund, the Department plans to increase the amount of learnerships, internships and bursaries offered in 2007/08. The Department will also implement a mentorship programme for

target groups, inclusive of re-skilling evicted and unemployed farm workers to assist them in finding meaningful employment.

Also in partnership with the National Skills Fund, the Department of Transport and Public Works will provide 1500 learnerships over a three-year period, in fields such as masonry, plumbing and carpentry, through the **Learnership 1000** programme. The Department receives R26,5 million over the MTEF to augment Learnership 1000 and to fund bursaries for studies covering technical and professional courses and degrees. R48 million will be set aside over the MTEF to enhance the internal technical capacity of the Department, particularly within the Public Works programme.

The Service Delivery survey results reinforces that there is a critical link between education and training on one hand, and improving people's opportunities to find employment on the other hand. When asked what actions the government should take to improve people's employment prospects, 43 per cent of survey respondents felt that the provision of education and training for jobs in demand would have the greatest positive impact. The Departments of Education and Economic Development and Tourism receive extra funding in this Budget in order to meet this challenge.

First, the allocation for **Further Education and Training** increases by 17 per cent to R309,6 million in 2007/08. The Department of Education has made considerable progress in realigning its course offerings at FET Colleges to meet both national needs, as outlined by the National Human Resource Development Strategy, and provincial needs identified in the Micro Economic Development Strategy.

However, developing a more responsive curriculum to the needs of the economy will yield little benefit unless people have access to these colleges. In order to widen access to FET Colleges, R26 million is allocated to promote equity and provide bursaries to poor and academically deserving learners.

The Department of Economic Development and Tourism receives R50,8 million over the 2007 MTEF for "**Workforce Development**". This funding will enable the Department to expand existing skills interventions as

well as develop new interventions. The success of “Calling the Cape” can be used to illustrate the impact of well-planned and implemented interventions. “Calling the Cape” runs a learnership programme targeted at historically disadvantaged individuals. 90 per cent of the participants have gained employment in the sector upon completion of the programme. The funds will also be used by the Department to undertake research on labour market and sector skills needs, in order to ensure a better match between the supply and demand for skills.

When it comes to small business, entrepreneurs simply want a decent chance to access the market and compete. When asked how government can facilitate business development in the Western Cape, the overwhelming request was *not* for financial support. 39 per cent of respondents from the Service Delivery survey pointed to the need for better information and communication regarding business development services. Most others pointed to weaknesses in regulation, and problematic or time-consuming interactions with government departments. The President reiterated this message when he emphasised that our economy will grow faster when bureaucratic red tape that hobbles business is tackled head on.

In response, interventions of the Department of Economic Development and Tourism regarding SMME development firstly aim to facilitate the migration of second economy entrepreneurs into the first economy. The Department’s Real Enterprise Development, “Red Door” initiative, provides information to small firms on business development services. In 2007/08 the budget allocation for enterprise development will expand by 20 per cent to R37,7 million.

Finally, the **Expanded Public Works Programme** is becoming an increasingly important pillar in our skills development and job creation strategy, in the Province and in the country as a whole. EPWP projects are no longer limited to roads and construction.

In the health sector, learners are receiving training in home-based care and treatment adherence. Over R200 million will be spent by the Department of Health on EPWP programmes over the MTEF.

On its part, the Department of Education has committed R150 million over the 2007 MTEF for EPWP programmes in the area of Early Childhood Development. The funds will be used to provide resource kits to ECD community sites, to increase the number ECD practitioners in poor communities, and to upgrade the skill level of those practitioners. This year we will add 1 500 practitioners to the 900 practitioners currently enrolled in accredited training through this programme.

Over the 2007 MTEF, the Department of Social Development will invest R164 million on EPWP programmes for ECD, HCBS and youth to increase the number of beneficiaries reached in these programmes. Youth are undergoing learnerships where they receive training as ECD practitioners, and home-based carers. Young people also receive entrepreneurial and life skills training, and learn to assist with referrals for victims of substance abuse and to provide support services to youth abusing substances and drugs. The progress and the possibilities are exciting.

Together, over R578 million is planned for EPWP projects by the Province over the 2007 MTEF, excluding roads and public works EPWP projects. Added to this are national resources made available via the Provincial Infrastructure Grant to expand the creation of work opportunities and the provision of accredited training beyond current levels achieved by the Roads Infrastructure Programme. This initiative is referred to as “upscaling the Expanded Public Works Programme (EPWP) on roads”.

Siyasebenza siphumile ekuplaneni

### **Improving quality and access to services in the social sector**

The third overarching theme of the 2007/08 Budget is the improvement of the quality of services in the social sector, and people’s access to those services. This year we will see over 75 per cent of our provincial budget going to the Departments of Education, Health and Social Development.



## *Education*

Beginning with education, a number of features in this Budget are aimed specifically at improving the **quality** of our schools. Our commitment to education is demonstrated in the steady rise in per capita spending since 2002/03. In 2007/08, the Department is planning to spend R6 507 per capita on public ordinary school education. This is R445 more than the national average, and the third highest in the country.

In 2007/08, Education's share of the total Provincial budget rises to 37 per cent, and the Department's budget is set to expand over 9 per cent a year on average over the 2007 MTEF.

However, as Minister Manuel emphasised, the important thing is that with the marked increase in investment in education, we must see a concurrent step change in education results. With over R25,5 billion to be spent on education in this Province in the next three years, the result should be a fall in the drop-out rates and better matric results.

To further strengthen this endeavour, the Department intends to substantially rearrange the way that it does business over the next three years, so that the schooling and district delivery system is considerably enhanced.

**Teacher development programmes** are aimed at upgrading the qualifications of existing teachers, while specific training programmes will improve the leadership and management skills of school principals. An amount of R121 million over the 2007 MTEF has been specifically earmarked for this purpose.

Over the 2007 MTEF an additional amount of R809 million is allocated for personnel related issues in education:

- To improve the level of remuneration of teachers;
- To increase the number of clerical and support staff in schools and districts;

- To hire teaching assistants especially in the foundation phase of the schooling system, and
- To provide targeted incentives to teachers in critical subjects.

Effective teaching can only take place if we have highly qualified teachers operating in well-resourced schools. To ensure that all schools receive the basic minimum resource package, we will be adding R386,9 million over the 2007 MTEF for the **Quality, Improvement, Development, Support and Upliftment Programme (QUIDS-UP)**. For 2007/08 the Department is targeting the poorest primary schools in the National Quintile 1 in order to ameliorate the deterioration of and backlogs in equipment such as laboratories, libraries, and photocopiers.

Besides our focus on the quality of education, we must also continue our push to expand access to education. In the Service Delivery population survey, 38 per cent of respondents indicated that being unable to pay for school fees was a problem they often encountered. Over the 2007 MTEF R622 million is earmarked for the expansion of the **no-fee status schools**. The number of no-fee schools for 2007 will be increased to 652 including both the poorest primary and secondary schools in National Quintiles 1 to 3. It is anticipated that more than a third of learners or 344 000 learners will be enrolled at public ordinary no-fee status schools.

The allocation for **Early Childhood Development** increases by 43 per cent to R153 million in 2007/08. This significant increase in the budget is to improve the quality of Grade R and increase the number of learners, particularly in poor and rural communities.

### *Health*

Wat die gesondheidssektor betref, het die Departement van Gesondheid goeie vordering gemaak met die verbetering van dienslewering deur primêre gesondheidsorg na die mense te bring. 2006/07 saw nine community health centres (CHC) in the Metro extend their operating hours. This is in line with the district health system outlined in Healthcare 2010 and the Comprehensive Service Plan, which identifies and emphasises PHC facilities as the initial take-up point for non-life threatening emergencies.

We can be proud that since 2002/03, we have achieved a steady increase in per capita health spending in this Province. In 2007/08, per capita health spending in the Western Cape is the highest in the country, at R1812. This is achieved despite significant cost pressures brought about by a rapidly increasing number of hospital admissions, partly due to in-migration and utilisation of Western Cape health facilities by individuals from other provinces.

Over the three years, we will see a shift as additional resources, both financial and personnel are ploughed into district level services, affording a more efficient and higher quality service to our people. In doing so, we acknowledge the value of nurse-led initiatives at primary health care (PHC) facilities and the importance of an **effective district health services** in the Western Cape.

The total health budget for 2007/08 rises 9,6 per cent to R7,095 billion, and is set to continue to rise 9 per cent on average each year, to reach R8,4 billion in 2009/10.

The shift to a district-level system and other planned improvements to services, will depend on the appointment of additional staff at facilities, especially nurses. The public health sector battles with a chronic shortage of professional medical staff, especially nurses. In an effort to attract and retain medical staff in the public sector, the working conditions and salaries of professional medical staff will be reviewed and addressed. As part of a national plan, initially **nurses' salaries** will be targeted, followed by doctors and other health professionals in subsequent years. R97 million has been earmarked in 2007/08 for this purpose, and a total of almost R304 million for the remaining 2007 MTEF years.

**Additional posts for health professionals** will also be introduced as part of a national drive to increase the number of health professionals in the public sector over the next 5 years. Specifically, salaries of medical students in their second internship year and nurses completing community service will be funded by an earmarked amount of R128 million for the next 3 years.

**Emergency Medical Services** also receive additional funding, on top of the amounts already given in last year's budget, to further reduce ambulance response times and prepare the Emergency Medical Services for the 2010 FIFA World Cup. R178 million has been earmarked over the 2007 MTEF to establish and ensure the full operation of call centres throughout the Province, acquire additional ambulances, upgrade equipment and appoint additional staff.

### *Social Development*

A key feature of Budget 2007/08 is the substantial 22 per cent increase to the budget of the Department of Social Development. The Department receives a budget of R892 million in 2007/08, rising to R1,14 billion in 2009/10, or 5 per cent of the total provincial budget. The Western Cape's real per capita spending grows to R120 per person in 2007/08, the second highest in the country. The boost in the budget enables the Department to redefine its role, post the establishment of South African Social Security Agency (SASSA), and to push forward in its expansion and improvement of social welfare services as its core business.

Over the next three years, R182 million is allocated for the further **implementation of the three pieces of social welfare services legislation**, namely the Childrens' Bill, the Child Justice Bill and the Older Persons' Act.

The Department of Social Development renders its social welfare services through its partnership with 1600 **NGOs and NPOs**. It's imperative that we avoid micro-management while guaranteeing accountability and alignment between NGOs and government on our broad social development objectives. Towards this end, the Department is working with institutions of higher learning to develop a plan to train service providers (NGOs and NPOs) and especially to capacitate emerging and new organisations. The monitoring and evaluation function has also now been decentralised to district offices in order to improve communication and accountability.

The focus in this Budget 2007/08 on social sector personnel also applies to Social Development. In 2007/08, the Department of Social Development is

receiving R7 million to recruit and employ **social auxiliary workers** who will perform tasks that do not legally require a social worker, thereby lessening the workload of social workers. Over the 2007 MTEF, R35 million is earmarked for this purpose.

The scope and growth of the **substance abuse** problem has necessitated national intervention and is underlined as an urgent priority in the Western Cape. An additional R42 million over the next three years is being provided to cover infrastructure needs and equip rehabilitation centres. The Department is concentrating on reducing the supply of and demand for substances, and strengthening treatment, prevention, after-care support, community based services, coordination and integration.

With regard to **Early Childhood Development**, the Department made significant progress to increase the ECD subsidy from R5 per child per day to R6,5 per child per day. To date 45 679 children have access to ECD facilities. In the coming year the Department of Social Development has budgeted R96 million to increase the number of children who have access to ECD services and increase the subsidy per child from R6,5 to the national norm of R9.

#### *Cultural Affairs and Sport*

Beyond health, education and social welfare services, the realisation of social cohesion in our Province requires concerted efforts to ensure that young people are afforded opportunities that will enable them to discover their full development potential. The Department of Cultural Affairs and Sport plays an important role in building social capital and strengthening communities. The Department receives a budget of R224,5 million in 2007/08. Over the 2007 MTEF, R12 million is earmarked for the new **sports school** located in Kuils River. Furthermore, over R15 million is allocated over the 2007 MTEF for the Department to roll out **sports development and cultural legacy projects** which capitalise on the energy of World Cup 2010.

**Libraries** play an important role in a number of priority Provincial objectives, such as our provincial objectives around skills development, human capital development and social cohesion. The Libraries conditional grant introduced this year results in R91,5 million set aside over the 2007 MTEF. The funds will be used to step up and institutionalise community library services in under-served areas, to stock books, recapitalise library facilities and expand services.

### **Responsible and Responsive Governance**

The fourth overarching theme of Budget 2007/08 is the broad category of governance. The need to improve the organisational capacity of the state will remain high on our agenda because it's a critical requirement for achieving accelerated growth and service delivery.

A number of initiatives are planned by the Department of the Premier, in keeping with the President's attention on **strengthening the public service**. As part of its internal social and human capital strategy, the Department will continue to use Project Khaedu as an action learning programme and implement the Executive Leadership Skills Development programme with the purpose of improving Senior Management Skills. In the upcoming year, the Premier will also initiate the assessment and improvement of the competencies of our senior managers in the Province, given that they are the key delivery drivers of departmental programmes. More details will follow in the Premier's budget speech.

The re-engineering initiative undertaken by the Department has broadened the focus and function of the Department away from simply providing support services to departments, to that of providing a strategic oversight, coordination and leadership function for the Province as a whole. Over the 2007 MTEF, the Department will spend over R48,6 million to **strengthen strategic and implementation capacity**. The Department also receives an initial R23 million in 2008/09 and 2009/10 to boost **ICT requirements**. Depending on the outcome of the assessment underway, these allocations and the role of ICT in the Province should receive further attention in following budgets.

Related to its policy coordination and integration role, the Department also receives R11 million over the 2007 MTEF to provide strategic leadership, co-ordination and communication to ensure that the Province is prepared to host a successful 2010 FIFA World Cup.

Good governance also involves adequate security and protection from disasters. As we have seen in other the parts of the world, climate change is likely to give rise extreme weather events that will trigger disasters. Additional funds of R27,5 million over the MTEF are allocated to allow the **Provincial Disaster Management Centre** to scale up the support it gives to municipalities to avoid and recover from disasters.

2006 saw an improvement in the co-ordination of **security services** by the Department of Community Safety and subsequently there has been a gradual decrease in the loss of state property. The Department of Community Safety receives R7 million in the new financial year to further capacitate security risk management and upgrade access control and monitoring systems for the Provincial Government. Over the MTEF, R38 million will be spent for this purpose.

As custodian of our Province's financial resources, Provincial Treasury centres on the three pillars of financial management: Internal Controls, Risk Management and Good Governance. In essence, the term 'governance' refers to our ability to provide stakeholder assurance that all due care is applied when decisions are made, such that objectives set by individual departments are achieved effectively and efficiently in an agreed ethical environment. To this end, the Province has set itself the goal of attaining **Level 4 financial capability status** over the 2007 MTEF but this will depend upon the consistent design and application of effective internal controls, good planning and delivery, sound risk management and proper monitoring and evaluation practices in all financial and operational decisions.

Contributing to this is the strengthening of **Internal Audit** and its planned decentralisation to Health, Education and Transport and Public Works over the next three years. An initial R15,3 million over the 2007 MTEF has been set aside for this purpose, which includes the introduction of internships.

Responsible and responsive governance also relates to the rule of law and the safety of our communities. In his 2007 State of the Province Address, Premier Rasool, states that drug merchants and gangsters continue to make our schools the market places for drugs and gangsterism. Poor **school safety** significantly undermines learning at schools and makes schools dangerous places for learners. Ukukhusela abafundi bethu iR24 million over the next three years is set aside on Community Safety's Vote for the deployment of Bambanani volunteers to 109 schools across the Western Cape which have become the targets for drug merchants and gangsters. Furthermore, the Department of Education has allocated R15,790 million in 2007/08 to help address school safety. Through the Safer Schools Programme, the Department will run a range of interventions focused on community engagement, peer guidance programmes, training, school management and safety infrastructure.

A further R17 million is set aside by the Department of Community Safety for the deployment of Bambanani volunteers on **trains** and train stations. Already 700 volunteers have successfully signed up as Group D reservists in the police force, while 829 volunteers are in the process of being signed up.

Our safety and well-being also requires safer roads and effective traffic law enforcement. Two weeks ago, the Premier's speech noted the success of the 'Arrive Alive Campaign' over the past three years, as motor vehicle accidents dropped by 8,9 per cent. As road traffic accidents continue to have serious financial implications for the Western Cape economy in terms of traffic management and health care costs, the Department of Community Safety has finalised the **Motor Vehicle Accident Intervention Strategy** (MVAI) that seeks to extend the coverage of the law enforcement service and to improve education and communication initiatives. Traffic enforcement is now provided 24-hours a day and seven days a week. The implementation of MVAI strategy intends to reduce road fatalities by 5 per cent in 2007.



*Provincial-Local Government Interface and Spatial Planning*

Working with local government is another vital aspect of better governance. Over the last year, the Department of Local Government began to test the application of the “shared service” concept through which municipalities will pool specialised service resources at district level to increase economies of scale for these high-cost services. The Department also plans to deploy department officials to specific districts to enable the Department to give **“hands-on support” to municipalities**. An additional R34 million has been provided to the Department to gear up its municipal capacity building programme.

Another exciting aspect of governance improvements is the developing interface between provincial and local government. The Local Government MTEC (LG MTEC) process is an important vehicle for improving relationships and coordination between provincial line departments and municipalities, in their planning and budgeting.

The objectives, format and approach for the engagements will continue to evolve this year as together we learn more about the communication that is needed and the work that must take place together. The engagements centre on draft budgets, the new generation IDPs, financial health and expenditure performance. In 2007/08, these discussions will focus on:

- The relationship between the district and local municipalities;
- The socio-economic environment, developmental challenges and capacity constraints which municipalities confront; and
- How the Province and local government can better coordinate to target their efforts and improve efficiency, especially with regard to spatial planning.

The Provincial Spatial Development Framework (PSDF) indicates where in the provincial territory the Province sees economic growth occurring and what sectors this growth will be in. The PSDF should also inform the Province's social infrastructure investment programme, its targeting of housing subsidies and its social services programmes.

This will require that we have a clear understanding of:

- Where the social needs are,
- Where economic potential is concentrated, and
- Where provincial financial flows are currently concentrated or targeted.

The Socio-Economic Profiles of Local Government (SEP-LG), which I tabled in this house in November, are a key source of information to understand where the social needs are the most severe and where economic growth potential is located. One of the main messages from the SEP-LG data is that key socio-economic variables which determine the Province's delivery response are unevenly distributed geographically throughout the Province.

With regard to financial flows from Province to local government, in 2007/08 transfers by provincial departments to districts and local municipalities amounts to R1,28 billion, 48,8 per cent up from the 2006/07 original budget.

Of the total R20,7 billion provincial budget, 68 per cent stays within the boundaries of the Cape Town Metro. The remainder of the provincial budget is spent in non-metropolitan municipal areas. The West Coast receives 6 per cent of the budget; Cape Winelands 13 per cent; Overberg 3 per cent; Eden 8 per cent; and Central Karoo 2 per cent. What this indicates is that, although allocations are unevenly spread across the map of the Province, the allocations are roughly proportionately aligned to the municipalities' relative sizes and their ranking in terms of their contribution to provincial growth in nominal terms.

In the next year, we intend to explore how we can better use tools, such as the SEPLG and geographical incident benefit analysis, to more effectively target economic and social spending, as per the PSDF.

## **Conclusion**

Speaker, I have argued that the four themes of Budget 2007/08—economic infrastructure, skills development, the quality of social sector services, and governance—support the Province’s development goals of rapid, shared economic growth.

At the end of the day, our overall purpose is to not only make everyone better off, but to significantly lessen the gap between the rich and poor in our Province and to make sure that all people feel a real improvement in their daily lives.

This will require that we work together in action—with greater solidarity, a clear plan, and a passion to drive and accomplish our objectives. Saam kan ons ‘n werklike verskil maak.

Summing up our progress against the goals we set out in 1994, the President said: “We are not there yet. But no one, except ourselves, shall ensure that this dream is realised. And so, let us roll up our sleeves and get down to work, fully understanding that the task to build the South Africa for which we yearn is a common responsibility we all share.” Siyasebenza siphumile ekuplaneni.

The poet Marge Piercy also managed to capture the dignity and value of work which is undertaken to accomplish honest, shared goals. I conclude with her words:

*The work of the world is as common as mud.  
Botched, it smears the hands, crumbles to dust.  
But the thing worth doing, well done  
Has a shape that satisfies, clean and evident.  
The pitcher cries for water to carry  
And a person for work that is real.*

- ‘To be of use’, Marge Piercy

Speaker, in conclusion –

Please allow me to thank:

- The Premier and my Cabinet Colleagues
- Dr Stegmann and the officials of my department, Provincial Treasury
- Colleagues in the Provincial Legislature
- HODs and officials of the PGWC
- My office staff
- Yourself, Speaker, for convening the House
- My special guests in the gallery today

Speaker, it gives me great pleasure to table the 2007/08 Western Cape Budget, the Western Cape Appropriation Bill, the Estimates of Provincial Expenditure, the Budget Overview, Local Government Allocations and accompanying Provincial Gazette, the Budget Summary, and of course this Speech, for discussion and consideration by this House.

I thank you.

Lynne Brown