

**ADDRESS BY MR J BLOCK (MPL) MEC FOR FINANCE, ECONOMIC  
DEVELOPMENT AND TOURISM TO THE PROVINCIAL LEGISLATURE ON THE  
OCCASION OF TABLING THE NORTHERN CAPE APPROPRIATION BILL, 2015**

**10 MARCH 2015**

**HONOURABLE SPEAKER**

**HONOURABLE PREMIER, MS SYLVIA LUCAS**

**MEMBERS OF EXECUTIVE COUNCIL**

**HONOURABLE MEMBERS OF THE PROVINCIAL LEGISLATURE**

**MAYORS AND COUNCILLORS**

**DISTINGUISHED GUESTS, INCLUDING,**

**COMRADES AND FRIENDS**

**MEMBERS OF THE MEDIA**

**LADIES AND GENTLEMEN**

**INTRODUCTION**

Honourable Speaker, it is indeed a pleasure to be with you here today, as we once again gather in this august house to recommit ourselves to the common objectives of improving the living standard of the people of our province.

**“I stand here before you, not as a prophet but as a humble servant of you, the people. Your tireless and heroic sacrifices have made it possible for me to be here today...” (Nelson Mandela, 11 February 1990).**

Honourable members, these words were humbly articulated by South Africa’s first democratically elected president, Honourable Nelson Rolihlahla Mandela at a rally, on

his release from prison on 11 February 1990; in gratitude to the millions of his compatriots and everybody around the world, who tirelessly campaigned for his release.

He ensured that the 1993 Interim Constitution enshrined the spiritual philosophy of Ubuntu and its inherent principles of equality, freedom and justice for all, which found further expression in our 1996 Constitution. As we look back at the occasion that rallies our nation together in celebration, we also honor men and women who have contributed in different ways, big and small, in making the dream of a peaceful transformation a reality.

Honourable Speaker, in celebrating how we have come and how much we have accomplished, we need to look to the future and continue to plan and be prepared for the challenges and opportunities at our disposal.

To ensure that future generations of this country continue to enjoy economic success and social harmony, we need competent and dynamic cadres of public servants. We count on public servant to use their respective expertise to help the Government to deliver on its mandate of providing quality services to all. We expect them to hold themselves to the highest standard of integrity in all that they do, and remember that their main duty is to serve the people. It is important that public service cadres always remain humble and open to different views and ideas..

Honourable Speaker, it is crucial that as government we invest in our youth to ensure a skilled and capable workforce to support government priorities. We urge both public and private sector to equip unemployed graduates with valuable work experience and expose them to opportunities. This will help us to build a new generation of workforce capable of assisting the democratically elected government to pursue the implementation of the freedom charter.

Honourable Speaker, this budget is about building a better province for today and for the long term, while protecting what matters most to communities in this uncertain era. This uncertainty that we face today culminates from the global financial crisis of 2008.

The effects of the global economic challenges have a ripple effect on economies around the world. This led to economic pressures which forced national and provincial governments including Northern Cape to wrestle with the challenge of budget shortfalls.

Despite the uncertainty, we have made choices that are in line with governments main priorities which are among others; investing in health care, education, and infrastructure.

Today, we are responding to this worldwide economic pressure with a more responsible and balanced approach that meets current challenges and invests in future opportunities. We need to maintain fiscal balance with our multi-year plans that invest in economic growth and development while protecting front-line services.

Honourable Members, there are no quick solutions to this economic crisis. Together, we will meet these challenges and implement our plans to move Northern Cape to a brighter and prosperous future.

### ***Global Economic Outlook and Economic Activity***

Honourable members, a key concept in the global economy is globalization, which is simply the process that leads to individual economies around the world being closely interwoven such that an event in one country is bound to affect the state of other world economies. This basically tells us that no country is an Island. Therefore, let me share with you the global economic assessment, the global growth is projected at 3.5 and 3.7 per cent in 2015 and 2016 respectively. This is a downward revision of 0.3 per cent relative to the October 2014 World Economic Outlook. The revisions reflect a re-assessment of prospects in China, Russia, the Euro Area, and Japan as well as weaker activity in some major oil exporting countries because of the sharp drop in oil prices.

There have been four main developments that explain the global economic outlook since October 2014. Firstly, oil prices have declined by about 55 per cent since September 2014. This decline is partly due to unexpected demand weakness in some

major economies, in particular emerging market economies. However, the much larger decline in oil prices suggests an important contribution of oil supply factors, including the decision of the Organisation of the Petroleum Exporting Countries to maintain their production levels. Oil future prices point to a partial recovery in the coming years, consistent with the expected negative impact of lower oil prices on investment and future capacity growth in the oil sector.

Secondly, while global growth increased broadly as expected to 3.75 per cent in the third quarter of 2014, up from 3.25 per cent in the second quarter of 2014, this masked marked growth divergences economies. Specifically, the recovery in the United States was stronger than expected, while economic performance in all other major economies, most notably Japan fell short of expectations. This weaker than expected growth in these economies is largely seen as reflecting ongoing, protracted adjustment to diminished expectations regarding medium-term growth prospects.

Thirdly, with more marked growth divergence across major economies, the US dollar has appreciated some 6 per cent in real effective terms relative to the values used in October 2014. In contrast, the Euro and the Yen have appreciated by about 2 per cent and 8 per cent respectively, and many emerging market currencies have weakened, particularly those of commodity exporters.

Lastly, interest rates and risk spreads have risen in many emerging market economies, notably commodity exporters, and risk spreads on high yield bonds and other products exposed to energy prices have also widened. Long term government bond yields have declined further in major advanced economies, reflecting safe haven effects and weaker activity in some, while global equity indices in national currency have remained broadly unchanged since October 2014.

In emerging market and developing economies, growth is projected to remain broadly stable at 4.3 per cent in 2015 and to increase to 4.7 per cent in 2016 which is a weaker pace than the October 2014 forecast. This is explained by lower growth in China and its implications for emerging Asia, a much weaker outlook in Russia, and the downward revisions to potential growth in commodity exporting countries.

## ***South African Economy***

Honourable members, the Monetary Policy Committee of the South African Reserve Bank kept the repo rate unchanged at 5.75 per cent in their meeting held in January 2015. Before this, South Africa recorded its largest trade surplus in three years for December 2014. Moreover, South Africa's inflation rate is on its way down and interest rates are likely to remain stable over the coming months. This is based largely on the windfall from a drop in the oil prices, as it was expected that rates will hike in 2015.

In short, consumer price inflation peaked at 6.6 per cent in June last year. It has subsequently declined to just 4.4 per cent in January 2015, and is expected to average 4.3 per cent in 2015, laying a foundation for economic growth. Despite these positive developments, the GDP growth outlook remains relatively weak due to electricity supply constraints and sluggish global growth. The projected economic growth for 2015 is just 2 per cent, down from 2.5 per cent indicated in October last year. It is expected that the growth will rise to 3 per cent by 2017.

The low oil prices will benefit South Africa, but major mining exports have been negatively affected by the global slowdown. The deepening trade and investment links with Sub-Saharan Africa continue to offer favourable growth prospects. Exports to Africa grew by 19 per cent in 2013 and 11 per cent in 2014.

Honourable members, going back to electricity supply shortage, this has hit South Africa in 2008 and again currently (from 2014), therefore it remains to be a concern for government as the supply failures continue to hurt the economy and wear down public confidence. National Treasury's 2014 Medium Term Budget Policy Statement highlights that a strong, sustainable electricity generation sector is necessary for the economy to grow more rapidly. Furthermore, the Minister of Finance in his 2015 budget speech indicated that higher growth is possible, if the country can make good progress in responding to the electricity challenges as also pointed out in the State of Nation Address 2015.

Most importantly, it was highlighted by the Minister of Finance in his 2015 national budget speech that, although South African's fiscal position is constrained; there are

considerable financial strengths on which the country's growth strategy can be build and these are:

- The interest rates which have remained moderate thus reflecting the credibility of fiscal and monetary policy and the favourable inflation outlook. The capital market rates at which government and the corporate sector borrow have declined over the past year, signalling continued investor confidence in the South African economy.
- The exchange rate depreciated by 11 per cent against the US dollar in 2014, after declining by 15 per cent in 2013. This coupled with low inflation contributes to trade competitiveness, and partially offsets the deterioration in commodity prices.
- South Africa has a buoyant capital market, which is open to foreign investors and is a major contributor to direct investment elsewhere in Africa. South African banks and other financial institutions are well-capitalised and the country's company law and tax frameworks are robust, and there are excellent property market institutions.

### ***Provincial Economy***

Honourable members, according to Statistics South Africa, the Northern Cape GDP grew by 2.1 per cent in 2013 while the provincial contribution to the national economy was 2.0 per cent with regards to industry contributions, the mining and quarrying industry remained the largest, contributing 23.4 per cent to the provincial economy in 2013 while construction contributed the least at 2.6 per cent.

The unemployment rate of the province improved from a high of 32.3 per cent in the second quarter of 2014 to 28.7 per cent in the fourth quarter. Over these two quarters, the number of employed people increased by 23 000, while the unemployed decreased by 12 000.

In terms of employment by industry, the tertiary sector followed by the primary sector absorbed most of the workers in 2013 and 2014. The community services and trade

industries employed the most workers in 2013 and 2014. The employment growth between 2013 and 2014 in the primary sector was -1.6 per cent, in the secondary sector it was 22.9 per cent and in the tertiary sector it was also negative at -2.5 per cent.

### ***Provincial, District and Local Municipalities Socio Economic Review***

In the financial year 2015/16, the Provincial Treasury will publish its seventh edition of the Socio Economic Review. It will be the fourth edition looking at Provincial, District and Local Municipalities' social and economic indicators. The Socio Economic Review presents an analysis with specific focus on the following aspects: demography, economic performance, the labour market status and human development. The analysis and findings of this publication will aid the provincial government to achieve allocative efficiency and to respond efficiently in implementing the National Development Plan priorities.

The demographic and socio-economic disparities that exist amongst municipalities also need to be taken into account in the allocation of limited resources. This implies that individual municipalities require different fiscal policy responses in order to achieve their developmental objectives. Despite an overall improvement in the provision of infrastructure, widespread poverty and inequality, structural unemployment and a slow pace of transformation thwart the realization of our developmental goals. Therefore, the provincial government together with all relevant stakeholders should meet these challenges with boldness.

The Local, District and Provincial Government are invited to use this publication to assist with decision-making, planning and identifying the gaps that we need to address to fight the triple challenge of unemployment, poverty and inequality.

### **Payments to creditors within 30 days**

Honourable Speaker, the promotion of entrepreneurship and small businesses remains an important priority of the government of South Africa. During the State of the Nation Address on the 12<sup>th</sup> of February 2015, the President outlined 9 Strategic priorities for

growth and development. Priority number 7 urges us as government to unlock the potential of small enterprises. However this would remain a farfetched reality if government continues to fail paying our valued suppliers within the prescribed time frame. Provincial Treasury will continue in its effort in ensuring full compliance but this task cannot be achieved by one party.

The provincial average of non-compliance has been significantly reduced in the previous calendar year from 8% to 2% in December 2014. However, this does not factor the invoices older than 30 days that are still outstanding, departments will be expected to provide Provincial Treasury with a comprehensive plan on how challenges will be addressed.

### ***Cost Containment Measures***

Honourable Speaker, National Treasury introduced cost containment measures in November 2013. These measures are meant to save public money by reducing inefficiencies and eliminate wasteful expenditure within Northern Cape Provincial Government departments. We need to institutionalize a culture of efficiency gains and curbing unnecessary expenditure without having to prescribe or coerce people to do the right things. Speaker, the Minister of Finance said during his budget speech that “we must spend government finances as if we are spending our own money”.

Honourable Speaker, in a period of fiscal consolidation similar to the one the country is currently embarking on and given the consistent budgetary cuts in the equitable share of the province, it is imperative that resources are applied effectively and efficiently to achieve government’s economic and social objectives. There is a serious need for provincial departments and public entities to curb unnecessary expenditure with the aim of realising efficiency gains.

The current fiscal stance calls for painful and drastic decisions to cut the frills in order to conserve scarce resources. The impact of the reduction in the budget has led to the reduction in departmental baselines and these measures are also intended to mitigate the risks of these cuts on service delivery by aligning expenditure towards core business of government.



Honourable Speaker, Provincial Treasury is currently finalising provincial specific customised cost containment measures which are in line with the National Treasury's Instruction Note 01 of 2013, this is in line with a Budget Council directive that all provinces adopt and table such measures at the level of the Provincial Executive Council. Once finalised and approved by EXCO, departments and Public Entities will have to implement these measures and where necessary further develop own departmental specific cost containment measures. However, such departmental cost containment measures may not contradict in any form the National Treasury and Provincial Cost Containment Measures, in fact departments will be encouraged where feasible and possible to be more stringent as long as it does not impact negatively on service delivery.

These measures are intended to achieve the following:

- Enforce the compliance by all provincial departments to the National Treasury Instruction Note 1 of 2013 and thereby promoting efficiency gains in spending;
- Institutionalise a culture of value for money by all employees of the Northern Cape Provincial Government;
- Adopt uniformity in the implementation of cost containment measures across all departments;
- Eliminate frills in order to achieve value for money;
- Ensure that procurement of goods and services is aligned to the core mandates of respective departments;
- Curb unnecessary expenditure.

Honourable Speaker, this process would require all accounting officers to be assertive and ensure that sound monitoring mechanisms are in place in the management of their resources in order to ensure that this initiative translate into significant savings. The intention is not to take away any savings from departments that materialize as a result

of the implementation of these measures, but rather to align expenditure to core programmes of government in pursuit of efficiencies.

There is a trend by some departments to spend significant amounts on items not related to their core business, resulting in over-expenditure incurred on non-essential items such as catering, communications, entertainment, venues, facilities and consultants, and this list is by no means exhaustive. For example Provincial Treasury has managed to save about **R10 million** in the 2013/14 financial year and **R7 million** in the current financial year essentially as a result of the implementation of these measures. This we managed to achieve as a department without comprising the quality of services we render to our clients and thus the perception that these measures are an obstacle to service delivery are completely unfounded and Provincial Treasury will therefore continue to enforce compliance in this regard.

### **Municipal Support Programme**

Honourable Speaker, during the tabling of the Adjustment Appropriation Bill and Medium Term Budget Policy Statement in November 2014, I extensively elaborated on municipalities' challenges. These include among others; municipal leadership, governance, poor financial management and lack of requisite skills.

Although there are defined minimum competencies for municipal critical positions, there are still some systematic under - investment on competent and skilled people; especially on financial management and technical professionals. This in turn results to poor state of financial management and poor audit outcomes.

Honourable Speaker, during the Adjustment Estimates I announced that Provincial Treasury would be launching a municipal support programme that seeks to assist struggling municipalities to improve their financial management to better their audit outcomes.

To give effect to the municipal support programme, the following interventions will be introduced in the coming financial year:

- Provincial Financial Support Grant will provide financial assistance to struggling municipalities and improve overall financial governance, targeting mostly internal control shortcomings and financial records management. This will not be a free ride as Provincial Treasury will prescribe terms and conditions for municipalities to access funding. In this regard municipalities will be required to submit credible business plans to Provincial Treasury.
- Improving skills, processes and systems is critical for the well functioning Supply Chain Management systems. The concern is the state of audit outcomes in nine local municipalities that received disclaimer audit opinions for the 2013/14 financial year. These municipalities struggle with matters of non-compliance with regard to Supply Chain Management, Asset Management and inadequate internal controls. We therefore need to pull them up so that they are on par with others. We will continue to focus on these municipalities while maintaining the momentum on those with clean audit and improving those who have qualified opinion for them to reach a clean bill.

Provincial Treasury has in this regard recruited two Senior Managers who are experts in Asset Management and Supply Chain Management field to provide support and direct more efforts to these municipalities so that better results leading to the prevention of disclaimer opinion in future are attained.

- During the adjustment budget I further announced that Provincial Treasury will embark on a municipal support programme to strengthen the shared services in the district municipalities in areas of financial management to enable them to assist their local municipalities. To further provide such support, Provincial Treasury will in the coming financial year engage all districts to assess their needs, and thereafter treasury will assemble a team of experts in financial management and deploy them accordingly.

Honourable Speaker, one of our greatest weaknesses in assisting municipalities is the lack of proper coordination and integration of various support interventions. To address this shortcoming, I am pleased to announce that Provincial Treasury and the department of Cooperative Governance, Human Settlement and Traditional Affairs have signed a Cooperative Governance Agreement and this framework provides for a coordinated approach between these departments when providing support to municipalities. In this framework, Provincial Treasury will focus on financial management areas while COGHSTA will be focusing on governance arrangements in all municipalities.

To give effect to this framework, a Municipal Support Steering Committee will be established to guide and facilitate integrated provincial support action to municipalities.

Honourable Speaker, these targets seem to be ambitious but with a concerted effort by all stakeholders the set targets are achievable. The former President Nelson Mandela once said “It always seems impossible until it's done.”

### ***FISCAL AND BUDGET FRAMEWORK***

Honourable Speaker, the budget cuts have become a permanent feature on the province's equitable share in recent years and the 2015 MTEF is no exception. Whilst we acknowledge that these reductions are not necessarily peculiar to the Northern Cape, the impact is compounded by the relative small size of the budget that we receive from national government which is 2.7 per cent of the total revenue available to provinces.

Honourable Speaker, a credible budget is not about balancing the figures only nor is it about pleasing everyone. A credible budget requires effective economic understanding especially in a period of fiscal consolidation, it requires fiscal discipline, allocating resources in line with policy priorities and delivering services efficiently. The credibility of this budget will also be determined by its execution.

It is worth noting that although our national fiscal position is constrained, the provincial fiscal framework is undoubtedly sound and healthy. Whilst the provincial budget has

been reduced significantly as a result of fiscal consolidation by national government, and when almost all provinces have reduced baselines of all provincial departments including Health and Education to cater for this budget cut, the Northern Cape's fiscal framework was able to contain this cut.

The 2015/16 total payments amount to **R14.1 billion** and grows to **R15 billion** in the 2017/18 financial year which represent an average of 6 per cent and conditional grants amount to **R3.7 billion** and are set to decline by 1.8 per cent to **R3.6 billion** in the 2017/18 financial year. The 2015/16 MTEF budget framework provides for an additional **R1 billion** in spending by departments.

The net equitable share growth is set to increase on average by 6 per cent over the 2015 MTEF. Whilst own revenue account for only 2 per cent of the total provincial receipts, the growth for own revenue is 5 per cent on average over the next three years and strong growth is attributed to strategies being currently implemented by Provincial Treasury.

Honourable Speaker, over and above the functions shifts to National departments, the equitable share is reduced with an amount of **R253 million** over the 2015 MTEF. We have managed to cushion all departments and protected Health and Education from the budget cuts with the understanding that all departments including Health and Education will reprioritize and find savings in their budget and redirect them towards the unfunded carry through effects of the 2014/15 Improvement on Conditions of Service.

In a period of fiscal consolidation, most countries go to the extent of laying off workers and cutting working hours including freezing salary increases in an effort to contain the wage bill. Although our situation does not yet warrant these measures, we appeal to departments to exercise extreme caution in the filling of posts that are not budgeted for.

Honourable Speaker, an amount of **R141 million** represents the function shifts from the provincial Department of Education to the National Department of Higher Education and Training in respect of Adult Basic Education and Training. Furthermore, the Further Education and Training conditional grant will shift to the national department from the 1<sup>st</sup> of April 2015.

Honourable Speaker, an amount of **R21 million** over the 2015 MTEF is shifted to the National department of Health to provide for the funding shift in respect of National Health Laboratory Services. The National Health Laboratory Services consists of the National Institute of Communicable Diseases, the National Institute of Occupational Health, the National Cancer Registry and the teaching, training and research functions of the NHLS. These functions are currently funded through a combination of cross-subsidization within the NHLS tariffs and a subsidy from the National Department of Health. Due to various challenges with this approach, a joint MINMEC between Finance and Health in February 2014 agreed that the funding of these functions be shifted from the provincial sphere to the national sphere. A further amount of **R4.9 million** is reduced to cater for the function shift in respect of Port Health Services.

Honourable Speaker, all new priorities and revisions in conditional grants were funded within existing baseline allocations of various grants across sectors. The Health Facility Revitalization Grant, the Education Infrastructure Grant and Human Settlement Development Grant have been reprioritized and ring fenced to cater for disaster in the affected provinces. It should also be noted that the Comprehensive HIV and AIDS grant has been revised to make provision for the direct funding of NHLS.

Honourable Speaker, the provincial Infrastructure grants system reforms were introduced in 2012 and provinces were informed that they will be required to bid for Health and Education infrastructure allocations two years in advance and financial incentives will be built into the grant for provinces that implement best practices in delivering infrastructure. 2015/16 will be the first year that allocations are disbursed using this approach. However, concerns have been raised by provinces over difficulty in planning in advance without knowing allocations for the two outer years, and to address this challenge, the 2015 MTEF allocations have been revised to show indicative base allocations for the outer years. Therefore allocations for the outer years will still be shown as unallocated to provide for the incentive component of the grants.

The National School Nutrition Programme grant will from the 2015/16 financial year be extended to include provision for the deworming of learners to ensure that they receive maximum nutritional benefit from school meals. The grant has not been adjusted

upward for this purpose as this additional responsibility will be funded through the nutrition education and food production activities component in the grant. Furthermore, the Maths, Science and Technology grant has been top-sliced to enhance the administrative oversight and support for the grant by the National Department of Basic Education.

## **MEDIUM TERM EXPENDITURE ESTIMATES**

I will now turn my focus to the main expenditure proposals for the 2015/16 MTEF period. Details are set out in the Estimates of Provincial Revenue and Expenditure.

The Estimates of Provincial Revenue and Expenditure contains valuable information and details at programme and sub-programme level of all provincial departments including planned transfers to Public Entities and Municipalities in the province. Furthermore included in this book are Service Delivery Measures which include key performance indicators and planned annual targets linked to the Annual Performance Plans of all departments. This information is subjected to public scrutiny by both national and international stakeholders and also intended to support the work of Legislature committees in holding the Executive accountable.

## **2015 MTEF Budget Priorities and Spending Plans**

Honourable Speaker, we have always maintained transparency when it comes to the budget process and what informs our decision making. The budget cuts were presented as early as October 2014 during our Budget Lekgotla, therefore this budget is a product of extensive engagements and consultations.

Our spending proposals cannot accommodate every request tabled during the course of the budget process hence the focus of the Provincial Medium Term Expenditure Committee have changed from bidding for additional funds and rather towards reprioritization, expenditure ceilings and curbing wastages in the system.

## ***Social Sector Services***

Honourable Speaker, although our fiscal framework is constrained, expenditure on Health and Education continues to grow strongly over the medium term with both departments accounting for 64 per cent of the total provincial budget in the 2015/16 financial year.

### ***Investing in Education***

Honourable Speaker, Education is the single most important investment any country can make in its people. The National Development Plan identified education as a catalyst for the eradication of poverty, reducing inequality, growing the economy by an average of 5.4 per cent and cutting the unemployment rate to 6 per cent by 2030.

The department of Education is set to spend **R5 billion** in the 2015/16 financial year and expenditure will grow to **R5.4 billion** in the outer year of the MTEF. Over the MTEF, Education expenditure will amount to **R15. 7 billion**. Expenditure is set to grow by 3.3 per cent on average over the MTEF.

Of the **R5 billion** allocated in the first year, compensation of employees account for **R3.9 billion** or 77 per cent of the total budget for education and this is in line with the mandate of the department which is personnel driven by nature of its business. Total additional amount allocated to the department of Education amount to **R37 million**. Included in this total is an amount of **R5.3 million** to address municipal accounts, **R6.3 million** for norms and standards in terms of school funding, **R4.6 million** relates to the procurement of hostels equipment, **R9.5 million** is provided as a top up to the national school nutrition programme grant to allow the department to feed learners in some quintiles 4 and 5 schools and **R11.2 million** is provided to compensate for the increase in learner numbers. A total amount **R98 million** over the MTEF is provided for the carry through effects of these priorities.

Education Infrastructure Grant is allocated an amount of **R447 million** in 2015/16 financial year and projects to spend **R1.1 billion** over the MTEF towards school infrastructure in the province. This amount excludes the incentive portion which the



department may access provided that it institutionalises proper planning for infrastructure according to Infrastructure Development Improvement Plan requirements.

Honourable, Speaker, numerous studies have shown that good nutrition plays an important role in ensuring that children become healthy and productive adults. In this regard the department is set to spend an amount of **R143 million** in the 2015/16 financial year and expenditure will grow to **R451 million** over the MTEF towards the National School Nutrition Programme. As I have already indicated, this amount has been topped up with our equitable share to include some quintile 4 and 5 schools.

Honourable Speaker, I indicated earlier that Provincial Treasury managed to protect the Department of Education from the budget cuts. An amount of **R113 million** over the MTEF has been utilised from the unallocated reserves to maintain the growth and stability in the department of Education. As I mentioned earlier we did this with the full understanding that the department will reprioritise internally to fund the shortfall in respect of the Improvement in Conditions of Service.

### ***Promoting Health***

Honourable Speaker, investing in our future means investing in the health of every citizen. Our commitment as a government is to provide better health care, not simply more health care.

Our health system, therefore, should be underpinned by the principles of primary health care. The inability to get primary health care to function effectively has resulted in provincial hospitals being overburdened with huge numbers of patients who ordinarily should have been serviced at the level of primary health care.

The department of Health will spend **R4 billion** in the 2015/16 financial year and expenditure will grow to **R4.3 billion** in the outer year of the MTEF. Over the MTEF the Department of Health expenditure will amount to **R12.4 billion**. The average anticipated growth in expenditure over the MTEF is 5.2 per cent.

Honourable Speaker, due to the exponential nature of budget allocations provided to the department of Health in the 2014/15 MTEF, I need to reflect on some of the pertinent provincial priorities carried over to the 2015/16 MTEF.

A total additional amount of **R194 million** is included in the 2015/16 financial year budget to deal mostly with the following pressures: **R56 million** is provided for the full operationalization of the Dr Harry Suite Hospital in Upington; **R16 million** is made available for the recruitment of Auxiliary nurses across the province; **R25 million** is provided as a carry through amount for the absorption of Community Services Workers; **R19 million** for the Emergency Medical Services practitioners; **R1.5 million** is provided for Planned Patient Transport; **R8.9 million** is specifically allocated for the appointment of critical posts in the Supply Chain Management and Finance units in the department; and Kimberley Hospital received a top up amount of **R65 million** to cater for numerous pressures in goods and services. An amount of **R205 million** is provided in the 2016/17 financial year to cater for the carry through effects of these funded priorities.

Honourable Speaker, as I indicated in the department of Education, Provincial Treasury has also managed to protect the department of Health from the budget cuts. An amount of **R69 million** over the MTEF has been utilised from our reserves to maintain the growth and baseline in the department of Health. Similarly the department of Health will have to realise savings internally to fund the shortfall in respect of the Improvement in Conditions of Service not provided for in the current financial year.

### ***Social Protection***

Honourable Speaker, our social ills are caused by deep poverty levels and lack of economic activity that exclude a large section of the population from actively taking part in the economy.

The department of Social Development will spend **R709 million** in the 2015/16 financial year and expenditure will grow to **R757 million** in the outer year of the MTEF. Over the MTEF, the department of Social Development will spend **R2.2 billion** representing an average growth of 3.5 per cent over the MTEF.

Honourable Speaker, the Non-Governmental Organisations sector is a critical partner if we are to win the war against the social ills in society including Early Child Development which provide a solid foundation at an early stage. To ensure sustainability of this sector, total transfers to NGOs in the province will amount to **R624 million** over the MTEF period.

An amount of **R40 million** in the form of a conditional grant is provided in the first two years of the MTEF for the construction of a Substance Abuse Treatment Centre. The construction of this centre is expected to start between May and June 2015 and is projected to be completed in 2018.

### ***Social Cohesion***

Honourable Speaker, our Government recognizes the importance of continued public investment in the arts, culture and sports. Arts, and cultural events symbolise our province's creativity and cultural pride.

As we continue to reposition Sport and Recreation in the Province, we will continue to intensify and consolidate our efforts to increase the participation of learners and schools in all our districts in school sport.

The Department of Sport, Arts & Culture is allocated an amount of **R321 million** in the 2015/16 financial year and this grows to **R361 million** in the outer year of the MTEF. The average growth of the budget of the department is 6 per cent.

Public libraries are an important cultural, educational and community resource, and we are working to continue to extend access to library services. In this regard, the community Library Services Grant is allocated an amount of **R147 million** in the 2015/16 financial year for the appointment of additional personnel and operational costs for the library function.

Over the MTEF, the department will spend **R467 million** towards Library infrastructure, ICT and operational costs for the management of library services in the province.

## ***Economic Sector***

Honourable Speaker, Radical Economic Transformation, rapid economic growth and job creation is one of the 2014-2019 electoral mandate which is directly linked to this administration's term of office. Flowing from this political mandate, the Medium Term Strategic Framework (MTSF) highlights government's support for competitive economy, creation of decent work opportunities and encouragement of investment.

Total spending on the economic sector will amount to **R3 billion** or 21 per cent of the total provincial budget in the 2015/16 financial year, this amount will increase to **R3.2 billion** in the outer year of the MTEF.

Honourable Members in a province as large and geographically vast as Northern Cape, road infrastructure is crucial to economic development and quality of life in each region

The Department of Roads and Public Works expenditure will amount to **R1.3 billion** in the 2015/16 financial year and grows to **R1.5 billion** in the 2017/18 financial year. The growth in this budget is mainly driven by the Provincial Roads Maintenance Grant which has been allocated an amount of **R822 million** in the 2015/16 financial year. As a percentage of the total departmental budget, this grant account for 61 per cent. This grant is used for the maintenance of our road infrastructure in the province. The department will spend **R2.6 billion** over the MTEF towards maintaining roads in the province.

Honourable Speaker, an amount of **R52 million** is set aside for the Devolution of Property Rates Fund Grant as part of the equitable share of the department.

The department of Roads and Public Works assumes a leadership role in co-ordinating the Expanded Public Works Programme in the province and remains an important vehicle in our objectives to provide much needed jobs to our people. The provincial allocation in various departments amounts to **R34 million** in the 2015/16 financial year. This programme continues to provide income relief for many households in the province.

In line with its mandate to create an enabling environment for economic growth and development in the Northern Cape, the department of Economic Development and Tourism is allocated an amount of **R266 million** in the 2015/16 financial year and spending grows to **R294 million** in the outer year of the MTEF with an average growth 7 per cent.

Honourable Speaker, it is important to note that transfers payments will amount to **R94 million** or 36 per cent of the total departmental budget in the 2015/16 financial year. This amount is distributed towards four Public Entities under the auspices of the department.

Honourable Speaker, in 2008 we took a decision to position Northern Cape Province as a destination for extreme action sport to attract Domestic and International tourists to the province. I announced in 2009 that the Bloodhound Supersonic Car attempts to achieve 1,000mph or 1609kph will take place in Hakskeenpan in Mier Municipality. The Bloodhound Super Sonic Car Land speed Project is one of the most important events the Northern Cape Provincial Government has ever embarked upon. This car has been built for about seven years and will be ready when the current land speed record holder Andy Green begins his series of runs in October 2015 as we brace ourselves for exciting times in our province.

The Department of Environment and Nature Conservation is responsible for the development of an environmentally sustainable green economy to contribute to the creation of jobs in niche markets especially in areas where the province has a competitive advantage. This department receives the smallest budget in the province, however, it has been consistently performing well over the years with regard to audit outcomes and is one of departments which received a clean audit for the 2013/14 financial year.

The Department of Environment and Nature Conservation expenditure will amount to **R131 million** in the 2015/16 financial and grows to **R144 million** in the 2017/18 financial year and this represent average growth of 4.6 per cent over the MTEF.

Honourable Speaker, the 2014 MTEF include discretionary additional funding amounting to **R4.7 million** to top-up the baseline of the department. Included in the baseline in the 2015/16 financial year is also an amount of **R6.9 million** earmarked for Provincial Reserves.

Agriculture is a key contributor to Northern Cape's economic performance. The Department of Agriculture, Land Reform and Rural Development in this regard is allocated an amount of **R620 million** in the 2015/16 financial year of which an amount of **R346 million** relates to conditional grants. Included in the total amount of conditional grant is an amount of **R131 million** for flood disaster that took place in 2011 along the Orange River, Comprehensive Agricultural Support Programme Grant at **R136 million** and Ilima / letsema grant is allocated an amount of **R69 million** towards food security projects.

Honourable Speaker, Human Settlement challenges are clearly articulated in the MTSP and our province is no exception in this regard. Settlement patterns across the province are dysfunctional, well located land is expensive and urban planning and approval processes are slow.

The total budget of the department amounts to **R668 million** for the 2015/16 financial year and grows to **R741 million** in the outer year of the MTEF. The cost driver for the department of Cooperative Governance, Human Settlements and Traditional Affairs is the Human Settlement Development Grant which amount to **R380 million** or 57 per cent of the total departmental budget in the 2015/16 financial year. The Human Settlement Development Grant will spend **R1.2 billion** over the MTEF period.

Honourable Speaker, an amount of **R123 million** over three years is ring-fenced within the grant to eradicate informal settlement in the following mining towns: Tsantsabane; Ga-Segonyana; Gamagara and Kgatelopele Municipalities.

Honourable Speaker, limited middle income housing stock and credit constraints contribute to the so called "gap market". Honorable Members "gap market" refers to households that are above the threshold for subsidized houses but do not meet the

requirements to access commercial bank loans. To assist this category of people the department has provided an amount of **R4 million** in the 2015/16 financial year.

### **Governance and Administration Sector**

Honourable Speaker, the share of the Governance and Administration sector is **R932 million** up from **R861 million** in the previous financial year, which represent a 9 per cent increase. This sector is linked to Outcome 12 which talks to “an efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship” and Outcome 9 which relate to a “ responsive, accountable, effective and efficient local government.

Honourable Speaker, the Department of Transport, Safety and Liaison is allocated an amount of **R342 million** in the 2015/16 financial year of which an amount of **R45 million** is in respect of the Transport Operations Grant for bus subsidies and **R3 million** is for leaner transport function.

Provincial Treasury is allocated an amount of **R212 million** in the 2015/16 financial year and this will increase to **R230 million** in 2017/18 financial year which represents an average growth of 5 per cent over the MTEF. An amount of **R1 million** over the MTEF is reduced and transferred to the Office of the Premier as a result of the function shift in terms of the planning function.

Office of the Premier is allocated an amount of **R184 million** in the 2015/16 financial year and this grows to **R204 million** in the 2017/18 financial year with an average growth of 5.6 per cent over the MTEF.

An amount of **R3.5 million** in the 2015/16 financial year is made available for the appointment of personnel in the planning unit in line with the planning function shift from Provincial Treasury. This allocation will enable Office of the Premier to build the necessary capacity to perform this responsibility effectively.

Honourable Speaker, the aim of the Provincial Legislature is to serve the people of the Northern Cape by building a developmental institution for effective law making, public participation, accountability and oversight over the Executive and municipalities.

The Provincial Legislature is allocated an amount of **R194 million** in the 2015/16 financial year. Included in this amount is an amount of **R30 million** for the renovations of the Legislature in the 2015/16 financial year, and a further once off amount of **R8 million** is provided for the procurement of an accounting system.

## **CONCLUSION**

Honourable Speaker, as previously indicated this budget has been a difficult one due to the economic conditions facing our country, therefore our decisions needs to be intertwined with actions that are characterized by the current realities of the budget.

We will however, continue to strive to provide better services without increasing government costs. Prudent control, management and use of public resources are key in ensuring that government is more efficient, accountable and transparent, while delivering services to the people.

Honourable Speaker, wages and benefits of public sector employees are a major component of the provincial purse. We value their impact and dedication in performing their required duties. Managing expenditures without cutting jobs and reducing services requires realistic expectations about the wage costs that can be afforded. However, the pending wage negotiations may further change the composition of our spending and put more strain on the wage bill if the bargaining council agreement range is above the projected CPIX. This may adversely affect our spending priorities as funds may have to be sought from service delivery items to compensate the shortfall. I therefore call on all departments to be sensitive when dealing with appointments without due considerations of budget implications.

Honourable Speaker, let me conclude by expressing my appreciation and sincere gratitude to the Honourable Premier Ms Sylvia Lucas as well as my counterparts in the Executive Council including members of the Treasury Committee who always avail themselves sometimes in short notices to support and share this responsibility.



I find it crucial to acknowledge the Heads of provincial government departments and Chief Financial Officers for ensuring that the Provincial Treasury is provided with necessary information thereby assisting us to table this budget.

Honourable Speaker, the budget is a collective effort championed by Provincial Treasury. I am also delighted to take this opportunity to thank the Provincial Treasury acting HOD, Mr. Vuyisile Gumbo for unswerving support and sterling work in ensuring that Provincial Treasury deliver on its mandate. Let me also nod my head to display a sign of appreciation to the dedicated, hard-working professionals of Provincial Treasury including the Ministry staff responsible for putting this budget together to ensure that it is tabled timeously, despite the difficult choices. Last but not least, let me thank my family for their continued support.

Honourable Speaker, Honourable Members I commend to you:

- The Northern Cape Appropriation Bill, 2015;
- The Estimates of Provincial Revenue and Expenditure for the 2015 MTEF;
- Provincial, District and Local Municipalities Socio-Economic Review, 2015.
- Capital Estimates of Provincial Revenue and Expenditure, 2015 MTEF.

I thank you.