

**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, 2014**

**12 MARCH 2014**

**Honourable Speaker**

**Honourable Premier, Ms Sylvia Lucas**

**Members of the Executive Council**

**Honourable Members of the Provincial Legislature**

**Mayors and Councillors**

**Our esteemed Traditional and Religious Leaders**

**Distinguished guests**

**Comrades and Friends**

**Ladies and Gentlemen**

**INTRODUCTION**

Honourable Speaker, to budget is to choose or prioritise. Democracy and freedom have laid on this august House the solemn duty of safeguarding the transparency and integrity of these choices. The budgetary choices we make give life and meaning to the well-being of our people. The budget we table today gives practical effect to our programme of social cohesion, and in particular to prioritise the needs of the poor.

Honourable Members, in her State of the Province Address, the Premier of our Province Ms Sylvia Lucas provided comprehensive detail about our achievements and commitments since the birth of our democracy. Let me take this opportunity to reflect on some of these achievements: I refer to the expansion of primary health care since 1994. Six hospitals and twenty two (22) clinics have been built and upgraded; more hospitals and clinics have seen new equipment installed. HIV and Aids treatment programmes are in place in several health facilities.

I further refer to the increase in school enrolment, to the fact that more than 23 new public schools have been built from scratch since 1994, and that 296 additional

classrooms have been built. School fees have been phased out in low-income communities. I also refer to the fact that more than 144 000 homes have been connected to the electricity grid since 1994. Water supply infrastructure now reaches more than 82 per cent of the population and the sanitation backlog is steadily declining.

Honourable Members, the above mentioned achievements have been made possible by considerable reprioritisation and forward-looking policy reforms that underlie our budget choices. But the greater part is in the quality and energy of people working together. It is not the rand cost of public services that counts in the daily experience of our people but it is the quality of care in the hospital wards, the time it takes to process a business application, the effectiveness of our school nutrition programmes and the attention to special learning needs in the classroom, that make a difference to people's lives and well-being. As we celebrate the progress made in meeting households and community needs, we are also conscious of the work that lies ahead. Quality of care and efficient public services still require greater effort from all of us.

Honourable Speaker, the budget is about people, not numbers. It is an opportunity for us to reflect on the goals and aspirations of our people. Our struggle was never only about political democracy. It was and is about equity, access to resources, decent jobs, decent housing, schools and the decent education of our children. It is about wiping away the poverty and hunger, eliminating the hopelessness and despair of being jobless. It is indeed, about our safety and the well-being of our society.

Honourable Speaker, the budget we are tabling today once again recognises that making the right choices is not just about delivering a better quality of life to our people for a year or two. It is about ensuring that the policy choices we make today are affordable and sustainable for at least five or fifteen years from now, which means prioritising. It demands a constant and honest evaluation of what we are doing and how we do it. It means that we have to strive to do things better and smarter. Government resources are finite which clearly indicates that we have only so many resources that can be used at a given time to produce goods and services. We can only plan to spend within the available resources. Therefore we have to manage our resources prudently, focusing on the needs to ensure value for money. There is a lot of talk against this

movement forward: We say to them: Remember the words of William Faulkner: "Talk, talk, talk, the utter and heart breaking stupidity of words."

Honourable Speaker, let me reiterate the statement made by the former Minister of Finance in his 2003 budget speech when he said, *"There are a number of elements of the development equation that are often hard to quantify yet are fundamental to achieving the outcomes we seek. The first of these is the quality of the services that government delivers. When people experience poor service delivery, or our projects fail, then not only are citizens denied those services to which they are entitled, but in turn their capacity to contribute further to the development process is undermined. Unless our policies are implemented efficiently, courteously, honestly and enthusiastically, we will achieve far less than we intend than our people surely deserve"*.

He further said, *"We simply cannot and must not tolerate those who make pensioners wait for hours in the sun because they have not bothered to arrive on time, or those who bring shame to their profession by treating patients and their families callously, or those who abuse the children in their care, or those who could not be bothered to ensure that hospitals have medicines. We cannot tolerate the breakdown in elementary management that results in rundown facilities, leaking pipes, missing textbooks, slow-moving queues, festering bed-sores, lost case files. Those who do not embrace the spirit of Batho Pele should do the right thing and leave the public service. Their lack of commitment and accountability hinder our ability to deliver, and hinder our country's development. They also undermine the efforts of the many thousands of civil servants who care and work hard to deliver a meaningful service"*. Honourable Speaker, it is our commitment, as the Northern Cape Provincial Government to accelerate advances towards the achievements of government's key priorities.

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

According to the International Monetary Fund (IMF), the global economic activity and world trade strengthened during the second half of 2013 as a result of higher inventory demand. Although the outlook has become more positive, there are still risks to the global economy, including possible below target inflation, leading to lower longer term

inflation expectations, increasing real debt burdens and premature real interest increases. It also raises the likelihood of deflation in the event of adverse shocks to activity.

It is expected that global growth will be around 3.7 percent in 2014 and rising to 3.9 percent in 2015. Projections by the IMF indicate that the advanced economies should grow at 2.2 percent in 2014 and 2.3 percent in 2015, whereas expectations are that the emerging markets and developing economies should grow at 5.1 percent in 2014 and 5.4 percent in 2015. In developing countries an export rebound was the driver behind better economic activity, while domestic demand generally remained subdued, except in China.

Growth in the United States is expected to be 2.8 percent in 2014, up from 1.9 percent in 2013, while in 2015 the growth is projected to be 3 percent. This growth will be supported by final domestic demand, reduction in the fiscal drag as a result of the recent budget agreement. The Euro Area shows signs of recovery following a prolonged recession, as growth is projected to rise to 1 percent in 2014 and 1.4 percent in 2015 although the recovery will be uneven. The recovery will generally be more modest in economies under stress. High debt, both public and private, and financial fragmentation will hold back domestic demand, while exports should further contribute to growth.

## **National Economy**

The South African Reserve Bank indicated in their Monetary Policy Committee Statement that the annual economic growth rate for the country was estimated to be 1.9 percent in 2013. They have furthermore revised their forecasted growth for 2014 downward from 3 to 2.8 percent and for 2015 the forecast was also revised downward from 3.4 to 3.3 percent. This was in part due to lower business confidence.

According to Statistics South Africa, the average real annual economic growth rate from 2002 to 2012 was 3.9 percent for South Africa. In the third quarter of 2013, the national economy grew by 0.7 percent from the previous quarter. These developments can be explained by the positive growth in the mining and quarrying industry of 11.4 percent

due to higher production in the mining of other metal ores (including platinum) and other mining and quarrying (including diamonds).

Finance, real estate and business services experienced slower growth due to slower activities in the equity, bond and other financial markets. The wholesale, retail and motor trade, catering and accommodation industry experienced growth due to increases reflected in turnover in all trade divisions. High production in horticulture and animal products led to the growth in agriculture, forestry and fishing industries. However, economic activity in the manufacturing industry reflected negative growth of 6.6 percent due to lower production in the motor vehicles, parts and accessories and other transport equipment division.

In the Quarterly Labour Force Survey, Statistics South Africa reports that in the fourth quarter of 2013, the national unemployment rate decreased slightly by 0.4 of a percentage point to 24.1 percent on both a quarterly as well as an annual basis. On a quarterly basis, the number of unemployed people decreased by 50 000 while employment increased by 141 000. There was also an increase in the absorption rate of 0.2 of a percentage point to 43.3 percent.

The annual percentage change in the Producer Price Index (PPI), which measures the price of producing final manufactured goods, was 6.5 percent in December 2013 as compared to 5.8 percent in November 2013. Over this period, the PPI for final manufactured goods increased by 0.5 percent. The annual headline inflation rate for all urban areas was 5.4 percent in December 2013, up by 0.1 of a percentage point from November 2013. The average annual inflation rate was 5.7 percent in 2013. According to the Reserve Bank, the average inflation rate for 2014 was forecasted at 6.3 percent. This is outside the 3 to 6% inflation target that could put even further pressure on the Reserve Bank with regards to the repo rate.

In January 2014, the repo rate increased by 50 basis points which led to the prime lending rate increasing to 9 percent. This could put pressure on the disposable income of households with debt like credit cards, motor financing and bonds on their houses.

The value of the Rand has been very weak, sticking to around R10 or R11 per US Dollar. In the short run this could be good for exports, but in the long run the higher costs of imports for manufacturing and production will impact negatively on manufacturers. The weaker rand also has a negative impact on imported products which could be a risk for attempting to keep inflation in tact. It also has a negative impact on the petrol price.

National Treasury highlights in the 2013 Medium Term Budget Policy Statement that South Africa cannot rely on the global economy to be the main driver of domestic growth and development. There are structural reforms like improved education and productivity, strengthening the efficiency of state-owned enterprises, raising the levels of savings and investment, among others, to achieve sustainable growth and job creation.

Government has begun to implement the National Development Plan, looking at the acceleration of economic growth, eliminating poverty and reducing inequality. Together with the SIPs (Strategic Integrated Projects), this should hold the key to unlock potential for economic growth.

### **Provincial Economy**

Statistics South Africa has reported that the Northern Cape economy grew by 1 percent in real terms in 2012. The average real economic growth rate of the province between 2002 and 2012 was 2.4 percent.

The Northern Cape economy is still driven by the mining industry, accounting for approximately a quarter of the provincial output and employing about 6 percent of the workforce in the province in 2012. The proportion of those employed in the mining and quarrying sectors increased by 0.7 percent between 2012 and 2013 which is a reflection of the continuing developments in the industry.

Agriculture alone, contributed 6.2 percent to the provincial output in 2012. It is also a key driver of employment, employing 15.5 percent of the workforce in 2012; with a growing national emphasis on agro-processing and value addition as an economic driver. The Northern Cape Provincial Government has committed funds through the

Comprehensive Agricultural Support Programme and Ilima/Letsema towards supporting black farmers with production and marketing of produce.

The abundance of arable land along the Orange River and climatic conditions of the Northern Cape is such that its produce is largely organic. This bodes well for the province and opens up opportunities to enter the niche and highly profitable market for organic produce. These factors have also made it possible for the province to expand the production of specific cultivars of grapes suitable for wine production through the Vineyard Development Scheme. The agriculture sector is not only vital for economic development in the province but is also crucial in the fight against poverty and the attainment of food security.

Other large industries in the Northern Cape economy in 2012 were general government, contributing 13.5 percent; finance, real estate and business services, contributing 11.6 percent; wholesale, retail, motor trade, catering and accommodation, contributing 9.7 percent. The only industries recording negative growth in 2012 were mining and quarrying with negative 0.4 percent; electricity, gas and water with negative 3.8 percent.

Based on the results published by Statistics South Africa in the Quarterly Labour Force Survey for the fourth quarter of 2013, the Northern Cape had a year-on-year employment growth rate of 9.4 percent. This was the highest of all nine provinces in the country; we deserve a round of applause. The unemployment rate of the Northern Cape was 24.9 percent. This is a decrease of 3 percentage points from the previous quarter and 3.4 percentage points from the previous year.

Looking at the change in the labour statistics from the third quarter to the fourth quarter of 2013, the number of employed people increased by 13 000. When comparing the figures from the fourth quarter of 2013 to that of the fourth quarter of 2012, the number of employed people increased by 28 000. The absorption rate increased by 3.2 percent which means that 43.8 percent of the working age population is employed. On an annual basis, employment increased in mining, construction, trade, transport, finance, community and social services. It decreased in agriculture, manufacturing, utilities and private households.

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

In the financial year (2014/15), the Provincial Treasury will publish its sixth edition of the Socio Economic Review. It will be the third edition looking at Provincial, District and Local Municipalities. 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 (NDP) 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 and even urged to use this publication to assist with decision-making and identifying the gaps that we need to address to fight the triple challenge of unemployment, poverty and inequality.

In honour of his courage, commitment, dedication, the late former President Nelson Mandela, once said *“As long as many of our people still live in utter poverty, as long as children still live under plastic covers, as long as many of our people are still without jobs, no South African should rest and wallow in the joy of freedom.”*

### **Infrastructure**

Honourable Speaker, in his State of the Nation Address the President of the Republic, Honourable Jacob Zuma expressed his pride in the success in science and technology, especially the construction of the Square Kilometer Array (SKA) into which the province has contributed immensely.



Government will continue to explore alternative energy resources which will see the province becoming the net producer of renewable energy to the rest of the country by 2020. This is through the planned solar corridor from ZF Mgcawu and the Pixley Ka Seme Districts. The construction of the Sol Plaatje University in the Northern Cape is yet another major achievement in the last five years and a valuable investment for the future of our province.

The National Development Plan [NDP] released by the National Planning Commission in August 2012, provides the vision of the country for the next 20 years. The NDP contains proposals for tackling the problems of poverty, inequality and unemployment. It is a roadmap to a South Africa where all communities will have water, electricity, sanitation, jobs, housing, public transport, adequate nutrition, education, social protection, quality healthcare, recreation and a clean environment.

In line with NDP goals the Northern Cape administration is focusing on the development of a Provincial Infrastructure Strategy based on taking a long term view of infrastructure management in the province. The Provincial Infrastructure team has also developed the Northern Cape Infrastructure Delivery Management System (NC IDMS), the Codes of Practice and Standard Operating Procedures, which provide a documented body of knowledge that represent generally recognized best practices which focus on the delivery and life cycle management of public sector infrastructure.

This system will form the backbone for infrastructure delivery and it will be managed through the web based system namely PROMAN to ensure institutionalisation of the NC IDMS process. This will further ensure the effective management of infrastructure in our province and the realization of government's goal to social upliftment and economic empowerment through infrastructure.

Honourable Speaker, since 2009/10 a total amount of **R7.7 billion** has been spent on infrastructure by the province and this demonstrates the province's commitment and endeavours to facilitate socio-economic growth through infrastructure development. An amount of **R5.6 billion** over the next three years is allocated to further enhance the infrastructure development. Included in the total infrastructure budget is the Education

Infrastructure Grant (EIG), Health Revitalisation Grant (HRG) and Road Maintenance Grant (RMG) which amounts to **R3.8 billion** for the next two years.

The Education and Health funding allocation has been changed to a performance grant where departments will be required to bid for funding of their infrastructure projects for the 2015/16 MTEF going forward. This is in line with the Minister's statement in the Medium Term Budget Policy Statement of 2012, where he indicated that: *"Over the next three years government aims to achieve better value for money from investment in provincial infrastructure. A new approach to infrastructure conditional grants is intended to institutionalise proper planning. Provinces will be required to bid for these allocations two years in advance and financial incentives will be built into the grant for provinces that implement best practices in delivering infrastructure."*

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

Honourable Speaker, Payment of creditors within 30 days is a national key priority in terms of the presidential outcome 12. It is imperative that all government institutions implement effective and efficient financial systems, to ensure that legitimate invoices are paid within the prescribed legislative time frame.

Small and medium enterprises continue to play a key role in providing new employment opportunities and in contributing to the growth and innovation of the community in which the business is established. We have noticed a significant decline in the number of invoices that had not been paid within 30 days. The number of invoices not paid within 30 days declined to 1345 in December 2013 as compared to 4782 in December 2012 which represents a decrease of 72%. Provincial Treasury will continue to monitor the levels of non-compliance until the province reaches zero levels of non-compliance to ensure an enabling business environment for small and medium enterprises.

### **Cost containment measures**

Honourable Speaker, budgeting is not only about expanding expenditure on constructive and necessary activities, it is also about rooting out waste, promoting cost-efficiency and phasing out ineffective programmes. In the period ahead, it will be necessary to take stronger action in pursuit of efficiency and better targeted

expenditure. There is insufficient control of advertising, public relations activities and consultancy services. Stricter oversight of these activities and remuneration in public entities and provincial government enterprises is also required.

In view of the above Honourable Speaker, in the 2013 Medium Term Budget Policy speech the Minister for Finance, Mr Pravin Gordon announced a government policy aimed at reducing costs and eliminating wasteful expenditure. This has culminated in the issuing of instruction note 1 by National Treasury to all spheres of government to ensure that costs are minimized and any abuse of the system is stopped to ensure prudent and efficient management of financial resources. All accounting officers (both at national, provincial and local government spheres) must adhere to the instruction note, failure of which will result in financial misconduct.

## **FISCAL AND BUDGET FRAMEWORK**

Honourable Speaker, our achievements are not mere statistics, they tell a story of fundamental transformation, on which we look back with pride. We can celebrate the many ways in which we have pushed back the tide of poverty. And for the fiscus and the budget framework, we will seek assurance that a progressive realisation of social rights has been achieved without compromising sustainability and the legacy we pass on to the next generation. Our fiscal policy is not engineered for short-term gain, but is directed at strengthening economic capacity and the resources of the province over the long term.

In keeping with the expansionary fiscal policy stance, the period ahead will see an increase in social spending and infrastructure investment. After technical adjustments due to the impact of new data updates our equitable share as a province has once again realized a reduction of **R37 million** in the 2014/15 financial year and **R289 million** over the 2014 MTEF. Because of our fiscal discipline that we have maintained over the years, this reduction is contained entirely within our budget framework and not a single department will be affected by this budget cut. This is a clear confirmation of our assertion that the provincial fiscus is in a healthy and buoyant state. We will maintain our spending plans to reignite growth in the provincial baseline of

departments. The 2014 budget framework makes provision for an additional **R1.2 billion** over the next three years compared to the 2013 budget forward estimates.

The main budget provides for total expenditure of **R13.1 billion** in 2014/15 rising to **R13.9 billion** by 2016/17. Total revenue increases from **R13.3 billion** to **R14.3 billion** over the same period, of which equitable share increases from **R9.6 billion** in 2014 to **R10.9 billion** in 2016/17, conditional grants decline from **R3.4 billion** to **R2.9 billion** over the same period and own provincial revenue increases from **R280 million** to **R315 million** in 2014/15 and 2016/17 respectively. Our budget framework makes provision for earmarked reserves. In this regard an amount of **R430 million** over the MTEF has been set aside to clear our debt.

Honourable Members, the drive to improve efficiency and effectiveness in spending within available provincial resources, the desire to boost economic activity and to provide for a better life for all, necessitates the province to prudently look at own revenue collection measures, which remains an essential source of provincial funding.

As a province we need to find ways and means to optimise collection on existing sources as well as exploring new sources of own revenue as stated in Chapter 7 of the Treasury Regulations.

Capacity building and internal controls in all cash offices cannot be over emphasized. It is due to the latter that Provincial Treasury continues to assist provincial departments with training on revenue and cash management issues.

In pursuit of strengthening the revenue base for the provincial fiscus, we will implement a revenue-forecasting model that will be rolled out to the Department of Transport, Safety and Liaison, which is the main collector of own revenue but not leaving out the rest of the other provincial departments. The Own Revenue Forecasting Model will among others assist in more accurate forecasting of revenue figures over the budget period on a monthly basis using data from eNaTiS as well as assumptions on hospital fees, interest on bank balances and investment as well as casino taxes.

### ***Debt Redemption Strategy***

Honourable Speaker, for the past financial years we have made remarkable progress. The cumulative value of surplus generated in the past years to address our debt amounted to **R797 million** as at 2013/14, reducing the province's net debt from **R932 million** to **R135 million**. Out of the **R797 million**, an amount of **R719 million** has been utilized to authorize the unauthorized expenditure. It is projected that by the end of the 2015/16 financial year the province's debt will be cleared.

Honourable Speaker, debt is a drain on our resources, consuming moneys we could be spending on priority programmes. Reducing it therefore, as we have done so effectively, will divert hundreds of millions towards other priority service delivery programmes.

### **MEDIUM TERM EXPENDITURE ESTIMATES**

Let me turn to the main expenditure proposals for the MTEF period ahead. Details are set out in the Estimates of Provincial Revenue and Expenditure. Honourable Members, in this House you will find a wealth of information on the links between spending plans, the service delivery objectives, targets set out for each vote and departmental programmes. This information is intended to support the work of Legislature committees, and anyone with an interest in public affairs.

### **2014 MTEF Budget Priorities and Spending Plans**

Our spending proposals cannot accommodate every request tabled during the course of the provincial medium term expenditure planning process. We have already indicated that Government's resources are limited, and for this there will always be an abundance of departmental bids that exceed the bounds of fiscal responsibility. Part of our job in this regard is to ensure that development and social solidarity investments are reconciled with a sustainable budget framework.

Honourable Speaker, non-compliance with the prescriptive regulations with regard to Supply Chain Management (SCM) processes have led to most departments incurring irregular expenditure. In fact, in most instances services are delivered and provided but processes are not followed. Central to this problem is inadequate skills and lack of

knowledge with regard to personnel responsible for this important function in provincial government departments. Despite our tight fiscal environment, we have allocated an amount of **R55 million** over the MTEF to add capacity in the offices of the Chief Financial Officers across all departments in the province to deal specifically with SCM challenges. This is over and above the current personnel employed to deal with SCM functions in the department. This intervention will go a long way in eliminating matters that the Auditor General has so often highlighted in the SCM environment.

The Department of Roads and Public Works is the co-ordinating agent with regards to Expanded Public Works Programme (EPWP) 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 **R42 million** in the 2014/15 financial year. As I have indicated before, that depending on how well departments spend on this grant, more funding could be accessed provided that targets are met and reports are submitted timeously to the National Department of Public Works.

## **Social Sector Services**

Honourable Speaker, the budget continues to be biased towards the social sector departments to protect the most vulnerable and poor in society. This trajectory is set to continue as the departments of Health and Education will account for **65 per cent** of the total provincial budget in the 2014/15 financial year. As indicated before and in moving to restore fiscal balance, we will continue to invest in education and health.

## **Investing in Education**

Honourable Speaker, Government's contribution to public education remains our single largest investment, because we know that it is the key to reduce poverty. The availability of a trained workforce is critical for accelerating long-term economic growth. It is central to our objective of broadening opportunity and fighting poverty. Education expands abilities and opportunities. It is a great freedom in itself, and opens the doors to other freedoms. The baseline of the department continues to protect the key policy priorities which include the continuation of the rollout of the universal Grade R, Early Childhood Development Programme which grows exponentially over the current MTEF.

This growth provides for additional Grade R learner and teacher support materials, extending the no-fee schools policy, school nutrition programme, reducing average class sizes in schools, serving lower income communities, increasing expenditure on school buildings and strengthening teacher training programmes. The school nutrition programme, Honourable Members, reaches a sizeable number of children in poor communities, contributing to their nourishment, enhancing learning capacity and creating many employment opportunities.

Education spending grows by six per cent a year for the next three years and accounts for **R4.7 billion** in the spending plans of the province for 2014/15 financial year.

This budget prioritises school infrastructure. Over the next two years, the province has budgeted to spend over **R705 million** on school infrastructure and equipment, so that we can indeed eradicate unsafe school structures. In addition, the National School Nutrition Programme Grant increases by over **12 per cent** in the 2014/15 financial year so that we can feed children, in most of the public schools.

Honourable Speaker, the education sector has introduced and implemented policy imperatives which are personnel related in nature in the recent past years. These include OSD's and teachers' incentives. The latter was implemented in December 2013, and to assist the department with the carry through costs of these policies, an amount of **R34 million** is provided in the 2014/15 financial and increases to **R157 million** over the 2014 MTEF period. This is a significant amount that will provide immediate relief in the personnel budget of the department of Education.

Honourable Speaker, I also announced last year that an amount of **R21 million** was allocated in the 2015/16 financial year for the appointment of Grade R teachers to enable universal enrolment. An additional amount of **R27 million** is provided in the 2015/16 financial year to enable poorer schools to increase their number of teachers across all grades. This will reduce the teacher: learner ratio in classrooms.

Honourable Speaker, to ensure parity in the system and to enhance the principle of "equal pay for equal work performed" an amount of **R46 million** over the 2014 MTEF is

added in the budget of the department of Education to provide for the carry through and associated costs related to the re-grading of clerical workers. Furthermore, an amount of **R2 million** is also provided in the last year (2016/17) of the MTEF to cater for OSD for Therapists in Education.

### **Strengthening our Health Care System**

Honourable Speaker, Government considers investment in health as part of human capital development necessary to support economic growth. Government in this regard has over the years, invested substantial budgetary resources in the health sector. A process was undertaken in 2009 to assist the Department of Health with its turnaround strategy. While we cannot claim victory as yet, but we can boldly claim visible progress in many fronts, including the permanent appointment of the HOD and CFO. Honourable Members, for the first time in many years, the department moved out of a disclaimer to a qualified audit report, a significant reduction in over spending and unauthorized expenditure albeit the challenge in the management of accruals.

To further assist the department on this path and to give effect to the identified priorities in health, a total amount of **R183 million** in the 2014/15 financial year is added to the baseline of the department and this increases to **R242 million** in the 2016/17 financial year. After factoring-in the additional amounts, total expenditure for this department amounts to **R3.7 billion** in the 2014/15 financial year and increases to **R7.7 billion** over the two outer years. Included in this total is an amount of **R3.2 billion** in respect of conditional grants over the next three years.

Honourable Speaker, it is increasingly a well-known fact that our people by-pass the clinics at district level to seek medical assistance directly from the Kimberly hospital, including cases that ordinarily should have been dealt with at the level of the districts. This in turn has placed a tremendous burden to the resources of the Kimberly hospital. Although this should not be encouraged, it is unfortunately a reality.

In an effort to alleviate the associated budgetary constraints brought by this dysfunctional referral system between the Kimberly hospital and districts and other



shortfalls in the budget of the hospital, an amount of **R61 million** is allocated in the 2014/15 financial year and increases to **R133 million** over the two outer years. This will address among others, patients' catering; maintenance of medical equipment; medical equipment and supplies; and the National Health Laboratory Services (NHLS) shortfall.

Honourable Speaker, the new Dr Harry Surtie Hospital in Upington (formally known as Gordonia hospital) was officially opened last year and as we are all aware, the service package of this hospital is much more advanced and it offers a wide range of services that were not provided by the old hospital. In order to progressively operationalize this hospital, an amount of **R151 million** over the 2014 MTEF is made available to provide for clinical personnel, equipment and operational costs to ensure the smooth running of this institution.

Honourable Speaker, during the tabling of the 2013/14 adjustment budget in November 2013, I announced that the department of Health will be given an amount of **R4 million** for the training of 200 auxiliary nurses. To assist with the absorption of these nurses after completion of the training, an amount of **R47 million** over the MTEF is provided. The policy decision to have two crew members per ambulance has been an outstanding but pertinent issue on our agenda for some time. To cater for the partial implementation of the two crew members per ambulance an amount of **R18 million** is made available in the 2014/15 financial year and increases to **R39 million** over the outer two years. This allocation provides for the appointment of 100 Emergency Medical Services (EMS) officers. Furthermore, 10 Emergency Officers will be appointed at a cost of **R5 million** over the MTEF towards Planned Patient Transport. We have also provided an additional amount of **R11 million** over the 2014 MTEF to pay danger allowance for EMS practitioners in line with the Public Service Co-ordinating Bargaining Council (PSCBC) Resolution number 1 of 2012.

Funding was allocated during the adjustment estimates for the capacitation of the supply chain management unit within the office of the CFO. The 2014 MTEF budget makes provision for the carry through costs of capacitation of the supply chain management personnel amounting to **R20 million**. An additional amount of **R6 million** over the MTEF is also provided to capacitate the financial management unit.

Honourable Speaker, the Department of Health is rolling out the Human Papillomavirus Vaccine (HPV), which has shown to prevent cervical cancer in women. The vaccine will be administered to 9 and 10 year old girls in quintile one schools. It is in this regard that an amount of **R5 million** has been provided in the outer year (2016/17) of the MTEF. The funding for the re-grading of clerks was made available during the adjustment budget process. As a carry-through effect, the 2014 MTEF budget makes available **R25 million**.

Government and labour agreed to a multi-year agreement for the period 2012/13 financial year up to 2014/15. As such included in the 2014 MTEF budget, is an amount of **R49 million** over the 2014 MTEF to cover the carry-through costs of the current wage settlement.

### ***Inclusive and a Caring Society***

The Department of Social Development is allocated an amount of **R651 million** in the 2014/15 financial year. This amount is set to increase to **R739 million** in the outer year of the MTEF.

Honourable Speaker, Social Workers play a critical role in the society especially in the fight against social ills. In this regard national government provided an amount of **R25 million** in the 2013 MTEF for the absorption of Social Workers in the province. However, the funding was not adequate to accommodate social work graduates needed by the department. To provide for the shortfall, an amount of **R6 million** over the 2014 MTEF is allocated from own resources to allow the department to increase the number of social work graduates.

### ***Social Cohesion***

The Department of Sport, Arts & Culture is allocated an amount of **R291 million** in the 2014/15 financial year and grows to **R351 million** in the outer year of the MTEF. The impetus behind the growth in this department is mainly attributed to the increase in the Community Library Services Grant which makes provision for the appointment of additional personnel and operational costs of the library function.

Honourabler Speaker, an amount of **R6 million** over the 2014 MTEF has been set aside for the appointment of professional and qualified Librarians across all the districts in the province. Other personnel adjustments amount to **R7 million** over the MTEF to deal with the re-grading of clerical workers and improvement on conditions of service (ICS) carry through.

### **Economic Sector**

Honourable Speaker, in as much as our budget continues to favour pro poor programmes, we need to invest in the economy of our province to contribute positively in the creation of decent and sustainable jobs. If we are to maintain our core priorities such as Education, Health and Social Welfare programmes, it is essential that we grow a strong and prosperous economy, and to this effect, spending on the economic sector will amount to **R3 billion or 22 per cent** of the total provincial budget in the 2014/15 financial year and this increases to **R3.2 billion** in the 2016/17 financial year.

The Department of Roads and Public Works has been allocated an amount of **R1 billion** in the 2014/15 financial year. Over the next three years, this will amount to **R3.7 billion**. The growth in spending for this department is mainly attributed to the provincial road maintenance grant which has been allocated an amount of **R640 million** in the 2014/15 financial year and this grows to **R723 million** in 2016/17.

The mandate of the Department of Economic Development is to create an enabling environment for economic growth and development in the Northern Cape. In line with this mandate, an amount of **R236 million** has been provided for in the 2014/15 financial year and spending grows to **R254 million** in the outer year of the MTEF. Included in the allocation is an additional amount of **R2 million** over the 2014 MTEF to cater for personnel adjustments in the form of improvements on conditions of service and the carry through of the re-grading of clerical workers.

Honourable Speaker, our well-being depends on the quality of our environment. I must also mention that albeit the limited budget allocated to the Department of Environment and Nature Conservation, it has been consistently performing well over the years with

regard to audit outcomes and budget. It must also be borne in mind that the core programmes of this department were part of the Department of Agriculture, Land Reform and Rural Development. Although the budget of the programmes that were transferred was protected, the operational costs to run the department as a fully independent institution were not provided for. Despite this fact, the department is applauded for managing to stay within budget for the past 4 years.

Honourable Speaker, in an effort to correct this historic shortfall, a general baseline adjustment amounting to **R14 million** over the MTEF is made available to the department in this regard. I also announced during the adjustment estimates speech in November 2013 that funds have been allocated for the nature reserves in the province. To provide for the carry through effect an amount of **R21 million** over the 2014 MTEF is allocated. An additional amount of **R8 million** over the MTEF is also allocated for the carry through costs related to the SCM personnel, re-grading of clerical workers and the ICS shortfall.

Honourable Speaker, the Department of Agriculture, Land Reform and Rural Development is allocated an amount of **R716 million** in the 2014/15 financial year of which **R263 million** relates to the flood disaster. This amount increases to **R801 million** in the outer year of the 2014 MTEF. The Ilima/ Letsema Project grant, which distributes agricultural starter packs to poor households, is allocated an amount of **R224 million** over the 2014 MTEF period. The growth in the budget of this department is mainly driven by the earmarked allocation in respect of the flood disaster grant.

Honourable Speaker, an amount of **R24 million** over the 2014 MTEF has been set aside for the appointment of Agricultural Scientists, Veterinarians and Technicians in the department. This amount will be allocated to the department during the 2014/15 adjustment budget.

The Department of Co-operative Governance, Human Settlements and Traditional Affairs is allocated an amount of **R659 million** in the 2014/15 financial year and is projected to spend **R2.2 billion** in the next three years. Included is an additional amount

of **R10 million** over the MTEF to deal with personnel related adjustments in the form of additional SCM capacity and ICS.

Honourable Speaker, Housing and the eradication of informal settlements remain at the forefront of our infrastructure investment plans, and impact significantly on both employment creation and poverty reduction. In this regard an amount of **R1.2 billion** over the MTEF has been set aside for this purpose.

### **Governance and Administration Sector**

Honourable Speaker, although governance and administration is not a direct service delivery sector, however, Outcome 12 clearly indicates that the sector's function and responsibility is to create "an efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship". This responsibility further gives effect to the administrative duties including the monitoring of government programmes to enhance service delivery.

This sector is allocated a total budget of **R861 million** of the total proposed provincial spending of **R13.1 billion** in the 2014/15 financial year.

Honourable Speaker, the Department of Transport, Safety and Liaison is allocated an amount of **R329 million** in the 2014/15 financial year. Over the next three years the budget allocation of this department will amount to **R1 billion**. To provide for the inflationary costs associated with rendering the learner transport function, an amount of **R8 million** is allocated for this important priority.

To cater for the various personnel related pressures including re-grading of clerical workers, ICS carry through and SCM capacity building, an amount of **R8 million** in the 2014/15 financial year is made available.

Provincial Treasury is allocated an amount of **R202 million** in the 2014/15 financial and this will rise to **R212 million** in 2016/17. Included in the allocation is an additional amount of **R70 million** over the 2014 MTEF. The Biometrix system is provided with an

amount of **R10 million** in the 2014/15 financial year and a further amount of **R5 million** is also provided to maintain the system in the 2015/16 financial year.

Office of the Premier is allocated an amount of **R173 million** in the 2014/15 financial year and this grows to **R191 million** in the 2016/17 financial year. Other priorities funded in the Office of the Premier relate to the carry through effects of the improvement on conditions of service and the re-grading of clerical workers.

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. To effect this mandate, Provincial Legislature is allocated an amount of **R156 million** in the 2014/15 financial year and this will increase to **R165 million** in the 2016/17 financial year.

Included in the budget of the Legislature in the 2014/15 financial year, is a once off amount of **R13 million** to cater for the events that must happen after the general elections including the inauguration of the Premier and the orientation of new members.

## **CONCLUSION**

Honourable Speaker, we have made remarkable progress over the past years since 1994, to mention a few: the expansion of primary health care, new schools infrastructure, many homes have been connected to electricity grid, sanitation backlog being reduced, the supply of clean water to poor communities.

Honourable Speaker, this budget framework re-affirms our commitment to improve the lives of the people in this province. It is a growing budget despite the uncertainty in global economic recovery. Its success will depend on the individual and collective role of the stakeholders including the active participation of the citizenry of this province. We are handing over a well-oiled and effective administration which we are confident will take this province to a higher level.

Honourable Speaker, it is not the numbers in the budget that will measure the quality of our response to the needs of our people, but the character of our resolve to work together, putting others before ourselves, confident in the choices we have made and committed to face our challenges.

Honourable Speaker, as we reflect on our achievements, and aggregate spending plans for the MTEF period ahead, I am sure that members of this House will join me in recognising the special efforts of ordinary citizens, and the dedicated work of our teachers, doctors, police men and women fighting crime under difficult working conditions.

Honourable Speaker, let me conclude by expressing my appreciation and sincere gratitude to the Honourable Premier Ms Sylvia Lucas as well as my Executive Council colleagues and especially members of the Treasury Committee who have set aside their time to support and share this responsibility.

I must also thank the Heads of provincial government departments and chief financial officers for ensuring that the Provincial Treasury received the necessary information and documentation; thereby assisting us to table a credible budget.

The budget is largely the fruit of the efforts of the Provincial Treasury and special thanks to HOD Sello Mokoko for the leadership he has provided over the last ten years. Special thanks also goes to the dedicated, hard-working professionals in Provincial Treasury responsible for putting this budget together to ensure that it is tabled correctly and lastly the Ministry Staff for their support since I took office.

Honourable Speaker, allow me to conclude by quoting Elbert Green Hubbard, an American writer and philosopher who responded to similar voices that wanted to drown out the good story we must tell and share. He responded thus: "He who does not understand your silence, will probably not understand your words".

Honourable Speaker, Honourable Members I commend to you:

- The Northern Cape Appropriation Bill, 2014;
- The Estimates of Provincial Revenue and Expenditure for the 2014 MTEF;
- Provincial, District and Local Municipalities Socio-Economic Review, 2014.

I thank you.