

**HONOURABLE SPEAKER & DEPUTY SPEAKER
HONOURABLE PREMIER, MS SYLVIA LUCAS
MEMBERS OF THE EXECUTIVE COUNCIL
HONOURABLE MEMBERS OF THE PROVINCIAL LEGISLATURE
MAYORS AND COUNCILLORS
DIRECTOR - GENERAL, HEADS OF DEPARTMENTS & MUNICIPAL MANAGERS
DISTINGUISHED GUESTS,
COMRADES AND FRIENDS
MEMBERS OF THE MEDIA
LADIES AND GENTLEMEN**

Introduction

Honourable Speaker, the budget that I have the honour to table here today remains firmly focused on a longer term transformation challenge and it also responds to a new paradigm for governments in the world today.

While responding to the changing economic outlook, our primary goal remains the radical economic transformation, and the progressive building of a shared future in which we can take pride in the quality of our public services, the creation of jobs for our people and security in our communities.

I am tabling the provincial budget at the time when the country is dedicating this year to the life and times of Oliver Reginald Tambo. A renowned son of our country, Oliver Tambo would have turned 100 years old this year, had he lived.

He dedicated his adult life to a tireless pursuit of the liberation of our country and its people. He left a lasting legacy not only for his organization, the ANC, but for all South Africans.

Oliver Tambo's vision is embedded in the National Development Plan (NDP), which guides us in the building of a South Africa that is free from poverty, inequality and unemployment.

In the words of Oliver Tambo, "we have a vision of South Africa in which Black and White shall live and work together as equals in conditions of peace and prosperity." Since our democracy, we have a lot to celebrate, for no one can deny the genuine

progress that our country has made over these years. We have sustained and deepened our democracy; we have created a more egalitarian social order by providing unprecedented access to education and training at all levels, the improvements to our healthcare system. Our performance in housing construction and the modernization of our physical infrastructure is a source of national pride. Our people have access to electricity, clean water and sanitation. There are improvements in access to basic household services which are tangible signs of progress in living standards and they broaden opportunities for economic participation.

Honourable Speaker, this budget is built on fiscal discipline and it lays a firm foundation for the future we all want in the Northern Cape. It is all about stability and confidence. It builds on the strength we have as a province to cushion the effects of the revenue shortfalls as result of global economic crisis.

Honourable Speaker, the challenges and the constraints of our present circumstances, confront all of us who share a stake in the South African economy- as government, as businesses, as workers, as local communities, as families, as citizens and taxpayers - we are in this together.

To overcome all these obstacles and achieve our ambitions of radical economic transformation, that is inclusive, we have to work together to build an economy in which business can grow and prosper and in which community organizations have a place alongside government in delivering public services.

We have entered a period of slower economic growth affecting governments and citizens everywhere. Investors are nervous; consumers are cautious and rightly so. They are concerned about their futures and now more than ever they are concerned about rising debt — not just their own but government's debt.

Macroeconomic Outlook

Honourable Speaker, according to the International Monetary Fund (IMF), economic activity is expected to pick up especially in emerging market and developing economies in 2017 and 2018 after slow economic performance in 2016. There is however still a large amount of uncertainty around the policies in developed economies and its impact on the global economy. World output is projected to grow

by 3.4 per cent in 2017 and 3.6 per cent in 2018 – which is up from growth of 3.1 per cent in 2016. In 2017, it is projected that advanced economies will grow by 1.9 per cent and by 2.0 per cent in 2018, which is respectively 0.1 and 0.2 percentage points more than what was projected by the IMF in October 2016.

Honourable Speaker, it is expected that growth in the emerging market and developing economies will pick up from 4.1 per cent in 2016 to a projected 4.5 and 4.8 per cent in 2017 and 2018 respectively, with strong growth expected in China and India. It is projected that Sub-Saharan Africa will grow at 2.8 per cent in 2017 and 3.7 per cent in 2018.

National Economy

Honourable Speaker, in 2016 the national economy grew slowly at 0.5 per cent. This is projected to increase in 2017 to 1.3 per cent, 2.0 per cent in 2018 and 2.2 per cent in 2019. This low growth translates into lower government revenue through tax collection. Government and private sector will need to come up with ways to fast track economic growth through attracting new investment as well as unlocking the potential of labour intensive industries to support social change.

Honourable Members, according to National Treasury, consumer price inflation in 2016 was 6.4 per cent. It is expected to remain unchanged in 2017, but is projected to decline to 5.7 per cent in 2018 and 5.6 per cent in 2019. If inflation is to remain above the 3 to 6 per cent bracket that the Reserve Bank targets in 2017, it could have implications on the repo rate in the future. At their last meeting in January 2017, the Monetary Policy Committee however kept the repo rate unchanged at 7 per cent.

Provincial Economy

Honourable Speaker, according to the data source Global Insight, the Northern Cape economy grew by 1.7 per cent in 2015. This slow growth can be attributed to a sluggish growth in the real value added by the tertiary sector as well as the slight contraction in the secondary sector. The Frances Baard District contributed the most to the provincial economy, accounting for 31.9 per cent of the economic output. The second largest contribution was made by the ZF Mgcawu District at 23.6 per cent.

The mining and community services industries underpin the economic performance of the province, combined accounting for more than 40 per cent of the province's GDP. The large mining industry together with the agriculture industry provides the province with the potential to increase manufacturing by adding value to the production of the primary sector. There are however risks of over exposure to the primary sector, with commodity prices and global demand as well as drought and natural disasters being exogenous in nature.

Honourable Speaker, the national unemployment rate decreased by 0.6 percentage points from the third to the fourth quarter of 2016, but provincially it increased by 2.4 percentage points over the same period. The unemployment rate for the Northern Cape was reported by Statistics South Africa to be 32.0 per cent in the fourth quarter of 2016, while the national unemployment rate at the same time was 26.5 per cent. Provincially, 3 000 jobs were lost in agriculture, 8 000 in construction, 2 000 in trade, 1 000 in finance, 4 000 in community and social services and 3 000 in private households, while mining recorded an increase of 10 000 in employment on a quarterly basis. On an annual basis, the number of people employed decreased by 14 000 and the unemployed increased by 32 000, with the unemployment rate increasing by 6.2 percentage points. The largest number of the jobs was lost in the community and social services and construction industries. The community and social services industry followed by agriculture and trade are the major employers in the Northern Cape, accounting for 29, 18 and 15 per cent respectively of the total employment in the fourth quarter of 2016. Utilities, finance, transport and manufacturing employed the smallest share of people.

Infrastructure

Honourable Speaker, infrastructure spending for the next three years will be accelerated at a robust pace as we continue to strategically invest in schools, health facilities, social housing and other provincial infrastructure. These investments create jobs and they also have a broader value underpinning the Northern Cape's economic growth goals and furthering our reputation as a safe, stable place to do business.

Total infrastructure spending for the next three years will be **R6.7 billion** of which **R2.3 billion** will be spent in the 2017/18 financial year. This includes, for the next three years, **R1.8 billion** for new and expanded infrastructure including schools,

health facilities, and social housing, **R159 million** is allocated for rehabilitation and refurbishment, **R168 million** is set aside for non-infrastructure assets such as machinery and equipment , **R3.3 billion** will be utilised for the maintenance, repairs and upgrading. This, Honourable Speaker, demonstrate clearly government's commitment to not only concentrate on building new infrastructure asset but to also maintain the existing ones.

Fiscal Sustainability

Cost Cutting Measures

Honourable Members, 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 response to the economic crisis, like all other governments in the world, the province took a decision to closely review all aspects of operations and identify areas where costs could be reduced without undermining important public services. As a result of the review, we are now moving to dramatically reduce all types of discretionary spending across the public sector. This includes, for example, budgets for advertising and publications, travel expenses and reduction in the cost of contracted professional services.

Spending is, of course only part of the equation. We are also taking action on the revenue side. We will be looking at all possible sources of revenue, this include among others rentals of government dwellings, number plates registration of individuals and businesses operating within the province but register and renew their licenses in other provinces, selling of some surplus assets that sit on government's books costing money with no return to taxpayers. Our goal is to take those surplus assets and turn them into economic generators across Northern Cape.

Honourable Speaker, tight fiscal management for Northern Cape is a necessity. There is no other choice available to us. It will require not only that we increase revenues and reduce expenditure, but it will also mean that we will have to undertake fundamental controls on wastages, be tough on fraud and corruption and personnel management.

Honourable Speaker, containment of the Public Sector Wage Bill is an important element in the effort to ensure fiscal sustainability over the medium term. We understand the reality that it is the public sector workers that keep this country functioning in our schools, hospitals, clinics, and police stations. They man our irrigation systems and our immigration systems.

Yet, it is the case, Honourable Speaker, that fiscal sustainability requires that we maintain our public sector wage bill as a proportion of total provincial spending. Let me make this clear, we are rejecting the views of those who call for massive lay-offs. We would prefer to create an environment that is conducive for investment so as to grow the economy and ultimately create more jobs.

Public Entities

Honourable Speaker, we are reviewing every provincial public entity with an eye to keeping costs down. Just like everyone else in the Northern Cape public sector, they have to do their part to control spending. Stricter oversight of the activities and high executive remuneration in public entities require an urgent attention.

Local Government

We are also, Honourable Speaker, encouraging local government to do their part too. They must make sure fiscal prudence is the order of the day in every municipality. When it comes to public services, that means making careful strategic investments, and it is not just about spending more. If money alone was the answer, we would have solved our challenges a long time ago. Protecting the interests of taxpayers means driving innovation, encouraging efficiencies and focusing on outcomes. That is the approach that they should continue with their budget and fiscal plans.

Governance and Accountability

Honourable Speaker, in the period ahead, it will be necessary to take stronger action in pursuit of efficiency and better targeted expenditure. I believe, Honorable Speaker that Legislature including the respective committees should play a more active role in challenging accounting officers to plan their efficiency saving initiatives up front, and report regularly on progress. A greater sense of responsibility needs to permeate the ethos of government all the way through the accountability chain.

Honourable Speaker, the principle of good governance requires provincial government to serve the public interest at all times with integrity and with consistency in line with the requirements of the legislation whilst avoiding self-interest. As the provincial government we are committed to promoting good governance and to run a clean administration coupled with effective delivery of services. It is against this backdrop that our efforts will be directed towards fostering the principle of good financial governance to ensure that the lives of our people are improved. We will continue to strengthen financial management capacity within the province as a means of promoting accountability and probity in stewardship of public funds.

Honourable Speaker, Albert Einstein once said: “if people are good only because they fear the punishment and hope for reward, then we are a sorry lot indeed”. As this provincial government we are dedicated to excellence and hence the culture of doing the right thing the first time will be inculcated across provincial departments.

We will do good regardless of the reward because this is a statutory requirement for us to serve the people, this will be done through intensified monitoring, capacity building and intervening where necessary to ensure that we conform to legislation and policy directives. This will in turn change the culture of late payments to creditors. This will also lead towards the improved payment rate to our suppliers for the sustainability of our Small Medium Micro Enterprises (SMMEs).

We will continue to respect the role that the chapter 9 institutions are playing and work together with them to improve governance within the province. In 2015/16, the office of the Auditor General found 12 out of 13 provincial departments to be fairly presenting their financial state of affairs. This is evidence enough that this government is at work, delivering services and accountable to its citizenry.

Supply Chain Management Reforms

Honourable Members, as mentioned in the president’s state of the nation address, the State will drive transformation of the economy through legislation, and in so doing ensure inclusive participation in the economy. The recently revised Preferential Procurement Regulation of 2017, implementable from 1st April 2017, makes it

compulsory for any tenders above the R30 million to sub-contract 30 per cent to black-owned enterprises. This will also assist government's drive to target its procurement towards small enterprises, rural, township, and designated groups to grow local economies.

Honourable Speaker, we are making another call for suppliers to register on the Centralised Supplier Database (CSD). As indicated in the Budget Speech of 2016, no supplier will be able to conduct business with government unless they are registered on the Centralised Supplier Database. We are proud to announce that Provincial Treasury will be opening a hands-on support centre to assist suppliers with registration on the database this month. The centre will offer a walk-in kiosk where suppliers can use government facilities to self-register on the CSD or update information. Provincial Treasury staff will be available to assist suppliers in this regard, and training will also be provided on the utilisation of the database.

Provincial and Municipal Revenue Optimization

Honourable Speaker, own revenue collection has been a challenge for some time in the department of Health and this compromises the sustainability of our fiscus as monies are allocated in advance and therefore any under collection by departments may lead to a risk in terms of funding budget. To assist in this regard and to maximise our provincially collected own revenue, Provincial Treasury will appoint revenue collecting clerks to be placed in our major collecting hospitals across the province. This will ensure that the province collects monies due to us especially from medical aids.

Honourable Speaker, a focused approach of enhancing revenue and addressing weaknesses pertaining to revenue source in the province has led to the establishment of a Tariff Committee with the specific aim of ensuring that revenue budgets are informed by tariffs analysed and reviewed annually.

Honourable Speaker, revenue is the life blood of the municipalities, however, revenue generation is dependent on the inflow of revenues from consumers including government departments. With regards to government departments Provincial Treasury has increased focus on assisting municipalities to recover debt

owed. This is done through hands on support provided to municipalities on issues of policies, reporting, reconciliations, unregistered land and property demarcation challenges. Through the intervention of the debtors committee, total overall outstanding debt recovered from government departments including the National Department of Public Works amounts to **R320 million**. Classification of government debt accounts, reporting and allocation of payments effected by departments are however still a challenge in municipalities.

Honourable Members, we will continue to drive the process of ensuring timeous payments by government departments as this will ensure improvement in municipal cash flows and further enable municipalities to honour all contractual obligations.

Honourable Members, revenue management in municipalities requires a radical organisational change and demands that all hands be on deck. In this regard Provincial Treasury has implemented a Data Cleansing Project which will be rolled out to only three municipalities as the first phase of the project. The project will look at addressing gaps in the municipal value chain, and ensuring correct billing, improved customer care and debt collection processes in order to improve revenue collection.

Honourable Speaker, the challenge in municipalities in relation to revenue collection is the inability to set cost reflective tariffs which results in them rendering services at a loss. In addressing this, Provincial Treasury developed a tariff tool which is aimed at assisting municipalities to correctly set tariffs that are cost reflective. Training has been provided on the tariff tool and hands-on assistance is continuously provided to municipalities to ensure implementation of the tool in the 2017/2018 financial year.

Honourable Speaker, in ensuring that the resources meant for poor households are channelled accordingly, the Provincial Treasury is assisting with credible indigent registers. This is done by eliminating as much as possible fraudulent indigent applications, through screening indigent registers on PERSAL system. Our sample on few municipal indigent registers revealed that there are government officials that are registered as indigents. We further assisted municipalities in the development of credible indigent policies and standard operating processes on indigent registration processes.

Provincial Fiscal Framework

Honourable Speaker, the fiscal system takes into account fiscal capacity and the functions assigned to each sphere, with each empowered to determine its own budget, collect revenue and spend funds. The province is funded through own revenue, equitable share allocations and conditional grants. The grant system must be simple and comprehensive and not compensate sub-national governments, which fail to collect the revenue due to them.

Honourable Speaker, total provincial budget amounts to **R51.6 billion** over the 2017 MTEF, comprising of **R50.5 billion** in national transfers and **R1.1 billion** in own revenue. Of the total provincial budget, equitable share transfer amounts to **R37.6 billion** or 74.5 per cent while conditional transfers amounts to **R12.9 billion** or 25.5 per cent.

The total provincial receipts increased by **R1.8 billion** from the 2017/18 financial year to **R18.2 billion** in 2019/20 financial year. This represents an average annual growth of 5.4 per cent over the MTEF.

Honourable Speaker, revisions to the equitable share formula are informed by data from 2011 census, age cohorts, 2016 mid-year population estimates, 2016 school realties surveys, 2014 Regional – GDP, District Health information service for patient load data (2014/15-2015/16) 2012 risk adjusted index, insured population and the 2010 income and expenditure survey.

The provincial equitable share formula is updated annually and consequently adjustments to provincial baseline due to the new data updates has resulted in an additional amount of **R29 million** over the 2017 MTEF. However, during the same period Cabinet approved reductions on the provincial Equitable Share amounting to **R42 million**. Furthermore, an amount of **R188 million** is made available in the 2019/20 financial year to provide for the historical carry through costs related to improvement of conditions of service (ICS).

We have over the 2017 MTEF allocated an amount of **R254.7 million** in respect of ICS to all provincial departments to make provision for the shortfall in the compensation of employees budgets. Departments are required to note that these

funds are not for additional appointments but to sustain current warm bodies in the system.

Honourable Speaker, the provincial equitable share amounts to **R11.7 billion** in the 2017/18 financial year and rises to **R13.4 billion** in the 2019/20 financial year, this represent average growth of 7 per cent over the 2017 MTEF. In allocating the equitable share which the province has discretion over in terms of the Constitution, considerations have to be given to nationally agreed priorities and concurrent functions including provincial specific priorities.

Conditional Grants are set to increase by an average growth of 0.9 per cent over the MTEF from **R4.2 billion** in 2017/18 to **R4.3 billion** in the 2019/20 financial year.

The marginal growth in conditional grants is mainly attributed to reprioritisation between grants especially underperforming grants which have adversely affected the overall growth in the grant framework allocation. Reductions on grants are mainly informed by government's wide fiscal consolidation stance.

Honourable Speaker, in the 2017 MTEF two new grants have been added namely; Social Worker Employment grant to address the need of social workers in the sector and reduce the backlog in the number of social worker graduates that remain unemployed after completion of their government subsidised education, Leaners with Profound Intellectual Disabilities Grant to provide educational opportunities to learners with severe and profound intellectual disabilities.

Honourable Speaker, the National Health Insurance pilots have yielded valuable insights on which national department of Health will now build on in terms of implementing the next phase, however it will be discontinued at a provincial level.

Provincial own revenue is budgeted at **R339.7 million** in 2017/18 financial year and is set to increase to **R381.7 million** in the last year of MTEF with an average growth of 6 per cent over the 2017 MTEF.

Our own revenue budget is mainly driven by three major revenue sources namely; Motor vehicle licences which is set to increase from **R212 million** in 2017/18 financial year to **R239 million** in the outer year of the MTEF, which represents an average growth of 6.2 per cent over the 2017 MTEF. The second largest is patient fees which increasing from **R44.7 million** in 2017/18 financial year to **R50 million** in

the outer year of the MTEF with an average growth of 5.9 per cent over the 2017 MTEF. Lastly, casino taxes revenue is set to increase from **R24.9 million** in 2017/18 financial year to **R27.8 million** in the outer year of the MTEF, which represents an average growth of 6.1 per cent over the 2017 MTEF.

Honourable Speaker, in the 2017/18 financial year we received **R77 million** in respect of the Extended Public Works Programme (EPWP) for the creation of 41 237 jobs. This money is allocated to various departments but will be coordinated by the Department of Roads and Public Works.

Medium Term Expenditure Estimates

Honourable Speaker, total planned expenditure for the 2017/18 financial year is budgeted at **R16 billion**, of which **R12.8 billion** relates to current payments, transfers and subsidies are budgeted at **R1.6 billion** and **R1.5 billion** will be invested in capital expenditure.

These aggregates reflect a delicate balance among the difficult choices that we have made and is pointing to the absolute imperative to get the economy growing at a faster pace. The context of the budget and the realities of our situation leave very little room for major new spending. This has forced a cut in real terms in many critical areas of expenditure and has required us to engage in expenditure prioritization. Importantly, we have had to find room to protect the most vulnerable and marginalized in the society by increasing expenditure in targeted social sectors and programmes.

Let me now take this opportunity to engage the members of the house and the Northern Cape community at large on the main expenditure proposals and the details are set out in the Estimates of Provincial Revenue and Expenditure (EPRE).

Protecting the Most Vulnerable Citizens

Honourable Speaker, the government is also firmly committed to the protection of the most vulnerable members of the society and to this end we have safeguarded spending on critical social programmes which largely benefit this segment of the population. A total allocation of **R11.4 billion** or 71.4 per cent of the total expenditure has been provided, up from **R10.7 billion** in 2016/17 financial year to ensure that the aggregate budget allocation to these social programmes is maintained in real terms.

These include, youth development, the school feeding programme, poverty relief, children's homes and places of safety, drugs and medical supplies for the public health system and subsidies to basic schools.

Investing in Education

Government's contribution to public education remains our single largest investment, because we know that it is the key to reducing poverty and accelerating long-term economic growth.

Key priorities in education include extending the no-fee schools policy, expanding the school nutrition programme, reducing average class sizes in schools serving lower income communities, increasing expenditure on school buildings, and strengthening teacher training programmes.

Honourable Speaker, as we drive towards the quest of delivering quality public education to the people of Northern Cape, our resources are directed towards continuing to provide for more access and support services in schools. To this end, the department is set to spend **R5.8 billion** in the 2017/18 financial year and **R18.4 billion** over the next three years.

Honourable Speaker, over the last few years we have seen a consistent increase in learner numbers in our province, this has resulted in the demand for more educators as well as the provision of learner support material and more school nutrition. I am happy to announce that an amount of **R165 million** starting from the 2018/19 financial year has been allocated to deal with the impact of this growth in learner numbers.

Compensation of employees remains the main cost driver and account for **R4.4 billion** or 76 percent of the total budget of the department in the 2017/18 financial year. To provide for the salary adjustments which came at higher than budgeted for, an amount of **R126 million** over the 2017 MTEF is provided to deal with this shortfall.

Total conditional grants allocation amounts to **R808 million** in the 2017/18 financial year and grows to **R2.2 billion** over the next three years.

Honourable Speaker, in order to deliver the required school infrastructure as well as maintain our current infrastructure at school level, the Education Infrastructure Grant has been allocated a total of **R1.6 billion** over the MTEF. This will result in the construction of new school infrastructure in line with national norms and standards.

Of this total amount of **R808 million** allocated for conditional grants in the 2017/18 financial year, **R602 million** is earmarked towards education infrastructure grant.

Honourable Speaker, appropriate nutrition is essential to the academic success of our children. The School Feeding programme is designed to support the nutritional needs of our children, particularly those who can ill-afford adequate catering to those needs. The government has seen it fit to expand the School Feeding programme, providing even greater support to our children. Good nutrition is vital to the physical, social and mental development of our children as poor nutrition diminishes their cognitive development and compromises their ability to effectively participate in learning experiences.

To ensure that the programme continues to contribute to the national development plan's priority of eliminating poverty, an amount of **R510 million** over the MTEF is provided for the National School Nutrition Programme as a conditional grant and furthermore, an amount of **R33.4 million** over the MTEF is reprioritized from the equitable share to ensure provincial wide coverage in providing nutritious meals to learners in the province.

The department will through the Maths, Science and Technology Grant continue with programmes that are aimed at improving the outcomes on Mathematics and Physical Science especially in matric in order to ensure that we produce the skills required to boost economic growth. An amount of **R23.636 million** in the 2017/18 financial year is made available towards the realisation of this objective.

Honourable Speaker, a new grant called Learners with Profound Intellectual Disabilities Grant meant to provide educational opportunities to learners with severe and profound intellectual disabilities is allocated an amount of **R15.475 million** over the MTEF.

Promoting Health

Honourable Speaker, we are committed to provide quality health care services and improve access towards the achievement of a universal health care coverage with the main focus on district health services which should be our primary focus moving forward.

Honourable Speaker, in line with the vision of the National Development Plan (NDP), the next phase of the National Health Insurance (NHI) will be implemented at a national level which will see the establishment of an NHI fund with the initial focus been:

- To improve access to a common set of maternal health and ante-natal services and family planning services;
- To expand the integrated school health programmes, including provision of spectacles and hearing aids; and
- To improve services for people with disabilities, the elderly and mentally ill patients, include provision of wheelchairs and assistive devices.

This service package financed by the NHI will be progressively expanded. In setting up the fund national will look at various options, including possible adjustments to the tax credits on medical schemes contributions. Further details in this regard will be provided by the Minister of Finance in the adjustment budget of October this year.

Honourable Speaker, the Department of Health is set to spend **R4.4 billion** in the 2017/18 financial year and **R13.9 billion** over the next three years. Included in the expenditure proposals are conditional grants amounting to **R1.3 billion** in the 2017/18 financial year and grows to **R4.2 billion** over the next three years.

The 2017/18 financial year baseline of the department also included an amount of **R68.6 million** in respect of the Improvement on Conditions of Service (ICS).

Honourable Speaker, South Africa's exchange rate ranks amongst the most volatile emerging market currencies as it is a floating currency. The depth of our financial sector implies that exchange rate acts as a good absorber of shocks to the economy. However, the impact had been the deprecation of the currency which impacts on medicine prices dominated in foreign currency, this has mainly affected antiretroviral.

Depreciation of the currently translates to a higher rand price for the same quantity and puts pressure on the budget of the Department of Health.

To provide for this pressure, an amount of **R26.6 million** is added to the baseline of the department in the 2019/20 financial year.

Honourable Speaker, the total conditional grants budget of the department of Health amounting to **R1.4 billion** in the 2017/18 financial year and is mainly driven by the following conditional grants:

- The Health Revitalization Grant is allocated a total amount of **R443 million** in the 2017/18 financial year to construct new health facilities, upgrade and rehabilitate our existing infrastructure portfolio in the province. These funds will assist with the acceleration of Operation Phakisa: Ideal Clinic concept, maintenance of health facilities, procurement of medical equipment as well as address norms and standards in respect of accreditation of pharmacies, refurbishments of state mortuaries, upgrading of standby generators at health facilities and basic infrastructure needs;
- The Comprehensive HIV, AIDS and TB grant is allocated an amount of **R478 million** in the 2017/18 financial year. Strong growth in this grant is maintained to preserve capacity to deliver treatment services to the same number of patients. This allocation also makes provision for the continued expansion of ARV coverage in response to the national universal test -and -treat policy; and
- National Tertiary Services grant is allocated an amount of **R340 million** in the 2017/18 financial year to deliver tertiary services which are accessible to all and provide a platform for training health professionals.

Social Protection

Honourable Speaker, the state has an obligation to support the most vulnerable in our society. The Department of Social Development has a leading responsibility to build an all-inclusive and responsive social protection system. The department will spend an amount of **R819 million** in the 2017/18 financial year and expenditure will grow to **R903 million** in the outer year of the MTEF. This department will in total spend **R2.5 billion** over the MTEF.

Honourable Speaker, we will transfer a total amount of **R704 million** over the MTEF period to invest in Non-Governmental Organization sector in the province to ensure their sustainability and that social relief programmes are continued throughout the province.

New conditional grant to the amounts of **R51 million** over the MTEF period is introduced in the 2017/18 financial year. This includes Early Childhood Development (ECD) to expand services and improve basic maintenance of ECD facilities. This grant has two distinctive components each with different objective, namely, the subsidy component which aims to address poor children's access to Early Childhood Education, while the maintenance components is to ensure the appropriateness of the infrastructure where children access early childhood programmes. The latter component looks to upgrade registered ECD centres from conditionally registered to fully registration. The component separation within the grant will ease the monitoring of both access and infrastructure adequacy. The Social Worker Employment Grant has been allocated an amount of **R1.859 million** over three years for the absorption of social work graduates.

Honourable Speaker, a total amount of **R10.1 million** and **R10.9 million** over the MTEF is provided to cater for the carry through effects of ICS as well as the operational costs for secure centres in De Aar and Upington respectively.

Social Cohesion

Honourable Speaker, we are committed to create a prosperous, empowered province, united in our diversity through the advancement of sport heritage arts and culture.

Honourable Speaker, in our endeavour towards this vision, the Department of Sport, Arts and Culture is allocated an amount of **R371 million** in the 2017/18 financial year and declines to **R367 million** in the outer year of the MTEF. The decline in the growth of the department is mainly attributed to the reduction in the Community Library Services Grant, however the equitable share grows at an average of 4 per cent over the MTEF. Included in the total allocation of the department is an amount of **R4.4 million** over the MTEF to deal with carry through effects of the ICS shortfall.

Honourable Speaker, the Community Library Services Grant is allocated an amount of **R163 million** in the 2017/18 financial year for the construction of new study libraries as well as the procurement of library materials in the province and this declines to **R157 million** in the last year of the MTEF.

Mass Sport Participation is allocated a total amount of **R31.3 million** in the 2017/18 financial year to facilitate sport and recreation participation and empowerment in partnership with relevant stakeholders in the province. The department will through the school sport programme facilitate provincial championships for the identification of athletes to participate and represent the province in the National Championships in 2017. *A CHILD IN SPORT, IS A CHILD OUT OF COURT!!!*

Economic Sector

Honourable Members, we cannot over emphasise our drive towards radical economic transformation in our province. This will be implemented in a structured manner and within the framework of the Law. This will require robust engagements with business, organised labour and civil society partners in the province. This sector will assume a leading role in this regard. Total spending in the economic sector will amount to **R3.4 billion** or 21 per cent of the total provincial budget in the 2017/18 financial year, this amount will increase to **R3.7 billion** in the outer year of the MTEF.

Honourable Members, we have identified Infrastructure development as an important vehicle to ensure economic development and better the quality of life of all our people.

The Department of Roads and Public Works expenditure will amount to **R1.6 billion** in the 2017/18 financial year and grows to **R1.8 billion** in the outer year of the MTEF. This represents average growth of 3.6 per cent over the 2017 MTEF. Included in the total allocation of the department is an amount of **R8.3 million** in respect of the ICS over the next three years.

Honourable Speaker, in order to supplement provincial roads investments and support preventative maintenance on provincial road networks an amount of **R1.0 billion** in the form of Provincial Road Maintenance Grant has been allocated in 2017/18 financial year and grows to **R1.1 billion** in the outer year of the MTEF.

The province will spend over **R3 billion** in the next three years towards maintaining our road infrastructure, this includes upgrades and refurbishment.

Honourable Members, over the past two financial years since the outbreak of service delivery protests in the John Taolo Gaetsewe District, particularly Kuruman, the department has been able to enter into partnerships with mining houses to construct roads in various areas. The department has for the 2017/18 financial year prioritized to continue the construction of MR950 and MR947 in JTG area in partnership with the Sishen Iron Ore Community Trust.

Honourable Members, we will continue with the Phase 5 of the Hotazel-Tsineng road in the 2017/18 financial year in partnership with South 32 mining group as well as prioritise the construction of phase 3 of the Hondeklipbay project, which will provide the communities of Klipfontein and Hondeklipbaai access to amenities such as school and clinics and further support tourism in the area where people will easily access the Namaqua National Park and Spoeg River.

Honourable Speaker, the Department of Economic Development and Tourism drive economic growth and development initiatives in the province. This department is allocated an amount of **R296 million** in the 2017/18 financial year and spending grows to **R330 million** in the outer year of the MTEF resulting in an average growth of 3.7 per cent.

Honourable Speaker, as part of government's response to address inefficiencies in the system and for provincial government to set an example of prudently managing resources and to achieve value for money, we commissioned a study with the intention to rationalize and merge some of our public entities in the province. I am pleased to inform this house that the process has been concluded and we are in the process of studying the recommendations of the study and will announce the outcome in due course.

Honourable Members, in her State of the Province Address (SOPA), Honourable Premier indicated that we will retain our focus in the Upington special economic zone as a critical enabler for growth and job creation in the province. In this regard the Department of Trade and Industry (DTI) has committed an amount of **R13.2 million** towards the realization of this objective.

Included in the budget for the department are carry through costs for priorities funded during the 2016 adjustment budget which includes the shortfall in respect of the Improvements on Conditions of Service amounting to **R3.1 million** and **R8.4 million** for administrative costs in relation to public entities.

The mandate of the Department of Environment and Nature Conservation is to conserve and protect the natural environment for the benefit, enjoyment and welfare of present and future generation by integrating sustainable utilisation with socio economic development.

The Department of Environment and Nature Conservation is provided with a total amount of **R148 million** in the 2017/18 financial and this grows **R164 million** in the last year of the MTEF.

Included in this amount is **R3.1 million** over the next three years to deal with the shortfall in ICS and a further amount **R0.850 million** is added to rehabilitate the wetlands to increase the resilience to the impacts of climate change and to upgrade 1 landfill site and lastly to support 3 recycling projects in the province.

Honourable Speaker, the Department of Agriculture, Rural Development and Land Reform remain a key lead agent in championing land and agrarian transformation as well as food security in the province.

The department is allocated an amount of **R609 million** in the 2017/18 financial year and **R1.8 billion** over the next three years to expedite land and agrarian transformation and facilitate rural development programmes that contribute to vibrant, equitable and sustainable rural communities in the province. Included in the allocation of the department is an amount of **R6.7 million** provided to deal with the ICS shortfall.

Honourable Speaker, an amount of **R630.8 million** over the next three years is provided for the Comprehensive Agriculture Support Programme (CASP) to expand the provision of agricultural support services, promote and facilitate agricultural development by targeting smallholder and previously disadvantaged farmers in the province.

This allocation includes a flood disaster component which amounts to **R111.5 million** in 2017/18 and **R124.9 million** in 2018/19 due to a correction of funds previously earmarked for the province that was not allocated in the 2015/16 financial year. It is worth noting that this funding relates to disaster that happened in 2011 in the province.

Honourable Speaker, the department will over the MTEF continue with the revitalization of the Vaalharts Scheme through the installation of drainage systems and concrete lining of irrigation dams. Farmers in all the districts will be supported with the development of water supply systems to enhance stock farming and to promote and sustain natural agricultural resources.

Furthermore, the department will continue to give engineering support for infrastructure development within the CASP and Ilima/Letsema grants and whilst Agri-Parks and the Namaqua irrigation programme will focus on vineyard establishment and the development of Onseepkans.

Honourable Speaker, the vision of the Department of Co-operative Governance, Human Settlements, and Traditional Affairs is to build towards integrated human settlements, with responsive, accountable and highly effective municipalities and traditional institutions in the province. The budget of the department amounts to **R720 million** in the 2017/18 financial year and grows to **R804 million** in the outer year of the MTEF. Included in the allocation is an amount of **R7.2 million** made available to cater for the shortfall in ICS over the MTEF.

Based on the MOU, the Executive Council amongst others approved the disestablishment of Municipal Finance unit in CoGHSTA to Provincial Treasury. This realignment of functions will allow CoGHSTA to focus entirely on the governance matters. To give effect to this directive an amount of **R7 million** is earmarked to CoGHSTA to strengthen municipal improvement coordination. This allocation has been ring fenced and earmarked towards this specific purpose and the money may not be used for any other purpose.

The Human Settlements Development Grant is allocated an amount of **R402 million** in the 2017/18 financial year and this amount grows to **R449 million** in the outer year of the MTEF. An amount of **R78 million** is ring fenced over the MTEF period for

the development of mining towns which include Tsantsabane, Ga-Segonyana, Gamagara and Kgatelopele municipalities.

Honourable Speaker, with regards to the Lerato Park Integrated Project, the department intends to install 180 services worth **R7.9 million** and to complete 57 Community Residential Units worth **R8.5 million** in the 2017/18 financial year.

Governance and Administration Sector

Honourable Speaker, 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 relates to a “responsive, accountable, effective and efficient local government”.

Total spending in the Governance and Administration sector will amount to **R1 billion** or 9 per cent of the total provincial budget in the 2017/18 financial year and over the MTEF expenditure will amount to **R3 billion**.

Honourable Speaker, the Department of Transport, Safety and Liaison is working towards a creation and co-ordination of a safe, secure and sustainable transport and policing systems for a crime free Northern Cape Province.

Honourable Speaker, the Department of Transport, Safety and Liaison is allocated an amount of **R388 million** in the 2017/18 financial year and projects to spend **R1.2 billion** over the next three years.

Honourable Speaker, one of the focus areas for the department in the medium term is the shifting of the Motor vehicle function to the South African Post Office (SAPO). Provincial Treasury will work closely with the department to ensure a successful transition to the post office. The function shift entails only 10 pilot sites in the province that will move over to SAPO from 1 April 2017, however the department will continue with its efforts to move the entire remaining sites to SAPO by end of 2017/18 financial year.

The Public Transport Operations Grant for bus subsidies has been allocated an amount of **R52 million** in the 2017/18 financial and grows to **R163.9 million** over the next three years.

Honourable Speaker, Provincial Treasury derives its mandate from the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA). This include all reforms that are introduced by national government, some of the current reforms include Supply Chain Reforms, Municipal Standard Chart of Accounts (mSCOA) and Minimum Competency Framework reforms in both provincial departments and municipalities. Provincial Treasury officials have to ensure that all these reforms are rolled out, institutionalised and monitored by provincial treasury. Honourable Members, these reforms often come at huge costs given the remote nature and vastness of the province which entail extensive travelling.

Provincial Treasury is allocated an amount **R299 million** in the 2017/18 financial year and is set to spend **R843 million** over the next three years. What mainly drives this growth is the allocation earmarked to municipalities amounting to **R27.5 million** in the coming financial year to sustain current interventions and expand the project to other municipalities.

Honourable Members, additional funds were allocated during the 2016/17 adjustment budget to the Provincial Internal Audit Function and Provincial Audit Committees to expand the service to the listed public entities. This intervention will lead to better and improved governance structures and compliance with the applicable legislation which is a short coming in most of our public entities. The Audit Committees has continued with their exemplary oversight service. An additional Audit Committee meeting has been added to the annual meeting schedule to specifically focus on the audit action plans. To assist with this expansion to Public Entities, an amount of **R2.5 million** in the next financial year is made available for this purpose.

Honourable Speaker, as indicated earlier, we have set aside an amount **R14.9 million** as part of our interventions programmes in the Department of Health. Included in this amount is a once off allocation of **R10 million** to assist in the turnaround strategy and intervention. The remaining amount of **R4.9 million** will be utilised for the appointment of revenue clerks in 9 hospitals across the province and data capturers in the Health department. An amount of **R15 million** is also made

available in the 2017/18 financial year to assist with the rollout of mSCOA implementation which is expected to go live on the 1st July 2017 in municipalities.

Office of the Premier is allocated an amount of **R236 million** in the 2017/18 financial year and grows to **R248 million** in the outer year of the MTEF, this represents an average growth of 1.6 per cent over the MTEF.

Included in the allocation for the Office of the Premier additional amount **R14.9 million** in the 2017/18 financial year of which **R10.2 million** is set aside for youth development programme which started in the 2016/17 financial year, and the balance of **R4.7 million** is provided for the review of the Provincial Growth and Development Plan and the coordination of the Spatial Planning Land Use Management Act (SPLUMA).

Honourable Speaker, an amount of **R195 million** is allocated to the Provincial Legislature in the 2017/18 financial year towards its mandate of serving the people of the Northern Cape by building a developmental institution for effective law making, public participation, accountability and oversight over the departments and municipalities and grows to **R199 million** in the outer year of the MTEF.

Honourable Members, included in the allocation of the Provincial Legislature are funds allocated to provide for the carry through of the rehabilitation of the precinct as well as funds for the temporary office accommodation while the renovations are taking place. An amount of **R3.1 million** is also provided to cover the shortfall of the ICS.

Conclusion

Honourable Speaker, this administration will continue to fulfil all the commitments we have made to the Northern Cape people. We also take pride in the fact that despite the difficult circumstances of the economic crisis we have made provision in this year's budget to continue to meet our obligations to protect the poorest and the most vulnerable in the society.

Well, Honourable Members, together we must also invoke the Psalm of David and ensure that “The needy shall not always be forgotten nor the expectation of the poor shall not perish forever.” Psalm 9:18

Honourable Speaker, let me also conclude with an adaptation of the words of the psalmist. “*Yea, though we walk through the valley of doubt thou preparest a table for us in the presence of the doubters and naysayers...we take our seats at this table with every confidence that goodness and mercy shall follow us all the days of our life.* Psalm 23

The Northern Cape people are a people of faith, and now is the time for us to demonstrate our faith in the future, bolstered by what we have already achieved thus far and confident in our capacities to achieve our goals of inclusive economic growth.

The Estimates of Expenditure and Revenues are before us – Let us approach the future with confidence, because the foundations have been truly laid. We are now going for growth.

Let me pay well deserved homage to the Honourable Premier, Me Sylvia Lucas for her leadership and for the confidence she continues to place in me as a Member of the Executive Council with responsibility for an extremely critical portfolio.

I must also place on record my appreciation for the support of my Executive Council colleagues and Treasury Committee who shares with me the responsibilities of an extremely demanding portfolio. I wish to express a personal appreciation for their support and dedication to the cause of sound public finance.

I would also like to recognize the contribution of the HODs, CFOs and staff in the departments for their invaluable assistance in the budget preparation process.

Honourable Members, Provincial Treasury is the department in the service of other departments – this is an unbelievably difficult task to manage. Thanks, to the Acting HOD and his staff for their unwavering and professional support; and my Ministry staff for their patience and commitment, particularly in those difficult moments which come with the territory.

Honourable Speaker and Honourable Members, I now table the following documents for consideration by this House:

- *The Northern Cape Appropriation Bill, 2017;*
- *The Northern Cape Estimates of Provincial Revenue and Expenditure for the 2017 MTEF,*
- *The budget Speech*

In closing, let me quote former President Thabo Mbeki when he said, I quote, “Acting together, we do have the capacity to realise these objectives. And sparing neither effort nor strength, we can and shall build a South Africa that truly belongs to all who live in it, united in our diversity”!