

Madam Speaker,

Since time immemorial, whenever humans have stood together, and made their wellbeing and progress a common goal to be collectively pursued, budgetary and fiscal issues, the so-called public finances – have become pertinent. Indeed, it will befit us in this 13th year of our democracy to reflect upon the fact that men and women have gathered together before, like we have today, to dispense with common fiscal matters for thousands of years. Cicero, the famous Roman Statesman from antiquity, declared more than 2100 years ago-that:

"The budget should be balanced, the Treasury should be refilled, public debt should be reduced, and the arrogance of officialdom should be tempered and controlled".

These few sentences by Cicero contain much wisdom that we in the 21st century can take to heart. Indeed, if we consider closer the key ingredients of the South African government's approach since 1994, it is contained in these sentences. Allow me to highlight these, and by so doing, I will also illustrate that in the budget presented here today, these ancient principles and approaches towards public finances do apply.

Consider Balancing the Budget

First, Cicero is foremost concerned about balancing the budget. Balancing the state's budget simply means that the state has to live within its means - unless it wishes to go bankrupt. There are many instances of such government failures for us to learn lessons from.

There is no case on record, of a single country that has succeeded in improving its living standards whilst running an unsustainable and rising budget deficit.

Therefore, it is imperative for government to live within its means. For instance, the high and unsustainable budget deficit, exceeding 9% of our Gross Domestic Product under the previous government, has been reduced to below 2 percent by our democratic government. Our North West Provincial budgets have always been, like the budget that I am presenting today, balanced.

Of course, the requirement of a balanced budget means that there will be a budget constraint that applies. This budget constraint requires priorities and timeframes for expenditures to be set, and for all our budget votes, programmes and projects, to be closely scrutinized. We cannot do all that is possible within the available resource envelope. Indeed, as the philosopher Thomas Sowell remarked ***"The first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it."*** We cannot disregard this first lesson of economics.

Raising and Utilising Government Revenue.

The budget does not only refer to the expenditure side of things. Its main source is the revenue which determines the size of the expenditure. Cicero was therefore correct to indicate years back that the Treasury should be re-filled.

We have been fortunate as a country because we have been able to collect increased revenue year on year and this has provided scope to address the vexing developmental challenges in our Province.

Now that the collection of revenue has improved significantly, the challenge is the effectiveness of spending. Unless we can efficiently and in time, spend our allocations, our budgetary process becomes meaningless.

We now know that unlike our first term and part of the second term of office where budgetary constraints were a challenge, the challenge now is the pace of spending, especially on infrastructure and conditional grants. This budget still provides more for social spending because this is an area in which we can realise an instant impact on the quality of life of our people.

Debt and Macro-Economic Management

The importance of limiting government debt is very critical lest we borrow from the future of our children. Government debt policy is an outcome of its basic macro-economic management and monetary and fiscal strategies. In South Africa these have resulted in a lowering of the country's debt. The ANC led government has also inherited large losses on the forward cover book of the South African Reserve Bank but ensured that these were wiped out.

Promote Job Creation, Economic Growth and Investment.

This government subscribes to Cicero's idea that public assistance can go only so far, and that ultimately people must be the architects and drivers of their own fortunes. Therefore, job creation and the stimulation of entrepreneurship and private sector investment are key priorities for this government.

In this area we are glad to report that since 1994 there has been a consistent improvement in the rates of job creation, economic growth and investment in South Africa and the North West Province.

The positive outcomes in this regard are not only the result of the appropriate macro-economic strategy pursued by the South African government, but are also the outcome of the particular international economic arena within which we need to function. Indeed, since 1994 the South African economy has been progressively integrated into the world economy, and our economy is subject to the ups and downs of international markets. We see this very visibly in the North West Province in the impact of the oil price, the gold and platinum prices, maize prices, the Rand exchange rate, and the flow of international tourists. To a certain extent, given our relatively small manufacturing base, the North West Province is one of the country's provinces most susceptible to the international economy. It may therefore be appropriate for us to briefly reflect on the current state of the world economy and what we may expect in 2006.

International Developments

Once again economic events in 2005 were dominated by successive increases in the oil price which touched a US \$70 level per barrel in August 2005.

As with the oil price hikes of the 1970's the oil price increases of 2005 had been expected to depreciate the dollar, depress economic growth and raise inflation. This has fortunately not happened, to the surprise of many observers.

The United States and world economies had in fact shown remarkable resilience towards the oil price shocks. To attest to this, Morgan Stanley Investment Bank estimates the world economic growth for 2005 at 4.2 percent, far above expectations although the World Bank estimates global growth in the vicinity of 3,2 percent.

Also, the dollar seems to have strengthened instead of weakening as was expected. The reasons for this are that the current oil price hike is due to demand shock rather than supply shock as in the 1970's and the successful disinflation policies of leading central banks and their heightened inflation fighting credibility.

As far as the plight of the developing world, and in particular Africa, 2005 offered further hope for fundamental changes required in the global economic system. Firstly, the Commission for Africa Report and the "Make Poverty History" campaign focused attention on the needs of Africa.

A number of countries recommitted themselves to the Monterey Consensus which calls on rich countries to increase their spending on development aid to 0,7 percent of their gross national products.

Furthermore, at the World Trade Organisation meeting in Hong Kong, Trade Ministers from 149 countries agreed to eliminate export subsidies for farm products by 2013, opening up new opportunities to farmers from poor countries that now have to compete against subsidised products from developed countries. The Ministers also vowed to offer technical expert assistance to poor countries.

Micro Economic Context

South Africa's economy has been in an upward phase of the business cycle since September 1999, the longest period of economic expansion in the country's recorded history. During this upswing from September 1999 to the present, the annual economic growth rate averaged 3,5 percent.

The accelerated growth that the country has experienced is largely driven by a consumption boom, as a strong vibrant middle-class is emerging in South Africa.

According to the Bureau for Market Research households receiving a real income of R153 601 and more per annum, rose from 721 000 in 1998 to more than 1,2 million in 2004.

Fortunately, there is no significant cause for concern that this expansionary period may soon come to an end. As at November 2005 revised figures from Statistics South Africa show a likely growth of 5,1 percent exceeding most optimistic expectations.

Inflation has remained within the target range of 3 to 6 percent despite the fact that increases in fuel prices have put upward pressure on prices generally.

Additionally the Rand has shown stability in the past year and this brings about certainty in planning by the business community.

North West Economy in Perspective

The good news is that according to Statistics South Africa the North West economy grew by 4,9 percent in 2004, the highest annual growth rate since 1996 and exceeded the national growth in Gross Domestic Product which was 4,5 percent in 2004. This growth was the second highest after Western Cape.

Sectors which contributed to this fastest growth are the following:

- Financial, real estate and business service sectors achieved an 8,8 percent real growth rate and contributed 13,67 percent towards the provincial economy.

- The mining sector, in particular platinum mining grew by 7,5 percent. This sector accounts for 24,9 percent of the provincial economy and employs quite a large number of people in the North West.
- Black Economic Empowerment also gained from the boom of the mining business. Wesizwe Platinum provided the Bakubung Community near Ledig a 33 percent stake in the company, a huge step indeed for BEE. The Bakubung takes part in the daily running of the company and the empowerment strategy includes training in the fields of mining, geology and administration.
- A R10 million fund has been created to support community members to start ventures in new sectors such as hydroponic farming, tourism, livestock and a possible diamond polishing unit in partnership with an Indian Company.
- Wholesale and retail sectors which include tourism recorded a growth rate of 5,9 percent and manufacturing grew by 5,1 percent. The growth in manufacturing is realised after a decade of mixed fortunes in the industry which saw a degree of de-industrialisation taking place. It seems this sector has ultimately turned the tide.

The retail sector is also benefiting from a growing number of tourists who visit our province and frequent our guest houses, hotels and restaurants. In 2005 this sector made significant progress and it can be reported here with a sense of pride again that, the Vredefort Dome in the vicinity of Potchefstroom and the Taung Skull have been declared World Heritage Sites. The national government has allocated R18

million to the Vredefort Dome for tourism and infrastructural development.

These funds would be used for the eradication of alien invasive vegetation, developing hiking trails and the construction of a tourism centre. In addition, the North West provincial government has committed another R11 million in the previous financial year to this project.

Another highlight in the tourism sector in 2005 was that the ambitious Heritage Park project was launched. This project will link the Pilanesberg National Park and the Madikwe Game Reserve over the next 15 years to form one of the country's largest conservation corridors.

It is widely expected that, given the fact that interest rates are expected to remain stable in 2006, the trade and tourism sector will continue to do well in 2006.

The construction boom has further contributed to the growth of the retail sector. The cement producer, Lafarge in Litchenburg announced last year that it will expand its production capacity by a million tons and in the process invest in excess of R1 billion.

On the downside is the Agricultural sector which historically has been a backbone for the North West economy. It contributed only 2,6 percent towards the provincial economy in 2004 and it seems to be in a long term decline according to Stats South Africa.

In 2005 agriculture was adversely affected by the high and rising price of diesel, diesel shortages country-wide towards the end of 2005, the low and unprofitable maize price accompanied by an over-supply of maize of the local and international markets.

Poor rain falls and devastating veld-fires which destroyed more than 300 000 hectares in September 2005 and large areas of grazing and livestock exacerbated this problem. Indications are that up to 8 percent of commercial farmers in North West could be bankrupt, and that only 40 percent of the normal maize crop will be planted in the 2005-2006 season.

There are nonetheless, promising developments in agriculture. Projects have been launched in North West and Free State to turn surplus maize into bio-fuel, which will reduce the country's maize surplus, help put upward pressure on maize price and have beneficial effects on the environment.

A further boost in agri-business is that one of the largest agricultural companies in the province Senwes, has been successful in its turnaround strategy and is now reported to be considering listing on the Johannesburg Securities Exchange.

The company has had notable success in positioning itself as a competitive national role player.

Black Economic Empowerment benefited from agri-business through CTH-Difalana using almost all of its previously dormant silos in the North West to store 140 000 tons of maize for Rand Merchant Bank.

Also, one of the province's agro-processing firms, Bomolemo Chicken which operates near Phokeng, has become the province's first black owned supplier to Rainbow Chicken, Southern Africa's biggest chicken processor.

Having presented to your August house a brief and necessary overview of the global, national and provincial economic context, I will now summarize our view for 2006.

PROSPECTS FOR 2006

South Africa is very much integrated into the world economy, as I have indicated. As such our expectations of growth in 2006 are largely derived from our expectations of the world economy. In this regard there is good news: world economic growth is forecast by global firms such as Morgan Stanley to be around 4.2 % in 2006 and 3.8% in 2007. If this growth is realized it would be the fifth consecutive year of above-trend growth in the world economy: the longest such a period since the late 1980s. I share in the general positive and favorable views that people have of South Africa in 2006.

Generally, economists are predicting that South Africa's gross domestic product (GDP) growth is expected to be around 4.9% in 2006 (this is the median forecast) with a range of 4.5 percent to 5.3 percent. The medium term forecasts for growth looks excellent with the National Treasury forecasting the gross domestic product (GDP) growth at 4.2% in 2006, 4.4% in 2007 and 4.8% in 2008.

In the North West we have laid the foundation for achieving our 6.6% growth target. Barring an (unlikely) international recession in 2006, and given that the challenges in gold mining and agriculture can be managed, the growth of 6.6% may be achieved. Even if we miss the actual 6.6% target, I expect high and positive growth, of at least 4% but even better for the province, in 2006. Strong growth will come from mining, manufacturing, trade, tourism, construction and business services.

My optimism seems to be widely shared. A Gallup International Voice of the People survey recently found that South Africans are quite optimistic about 2006. While almost half (48 percent) of the 52 000 global citizens, representing more than 2.1 billion people, who were interviewed in the global survey, think that 2006 will be a

better year than 2005, about 60 percent of South Africans believe it will be better. Moreover, as a continent, Africa is the most upbeat about economic prospects — over half (52 percent) of Africans see the coming year as one of economic prosperity.

IMPLICATIONS FOR THE NORTH WEST PROVINCIAL BUDGET

At the outset of this address I stressed that the government budget, being a joint and cooperative plan of action on spending and income of the common public finances, is strongly located and determined by the external economic and financial environment.

Having now provided an overview of these environments and context, and having related these to the fundamental requirements for sound public finances as enumerated more than 20 centuries ago by the Roman Statesman Cicero, I will now draw out the implications for our current budget.

Firstly, it is clear that as far as revenue is concerned, we are as a country and province in a favourable phase of rapid growth in government revenue. This will allow growth in expenditure but also tax reduction, which in turn could support business growth and employment. Our constraints to deliver now seem to be due to our inability to spend our budgetary allocations. As I indicated earlier, increasing our spending rates will be a central objective of my tenure as MEC for Finance.

Secondly, it is clear that given the global environment in which we are operating, and given the windfall nature of our revenue increases, we need to improve the competitiveness of our economy by investing in human capital and physical capital such as health, education and transport facilities. These are the areas in which bottlenecks exist that will limit our growth performance.

Thirdly, given high growth and employment creation in certain sectors, and growing demand for highly skilled labour, we need to be aware that not all benefit equally from the current good economic climate. In the interest of limiting social and economic inequality, uplifting the poor and marginalized, and strengthening our societies, we need as government, to focus our spending also on providing social safety nets. Social grants and pensions remain important instruments in the fight against poverty, especially in a rural province such as the North West.

Fourthly, I have identified in my address certain directions in which our economy needs to be diversified to allow more people to be employed, and less people to be dependent on the government's social safety nets. We will therefore in our budget need to make provision for assisting our small enterprises and entrepreneurs, our tourism sector, agricultural development and the strengthening of manufacturing.

Performance Review

Having sketched how our economy performed, I wish to hasten to add that the first two years of our third term in office have not been business as usual. We have accelerated the gear of delivery to ensure that we achieve what we set out to do in our critical business areas.

The following are noteworthy achievements:

- The cluster system was intensified in light of the adoption and implementation of the Provincial Growth and Development Strategy(PGDS).

Working teams supporting the implementation of the strategy have been established and are functioning.

- Performance on the budget and outcomes were closely monitored by the Premier resulting in one on one with respective MEC's to ensure that performance is accelerated.
- Decentralisation of the procurement function to ensure that accounting officers accelerate delivery by making their own decisions on procurement. Departmental Procurement Committees have now taken over full responsibility for their Supply Chain Management.
- Accelerated financial management capacity building programme to ensure that officials working in CFO units are appropriately equipped with financial management skills to assist in the further roll-out of the Public Finance Management Act implementation.

These, are but a few highlights realised by a government at work.

Policies and Principles Under-Pinning the Budget

It is important for us to articulate the key policies and principles underpinning this budget.

Subscribing to good governance

Tabling a budget should not be regarded as a ritual. Every year the budget is presented, it must bring hope to the people because it works for them and does those things they perceive as critical to their wellbeing, be it new schools, rehabilitated roads, clinics, clean water, etc.

In order to gain the confidence of our people, we must subscribe to good governance. Our state machinery must serve the people with pride and dignity. People must realise and acknowledge that they deserve the services we provide them with. We can only achieve this important aspect of delivery if we in the public service subscribe to good governance and care to serve. This budget will only count and add value to the lives of our people if we are able to do what we have planned.

Good governance does not have room for fraud and corruption. It promotes a transparent system of government in which every citizen is a player. Fraud and corruption deprive the poor of the scarce resources which would otherwise have been utilised to their benefit.

Today I will be tabling the Fraud Awareness and Prevention Framework titled: It is Your budget, become a player.

This framework covers the regulations and procedures most pertinent to fraud and corruption in government. It invites all stakeholders to become players in safeguarding the abuse of state assets.

I hope every player finds it useful and participates with us in government to manage this: Your Budget.

SMME Development

The SMME's play an important role in promoting economic activity and contributing therefore to employment and economic growth. With the economy starting to open opportunities, the participation

of the SMME's in the mainstream economy should increase provided appropriate support is granted by government.

National Small Enterprise Development Agency (SEDA) was launched in December 2004. SEDA incorporated previously existing state funded small business support institutions, namely Ntsika, Namac Trust and the Community Public Private Partnership Programme. The launch marked a major milestone in government's ongoing drive to enhance the sustainability of South Africa's small enterprise sector.

As the Honourable Premier has already mentioned in her State of the Province address, SEDA has already established three offices in the Province. The joint fund with ABSA to support the SMME's has been launched and will become operational in the new financial year. I am pleased to inform you that ABSA has increased its share of the contribution from R25 million to R37,5 million increasing the size of the fund from R50 million to R62,5 million.

Accelerating Roads Infrastructure

An above average increase has been allocated to the upgrade, construction and maintenance of roads infrastructure in the MTEF period. This we believe will boost economic growth because a good roads infrastructure is attractive to investors.

Increasing Capacity for Project Management

Project and contract management are critical for the successful implementation of infrastructure programmes. Unfortunately these are scarce skills in government and it is therefore a challenge we need to address.

To this end an amount of R8 million has been set aside to establish a project management unit in the Provincial Treasury. The role of this unit will be to advise departments in implementing projects by building appropriate capacity in project management, planning and the design of business plans.

Abolishment of Cross Boundary Municipalities

It is now history that the cross boundary municipalities have been abolished. This decision is going to impact on our equitable share as a province and own collected revenue mainly from gambling levies and motor vehicle licences.

For the next financial year no changes have been effected on the equitable share to take account of the changes in the municipal boundaries. Affected Provinces will, in the mean time, provide services to affected areas as if boundaries have not been abolished.

National Treasury is currently dealing with the modalities on how the transfers occasioned by the changes will be effected.

As a province we have been proactive in this regard and have already commissioned a study to determine up front the likely impact this change will have on our share of revenue.

The provisional findings by the study have already been presented to the Premier and EXCO. The study reveals that our province will shed between 12 and 13 percent of its equitable share in the MTEF period commencing in the 2007/08 financial year.

Further work will be done to determine the likely impact on services to be provided by the province so that we can engage the relevant stakeholders in this regard.

Transfer of Social Grants to the South African Social Security Agency (SASSA)

The social grant which is currently a conditional grant has been withdrawn by the National Treasury and will now be managed by the South African Social Security Agency (SASSA).

To this end amounts of R5,242 billion, R5,741 billion and R6,266 billion have been deducted from our budget in the MTEF.

Provincial Growth and Development Strategy and the Accelerated Shared Growth Initiative for South Africa (ASGI-SA)

The Provincial Growth and Development Strategy was launched in July last year. To support the implementation of the strategy the Premier appointed an Economic Advisory Council to provide expert advice on a whole range of critical issues pertaining to the implementation. Realising the objectives of the strategy is an effort between Government, Business, Labour and Civil Society.

The implementation of the Provincial Growth and Development Strategy (PGDS) must be contextualised to take into consideration the Accelerated Shared Growth Initiative for South Africa (ASGI-SA).

It is important to note that both these initiatives are aimed at realising a higher economic growth rate with the necessary absorptive capacity for employment.

The PGDS therefore promotes and implements the objective of ASGI-SA noting that the bottom line of this strategy is to contribute towards halving unemployment and poverty by 2014.

EXCO took a policy decision to allocate at least 10 percent of the total provincial budget towards PGDS related programmes in the previous financial year. For the coming year 13,3 percent of the total budget has been provided for PGDS related programmes and exceeds the set target by over 3 percent.

The components of these allocations are infrastructure (both social and economic), maintenance of state infrastructure and skills development. We believe that this allocation will, in the medium term, contribute towards realising the 6 percent economic growth target.

Forensic Pathology Services

The Department of Health has taken over The Forensic Pathology services function which previously was a National competency. This is a huge function which requires significant funding to deal with the infrastructure challenges.

The National Treasury has provided funds for the transfer of this function in the MTEF and we hope that this funding will be reviewed annually in line with the requirements of the function.

Under-Spending on Infrastructure and Conditional Grants

Our biggest challenge continues to be under-spending on both infrastructure and conditional grants.

This situation puts us in a compromised position because we cannot defend under-spending on infrastructure against the background of huge backlogs on these important budgetary items.

The effect of continuous under-spending on infrastructure is the accumulation of backlogs which will be difficult to eradicate in the future.

I must indicate though that, comparatively speaking, the current financial year has realised a marked improvement on infrastructure and conditional grants spending compared to the previous period.

As at the end of the third quarter, spending on infrastructure stood at 63 percent against 56 percent for the same period last year, while conditional grants spending stood at 66 percent against 47 percent for the same period last year.

As a measure to avoid unnecessary roll-overs, the Executive Council (EXCO) has adopted a use or lose it principle which allows the movement of infrastructure funds from low level spending departments to those with high capacity for spending during the course of the financial year. Although this approach is not a remedy to the inability to spend it will to a large extent assist us to avoid unwarranted roll-overs.

I strongly believe that a solution can be found to increase the pace of infrastructure and conditional grants spending. National Treasury has commenced with an Infrastructure Development Improvement Programme (IDIP) in the department of Education. This Programme is aimed at providing assistance to departments so that they can develop internal capacity to plan, implement and monitor projects. The Programme will also be extended to the departments of Health and Public Works in the next financial year.

The Provincial Treasury will be strengthening its infrastructure monitoring unit to ensure that there is capacity to monitor and provide advice where possible. Coupled with the project and

contract management that Provincial Treasury will be establishing, we believe that in the medium term this challenge will be overcome.

THE BUDGET FRAMEWORK

The budget framework includes the following important items which are part of departmental allocations.

- **New social development bills**

The implementation of the Children's Bill, the Older Persons Bill and the Child Justice Bill is imminent.

Provision has been made in the budget and has been aligned to the commencement of the implementation of these bills.

A total amount of R226,9 million has been budgeted for the implementation of these bills in the MTEF period.

Year one of the MTEF which is a planning stage, has been allocated R36 million and the balance made up of R70,5 million and R119,615 million has been provided for in the outer two years of the MTEF.

Office Accommodation

The policy decision adopted by EXCO with regard to building own office accommodation is being reviewed.

Currently the budget provision to build offices for government departments amounts to R140 million for the MTEF period, spread at R40 million for the first year and R50 million in each of the two outer years of the MTEF. This budget will reside in the Department of Public Works as the custodian of government buildings.

Once a new directive has been provided this amount will be employed within the context of that directive.

Improvement in Sanitation

An amount of R130 million has been provided for the continuation of the Bucket Replacement Programme. Of this amount R30 million is available next year, R70 million and R30 million are provided for in the two outer years of the MTEF respectively. We all know by now that the President's wish is to have the bucket system completely wiped out by 2007.

Government Employee Medical Aid Scheme

Good news is that civil servants can now have access to an affordable Medical Aid Scheme. The Government Employee Medical Scheme (GEMS) has been launched and it is aimed at covering 40% of the civil servants who could not previously afford the high cost of medical aid. This is a major breakthrough for government to provide affordable medical aid to its employees.

Our province has been allocated amounts of R65,5 million, R130,4 million and R194,6 million respectively in the MTEF period commencing in 2006/07 financial year. These amounts have not been allocated to the various votes and the allocation will only be done once the National Treasury has finalised the guidelines for implementation.

- **No Fee Schools**

This is a very important policy which will ensure that we nurture and develop an educated and learned nation by exempting learners from paying school fees.

The policy comes into effect in January 2007. A total amount of R258,7 million has been allocated for the MTEF period, commencing with an allocation of R62 million for the first year and increasing to R88,4 million and R108,3 million in the outer two years of the MTEF.

- **Improvement of Social Workers Salaries**

An amount of R466,9 million has been allocated for the improvement of remuneration of social workers in the MTEF. The improvement of the salaries of social workers started in the current year.

The first year allocation is R84,1 million and increases to R184,9 million through to R197,9 million in the two outer years of the MTEF.

- **Scarce skills in health**

An amount of R554,3 million has been allocated in the MTEF to cater for the scarce skills in health. This is an ongoing effort to ensure that our people, particularly those in rural areas are served by professionals. The first year allocation is R132,5 million and increases to R204,2 million through to R217,6 million in the outer two years of the MTEF.

- **Further Education Training (FET) recapitalisation**

The FET recapitalisation programme received an amount of R122,6 million in the MTEF of which R28 million is allocated for the first year. Amounts of R34 million and R60,6 million have been allocated for the two outer years of the MTEF.

- **Community Development Workers**

The community Development Workers programme receives R88,3 million in the MTEF. This programme is phased in gradually over the MTEF period.

The first year receives only R10,5 million and increases rapidly to R30,5 million through to R47,3 million in the outer two years of the MTEF to take up a larger number of these workers.

- **Upgrading sport facilities**

Sports, Arts and Culture promotes, nation building and it is our quest that where the budget permits we do more for our people so that they have recreational facilities in their localities. A fit people are a healthy nation.

A provision of R41,5 million has been provided for the upgrading of sport and other recreational facilities. This amount increases to R71,8 million through to R98,9 million in the two outer years of the MTEF totalling R212,2 million for the MTEF period.

Forensic Pathology Services

An amount of R29,440 million has been allocated for a Forensic Pathology services which is a new function in the Department of

Health transferred from National. Further amounts of R29,945 million and R28,586 million have been provided for in the two outer years of the MTEF.

Infrastructure

An amount of R1,6 billion has been provided for infrastructure. The roads infrastructure has been allocated a larger share to start giving serious attention to the condition of our roads. The amount allocated is R320 million for the first year of the MTEF. This amount increases to R460 and R621 million respectively in the two outer years of the MTEF.

Housing fund

Spending on the housing fund has been accelerated and it seems that the province has turned the tide in this regard. Amounts allocated for the Housing Fund are R613,403 million for the first year, R766,806 million and R842,485 million respective outer years of the MTEF. This is a conditional grant.

Skills development

An amount of R97,499 million has been allocated towards addressing skills development. This amount increases to R123,582 million and R133,299 million in the two outer years of the MTEF.

Maintenance of state assets

An amount of R223,347 million has been allocated towards addressing maintenance of state infrastructure. This amount increases to R304,442 million and R342,764 million in the two outer years of the MTEF.

Against the backdrop of my outline, let me now turn to the allocations for the 2006/07.

REVENUE

The total budgeted revenue for the 2006/07 financial year amounts to R14,466 billion. This amount includes the un-allocated budget on the Government Employee Medical Scheme mentioned above.

This amount is made up as follows:

- Equitable share R12, 347 billion
- Conditional grants R 1, 653 billion
- Own sourced revenue R 0, 466 billion

Revenue increases to R16,154 billion and R17,864 billion respectively in the outer two years of the MTEF.

Expenditure

Our expenditure plans are adequately covered by the available revenue. Expenditure amounts to R14,400 billion in the first year, a 6.4 percent increase over the last year allocation, and increases to R16,024 billion through to R17,670 billion in the outer two years of the MTEF. This expenditure includes a R10,698 million in respect of contingency reserve.

Expenditure has been allocated as follows:

Governance and Administration Cluster

The Governance and Administration cluster receives a total amount of R1,347 billion for 2006/07 financial year. This amount increases to R1,584 billion through to R1,672 billion in the two outer years of the MTEF.

The budget is allocated as follows to the individual departments:

Finance receives R261,759 million for the first year. For the two outer years of the MTEF the department receives R255,024 million and R266,625 million respectively.

The main programmes of this department are:

- The further roll-out of the PFMA
- Financial management capacity building programme
- Overseeing the implementation of the Supply Chain Management.

Office of the Premier receives R208,654 million. This amount increases to R227,507 million and R240,732 million. The office of the Premier is a leader in policy design and coordination. The office is the custodian of policy and research.

Office of the Legislature receives R102,435 million. This amount increases marginally to R104,841 million and R110,083 million in the outer two years of the MTEF. The Legislature manages the legislative programme and the affairs of the legislature.

Developmental Local Government and Housing receives R774,314 million. This amount increases to R996,961 million through to R1,055 billion in the outer two years of the MTEF.

Main programmes of this department are:

- Facilitation for housing delivery through the housing fund
- Promoting democratic and accountable local government.

Economic Development and Infrastructure (EDI)

Economic Development and Infrastructure (EDI) cluster receives an amount of R2,882 billion. This amount increases to R3,331 billion and R3,672 billion in the outer two years of the MTEF.

The budget is allocated to the cluster departments as follows:

Transport, Roads and Community Safety receives an amount of R1,510 billion. This amount increases to R1,773 billion and R2,044 billion in the outer two years of the MTEF.

Key programmes for this department are:

- Roads construction and maintenance
- Law enforcement
- Collection of motor vehicle licences

Public Works receives an amount of R465,293 million in 2006/07. This amount increases to R494,570 million and R517,332 million respectively in the two outer years of the MTEF.

Key programmes of this department are:

- Construction and maintenance of government buildings
- Expanded Public Works Programme

Agriculture, Conservation and Environment receives an amount of R427,840 million in 2006/07. This amount increases to R490,293 million through to R520,618 million.

Key programmes of this department are:

- Land Redistribution for Agricultural Development (LRAD) and support for communal farmers. Comprehensive Agricultural Support Programme to provide support to the targeted beneficiaries of land reform.
- Landcare
- World Heritage sites, Taung Skull and Vredefort Dome

Economic Development and Tourism receives an amount of R196,991 million for 2006/07. This amount increases to R271,164 million through to R294,429 million in the outer two years of the MTEF.

Key programmes of the department are:

- Promotion of trade and investment
- Promotion and facilitation of industrial and business development
- Promoting development and growth of small business enterprises
- Lead the implementation of the Provincial Growth and Development Strategy and ASGI-SA.

Sport, Arts and Culture receives an amount of R281,294 million in 2006/07. This amount increases to R302,147 million in 2007/08 and decreases slightly to R295,478 million in 2008/09.

Key programmes of this department are:

- Leading the 2010 World Cup initiatives
- Ensuring the economic viability of the craft industry in North West.
- Promoting and preserving heritage.

The **Social Cluster** receives an amount of R10,161 billion in 2006/07. The Social Cluster budget accounts for 71 percent of the total budget noting of course that this amount is net of the social grants which have been transferred to SASSA. This amount increases to R11,070 billion through to R11,900 billion in the outer two years of the MTEF.

This amount is allocated as follows to the cluster departments:

Education receives R6,305 billion in 2006/07, the largest single item on the budget and accounts for 43,8 percent of the budget. This amount increases to R6,698 billion through to R7,223 billion in the outer two years of the MTEF. A further amount of R50 million will be provided in the Adjustments Budget towards Infrastructure to this department.

Key programmes in this department are:

- Recapitalisation of the FET colleges
- Early childhood development
- Matric intervention strategy
- No fee schools

Health receives an amount of R3,428 billion for 2006/07, the second largest single item on the budget and accounts for 23 percent of the total budget. This amount increases to R3,778 billion through to R3,988 billion in the two outer years of the MTEF.

Key programmes of this department are:

- The comprehensive care management treatment of HIV and AIDS
- The revitalisation programme of hospitals
- The community Health Workers

Social Development receives an amount of R427,562 million for 2006/07. This amount increases to R594,613 million through to R689,301 million in the two outer years of the MTEF.

Key programmes of this department are:

- Implementation of the new bills, namely, Children's Bill, the Older Person's Bill and the Child Justice Bill.
- Managing the integrated poverty eradication strategy.

Allow me to now table the following:

- North West Appropriation Bill 2006
- Revenue and Expenditure estimates
- People's Guide to the Budget
- A copy of the Budget Speech
- It's your budget; be a player kit

CONCLUDING REMARKS

The ancient Roman Empire was one of the largest that ever spanned the globe, and it lasted for more than seven centuries. Certainly, it was acutely aware, having needed to run a huge state apparatus across a number of countries for many centuries, of the important principles that underpin government finances. At the start of this address, I quoted from the Roman Statesman Cicero, who identified a balanced budget, limited government debt, increasing government revenue, good governance and a vibrant entrepreneurial sector as vital for sound public finances.

In all of these areas, our government has been making progress over the past 13 years. The budget that I have presented to this

House today is based on these principles that have stood the test of time.

In the midst of relative good economic and financial trends that face our province overall, we must not be lured into a false sense of security, or become over-confident in our own wisdom and ability to create and extend prosperity to all our people.

Significant poverty, deprivation and marginalization still remain in our society. Our democratic project, which started in 1994, is still new and young. We are still in the building phase of our recent democracy, and we must proceed with caution rather than haste, with prudence rather than recklessness, with humility rather than with arrogance.

It would perhaps be wise for the people of the North West province to consider that the ancient Roman Empire, despite its age and wisdom, did not last. It did not succeed, despite its stores of wisdom and access to natural resources to reduce inequality and reduce poverty significantly across its regions. Its ultimate failure may perhaps be due to the fact that its economy was never significantly diversified; it never created a complex economy based on added value, specialization and developed human capital. The ancient Roman economy, much like the North West Province at the beginning of the 21st Century, was largely an agrarian, mining and trade based economy.

Our public finances, by being sound and conforming to best practice, can but only be a start, a foundation, from which we should now recommit ourselves as the people of the North West Province to continue to build a more diversified economy that can in an equitable manner sustain the many future generations that will call this province home.

Preparing a budget is an enormous task which consumes a lot of time.

I would like to sincerely thank the following, whose contribution to the budget process is immeasurable:

- Premier Edna Molewa for your visionary leadership in navigating the process and ensured that we deliver this budget to our people today.
- Colleagues in the Executive Council especially members of the Budget Oversight Committee who have tirelessly worked on this product.
- Honourable S. Mahumapelo and M. Matladi Chairpersons of the Finance and Public Accounts Committees respectively for your valued inputs and oversight on the management of the budget.
- The DG and HODs of departments for your diligence in implementing at times complex policy decisions.
- The deft and effective Superintendent General of Treasury, Mr P. Tjie and his formidable team finance and the staff in the department whose professionalism ensured that our finances are prudently managed.
- The Auditor-General and the Audit Committee whose work has greatly enhanced financial management in government.
- The people of the North West Province – This is **YOUR BUDGET**.

I thank you
Ke a leboga
Baie dankie
Ngiyabonga