

**ADDRESS TO THE PROVINCIAL LEGISLATURE ON THE OCCASION OF
TABLING THE NORTHERN CAPE APPROPRIATION BILL OF 2006
BY MEC PAKES DIKGETSI
17 FEBRUARY 2006**

Madame Speaker

Honourable Premier Mme Dipuo Peters

Members of the Executive Council

Honourable Members of the Provincial Legislature

Mayors and Councilors

Ladies and Gentlemen

Comrades and Friends

“Entering the age of hope”

Madame Speaker, this year we celebrate the ten-year anniversary of the constitution of the republic, which was adopted in 1996. Through this supreme law of our country, hailed by many in the world as the most progressive constitution, the people of South Africa pledged the following:

And I quote:

“We, the people of South Africa, recognise the injustices of our past; honour those who suffered for justice and freedom in our land; respect those who have worked to build and develop our country; and believe that South Africa belongs to all who live in it, united in our diversity. we therefore, through our freely elected representatives, adopt this Constitution as the supreme law of the Republic”.

It is this commitment that compels us to go out in our millions and vote in the March 1st local government elections. As our people converge at polling stations to make a choice of appropriate candidates and political parties to represent them in the local municipality, we bear in mind the need to double our efforts aimed at ensuring quality service delivery.

To this end, we are inspired by the fact that our government has recorded considerable progress in service delivery since the advent of democracy. In particular we take note of the fact, that today more people than ever before have access to clean water and have electricity in their homes, more South Africans have gained access to housing, land and education and services in clinics. In today's South Africa more people have opportunities to become educated and acquire skills, and to help build a better South Africa, our government promotes the interests of children, persons with disability, youth, women and older people better than before. More importantly the economy is growing and is creating more jobs, enabling us to reduce poverty.

It is under this context that the President of the Republic observed during the State of the Nation address, that "Indeed I believe that for many of us our country's evolution away from its apartheid past seems to have moved at such a hectic pace that even some of the seminal moments marking the birth of our democracy, that are less than two decades old, present themselves in the subconscious mind as being mere chapters in an aging historical record of a distant past".

The observation of the President speaks to the heart of the progress and advancement that our country has made in making the object of the ten-year-old constitution of our country a reality. It demonstrates the profound evolution recorded in our quest to create a truly democratic, non-racial, non-sexist, united and prosperous country. We are indeed "*entering the age of hope*".

With the budget we table today we are confident and hopeful that our government is in a good financial position to address the prevailing socio-economic challenges as well as give expression to the commitment, spirit and letter of our ten year old Constitution. Our quest to ensure improved and quality service delivery hinges upon amongst other things concerted monitoring and assistance to some of our struggling local municipalities through project consolidate. During the occasion of the State of the Province Address, the Honourable Premier announced a number of interventions

aimed at developing requisite skills to further contribute to improved service delivery as well our broad development plan. These interventions reflect the commitment and the plan of our government to further improve the quality of life of our people.

ECONOMIC OVERVIEW

Madame Speaker, at this point it is opportune to take this opportunity to reflect on the economic context under which we table this budget. Nationally, the performance of the economy in recent times has been solid and consistent. In fact the business cycle has been in an upward phase for seventy-two months since September 1999, making this the longest upswing in the economic history of South Africa. The real gross domestic product registered twenty-four quarters of uninterrupted increase, signifying an appreciable increase in real production per capita. Over the last three years, our national economy grew at 3 per cent in 2003, 4.5 per cent in 2004 and it was forecast to grow at 5 per cent by the Bureau of Economic /First National Bank at the end of 2005.

The growth momentum over the past year and a half was sustained by domestic expenditure, alongside the stronger world economy and generally favorable terms of trade, buoyed by the strong demand for our commodity exports. Our national economy continues to be underpinned by sound macro economic fundamentals: Inflation is very benign at 4.3 per cent in 2004; forecasted to average 3.7 per cent in 2005, 4.1 per cent in 2006 and 5 per cent in 2007, the budget deficit is well below 3 per cent of gross domestic product and the prime lending rate is 10.5 per cent; all these comprise a very favourable economic phenomena in the history of the South African economy.

Provincial Economy

Our provincial economy continues to benefit from the buoyant performance of the national economy as well as our collective and concerted effort to grow, transform and diversify the provincial economy. Many of you will recall that

between 1996 and 2004 the Northern Cape provincial economy recorded an average annual growth of 2.2 per cent, an indication of an upward economic growth trend. Most encouraging is the fact that in 2004, the provincial economy grew at 3 per cent.

The 3 per cent economic growth rate in the province was derived from the following sub sectors: mining and quarrying contributing 0.83 per cent, while output in agriculture & fishing decreased (-0.26 per cent), manufacturing 0.24 per cent, construction 0.17 per cent, electricity & water 0.11 per cent, finance, real estate & business services 1.04 per cent, transport, communication & storage 0.35 per cent, government 0.23 per cent, personal services 0.11 per cent with wholesale, retail trade, hotels & restaurants sector contributing -0.2 per cent to the economic growth rate in the province. The remaining 0.4 per cent contribution was derived from the taxes less subsidies sector.

The manufacturing sector in the last two years has generated strong growth to the national economy mainly because of significant growth in consumer demand for semi durable and durable goods by emerging and burgeoning middle class. In Northern Cape, however, the manufacturing sector has grown at an annual average of 3 per cent driven by the demand for basic manufactured products.

Finance, real estate and business services has been another area of growth mainly driven by the housing /property boom, the growing demand for business services fuelled by demand for primary products and services. Transport, storage and communications -another sector with further potential has grown between 8 – 9 per cent year on year. The personal services sector grew 7 per cent year on year while government services grew 12 per cent.

Sustainable and higher economic growth rates in the Northern Cape province hinge on broadening economic activity across sectors already identified in the Provincial Growth and Development Strategy, such as agro processing, manufacturing, procurement within the province, tourism and SMME development as well as spreading activities on a spatial front. Our provincial

economy poses a serious challenge of stabilizing economic growth as a pivot to achieving the 6 per cent target by 2014. The most critical challenge is to develop strategic interventions that will halt the flow of leakages out of the provincial economy.

Madame Speaker, anyone can state without fear or contradiction that unemployment is the most pressing challenge in the contemporary South Africa. Many research reports reveal that our South Africans, including people of the Northern Cape are of the view that unemployment is the number issue that government needs to address. To this end, the fact that unemployment in the province declined from 26.4 per cent in September 2003 to 24.7 per cent in September 2005, demonstrates the fact that the interventions of our government as enshrined in the people's contract to fight poverty and create work, are bearing fruits. It is important to note that unemployment rate in the Province is well below the national unemployment rate of 26.7 per cent during the period under discussion.

The Honourable Members will also recall that during the State of the Nation Address the President spoke at length about the Accelerated and Shared Growth Initiative of South Africa better known as ASGI-SA. The name of this initiative is indicative of the fact that it aims to ensure that our economy achieves higher growth rates and therefore produces larger volumes of the wealth that we need to confront the challenges of growth and development. One of the important questions that needs to be answered is how our Province contribute to the objectives of ASGI-SA?

Many of us are aware of the fact that although the Northern Cape and Kimberley in particular led the industrial revolution and remains the capital for diamonds in South Africa but there is very little for the city to show off. In fact today the economy of the Province faces tremendous challenges as a result of closure of mines. The more concerning aspect is the fact that diamonds produced in South Africa has only served to benefit and enrich the rich Western countries. Our government saw a need to ensure that this situation is reversed.

To this end, it is befitting that the Northern Cape has been identified as the hub for mining beneficiation in South Africa. In particular the diamond cutting and polishing factory will be established in Kimberley and possibly small operations in Springbok. Furthermore, we are working towards establishing a manganese smelter to ensure beneficiation on the mining of manganese in the Kathu/Postmansburg area. These developments will ensure acceleration of local economy and position our Province to contribute to 6 per cent national economic growth target. In addition through beneficiation the people of the Northern Cape will be in a better position to share in the wealth that is being generated locally.

It must be noted that government alone cannot effectively stimulate economic growth. To this end it is important to re-emphasize the spirit and letter of the PGDS that government, civil society, private sector and labour collectively determine plan for growth and development as well as work together to ensure realization of its objectives. As government we are committed to ensuring that the NCPGDS remains a living document and that continued stakeholder consultation is the hallmark.

Furthermore in order to give effect to objectives of ASGI-SA the Northern Cape provincial economy has created a platform for implementing this initiative based on a series of initiatives which includes but not limited to:

- To draw the poor of the poorest into meaningful economic activity through the APEX fund which was launched by the Honourable Premier last year in the province and will be harnessed to mobilize savings through cooperatives so as to provide access to financial support required to enable the very low-income households to participate in the mainstream economic activity.
- Micro Agriculture Schemes of South Africa (MAFISA) will likewise be used to mobilize financial resources to support meaningful economic participation in the agricultural sector.

- Growth Development Fund formerly known as the Innovation Fund will be used to unlock opportunities for entrepreneurs with innovative initiatives with potential to contribute to economic growth.

Our province has also developed a Social Accounting Matrix (SAM) to use in guiding and evaluating economic policy such as household income distribution, growth sectors as well as studying and understanding the macro economic impact of high impact and anchor projects in the province. The Social Accounting Matrix will be used amongst other things to identify growth opportunities in the manufacturing sector and concurrent sub sectors to accelerate economic growth.

Using the Social Accounting Matrix our province will restructure its economic base through the identification of other economic sectors that have strong linkages and multipliers. This will accelerate economic growth: spread benefits of growth spatially to all participants in the economy.

In addition, the province is identifying the sources of import leakages in the provincial economy, which has the potential to reinforce the base of the envisaged manufacturing sector in the province. The Economic Steering Committee already established in the province has the potential to mobilize resources spatially as well as expedite growth in all the regions of the province particularly by ensuring the integration of National Spatial Development Perspective (NSDP), Provincial Growth and Development Strategy (PGDS), Integrated Development Plans (IDPs) and thus result in improve and better living conditions for our people.

However, for ASGISA to succeed in the province, quick and decisive actions need to be undertaken to address skills scarcity, create incentives and an attractive investor regulatory environment in our district municipalities and Local Municipalities as soon as possible. The development of Human Resource Development strategy initiative to address skills shortage in the province must be expedited.

FISCAL DISCIPLINE

Madame Speaker, sound financial management and fiscal discipline continue to serve as dominant themes in our growth and development endeavors. Members will recall that during last year's budget speech we announced that measures and interventions including saving mechanisms to control expenditure and to ensure more efficient utilization of state resources, were yielding positive results. We further indicated that overspending patterns in some quarters had been arrested and that projections derived from the in - year-monitoring and reporting systems indicated that we were more than likely to break even for the 2004/2005 financial year. Despite these positive results we expressed the collective commitment of the Executive Council to continue implementing measures aimed at promoting fiscal discipline and sound financial management.

To this end, it gives us pleasure to announce that the finances of the Province are healthy, the debt redemption strategy is working, expenditure management has improved and fiscal discipline is maintained. It is also appropriate to report that all departments came within the appropriated budgets. The rigorous mechanism we instituted including stringent fiscal discipline and saving mechanisms to control expenditure has yielded the required results. Nonetheless, we will continue with our efforts to ensure that unauthorized, irregular and fruitless and wasteful expenditure is not tolerated. The unintended consequences of our fiscal discipline was that some departments did not spend their capital budgets, conditional grants and other funds to the extent that the funds had to be rolled over. Madam Speaker, the debt redemption strategy is on track, we will table before the end of the current financial a Finance Bill that will see the accumulated unauthorized expenditure of the previous years being reduced by 69 per cent within two financial years.

Furthermore we are delighted and satisfied by the significant improvement on the departments that received unqualified audit opinion from 33 per cent in

2003/04 financial year to 82 per cent for the 2004/05 financial year. This is yet another milestone recorded under the strong guidance of the Honourable Premier, Mme Dipuo Peters. We must also applaud all MECs for their collective efforts and commitment to ensure sound financial management and fiscal discipline. Nonetheless, the matters raised by the Auditor-General under the matters of emphases must still be attended to. It is our aim to ensure that no department receives a qualified audit opinion. The process of building the requisite skills in financial management, which is one of the factors that contributed to challenges in financial management in the past, is gradually taking shape. The process involves the acquisition of skills at an operational level that will enable financial managers to perform better.

STRATEGIC PLANS

Madame Speaker, the effectiveness of our budget to achieve the desired results is dependent on the ability of our spending agencies to align their strategic plans with the objectives of government as enshrined in the PGDS. The National Treasury recently conducted a study aimed at assessing the quality and impact of 2005 strategic and performance plans prepared by Provincial departments on planning, budgeting, implementation and reporting on service delivery and to establish whether the linkages between these processes have strengthened or improved. This study found amongst other things that although departments follow proper format in formulating strategic plans there is limited evidence that the process has improved the quality of service delivery and efficiency of resource allocation. The study also raises a number of concerns around the adequacy of the strategic plans to express and address the key challenges facing departments.

In addition the Provincial budget process has also alerted us to the fact that departments are still struggling to align their strategic plans with the PGDS. It is for this reason that one of the pressing challenges moving forward would be ensuring that departments give strategic plans adequate attention. This will ensure that the resources provided to departments are used adequately and effectively in order to achieve the objectives of the PGDS.

Furthermore it must be recalled that the PGDS calls for a need to bring about more effective integration, co-ordination and alignment of the activities of the three spheres of government so as to improve the development impact of government's programmes. Through its engagement with local and national government, the Northern Cape Government will actively seek to ensure the harmonization and alignment of the NCPGDS with the IDP's, the NSDP and various sector planning initiatives of national government.

LOCAL GOVERNMENT

The subject of integration, co-ordination and alignment also speaks of the important role of local government. During last year's budget speech we noted that the role of our local sphere of government in addressing the challenges facing our province remains critical. We made this assertion aware of the centrality of this sphere of government in growing local economy, creating job opportunities and improving quality of life of our people. It is for this reason that our quest to ensure maximum utilization of our resources in the fight against poverty continues.

One of the challenges facing local government is in the area of financial management. The introduction of the Municipal Finance Management Act, which came in full and complete implementation in July 2005, also presents a number of challenges. In particular, a serious challenges lies in the ability and capacity of municipalities to fulfill its obligation in terms of the MFMA. The Imbizos held through out our Province highlights the challenges around general management of municipal finance. To this end, the Premier announced measures to address some of these challenges.

INFRASTRUCTURE

Madam Speaker, last year we reported that one of the areas that will receive concerted attention during the MTEF period will be the Improvement of

Infrastructure Delivery Process. This assertion was premised on the fact that provincial economic growth and job creation can be significantly enhanced through investment in Infrastructure Development. In this regard, the Infrastructure Delivery Improvement Programme (IDIP) started in 2004. During Phase I of the IDIP rollout, National Treasury appointed Technical Assistants in all nine provinces to assist the Departments of Education. Their main responsibility was to capacitate the current staff in the department as well as to compile a 10-year infrastructure plan.

During Phase II, which was the Assessment and Design Phase, a technical team of infrastructure experts was sent to our province. The core function of the team was to assess the capacity and ability of the Provincial Department of Education and the Provincial Department of Transport, Roads and Public Works to plan and implement infrastructure delivery effectively and efficiently and to assess the capacity of the Provincial Treasury to manage the IDIP in the Province.

The design phase focussed on the development of a comprehensive proposal for each of the two departments in the Province, describing and motivating the key interventions which will enhance the Departments' ability and capacity to plan and manage infrastructure delivery in the short, medium and long term. The design also provided recommendations on the management of the implementation of the IDIP in the Province.

Provincial Technical Assistants Teams will be appointed in our Province from 1 April 2006. They will be situated in the Department of Education and Transport, Roads and Public Works. They will be responsible for the:

- Implementing alternative models for accelerated delivery and capacity building
- Developing a robust planning and budgeting capability, in line with IDIP principles

- Developing an immovable asset management capability, which includes planning, budgeting, monitoring and evaluation relating to infrastructure maintenance and management
- Developing efficient and effective integration and coordination mechanisms between the departments and its infrastructure implementing agents

As a province we are encouraged that National Treasury is consistently reviewing infrastructure delivery and reporting in Provinces. This puts us in a favourable position to focus on expenditure trends of departments. National Treasury is currently in the process to establish a plan that will allow provinces to align Infrastructure Delivery Cycle with our Budget Cycle and the Strategic Plan Cycle.

The Infrastructure Programme Management Plan (IPMP) and the Infrastructure Programme Implementation Plan will be implemented (IPIP) during 2006. These plans will ensure that the handing over of projects from the client department to the implementing agent be improved by means of a formal process in which all parties will agree to exactly what needs to be done, by whom, when and at what cost.

As a province we will:

- Achieve proper strategic planning;
- Better alignment of budget targets set out in the Strategic plan;
- Project design is properly done, resulting in achievable cashflows and
- Accurate monitoring on spending trends.

Madame Speaker, in order to give effect to the objects of infrastructure development our Province will continue to focus on the Expanded Public Works Programme (EPWP) as part of our programme to extend and build new infrastructure as well as strengthen participation and inclusion of those trapped in the second economy.

In addition we are encouraged by the fact that due to our performance, our province received R20, 908 million during the Adjustment Estimate for the Revitalisation of Hospitals. Amongst other things the major projects for the Hospital Revitalisation programme include the construction of: the Psychiatric Hospital in Kimberly, Barkley West Hospital, Upington Hospital and the De Aar Clinic. Furthermore the department of Housing and Local Government will deliver approximately 3000 houses in the 2006/07 financial year.

BUDGET

Madam Speaker, before we unpack the specific of the 2006/07 budget in terms allocations to different departments, it is important to briefly reflect on some of the issues relating to the Provincial Fiscal Framework. Amongst other things we must take note of the fact that a major change in the provincial fiscal framework for the 2006 MTEF is the shift of social security grant function from Provincial to National sphere of government, which directly impacts, on the conditional grants framework. As of the 1st April 2006, the administration and payment of social security grants will no longer be the responsibility of the Provincial department of Social Services and Population Development.

The function will shift from all provinces to the South African Social Security Agency which is a public entity administered by the National Department of Social Development. We are informed that the South African Social Security Agency is now in a position to administer the social assistance security function.

One of the key issues relating to the Provincial Fiscal Framework pertains to Provincial own revenue. Honourable members will recall that last year we alluded to the fact that 98 per cent of our revenue comes from equitable share and conditional grants, and that the balance of 2 per cent is from provincially generated own revenue. We also indicated that the Provincial Treasury would be looking at ways to both improve revenue collection and expand our

revenue base. To this end, we are able to report that some of the introduced interventions are beginning to yield positive results. This is demonstrated by the fact that we have exceeded own provincial revenue by collecting 21 per cent over and above the target we set for 2004/05 financial year and indications are that we will be also exceed the current year's target.

This development also means that in real terms there is now a slight improvement in the Provincial own revenue. In the 2006/07 financial year Provincial Own Revenue accounts for 3 per cent, while the equitable share and conditional grants account for 97 per cent. This slight improvement is attributed to the function shift and revision of own revenue targets over the Medium Term Expenditure Framework. With anticipated improvements in the medium to long term in the area of collection, we can expect the change from 3 per cent to 4 per cent in the last year of the 2006 MTEF period.

BUDGET ALLOCATIONS

“ I dare say: Yesterday is a foreign country, tomorrow belongs to us”

Madam Speaker, the budget we present today represents a significant difference from the budget we presented last year. The 2005 MTEF budget amounted to **R16, 9 billion** over the MTEF of which **R5, 1 billion**, **R5, 7 billion** and **R6, 1 billion** were respectively for 2005/06, 2006/07 and 2007/08 financial years. The new 2006 MTEF sees a reduction of **R4, 8 billion** over the MTEF. This is due to the social security assistance grants function shift I referred to earlier. However, in the same period **R1, 4 billion** will be added to the provincial revenue in the form of equitable share, conditional grants and own revenue.

Over the MTEF, equitable share increases by **R106, 4 million** in 2006/07 to **R487, 7 million** in the last year of the MTEF. Conditional grants increases by

R149, 8 million to a total of **R419, 8 million** over the MTEF period while provincial own revenue increases by **R65, 5 million** over the same period.

Included in the increase in equitable share is an amount of **R57, 6 million** over the MTEF period in respect of conditional grants that have been discontinued and phased into the equitable share. The largest portion of these conditional grants is administered by the department of Social Services and Population Development. The department is expected to continue to render the services financed by these conditional grants as part of the department's daily responsibilities. It is important to emphasize this matter as one of the conditional grants was used to finance Community Based Care Programme for HIV and Aids.

SOCIAL SECTOR

Madam Speaker, the policies of our government and in particular fiscal policy is pro- poor. They are biased towards the poor necessarily because many of our are impoverished in the main as a result of apartheid policies of separate development. Furthermore our government signed a contract with people of South Africa to wage a fight against poverty and create work. Our government is fighting to liberate our people from the shackles of perpetual poverty by providing resources to address social ills. To this end the social sector departments (i.e. Education, Health and Social Services and Population Development) will see their budget increased above the baseline by R519, 0 million over the MTEF period. Included in this increase is R92, 3 million in respect of Extended Public Works Programme for the social sector departments.

In Education, this additional funding is intended to reduce the backlogs in school equipment, expand early childhood development (i.e. Grade R), provide for teacher development and human resources management systems, extend the implementation of the new curriculum statement to grade 10 – 12, implement revised norms and standards for school funding including no fee schools and to expand information management systems.

In Health Madam Speaker, the additional funding above the baseline is intended to enhance human resources management including recruiting health professionals, expanding emergency medical services, implementing a new national ambulance model, expanding the primary health care, improving services in rural areas and modernizing the tertiary services. Lastly Madam Speaker, in Social Services and Population Development, the additional funding over and above the baseline allocation is intended to expand existing social welfare services and at the same time to gear them up for the phased implementation of the Children's Bill, the Older Person's Bill and the Child Justice Bill.

The additional allocation above the baseline for Extended Public Works Programme for the social sector is intended to fund the expansion of existing programmes (i.e. community health workers, community home based care and early childhood development) and to provide for training of practitioners, the payment of their stipends, the provision of materials, food and basic health care.

The extended public works programmes for the social sector are joint initiatives and would require tight co-ordination and extensive co-operation in order to avoid duplication and wastage between the social sector departments in the Province and their national counter parts.

ECONOMIC SECTOR

Honourable members, our efforts to ensure growth, transformation and diversification of the Provincial economy continue. The Premier announced during the State of the Province address that through a number of projects the Province will seek to make a contribution to the Accelerated and shared Growth Initiative for South Africa. Over and above these projects there is need for the Provincial government to allocate appropriate resources to the agencies charged with the mandating of creating an environment conducive for economic growth.

To this end, Madam Speaker, the economic sector (i.e. Transport, Roads and Public Works, Tourism, Environment and Conservation, Agriculture and Land Reform) receives an additional allocation of **R4, 6 million** in the first year of the MTEF and this will increase to **R22 million** in the last year of the MTEF period.

Additional funding for the economic sector departments is intended to step up provincial functions including the rehabilitation and maintenance of provincial roads, the support for agriculture and the bolstering of provincial tourism. In addition the implementation of the Provincial Growth and Development Strategy remains the cornerstone plan to grow and develop our Province.

Madam Speaker, thus far we have presented to this house additional funding that can be regarded as earmarked for specific policy priorities especially those referring to concurrent functions between the national and provincial governments. At this point attention is given to the second trench of additional funding above baseline where departments receive additional funding for what one could loosely call provincial priorities peculiar to our province. The total funding for provincial priorities over the MTEF amounts to **R226, 6 million** of which **R54, 1 million** is allocated for 2006/07, **R73, 3 million** for 2007/08 and **R99, 1 million** for 2008/09 financial years. **29, 6 per cent** or **R67 million** of the **R226, 6 million** is for the social sector while 27,5 percent or **R62, 3 million** is allocated to the economic sector and the remainder of **R97, 3 million** or 42, 9 percent of the additional allocation is for the Governance, Administration and Justice Sector which includes the Legislature, Office of the Premier, Provincial Treasury, Housing and Local Government and Safety and Liaison.

Madam Speaker, let us now turn to the additional **R419, 8 million** over the MTEF of conditional grants allocations above the baseline. The department of Agriculture and Land Reform receives an addition **R10, 1 million** over the three year MTEF period to fund poverty relief and infrastructure programmes for the farming communities and emerging farmer entrepreneurs.

The Department of Education receives **R25, 6 million** over the MTEF period to recapitalise further education and training colleges to enable these colleges to gear themselves to produce the skills required by the economy.

The Department of Health receives a new conditional grant by shifting of forensic pathological services from South African Police Services to the provinces. Over the MTEF period this grant amounts to **R61, 1 million**. In addition to this the department receives increases for the first two years of the MTEF amounting to **R173, 7 million** for the revitalization of hospitals. Madam Speaker, this is in addition to **R4, 4 million** for forensic pathological services and **R20, 9 million** for the hospital revitalization received in the 2005/06 adjustment estimates.

The Department of Housing and Local Government receives an additional **R11, 4 million** in 2006/07, it increases to **R16, 8 million** in 2007/08 and **R20, 6 million** in 2008/09 financial years for the Intergrated Housing and Human Settlement Development.

The department of Sports, Arts and Culture receives **R9, 4 million** over the MTEF period for mass sport and recreation participation programme. The provincial infrastructure increases by **R19, 9 million** in the last year of the MTEF. This amount has been allocated to the provincial departments in the following manner. Health receives **R4 million**, Education **R2, 9 million**, Agriculture and Land Reform **R1, 5 million**, Transport, Roads and Public Works **R9, 9 million** and Housing and Local Government **R, 5 million**.

Departmental Allocations

Madame Speaker we are now turning to the highlights of individual additional allocations to the various provincial departments above the baseline allocations;

The Office of the Premier receives an additional **R10 million** over the MTEF of which **R6, 3 million** is intended for the National Institute of Higher

Education to fund bursary commitments already entered into in the previous years.

R7, 5 million over the MTEF has been allocated to the Department of Safety and Liaison to built capacity with regard to provincial own revenue collection programme and general administrative support.

The Department of Economic Affairs will receive an additional **R4, 1 million** over the MTEF period to implement the gambling and liquor acts to support substance abuse programmes of the department of Social Services and Population Development.

The Department of Sports, Arts and Culture will receive additional **R16, 1 million** over the MTEF period to fund expenditure relating to infrastructure maintenance for museums and libraries, soccer development initiatives and the building of administrative support capacity.

Housing and Local Government receives **R65, 1 million** over the MTEF to fund salaries and related expenditure in respect of the community development workers. This is in addition to **R9, 9 million** the department received in the 2005/06 adjustment estimates.

The Department of Health, in addition to the additional funds to cover expenditure on sector policy priorities amounting **R109, 4 million** and sector expanded public works programme amounting to **R24, 9 million**, the department will receive over the MTEF period above the baseline **R27, 6 million** mainly for HIV and Aids and life saving health equipment.

The Department of Social Services and Population Development will receive additional **R4, 2 million** in addition to funding for sector policy priorities and sector expanded public works programme. This additional funding will be utilized for substance abuse programme. Social sector priorities including sector expanded public works programme amounts to **R138, 2 million** over 2005 MTEF baseline allocations.

The Department of Agriculture and Land Reform will receive **R5, 7 million** above baseline over the MTEF period for agricultural research and development stations improvements. This is in addition to **R 15, 8 million** over the MTEF to fund sector policy priorities.

Tourism has been identified as one of the economic sectors that has the potential to create jobs. As a province we have committed ourselves to contribute **R12 million** into the multi-million rand big hole project. To this effect **R6 million** has been allocated to the department of Tourism, Environment and Conservation to fulfill our undertaking. This is in addition to the **R6 million** included in the 2005/06 budget of the department. **R0, 400 million** once off amount has been allocated to the department to conduct an aerial audit in the 2006/07 financial year while **R5, 1 million** has been allocated over the MTEF period to implement Tourism Master Plan. Total individual Departmental allocation can be found in annexures A to C.

Madam Speaker, the budget we have tabled here today is a surplus budget, which means that we did not allocate all the funds we will receive to the provincial votes. The total unallocated funds over the MTEF amounts to **R108, 1 million** in respect of Government Employees Medical Aid Scheme, and **R293, 7 million** for debt redemption over the MTEF period. Because the South African government is a caring government not only caring for the communities it serves but also for the employees who are serving these communities, a decision was taken at National Cabinet to establish a medical aid scheme for public servants especially those at lower income levels to be able to access this facility at an affordable cost. This extra funding has not been allocated to departments, this will be done as soon as administrative aspects relating to the take up rate has been finalized and will be available for appropriation in the 2006/07 adjustment estimates. Of the **R293, 7 million** set aside over the MTEF period for debt redemption, **R180 million** will be used to cover unauthorized expenditure of the previous financial years and the remainder of **R113, 7 million** will be available to fund service delivery

improvement programmes of implementing departments in the third year of the 2006 MTEF.

CONCLUSION

Madam Speaker, after everything has been said and done, the challenge to the implementing departments is whether they have grand strategies and implementation plans to realize the intended outputs emanating from these allocations. As Provincial Government we will intensify our efforts to ensure that the provincial government receives value for money spend, we will intensify our efforts to work towards the elimination of irregular, fruitless and wasteful expenditure, we will continue to maintain fiscal discipline and ensure that the services are geared towards the reduction of poverty and the creation of job opportunities.

We also take this opportunity call upon all residents of our Province to converge at polling stations in their thousands on March 01 and cast their vote in the local government elections. Given the maturity of democracy and experience in the past 12 years, there is no doubt that we will record yet another peaceful elections.

In conclusion let me send my sincerest and profound gratitude and appreciation to the following people and institutions:

- The Honourable Premier, Mme Dipuo Peters not only for her leadership and guidance but also for her continued support;
- Members of the Executive Council for ensuring that we give effect to our collective undertaking to ensure sound financial management and fiscal discipline;
- Heads of Departments and their Chief Financial Officers for ensuring that the Provincial Treasury receives the necessary information;
- Officials of the Provincial Treasury and Ministry who labored diligently and meticulously to ensure that the Budget is tabled correctly.

Madame Speaker and Honourable Members I commend to you:

- The Northern Cape Appropriation Bill 2006
- The Budget Statement for the 2006/2007, MTEF including the two outer years which takes into account Estimates of Revenue and Expenditure.

“ I dare say: Yesterday is a foreign country, tomorrow belongs to us”

I thank you!

Ke a leboga!

Dankie!

ANNEXURE A

MTEF BASELINE ALLOCATION 2006/07 - 2008/09

	2006/07		2007/08		2008/09	
	Proposed Allocation	% Share	Allocation	% Share	Allocation	% Share
Office of the Premier	95,447	2.2%	91,597	1.9%	95,697	1.9%
Legislature	62,719	1.4%	62,866	1.3%	66,249	1.3%
Safety and Liaison	59,496	1.4%	59,921	1.2%	63,292	1.2%
Education	1,644,424	37.4%	1,801,224	37.1%	1,956,664	38.0%
Transport, Roads and Works	366,775	8.3%	446,629	9.2%	494,600	9.6%
Economic Affairs	67,571	1.5%	71,143	1.5%	75,125	1.5%
Sports, Arts and Culture	62,249	1.4%	72,120	1.5%	77,789	1.5%
Provincial Treasury	80,101	1.8%	81,017	1.7%	85,068	1.7%
Housing and Local Government	260,680	5.9%	294,706	6.1%	316,959	6.2%
Health	1,291,249	29.4%	1,400,858	28.9%	1,372,916	26.6%
Social Services and Population Development	215,025	4.9%	263,258	5.4%	311,955	6.1%
Agriculture and Land Reform	129,298	2.9%	149,119	3.1%	166,530	3.2%
Tourism, Environment and Conservation	60,302	1.4%	61,010	1.3%	69,739	1.4%
Total Allocation to Departments	4,395,336	100.0%	4,855,468	100.0%	5,152,583	100.0%
Debt Redemption	85,000		109,529		113,685	
Government Employees Medical Scheme	18,333		36,199		53,597	
Total Funding Available	4,498,669		5,001,196		5,319,865	

ANNEXURE B

TOTAL ESTIMATED PROVINCIAL SPENDING (INCLUDING CONDITIONAL GRANTS)

Department	2005/06		2006/07	2007/08	2008/09	% Growth rates: Year to Year		
	Original Budget	Adjustment Estimate	Budget	Forward estimates		2005/06-2006/07	2006/07-2007/08	2007/08-2009/10
	R'000	R'000	R'000	R'000	R'000	%	%	%
Office of the Premier	86,845	87,913	95,447	91,597	95,697	9.9%	-4.0%	4.5%
Legislature	53,165	46,465	62,719	62,866	66,249	18.0%	0.2%	5.4%
Safety and Liason	51,237	50,505	59,496	59,921	63,292	16.1%	0.7%	5.6%
Education	1,533,960	1,566,262	1,644,424	1,801,224	1,956,664	7.2%	9.5%	8.6%
Transport, Roads and Works	310,544	337,919	366,775	446,629	494,600	18.1%	21.8%	10.7%
Economic Affairs	66,500	70,634	67,571	71,143	75,125	1.6%	5.3%	5.6%
Sport, Arts and Culture	55,314	61,324	62,249	72,120	77,789	12.5%	15.9%	7.9%
Provincial Treasury	68,167	67,366	80,101	81,017	85,068	17.5%	1.1%	5.0%
Housing and Local Government	208,997	252,342	260,680	294,706	316,959	24.7%	13.1%	7.6%
Health	942,069	1,037,047	1,291,249	1,400,858	1,372,916	37.1%	8.5%	-2.0%
Social Services and Population Development	177,779	189,962	215,025	263,258	311,955	21.0%	22.4%	18.5%
Agriculture and Land Reform	116,123	156,380	129,298	149,119	166,530	11.3%	15.3%	11.7%
Tourism, Environment and Conservation	49,917	49,151	60,302	61,010	69,739	20.8%	1.2%	14.3%
Total Expenditure	3,720,617	3,973,270	4,395,336	4,855,468	5,152,583	18.1%	10.5%	6.1%
Unallocated Amounts	70,089	104,591	103,333	145,728	167,282	47.4%	41.0%	14.8%
Contingency Reserve		34,502						
Debt redemption	70,089	70,089	85,000	109,529	113,685	21.3%	28.9%	3.8%
Government Employees Medical Scheme			18,333	36,199	53,597			
Total	3,790,706	4,077,861	4,498,669	5,001,196	5,319,865	18.7%	11.2%	6.4%

ANNEXURE C

TOTAL ESTIMATED PROVINCIAL SPENDING (EXCLUDING CONDITIONAL GRANTS)

Department	2005/06		2006/07	2007/08	2008/09	% Growth rates: Year to Year		
	Original Budget	Adjustment Estimate	Budget	Forward estimates		2005/06-2006/07	2006/07-2007/08	2007/08-2009/10
	R'000	R'000	R'000	R'000	R'000	%	%	%
Office of the Premier	86,845	87,913	95,447	91,597	95,697	9.9%	-4.0%	4.5%
Legislature	53,165	46,465	62,719	62,866	66,249	18.0%	0.2%	5.4%
Safety and Liason	51,237	50,505	59,496	59,921	63,292	16.1%	0.7%	5.6%
Education	1,452,749	1,483,392	1,575,429	1,734,134	1,885,323	8.4%	10.1%	8.7%
Transport, Roads and Works	204,585	208,834	211,286	226,367	264,410	3.3%	7.1%	16.8%
Economic Affairs	66,500	70,634	67,571	71,143	75,125	1.6%	5.3%	5.6%
Sport, Arts and Culture	52,674	58,684	56,049	65,200	69,789	6.4%	16.3%	7.0%
Provincial Treasury	68,167	67,366	80,101	81,017	85,068	17.5%	1.1%	5.0%
Housing and Local Government	123,940	153,519	151,766	156,516	164,342	22.5%	3.1%	5.0%
Health	681,571	739,780	740,018	802,743	880,056	8.6%	8.5%	9.6%
Social Services and Population Development	160,031	163,430	215,025	263,258	311,955	34.4%	22.4%	18.5%
Agriculture and Land Reform	97,803	117,394	104,516	107,269	121,518	6.9%	2.6%	13.3%
Tourism, Environment and Conservation	49,917	49,151	60,302	61,010	69,739	20.8%	1.2%	14.3%
Total Expenditure	3,149,184	3,297,067	3,479,725	3,783,041	4,152,563	10.5%	8.7%	9.8%
Unallocated Amounts	70,089	104,591	103,333	145,728	167,282	47.4%	41.0%	14.8%
Contingency Reserve		34,502						
Debt redemption	70,089	70,089	85,000	109,529	113,685	21.3%	28.9%	3.8%
Government Employees Medical Scheme			18,333	36,199	53,597			
Total	3,219,273	3,401,658	3,583,058	3,928,769	4,319,845	11.3%	9.6%	10.0%