

# **Budget Statement 1:**

## **Budget Overview**

## 1. BUDGET STRATEGY AND AGGREGATES

### 1.1 Introduction

*“Government believes that South Africa is ready for Accelerated and Shared Growth- South Africa (ASGISA) to be a National shared growth initiative, rather than a governments programme” Deputy President Phumzile Mlambo- Ngcuka- 6 February 2006.*

The Northern Cape provincial economy has created a platform to implementing Accelerated Shared Growth Initiative of South Africa (ASGISA) based on a series of initiatives outlined below:

- To draw the poor of the poorest into meaningful economic activity through SAMAF - the APEX fund which was launched 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 Finance 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.
- The Northern Cape 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 to identify growth opportunities in the manufacturing sector and concurrent sub sectors to accelerate economic growth.
- Using the Social Accounting Matrix, the Northern Cape 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.
- The province is identifying the sources of import leakages in the provincial economy; the successful identification of these leakages 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 Provincial Growth and Development Strategy (PGDS), National Spatial Development Perspective (NSDP), Integrated Development Plans (IDP's) and thus impact on Local Economic Development (LED) profoundly.
- 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 as soon as possible. The development of Human Resource Development strategy initiative to address skills shortage in the province must be expedited.

As a province, the following special projects were selected that would have a major impact on accelerating and sharing growth:

- *A diamond and gemstone jewellery project;*
- *A biofuels initiative;*
- *A National Livestock Project and*
- *Proposed Square Kilometre Array Telescope*

With the launch of the NCPGDS in 2005, we made the commitment that the strategy and its implementation would herald bold and decisive direction and action from government with regard to the economic and social development of our province and its inhabitants.

The following primary development objectives have been identified:

- Promoting the growth, diversification and transformation of the provincial economy; and
- Poverty reduction through social development

The achievement of these primary development objectives depends on the achievement of a number of related objectives that, at a macro-level, describe necessary conditions for growth and development. These are:

- Development requisites levels of human and capital;
- Improving the efficiency and effectiveness of governance and other development institutions; and
- Enhancing infrastructure for economic growth and social development.

Each of these development objectives and the strategies and programmes that underpin them form a core element of the PGDS.

### **Major Policy Priorities**

The revisions to the provincial equitable share also steps up the Expanded Public Works Programme for the Social Sector (education, health and social development) at a provincial level. The funding will cater for the expansion of existing programmes (Community Health Workers, Home/Community Based Care and the Integrated Plan for Early Childhood Development) and will provide for training of practitioners, stipends and the provision of materials, food and basic health care. As all the programmes are joint initiatives, tight co-ordination and extensive co-operation between both the national and provincial spheres as well as between the three departments is crucial, if the programmes are to succeed.

### **Education**

The provincial fiscal framework seeks to ensure further access, improved quality and greater equity:

- *Quality and upliftment programmes:* Aim to address the deterioration of and the backlogs for equipment like laboratories, libraries, photocopiers, duplicating machines etc. in disadvantaged schools.
- *Education Management Information System (EMIS):* The additional allocations are for strengthening development and implementation of EMIS in provinces.
- *Expansion of Grade R:* To improve the access of children to a quality Grade R programme prior to entering Grade 1, by increasing the number of Grade R learners to 800 000 over the MTEF period.
- *HR Systems Development and Teacher Development:* HR Systems development focuses on the implementation of HR policies and systems consisting of new personnel structures, computer hardware and software databases.
- *Implementation of National Curriculum Statement:* The implementation of the National Curriculum Statement for Grades 8 to 12 requires new learner and teacher support material as well as the training of teachers in the new content.

- *Implementation of Revised Norms and Standards for School Funding (No-fee schools):* To implement the proposed no-fee schools for the poorest 40 % of learners in the country and to improve the adequacy of funding to public ordinary school learners.
- *Special Schools:* To improve existing special schools to ensure that there is a strengthened and integrated support service consisting of these special schools/resource centres, newly developed full-service schools and district-based support teams, so that quality education becomes accessible to all learners.
- *FET Colleges:* To computerise Learner Support Unit.
- *ABET Expansion:* To expand the literacy in the Province.

## Health

The provincial fiscal framework seek to further boost primary health care, the recruitment of health professionals and expand emergency medical services.

- *Emergency Medical Services:* Aim to implement a new expanded and improved national ambulance model. All aspects of the ambulance service would be built up towards an ideal national target. Ambulance services will receive attention in an effort to cut response times and improve care. Initiatives are likely to include fleet upgrading, improved communication systems, training and better positioning of vehicles for rapid response.
- *Human Resources:* Aim to boost numbers of health professionals such as doctors, nurses, and physiotherapists and to expand the relatively new mid-level workers categories such as pharmacy assistants. Following on from the Strategic Framework for Human Resources, sectoral plans are being developed to begin to increase numbers of skilled health professionals after several years of stagnation. This will focus on a range of professional groups such as doctors, professional nurses, pharmacists and various allied groups to build high-level skills in the public sector.
- *Modernisation of tertiary services:* Aim to launch the Modernisation Project with a particular focus on replacing medical equipment in specialist hospitals especially diagnostic radiology equipment, strengthening cancer oncology services and increasing numbers of medical specialists.
- *Primary health care:* To strengthen Primary Health Care Services, especially in community health centres, gateway clinics at hospitals to reduce unnecessary hospital treatment and improve services in rural areas thus addressing existing large inter-district inequities.
- *Information systems:* Aim to employ at least 3-4 additional skilled persons per province to substantially improve analysis and dissemination of non-financial information, such as sectoral output data and key indicators.
- *Improvement of Pharmaceutical Services in the Province:* To improve the pharmaceutical services by procuring and maintaining a new pharmacy information system.
- *HIV and AIDS:* The aim is to augment the shortfall or insufficient funding from the conditional grant.

## Social Services and Population Development

- *Implementation of new social welfare legislation:* The Child Justice, Older Persons and Children's Bills are in the process of being finalised by the different houses of parliament. Funding is for the progressive realisation of these obligations.
- *Social Crime Prevention and Offender Care:* To expand crime prevention and early intervention services.

- *Poverty Relief Programme:* This will assist vulnerable individuals and households to reduce dependency on grants and enhance sustainable livelihoods.
- *Development of New Non-Profit Organisation:* To form partnership with Non-Profit and Community Based Organisations to ensure that a range of appropriate and accessible developmental services are available to families, children, youth and people with disabilities and intensify monitoring and evaluation of services to ensure compliance in line with policies and legislation.
- *Substance Abuse:* To provide and ensure that a range of prevention, early intervention programs are available to children and youth at risk and in conflict with the law in order to reduce the substance abuse in the province.

### **Agriculture and Land Reform**

- *Agriculture:* The development of agriculture is key for rural development and food security. There is a need to build capacity to ensure that the sector responds to the need to extend key agricultural services to emerging farmers and at the same time contribute that farmers become commercially viable. In addition to the Comprehensive Agricultural Support Programme, there is a need to further strengthen the sector to provide the much needed extension and veterinary services for sustainable agriculture.

### **Transport, Roads and Public Works**

The maintenance of Transport, Roads and Public Works:

- *The Maintenance, Researching and Regravelling of Roads:* To further improve access roads and ensure that province maintain, renovate and rehabilitate its road portfolio.
- *Rank Infrastructure:* The taxi recapitalisation programme will necessitate the province to upgrade its ranks to accommodate new vehicles.

### **Housing and Local Government**

- *The appointment of Community Development Workers(CDW):* The primary aim is to maintain direct contact with people, especially in the rural areas, to ensure that at the government goes to the people. The programme support service delivery integration by bridging the gap between government's service provision and people who access the services.

### **Sport, Arts and Culture**

- *Soccer Development (Establishment of PSL team):* The Establishment of Soccer Academy for the identification and development of excellence as well as the establishment of PSL team.

### **Brief Service Delivery Outputs**

Construction of two new hospitals in Kimberley and Postmasburg will commence in the 2006/07 financial year. Additional 38 Voluntary Counselling & Testing sites will be established.

A number of 40 women will participate in the Female Farmer competition and thus promoting women participation in Agriculture.

The following roads will be resealed and regavelled:

- The length of 53.9km road between Alexander Bay and Khubus in the Namakwa district municipality
- The 30-35km portion of road from Upington to Rietfontein will tarred

- The road that connects Britstown, Vosburg and Carnavon will be resealed to increase movement of Agricultural products offered by Calvinia and neighbouring towns

With the allocated budget for Integrated Housing and Human Settlement Development Grant, the province's current plan is to deliver 3000 houses.

The department Sport, Arts and Culture has committed itself to complete the construction of the Mayibuye Cultural Centre in October 2006.

The implementation of these projects will enhance the principle of the Expanded Public Works Programme.

## 1.2 Summary of budget aggregates

Table 1.1 gives a summary of the main revenue and expenditure components of the budget.

Table 1.1: Provincial budget summary

	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
Provincial receipts									
Transfer receipts from national									
Equitable share	3,000,498	3,511,881	3,936,090	3,124,184	3,145,231	3,145,231	3,451,507	3,790,085	4,174,210
Conditional grants	299,532	424,392	592,571	1,898,512	1,927,203	1,927,203	915,611	1,072,427	1,000,020
Provincial own receipts	96,683	100,405	114,239	105,000	105,000	105,000	131,551	138,684	145,635
Total Treasury Funding	3,396,713	4,036,678	4,642,900	5,127,696	5,177,434	5,177,434	4,498,669	5,001,196	5,319,865
Provincial Payments									
Current payments	2,146,613	2,589,042	2,954,898	3,073,009	3,197,577	3,250,969	3,409,333	3,700,137	4,018,237
Transfers and subsidies	1,057,131	1,347,114	1,503,292	1,674,365	1,754,210	1,724,337	497,526	554,984	611,229
Payments for capital assets	250,061	200,295	220,504	280,792	348,561	318,057	468,395	578,970	500,675
Statutory Amount	13,428	16,943	17,882	19,530	19,530	19,569	20,082	21,377	22,442
Unallocated Contingency									
Total provincial payments	3,467,233	4,153,394	4,696,576	5,047,696	5,319,878	5,312,932	4,395,336	4,855,468	5,152,583
Surplus before financing	(70,520)	(116,716)	(53,676)	80,000	(142,444)	(135,498)	103,333	145,728	167,282
Financing									
Roll-Overs			111,564		134,151	43,082			
Other			11,829		88,794	222,945			
Surplus (deficit) after financing	(70,520)	(116,716)	69,717	80,000	80,501	130,529	103,333	145,728	167,282

Total Provincial receipts are projected to increase at an average annual rate of 2,7% over the MTEF from R5, 177, 434 million in 2005/06 to R5, 319, 865 million in 2008/09, fuelled mainly by increasing transfers from national. At the same time, receipts sourced internally (own receipts and financing), increase from R105 million in 2005/06 to R145, 635 million in 2008/09, representing an annual growth rate of 25% during the period.

Total provincial payments reflect a decrease of 13% in 2006/07 compared to 2005/06 and this is due to the migration of Social Security funding to SASSA. Factoring out Social Security Grants in 2005/06, total provincial payments increased by 18% in the 2006/07 financial year.

## Financing

The province has two sources of financing, namely Provincial rollovers and funding from own reserves. The Provincial rollover refers to funds that were appropriated and committed but not spent in that financial year. These funds are then re allocated to the relevant departments during the adjustment estimate in the following year. Amounts rolled over are dependent on the number of projects that were not finished during that particular year.

## Surplus

The province recorded deficits from 2002/03 to 2004/05. However, the province projects surpluses from 2005/06 to 2008/09.

In MTEF, that is 2006/07 to 2008/09 a surplus of R103, 3 million, R145, 728 million and R167, 2 million respectively is projected each year and this will finance the accumulated overdraft as a result of over expenditure by departments.

Included in the surplus are the amounts of R18, 3 million in 2006/07, R36, 2 million in 2007/08 and R53, 5 million in 2008/09 in respect of Government Employee Medical Scheme (GEMS).

The province budgeted for a surplus to finance the accumulated unauthorized expenditure which was incurred by provincial departments during the previous years.

## **2. BUDGET PROCESS AND MEDIUM-TERM EXPENDITURE FRAMEWORK**

### **Budget process**

The budget process allows Government to evaluate policy priorities and implementation plans; involve role-players that provide technical and political insights when faced with budget choices; and seek the necessary authority from Executive Council to spend resources.

The tabling of strategic plans in the Provincial Legislature this year provides the point of departure for the 2006/07 medium-term budget. What provincial departments intend achieving over the next three years (2006/07 to 2008/09) has been made explicit, together with spending plans for the corresponding period.

The continuity in planning and budgeting over the medium-term is deepened by strengthening the link between the overlapping periods covered by the 2006/07 to 2008/09 strategic plans and the new 2006 MTEF. The budget process consists of five key stages, which helps to clarify this aspect:

- Provincial policy priorities;
- Preparation of new MTEF submission / Review of 2006/07 2008/09 strategic plans;
- Medium Term allocation process: Recommendation stage (evaluate changes in baseline in relation to priorities and spending plans);
- Medium Term allocation process: Decision stage (Cabinet approves 2006/07 – 2008/9 allocations) and
- Preparation of Budget Statements.

**Intergovernmental planning** - the coordination of development planning across the three spheres of government is critical to realize the objective of optimal resource allocation and implementation for the state as a whole for the purposes of eradicating poverty and growing the economy.

Based upon this, in 5th of February 2005, National Cabinet approved the programme towards the alignment of the National Spatial Development Perspective (NSDP), the Provincial Growth and Development Strategy (PGDS) and the District Integrated Development Plans (IDP's). This programme will be carried out over the next three years and will include an update of the NSDP, assessment of the PGDS and their alignment, development of the District IDP's and an introduction of a mutual assessment framework in the realization of common development goals.

At a national level, in order to realize the government's objectives of growing the economy and addressing poverty, the NSDP focuses the bulk of government fixed investment on areas with potential and need, and linked to this is the Medium Term Strategic Framework (MTSF), prepared by the Presidency and approved by National Cabinet.

At a provincial level, development planning occurs through the PGDS, and is driven through the Premier's office and adopted by Provincial Executive Council.

Development planning in the Local Government sphere is conducted through the IDP's. Each municipality in terms of the Municipal Systems Act (2000) is responsible for formulating, adopting and implementing the IDP.

### **Role of Provincial Treasury**

Provincial Treasury Guidelines issued in line with National Guidelines:

- Guidelines reminded departments that Provincial Strategic Priorities should inform both the Strategic Plans and Budget Formulation
- Clear link between National and Provincial Priorities as stated in Provincial Growth and Development Strategy
- Budget Format Workshop- 14 October 2005
- Basic format for 2005 SP was sent to departments with the Budget Circular
- Departments were given the opportunity to submit proposals involving changes to baseline budget Provincial MTEC held from 19 - 23 September 2005
- MEC bi- laterals held in October 2005 (Chaired by MEC for Finance and Economic Affairs)
- Provincial Budget Lekgotla convened to consider departmental budgets and proposals (Chaired by the Premier, all MEC's, HOD's, CFO's and Provincial Treasury officials)- 1 and 2 November 2005

Provincial Treasury submission was to highlight amongst others the following:

- The position of the Provincial Fiscal Framework
- Debt Redemption Strategy
- Departmental pressures as presented during bilateral meeting (PMTEC)

Budget Lekgotla supported Treasury recommendations and the following resolutions were approved:

- That Provincial Departments continue their processes of aligning strategic plans with the PGDS and ensure that departmental plans are incorporated in the IDP's;
- That the information on the status of the province with respect to social and economic development be rigorously validated and used as a baseline for future assessment of progress. In particular with respect to the PGDS targets;
- That Provincial Government continue to commit itself to the debt redemption strategy as non-negotiable

Provincial Treasury prepared proposals for submission to the Provincial Treasury Committee with respect to the in-year budget pressures highlighted at the Budget Lekgotla. The Provincial Treasury Committee made recommendations to the Provincial Executive Council.

With respect to the funding priorities of departments over the MTEF period, Provincial Treasury made allocation proposals to the Treasury Committee. The Treasury Committee made proposals to the Executive Council. In making these proposals the Provincial Treasury has taken into the account discussions at the Lekgotla in the available funds and the commitment to the debt redemption strategy.

### **Medium-Term Expenditure Framework (MTEF)**

Within a medium-term framework, the budget process puts in place a 3-year spending plan through early policy prioritisation, evaluation of competing policies and programmes, and disciplined matching of current and medium-term plans with available resources.

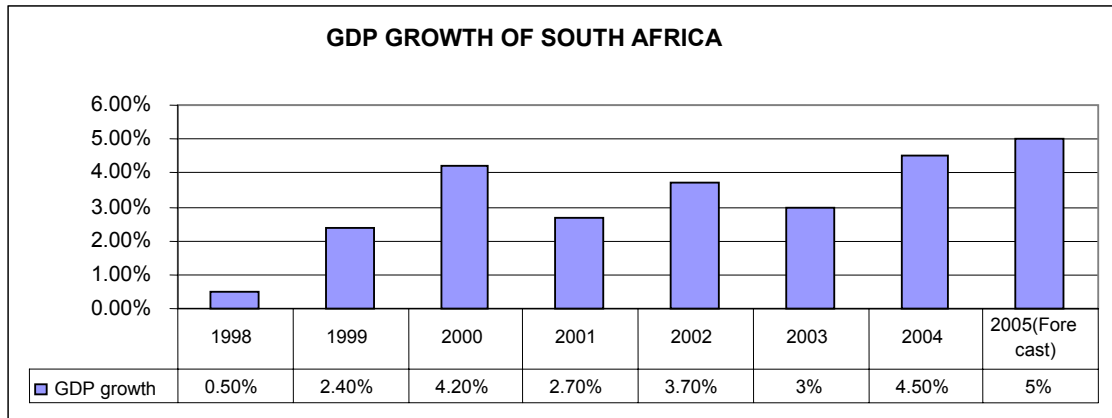


The Medium Term Expenditure Framework that is tabled each year in Parliament is guided by the following principles:

- Within a resource constrained environment, affordable changes in resource availability should be used to force trade-offs between and within spending programmes
- Budgeted and new resources have to be reprioritised from low priority programmes and activities

### 3. SOCIO-ECONOMIC OUTLOOK

The performance of the South African 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% in 2003, 4.5% in 2004 and is forecast to grow at 5% by the Bureau of Economic /First National Bank at the end of 2005. SA: ECONOMIC GROWTH

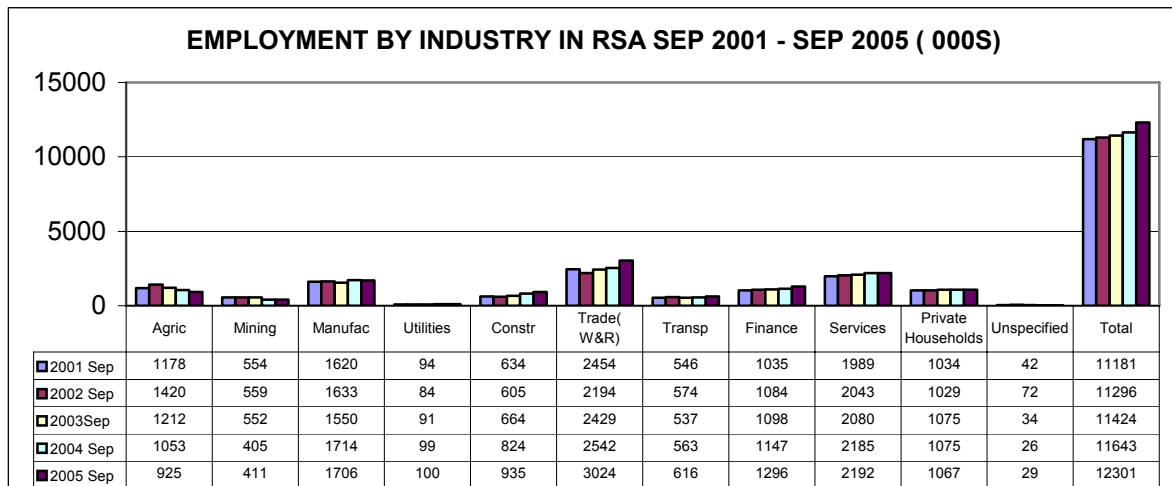


**Source:** Development information Business Unit, DBSA (Base data Global Insight Ref 2004)

The growth momentum over the past year and a half was sustained by domestic expenditure, alongside the stronger world economy and generally favourable 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 low at 4.3% in 2004; forecast to average 3.7% in 2005, 4.1% in 2006 and 5% in 2007, the budget deficit is well below 3% of gross domestic product and the prime lending rate is 10.5%; all these comprise a very favourable economic phenomena in the history of the South African economy.

Employment in our national economy over Sep 2004 – Sep 2005 improved, adding six hundred and fifty eight thousand jobs (658 000). Between Sep 2001 and Sep 2005 employment grew by one million one hundred and twenty thousand (1,120,000) jobs. After several years of rising, unemployment declined to 4 135 000 in Sep 2004 but rose slightly to 487 000 in Sep 2005.



SA: Employment by Industry

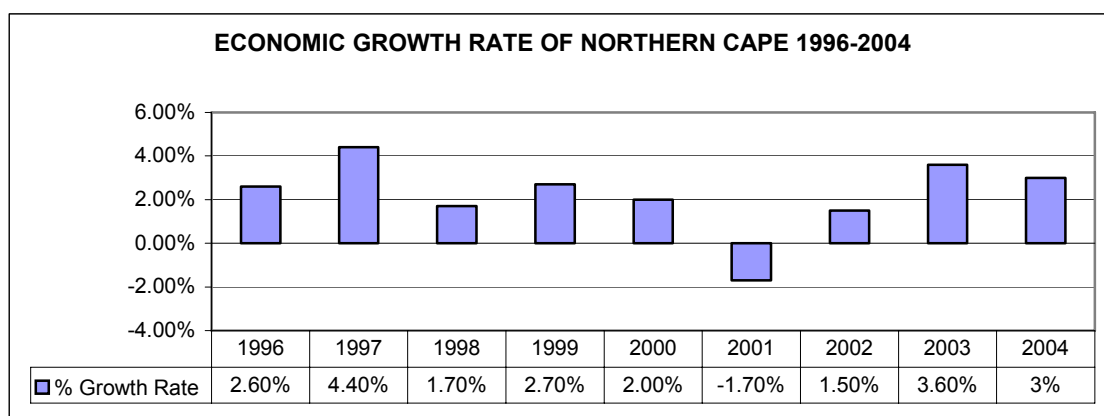
**EMPLOYMENT BY OCCUPATION IN NC 2001**

<b>Elementary occupations labourers</b>	<b>39.1%</b>
<b>Craft &amp; Related trade workers</b>	<b>9.8%</b>
<b>Service workers, shop &amp; market sales workers</b>	<b>8.6%</b>
<b>Clerks</b>	<b>9.3%</b>
<b>Technicians&amp; associate professionals</b>	<b>7.2%</b>
<b>Skilled agric &amp; fishery workers</b>	<b>6.9%</b>
<b>Plant, machinery operators &amp;</b>	<b>5.4%</b>
<b>Professionals</b>	<b>4.2%</b>
<b>Legislators, senior officials &amp; managers</b>	<b>4.2%</b>
<b>Undetermined</b>	<b>5.3%</b>

This rise was due to the formerly discouraged work seekers beginning to engage in active job seeking as employment prospects improved with sustainable economic growth.

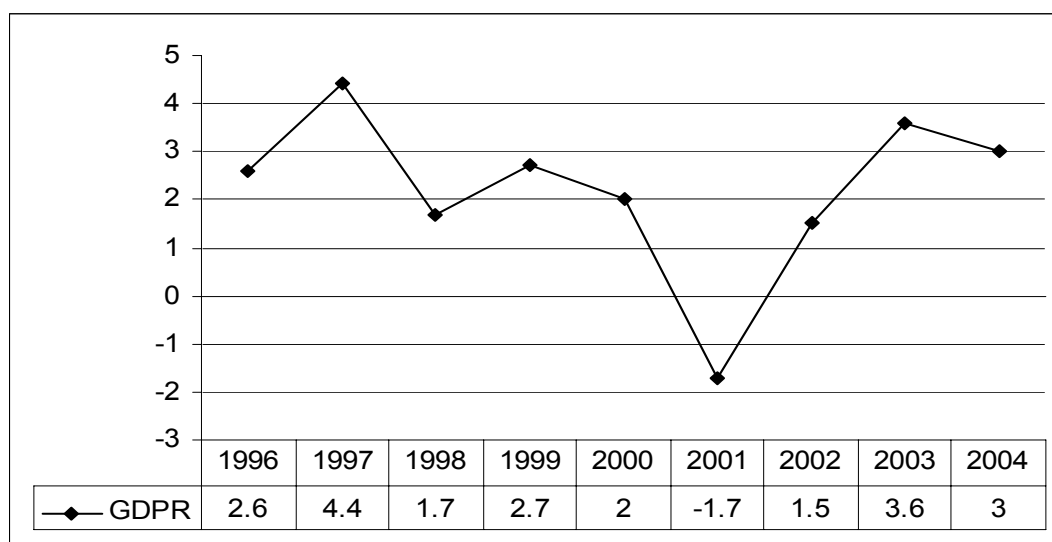
Between 1996 and 2004 the Northern Cape provincial economy has recorded an average annual growth of 2.2%, an indication of an upward economic growth trend. In 2004, the provincial economy of Northern Cape grew at 3%. However, this was a decline compared to the previous year's (2003) growth rate of 3.6%.

## GROWTH RATE OF THE NORTHERN CAPE



**Source:** Development information Business Unit, DBSA (Base data Global Insight Ref 2004)

## GROWTH TRENDS OF THE NORTHERN CAPE



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

The manufacturing sector grew an annual average of 3% over the last six years, generating strong growth to the national economy mainly because of significant growth in consumer demand for semi durable and durable goods in the national economy by emerging and burgeoning middle class. In Northern Cape, however, the manufacturing sector has grown at an annual average of 1% driven by the demand for basic manufactured products.

Finance, real estate and business services has been another area of potential growth, this sector grew 2.4% over six years 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 3.1% over six years. The personal services sector grew 3.1% over six years while government services grew 1.4%.

After tracking the trends in finance, real estate and business services, manufacturing, infrastructure comprising (transport, storage and communications, electricity, gas and water), mining and mineral beneficiation, a strategic focus was directed to these sectors as strategic growth sectors with the potential to stabilize and harness higher economic growth rates in the our province. More analyses are being undertaken to ensure the contributions of these sectors is realized in the economy of our province in the near future.

The decline of our provincial economic growth rate from 3.6% in 2003 to 3% in 2004 is attributed to the decline in the agricultural, wholesale, retail, and hotel and restaurant sectors during 2004. This slump in the two above mentioned economic sectors are:

- Between 2003- 2004 the strong Rand affected the exports of table grapes (from the lower Orange River region of NC) to Europe etc, hence lowering earnings.
- Competition from Brazil and Chile intensified in table grapes exports industry.
- The prices of maize declined, leading to lower revenues.
- Exports of Raisins were affected by an oversupply of Raisins from the USA, Turkey and Iran during 2003-2004.
- Drought affected livestock (beef, mutton).
- The above factors led to liquidations and sequestrations of farming businesses.

Economic activity in the wholesale, retail, hotels and restaurants sub sectors experienced declining, mainly due to low demand for high value semi and durable goods as well as low patronage rates due to low Income and per capita expenditure in the wholesale, retail, hotel and restaurant sector, shrinking urban centres in outlying – rural areas and changing shopping behaviour of the middle class in the province.

As such, the big retail chains are closing outlets in rural areas with low demand potential. Northern Cape has a low household confidence index with respect to purchasing durable retail goods such as furniture, electric appliances in Northern Cape. Sustainable and higher economic growth rates in the Northern Cape province hinge on broadening economic activity across sectors already identified 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% target by 2014. The most critical challenge is to develop strategic interventions that will halt the flow of leakages out of the provincial economy.

To achieve higher future economic growth rates and other targets enshrined in the Provincial Growth & Development Strategy several strategic interventions have been undertaken namely:

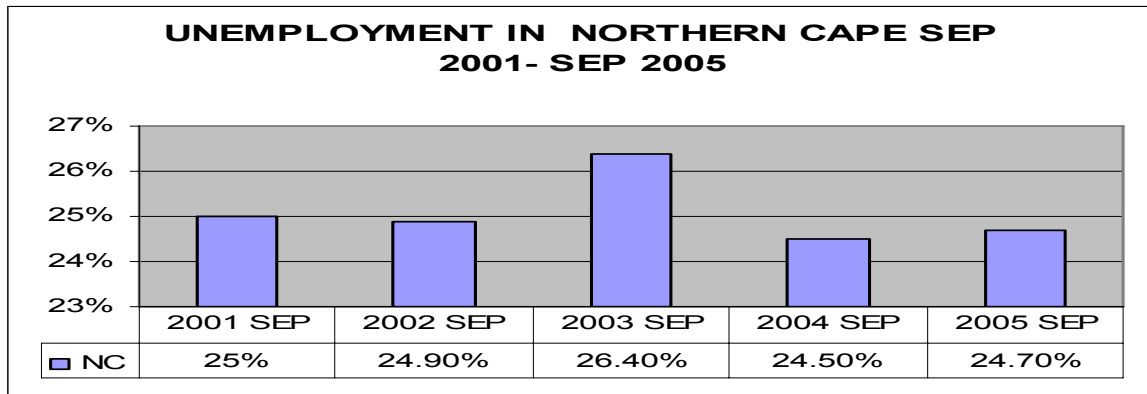
- Mineral beneficiation has the potential to unlock manufacturing opportunities that will contribute significantly to the provincial economy through value added manufactured products. Expediting the beneficiation process is very critical. The development of the manufacturing centre to support the above initiative is underway. To this end the jewellery manufacturing centre based on diamond cutting, polishing and semi precious minerals is underway in our province.
- Local economic development is very critical to the achievement of the targets enshrined in The Provincial Growth Development Strategy, to this end, a Local Economic Development strategy is to be developed to guide, align, integrate and harmonize

Integrated development plans of district and local municipalities to the PGDS, NSDF so as to enhance economic growth.

- The finance summit to leverage and unlock capital for investment opportunities in key areas are critical to the achievement of accelerated and shared growth, was launched. This exposed Small Micro & Medium Enterprises to the various sources of financial support.
- A SMME strategy has been developed to enhance and guide the growth of Small Micro and Medium Enterprises in the Northern Cape. In addition the Small Enterprise Development Agency to support and mentor Small Micro & Medium Enterprises has been launched in Northern Cape. This will improve future participation in the mainstream economy by the SMME's in the transition from the second to the first economy.
- Agro processing is another sector in which manufacturing can originate to create greater impetus to diversification and consequently higher economic growth. As an intervention to grow the agro-processing sector several initiatives are underway namely the commercialization of goats and discussions on agro-processing have been initiated with ABSA bank.
- Social Accounting Matrix will be used to identify opportunities to diversify and develop sub sectors of manufacturing, agro processing and mineral beneficiation.
- The mariculture park has been launched in Port Nolloth.

Unemployment in the province declined from 26.4% in September 2003 to 24.5% September 2004 and was 24.7% in September 2005 well below the national unemployment rate of 26.7% during the period under discussion. 66.7% of the unemployed in the province are our youth (15-35 age group). Several interventions namely, a skills development forum under the auspices of the department of labour, access to the Umsombumvu Youth Fund is underway to enable these youth access opportunities amidst the economic growth environment.

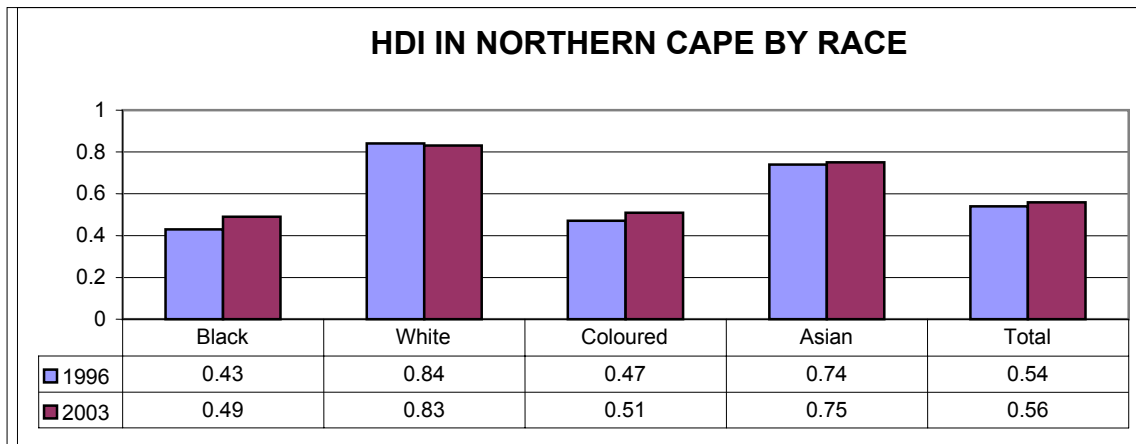
#### UNEMPLOYMENT IN NORTHERN CAPE



**HUMAN DEVELOPMENT INDEX IN NORTHERN CAPE**

		1999	2000	2001	2002	2003	2004
<b>Frances Baard</b>	<b>Barkley-West</b>	0.43	0.44	0.44	0.44	0.44	0.44
	<b>Hartswater</b>	0.49	0.49	0.51	0.5	0.5	0.5
	<b>Herbert</b>	0.46	0.47	0.48	0.48	0.47	0.47
	<b>Warrenton</b>	0.48	0.48	0.5	0.5	0.49	0.49
	<b>Kimberley</b>	0.62	0.62	0.63	0.63	0.63	0.63
<b>Karoo</b>	<b>Carnarvon</b>	0.47	0.48	0.49	0.49	0.49	0.49
	<b>Prieska</b>	0.53	0.54	0.55	0.55	0.54	0.54
	<b>Britstown</b>	0.49	0.5	0.51	0.51	0.5	0.5
	<b>Colesberg</b>	0.48	0.48	0.5	0.5	0.49	0.48
	<b>De Aar</b>	0.57	0.58	0.59	0.59	0.58	0.58
	<b>Hanover</b>	0.45	0.45	0.47	0.47	0.46	0.46
	<b>Hopetown</b>	0.49	0.5	0.51	0.51	0.5	0.5
	<b>Noupoort</b>	0.44	0.45	0.47	0.46	0.46	0.45
	<b>Philipstown</b>	0.48	0.49	0.5	0.5	0.49	0.49
	<b>Richmond</b>	0.47	0.47	0.49	0.48	0.48	0.48
	<b>Hay</b>	0.48	0.49	0.5	0.5	0.49	0.49
	<b>Victoria-West</b>	0.5	0.51	0.53	0.52	0.52	0.52
<b>Kgalagadi</b>	<b>Kuruman</b>	0.56	0.56	0.57	0.57	0.57	0.58
	<b>Postmasburg</b>	0.59	0.6	0.61	0.61	0.62	0.62
<b>Namakwa</b>	<b>Namaqualand</b>	0.62	0.63	0.64	0.63	0.63	0.63
	<b>Calvinia</b>	0.57	0.57	0.58	0.58	0.58	0.58
	<b>Sutherland</b>	0.55	0.56	0.57	0.57	0.57	0.57
	<b>Williston</b>	0.57	0.58	0.59	0.58	0.58	0.58
	<b>Fraserburg</b>	0.5	0.51	0.52	0.52	0.52	0.52

Source: UNDP South Africa 2003



Source: DBSA Base Data Global Insight SA Ref 2004

**INCOME INEQUALITY IN NORTHERN CAPE**

		1999	2000	2001	2002	2003	2004
<b>Frances Baard</b>	<b>Barkley-West</b>	0.53	0.54	0.55	0.55	0.56	0.58
	<b>Hartswater</b>	0.6	0.6	0.6	0.61	0.61	0.62
	<b>Herbert</b>	0.65	0.64	0.64	0.63	0.63	0.62
	<b>Warrenton</b>	0.62	0.61	0.62	0.63	0.63	0.63
	<b>Kimberley</b>	0.58	0.58	0.58	0.58	0.58	0.59
<b>Karoo</b>	<b>Carnarvon</b>	0.58	0.59	0.59	0.59	0.59	0.59
	<b>Prieska</b>	0.66	0.65	0.65	0.65	0.64	0.63
	<b>Britstown</b>	0.6	0.6	0.61	0.61	0.61	0.6
	<b>Colesberg</b>	0.6	0.6	0.61	0.62	0.63	0.63
	<b>De Aar</b>	0.55	0.54	0.55	0.56	0.56	0.56
	<b>Hanover</b>	0.57	0.57	0.57	0.57	0.57	0.57
	<b>Hopetown</b>	0.6	0.6	0.6	0.6	0.6	0.59
	<b>Noupoort</b>	0.55	0.54	0.55	0.56	0.56	0.56
	<b>Philipstown</b>	0.53	0.54	0.55	0.56	0.57	0.58
	<b>Richmond</b>	0.68	0.67	0.67	0.67	0.66	0.65
	<b>Hay</b>	0.58	0.57	0.58	0.58	0.58	0.58
	<b>Victoria-West</b>	0.59	0.6	0.61	0.61	0.61	0.61
<b>Kgalagadi</b>	<b>Kuruman</b>	0.61	0.61	0.62	0.61	0.6	0.6
	<b>Postmasburg</b>	0.55	0.55	0.55	0.55	0.54	0.54
<b>Namaqua</b>	<b>Namaqua</b>	0.55	0.55	0.55	0.55	0.55	0.55
	<b>Calvinia</b>	0.63	0.64	0.63	0.63	0.62	0.62
	<b>Sutherland</b>	0.62	0.63	0.64	0.64	0.64	0.64
	<b>Williston</b>	0.65	0.65	0.66	0.65	0.65	0.64
	<b>Fraserburg</b>	0.53	0.54	0.56	0.57	0.57	0.57
<b>Siyanda</b>	<b>Gordonia</b>	0.59	0.59	0.6	0.61	0.61	0.6
	<b>Kenhardt</b>	0.63	0.63	0.63	0.63	0.63	0.63

Source: UNDP South Africa 2003

## 4. RECEIPTS

### Overall position

Revenue estimates for 2006/07 are based upon National Government's Equitable Share, Conditional Grants and forecasts of various provincial own revenues using economic growth parameters generated by the Provincial Treasury. The total estimated revenue for the 2006/07 financial year is **R4, 498,669 million**. The amount is derived from national sources, both the equitable share and conditional grants for the Northern Cape Province amounts to **R4, 367, 118 million** for 2006/07, which is 97% of the Province's total revenue. Provincial sourced revenue is estimated to be **R131, 551 million** for 2006/07, which is 3% of the province's total revenue.

Table 4.1: Summary of Provincial Receipts

	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
Transfer receipts from National									
Equitable share	3,000,498	3,511,881	3,936,090	3,124,184	3,145,231	3,145,231	3,451,507	3,790,085	4,174,210
Conditional grants	299,532	424,392	592,571	1,898,512	1,927,203	1,927,203	915,611	1,072,427	1,000,020
Other									
Total Treasury Funding	3,300,030	3,936,273	4,528,661	5,022,696	5,072,434	5,072,434	4,367,118	4,862,512	5,174,230
Departmental receipts									
Tax receipts	57,936	59,803	65,796	68,200	68,200	68,200	82,765	87,099	91,470
Sales of goods and services other than capital assets	20,721	33,040	39,875	30,577	30,577	30,577	40,181	42,327	44,445
Transfers received from:									
Fines, penalties and forfeits	1,743	4,189	2,683	4,300	4,300	4,300	4,275	4,822	5,063
Interest, dividends and rent on land	12,412	2,034	730	1,065	1,065	1,065	3,506	3,663	3,846
Sales of capital assets	3,582		1,004						
Financial transactions in assets and	289	1,339	4,151	858	858	858	824	773	811
Total provincial own receipts	96,683	100,405	114,239	105,000	105,000	105,000	131,551	138,684	145,635
Total provincial receipts	3,396,713	4,036,678	4,642,900	5,127,696	5,177,434	5,177,434	4,498,669	5,001,196	5,319,865

### 4.1 Provincial Equitable Share (PES)

The Provincial Equitable Share (PES) is the principal revenue source, which contributes 77 % to the revenue envelope of the Province in 2006/07.

The new equitable share formula consists of the following components. The percentage weight of the components is given in brackets:

- Education (51%) based on the size of the school- age population and the average number of learners enrolled in public ordinary schools in the past 3 years (equally weighted);
  - Health (26%) based on the proportion of the population with or without medical aid (with those without medical aid weighted at four times that of those with medical aid);
  - Basic component (14%) derived from each province of the total national population;
  - Economic activity component (1%) based on gross domestic product by region data; and
  - The newly introduced poverty component (3%) which facilitates a indirect effect of poverty on provincial expenditure.

The equitable share formula has been revised upward in order to address fiscal pressures of provinces. These funds are earmarked for social services, especially schools, primary health care services and hospitals. The overall PES formula remains redistributive in nature, aiming to correct the significant social and economic inequities that informed its initial formulation.

Although the formula has components for Education, and Health, these elements are not earmarked funding allocations, but broad indications of relative need. Provincial Executive Council has discretion regarding the provincial allocation for each function.

### 4.2 Conditional grants

Conditional grants are transfers to provinces to implement specific national priorities in provincial budgets, and constitute 20% of the total transfers to the province in 2006/07.



## **New Conditional Grants**

One of the significant changes in the conditional grant is the introduction of the Recapitalisation of Further Education and Training Grant and the Forensic Pathology Service Grant. The Forensic Pathology service is currently administered by SAPS and National Department of Health and will be shifted to Provincial Department of Health on 1 April 2006.

### **Merging of conditional grants**

*The Human Settlement and Redevelopment Grant – Housing:* Government approved a comprehensive strategy to speed up housing delivery and at the same time develop sustainable human settlements. To streamline the funding for housing development in line with this strategy, the Human Settlement and Redevelopment Grant has been subsumed into the Housing Subsidy Grant to form the Integrated Housing and Human Settlements Grant. The grant is fully phased into the broader Integrated Housing and Human Settlement Grant from 1 April 2006 onwards.

*The Hospital Management and Quality Improvement Grant – Health:* The Hospital Management and Improvement Grant facilitate a range of management development initiatives, including delegations and financial management capacity. It also supports the implementation of a range of hospital quality of care interventions and compliments the objectives of the Hospital Revitalisation Grant. This grant has been integrated in the Hospital Revitalisation Grant.

### **Phasing of conditional grants into the provincial equitable share**

*Integrated Nutrition Programme-Health:* Prior to 2004, the Integrated Nutrition Programme funded the primary school nutrition programme and needy pre-school children under the age of five and was administered by health. The primary school nutrition programme part of the grant shifted to the education sector from 1 April 2004, while health retained a smaller part of the programme. This smaller part, which funds malnourished children under the age of five, was discontinued at the end of this financial year and will be funded through the provincial equitable share. This will be funded through the Provincial Equitable Share.

*Integrated Social Development Services Grant-Social Development:* The Emergency Food Relief Grant was introduced to provide food assistance to individuals and households facing the risk of food security in 2002/03 due to various factors such as drought and high food prices. Due to the poor performance of the grant and the fact that the purpose of the grant was in any case part of the broader function of provincial social development departments it was decided to reconfigure the grant. The Emergency Food Relief Grant was reconfigured, with effect 1 April 2005, into the Integrated Social Development Services Grant. This grant is phased into the provincial equitable share with effect 1 April 2006 where funding will be sourced to sustain its programmes.

*The HIV and Aids (Community-Based Care) Grant – Social Development* funds social welfare services, in conjunction with non-profit organisations, to orphans and vulnerable children who are infected and affected by HIV and Aids. The grant further seeks to develop and support institutional structures, professionals, community workers, and child and youth care workers through targeted training programmes in order to ensure effective support to people affected by HIV and Aids. The grant is phased into the provincial equitable share at the end of this financial year.

Table 1.7: Summary of Conditional Grants by Grant

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
<b>Vote 4: Education</b>	<b>36,436</b>	<b>37,302</b>	<b>56,179</b>	<b>81,211</b>	<b>88,245</b>	<b>88,245</b>	<b>68,995</b>	<b>67,090</b>	<b>71,341</b>
Financial management and quality enhancement	4,917	4,425							
Provincial infrastructure grant	27,730	29,185	32,554	54,265	54,894	55,132	26,891	25,381	28,310
National school nutrition programme grant			21,439	24,628	31,033	31,033	29,647	31,129	32,657
Early childhood development	934	1,900							
Further Education and Training							10,000	8,000	7,620
HIV/Aids grant	2,855	1,792	2,186	2,318	2,318	2,080	2,457	2,580	2,754
<b>Vote 5: Transport</b>	<b>51,197</b>	<b>29,031</b>	<b>97,569</b>	<b>105,959</b>	<b>115,384</b>	<b>115,384</b>	<b>155,489</b>	<b>220,262</b>	<b>230,190</b>
Provincial infrastructure grant	51,197	29,031	97,569	105,959	115,384	115,384	155,489	220,262	230,190
Provincial Legislature building									
National Transport Transition Act									
<b>Vote 7: Sports Arts and Culture</b>			<b>999</b>	<b>2,640</b>	<b>2,640</b>	<b>2,640</b>	<b>6,200</b>	<b>6,920</b>	<b>8,000</b>
Mass sport and recreation participation programme grant			999	2,640	2,640	2,640	6,200	6,920	8,000
<b>Vote 9: Provincial Housing and Local government</b>	<b>77,550</b>	<b>134,390</b>	<b>114,340</b>	<b>85,057</b>	<b>98,823</b>	<b>85,057</b>	<b>108,914</b>	<b>138,190</b>	<b>152,617</b>
Integrated housing and human settlement development grant	58,186	103,940	90,360	79,917	79,917	79,917	104,774	130,976	143,903
Human settlement and redevelopment grant	371	1,467	3,709		3,180				
Provincial infrastructure grant	3,997	3,959	5,136	5,140	5,140	5,140	4,140	7,214	8,714
Mucpal Support Grant					10,586				
Local government capacity building fund grant	11,726	22,931	13,651						
Municipal Infrastructure grant (MIG)	3,270	1,976	1,484						
Capacity building		117							
<b>Vote 10: Health</b>	<b>110,152</b>	<b>179,146</b>	<b>193,136</b>	<b>260,498</b>	<b>318,331</b>	<b>274,730</b>	<b>551,231</b>	<b>598,115</b>	<b>492,860</b>
Hospital management & quality improvement grant	7,334	10,906	14,770	10,083	10,083	8,923			
Integrated nutrition programme grant	10,390	21,617	6,037	3,299		1,598			
Provincial infrastructure grant	7,000	10,065	10,302	11,993	23,266	11,993	11,993	19,164	23,164
Comprehensive HIV and AIDS grant	7,657	11,268	27,293	48,050	52,638	44,470	68,603	72,033	75,966
Health professional training & development grant	28,313	30,007	34,444	41,069	41,069	41,069	41,069	43,122	45,278
National tertiary services grant	24,458	32,892	35,109	76,353	76,353	76,352	92,286	107,975	113,374
Hospital revitalization grant	25,000	55,391	58,246	69,651	110,559	90,325	313,649	334,425	218,951
Forensic Pathology Service Grant					4,363	-	23,631	21,396	16,127
Medico-legal mortuaries		1,000	935						
Drought relief		6,000	6,000						
<b>Vote 11: Social Services and Population</b>	<b>22,839</b>	<b>42,795</b>	<b>75,028</b>	<b>1,344,827</b>	<b>1,335,863</b>	<b>1,314,423</b>			
Financial management and social security system	644	778	226						
Child support grant	132	17,052							
Social assistance transfers grant	18,214	12,095	819	1,232,391	1,232,391	1,203,146			
Social assistance administration grant				94,688	94,688	93,529			
Flagship	160								
Integrated Social Development Services grant				9,998	8,784	9,998			
Child support grant extension			68,020						
Food security		9,854	1,358						
Criminal justice system	1,001								
Victim empowerment programme	28								
HIV and AIDS (community based care) grant	2,660	3,016	4,605	7,750		7,750			
<b>Vote 12 : Agriculture</b>	<b>1,358</b>	<b>1,728</b>	<b>22,651</b>	<b>18,320</b>	<b>58,986</b>	<b>27,205</b>	<b>24,782</b>	<b>41,850</b>	<b>45,012</b>
Comprehensive agricultural support programme			7,674	13,148	15,992	13,148	15,777	28,555	29,926
Land care programme grant	1,358	1,728	1,665	2,000	3,993	11,335	5,785	6,075	6,366
Provincial infrastructure grant			1,013	3,172	5,300	2,722	3,220	7,220	8,720
Drought relief			12,299		33,701	-			
<b>Total</b>	<b>299,532</b>	<b>424,392</b>	<b>559,902</b>	<b>1,898,512</b>	<b>2,018,272</b>	<b>1,907,684</b>	<b>915,611</b>	<b>1,072,427</b>	<b>1,000,020</b>

Table 1.7 shows a summary of national conditional grants to the province by grant type and per department. In terms of allocation per department, the Department of Health is the major recipient of conditional grant. The Hospital Revitalisation Grant increased from R69, 6 million in 2005/06 to R313, 6 million in 2006/07, R334, 4 million in 2007/08 and R218, 9 million in 2008/09.

Department of Health constitutes 60% in 2006/07, 56% in 2007/08 and 49% in 2008/09, followed by the Department of Transport with 17% in 2006/07, 21% in 2007/08 and 23% in 2008/09.

The Further Education and Training (FET) Grant amounts to R10 million in 2006/07, R8 million in 2007/08 and R7, 6 million in 2008/09.

#### 4.4 TOTAL PROVINCIAL OWN RECEIPTS (OWN REVENUE)

As a province we expect to collect an amount of R 131, 5 million from own provincial revenue for the 2006/07 financial year, which is only 3% of the total revenue. This represents a growth of 25% compared to the 2005/06 financial year. For the two consecutive year, 2003/04 and 2004/05 financial years, the province over collected its own revenue by approximately R20 million per annum. The growth in own revenue is therefore based on the above assumption.

With the limited sources of revenue available to provinces, there is also not much room to increase the revenue base to be able to render more services. The Province is basically reliant on national revenues to increase before service delivery can be extended and that is why so much effort is being made to ensure that the Province's concerns are addressed in the revenue-sharing formula.

The biggest source of revenue in the Northern Cape Province, are motor vehicle licenses, and hospital fees. In the light of the budget constraints facing the Province, attempts have been made to take full advantage of the limited revenue sources and ensuring that the taxes are being collected efficiently and effectively. Steps are being taken to improve the collection of own revenue, as this will also enhance the Province's ability to deliver services. A revenue section has been established in the Provincial Treasury to maximise the collection of own revenue.

Table 4.4.1: Summary of Provincial Own Receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
				2005/06					
Office of the Premier	44	38	91	29	29	29	47	50	53
Safety and Liaison	49,813	54,499	58,334	62,343	62,343	62,343	71,959	75,995	79,810
Education	841	3,319	4,311	1,926	1,926	1,926	2,024	2,123	2,229
Transport, Roads and Works	6,580	11,422	5,338	5,286	5,286	5,286	5,896	6,191	6,501
Economic Affairs	9,779	9,426	10,743	10,657	10,657	10,657	15,511	16,286	17,101
Sport, Arts and Culture	93	121	150	41	41	41	41	41	43
Finance	11,465	1,708	631	100	100	100	2,500	2,625	2,756
Housing and Local Government	352	224	354	254	254	254	254	254	267
Health	13,687	17,468	30,496	22,114	22,114	22,114	30,750	32,288	33,902
Social Services and Population Development	561	111	1,079	700	700	700	730	750	788
Agriculture and Land Reform	3,468	2,069	2,012	800	800	800	839	881	925
Tourism, Environment and Conservation			700	750	750	750	1,000	1,200	1,260
<b>Total provincial receipts</b>	<b>96,683</b>	<b>100,405</b>	<b>114,239</b>	<b>105,000</b>	<b>105,000</b>	<b>105,000</b>	<b>131,551</b>	<b>138,684</b>	<b>145,635</b>

Table 4.4.2: Summary of Provincial receipts collection

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
				2005/06					
Tax receipts	57,936	59,803	65,796	68,200	68,200	68,200	82,765	87,099	91,470
Sales of goods and services other than capital assets	20,721	33,040	39,875	30,577	30,577	30,577	40,181	42,327	44,445
Transfers received									
Fines, penalties and forfeits	1,743	4,189	2,683	4,300	4,300	4,300	4,275	4,822	5,063
Interest, dividends and rent on land	12,412	2,034	730	1,065	1,065	1,065	3,506	3,663	3,846
Sales of capital assets	3,582		1,004						
Financial transactions in assets and liabilities	289	1,339	4,151	858	858	858	824	773	811
<b>Total provincial receipts</b>	<b>96,683</b>	<b>100,405</b>	<b>114,239</b>	<b>105,000</b>	<b>105,000</b>	<b>105,000</b>	<b>131,551</b>	<b>138,684</b>	<b>145,635</b>

#### Motor vehicles Licences

This is a major provincial revenue source and the Province is heavily reliant on this revenue as it accounts for 50% of the total provincial own revenue in 2006/07. The expected revenue from this source for the 2006/07 financial year is R66, 210 million, R69, 867 million in 2007/08 and R73, 361 million in 2008/09.

Motor vehicle licenses are the biggest contributor to provincial own revenue, it continues to receive the main focus in terms of ensuring that revenue collections from this source is maximised.

## Hospital fees

The expected revenue from this source account for 21% of the total own revenue in 2006/07. The expected revenue from this source amounts to R30, 750 in 2006/07, an increase by R8, 636 million compare to 2005/06 financial year.

## Gambling and Racing

Gambling taxes will mostly be derived from casino operations. The estimated revenue from this source for the 2006/07 financial year amounts to R15, 511 million, which represents 11.7% of provincial own revenue..

## Interest on Investments

The equitable share and conditional grants, which constitute a major share of the provincial revenue, enable the Provincial Revenue Fund to generate interest on a daily balance. However, the tendency of departmental expenditure continuously exceeding the cash flow requisitions result in a consistent overdraft and as such in the Province being deprived of the interest receivable. An amount of R2, 5 million is the most reasonable estimate for the 2006/07 financial year.

## 5. PAYMENTS

### 5.1 Overall position

- **Financial year 2006/07: R 4,395,336 million**
- **Financial year 2007/08: R 4,855,468 million**
- **Financial year 2008/09: R 5,152,583 million**

### 5.2 Payments by Vote

Table 5.2.1 summarises the total budget per vote.

Table 5.3.1: Summary of Provincial Payments and Estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
					2005/06				
Office of the Premier	62,964	70,360	66,798	85,913	87,912	87,913	94,455	90,540	94,587
Legislature	33,990	33,912	43,363	42,265	46,465	42,265	51,819	51,421	54,232
Safety and Liason	30,008	38,380	41,220	50,505	50,505	50,505	58,717	59,053	62,381
Education	1,170,298	1,288,150	1,396,322	1,533,228	1,566,262	1,566,207	1,643,645	1,800,317	1,955,712
Transport, Roads and Works	294,344	245,983	312,707	309,743	337,919	337,919	365,923	445,722	493,648
Economic Affairs	34,093	41,012	32,557	66,500	70,634	70,625	67,571	71,143	75,125
Sport, Arts and Culture	38,937	46,782	48,360	54,582	61,324	62,506	61,470	71,213	76,837
Finance	45,037	66,945	44,421	67,366	67,366	64,229	79,249	80,110	84,116
Housing and Local Government	149,547	244,355	234,476	208,231	252,342	261,551	259,865	293,877	316,089
Health	607,851	831,914	835,297	941,303	1,037,047	1,072,169	1,290,434	1,399,951	1,371,964
Social Services and Population Development	910,190	1,144,875	1,506,773	1,504,057	1,517,041	1,471,943	214,173	262,351	311,003
Agriculture and Land Reform	59,874	64,144	89,981	115,322	156,380	156,380	128,446	148,212	165,578
Tourism, Environment and Conservation	16,672	19,639	26,419	49,151	49,151	49,151	59,487	60,181	68,869
<b>Total payments and estimates</b>	<b>3,453,805</b>	<b>4,136,451</b>	<b>4,678,694</b>	<b>5,028,166</b>	<b>5,300,348</b>	<b>5,293,363</b>	<b>4,375,254</b>	<b>4,834,091</b>	<b>5,130,141</b>
<b>Statutory Amount*</b>	<b>13,428</b>	<b>16,943</b>	<b>17,882</b>	<b>19,530</b>	<b>19,530</b>	<b>19,569</b>	<b>20,082</b>	<b>21,377</b>	<b>22,442</b>
<b>Total</b>	<b>3,467,233</b>	<b>4,153,394</b>	<b>4,696,576</b>	<b>5,047,696</b>	<b>5,319,878</b>	<b>5,312,932</b>	<b>4,395,336</b>	<b>4,855,468</b>	<b>5,152,583</b>

\* Amount forming a direct charge on the Provincial Revenue Fund

### 5.3 Payments by economic classification

Table 5.3.1 shows provincial expenditure by economic classification.

Table 5.3.1: Summary of Provincial Payments and Estimates by Economic Classification

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
<b>Current payments</b>	<b>2,146,613</b>	<b>2,589,042</b>	<b>2,954,898</b>	<b>3,073,009</b>	<b>3,197,577</b>	<b>3,250,969</b>	<b>3,409,333</b>	<b>3,700,137</b>	<b>4,018,237</b>
Compensation of employees	1,528,728	1,720,271	1,952,005	2,185,072	2,185,880	2,184,320	2,389,486	2,535,038	2,671,902
Goods and services	613,503	868,703	765,944	887,808	1,011,568	1,066,032	1,019,847	1,165,099	1,346,335
Interest and rent on land			637			488			
Financial transactions in assets and liabilities	1,835	68	1,076	129	129	129			
Unauthorised expenditure	2,547		235,236						
<b>Transfers and subsidies:</b>	<b>1,057,131</b>	<b>1,347,114</b>	<b>1,503,292</b>	<b>1,674,365</b>	<b>1,754,210</b>	<b>1,724,337</b>	<b>497,526</b>	<b>554,984</b>	<b>611,229</b>
Provinces and municipalities	67,035	112,213	164,303	121,033	158,688	163,946	118,435	117,902	124,490
Departmental agencies and accounts	292	1,187	4,339	1,587	1,587	36,424	5,277	8,685	9,831
Universities and technikons	2,162	4,640	1,066	8,000	7,000	2,729	3,070	3,224	3,385
Public corporations and private enterprises	7,734	26,847	14,613	33,654	42,687	6,757	34,000	29,373	30,841
Foreign governments and international organisations									
Non-profit institutions	162,768	158,528	141,543	169,119	185,880	181,555	211,910	243,316	276,179
Households	817,140	1,043,699	1,177,428	1,340,972	1,358,368	1,332,926	124,834	152,484	166,503
<b>Payments for capital assets</b>	<b>250,061</b>	<b>200,295</b>	<b>220,504</b>	<b>280,792</b>	<b>348,561</b>	<b>318,057</b>	<b>468,395</b>	<b>578,970</b>	<b>500,675</b>
Buildings and other fixed structures	162,666	160,365	164,578	232,483	284,184	259,326	402,868	495,885	433,323
Machinery and equipment	86,696	39,930	55,343	47,945	61,383	55,710	63,185	80,669	64,969
Cultivated assets			177	8		-1			
Software and other intangible assets	258		406	356	2,994	3,022	2,342	2,416	2,383
Land and subsoil assets	441								
<b>Total economic classification</b>	<b>3,453,805</b>	<b>4,136,451</b>	<b>4,678,694</b>	<b>5,028,166</b>	<b>5,300,348</b>	<b>5,293,363</b>	<b>4,375,254</b>	<b>4,834,091</b>	<b>5,130,141</b>
<b>Statutory Amount*</b>	<b>13,428</b>	<b>16,943</b>	<b>17,882</b>	<b>19,530</b>	<b>19,530</b>	<b>19,569</b>	<b>20,082</b>	<b>21,377</b>	<b>22,442</b>
<b>Total</b>	<b>3,467,233</b>	<b>4,153,394</b>	<b>4,696,576</b>	<b>5,047,696</b>	<b>5,319,878</b>	<b>5,312,932</b>	<b>4,395,336</b>	<b>4,855,468</b>	<b>5,152,583</b>

\* Amount forming a direct charge on the Provincial Revenue Fund

### 5.4 Payments by policy area

Table 5.4.1: Summary of Provincial Payments and Estimates by Policy Area

Table 5.4.1: Summary of payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
General Public Services	150,315	182,809	166,643	208,177	214,376	210,177	238,267	235,480	247,014
Safety and Liaison	30,670	38,985	41,778	51,237	51,237	51,237	59,496	59,921	63,292
Economic Affairs	389,527	352,505	436,475	493,167	566,535	526,734	563,644	666,891	736,257
Environmental Protection	16,672	19,639	27,199	49,917	49,917	49,917	60,302	61,010	69,739
Department of Housing	150,217	245,076	235,037	208,997	253,108	234,813	260,680	294,706	316,959
Health	608,508	832,624	836,022	942,069	1,037,813	1,085,962	1,291,249	1,400,858	1,372,916
Sport, Arts and Culture	39,549	47,343	47,343	57,864	53,014	50,424	62,249	72,120	77,789
Education	1,170,965	1,288,873	1,398,672	1,531,410	1,576,036	1,621,607	1,644,424	1,801,224	1,956,662
Social protection	910,810	1,145,540	1,507,407	1,504,858	1,517,842	1,482,061	215,025	263,258	311,955
<b>Total</b>	<b>3,467,233</b>	<b>4,153,394</b>	<b>4,696,576</b>	<b>5,047,696</b>	<b>5,319,878</b>	<b>5,312,932</b>	<b>4,395,336</b>	<b>4,855,468</b>	<b>5,152,583</b>

#### 5.4.1. Education

An amount of R1, 644, 424 million has been allocated to Education. This represents 37 % of the total provincial budget in 2006/07 and an increase of 7 % over 2005/06 .

#### 5.4.2. Social Development

R215,025 million has been provided for Social Development for the 2006/07 financial year. This represents 5% of the total 2006/07 provincial budget. The provision shows 30% less than the corresponding amount for the 2005/06 financial year. This is as a result of migration of Social Security Grant from the Department to SASSA. Factoring out Social Security Grant in 2005/06, the budget shows an increase of 21%. The South African Social Security Agency (SASSA) is now in a position to administer the social assistance function. Thus, from 1 April 2006, the delivery of social security assistance will no longer be administered through a conditional grant.

#### 5.4.3. Health

Health has been allocated an amount of R1, 291,249 million for the 2006/07 financial year. This amount represents 28% of the total provincial budget for 2006/07 and is a 37% increase on the corresponding provision for Health for 2005/06. The core function is the provision of health care, which focuses on the District Health System as the major locus of implementation. Primary health care services within a District Health System are achieved through clinics, community health centers

and district hospitals. Secondary health care is available at Gordonia and Kimberley Hospitals with a limited range of tertiary services currently available at Kimberley Hospital. In addition the training of student nurses as well as a range of post diploma qualifications through the Henrietta Stockdale Nursing College is also being financed.

#### 5.4.4. Economic Affairs

The Economic Affairs Function includes the Departments of Economic Affairs, Agriculture and Land Reform, and the Roads and Transport functions of the Department of Transport, Roads and Works. The allocation for this function for the 2006/07 financial year amounts to R563, 644 million, which is 13% of the total provincial budget. This allocation should be sufficient to continue on the path of economic development in the Province. These functions are complemented by the activities of various public sector corporations and extra-budgetary government agencies. The RDP calls for the building of the economy – both sustainable, accelerated growth and a redistribution of income and opportunities.

#### 5.4.5. Housing and Community Amenities

The allocation for the Department of Housing and Local Government for the 2006/07 financial year amounts to R260, 680 million, which is 6% of the total provincial budget.

#### 5.4.6. General Public Services

The General Public Services Function consists of the Votes Premier, Legislature, and Finance. The total allocation for this function for the 2006/07 financial year is R238, 267 million.

#### 5.4.7. Recreation, Culture and Religion

The allocation for this function for 2006/07 amounts to R62, 249 million, which is 7, 5% more than the corresponding provision for 2005/06.

#### 5.4.8. Public Order and Safety

The Public Order and Safety Function consist of the Department of Provincial Safety and Liaison. The total allocation for this function for the 2006/07 financial year amounts to R59, 496 million, an increase of 16% over the 2005/06 budget.

### 5.5 Infrastructure payments

The Infrastructure Delivery Improvement Programme (IDIP) is aimed at addressing identified problems that have undermined effective delivery of infrastructure in provinces. The IDIP technical support will be extended to the provincial departments of Public Works as part of Phase II which will focus on fast tracking improved delivery of school infrastructure.

Table 5.5.1 shows Capital Infrastructure by Vote

Table 5.5.1: Capital Infrastructure payments and estimates by Vote

Table 9.3.1: Capital infrastructure payments and estimates by vote									
	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06					
Education	6,279	28,917	14,618	30,668	31,297	23,977	13,535	13,063	13,716
Transport, Roads and Works	150,141	92,968	99,660	102,867	109,402	104,401	137,454	204,227	220,985
Sport, Arts and Culture	1,600	3,505	5,501	10,000	13,738	15,363	10,000	10,000	10,000
Housing and Local Government			83			81			
Health	4,645	30,436	40,911	78,016	115,485	111,527	233,385	247,050	164,071
Social Services and Population Development		4,539	3,608	10,694	13,194	3,694	8,000	21,036	23,217
Agriculture and Land Reform						45			
Tourism, Environment and Conservation			197	238	1,068	238	494	509	534
Total	162,665	160,365	164,578	232,483	284,184	259,326	402,868	495,885	432,523

The Department of Housing and Local Government will focus mainly on the construction and delivery of 3000 houses. Major projects for Health include the construction of two new hospitals in Kimberley and Postmasburg respectively. The Department of Social Services and Population Development will construct two new secure centres in Springbok and De Aar. Transport, Roads and Public Works will reseal and regravell various roads in the province. The Department of Education and Public Works will accelerate the delivery of schools infrastructure in the province. The Mayibuye Cultural Centre started in 2003/04 and will be completed during the 2006/07 financial year.

## 5.6 Transfers

### 5.6.1 Transfers to public entities

A summary of all transfers to public entities is presented and summarised by transferring department. The details thereof are to be presented in the relevant Vote as referred to in Section 5.5.1 of Budget Statement 2 in this document.

Table 5.6.1.1 Summary of Provincial Transfers to Public Entities by Transferring Department

	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
Tourism, Environment and Conservation				2,500	2,500		3,000	3,376	3,562
Total				2,500	2,500		3,000	3,376	3,562

### 5.6.3 Transfers to local government

A summary of all transfers to local government, by category, is presented here.

Table 5.6.2.1 Summary of Departmental Transfers to Local Government by Transferring Department

	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
Office of the Premier		979	91	103	103	103	37		
Legislature									
Safety and Liaison		13	19	2,031	2,031	2,031	2,022	2,000	2,000
Education									
Transport, Roads and Works	43,855	29,516	68,900	46,578	64,499	64,499	49,373	51,842	54,693
Economic Affairs		4	16			62	20		
Sport, Arts and Culture		3,234	3,396	3,837	4,247	4,247	1,637	2,244	2,356
Finance									
Housing and Local Government	11,777	63,145	54,865	43,681	57,892	48,496	47,557	51,416	54,353
Health	2,747	5,022	2,029	5,960	8,670	4,861	6,318	6,698	7,097
Social Services and Population Development			237	221	306	269	78		
Agriculture and Land Reform	102	110	168	156	156	156	50	9	9
Tourism, Environment and Conservation	9	12	31	898	898		261		
Total provincial transfers	58,490	102,035	129,752	103,465	138,802	124,724	107,353	114,209	120,508

Table 5.6.2.2 Summary of Departmental Transfers to Local Government by Category

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2006/07	2007/08	2008/09
	2002/03	2003/04	2004/05						
				2005/06					
Category A		983	107	103	103	165	57		
Category B	12,953	32,288	19,733	28,980	34,802	26,433	26,130	25,936	25,127
Category C	45,537	68,764	109,912	74,382	103,897	98,126	81,166	88,273	95,381
Total provincial transfers	58,490	102,035	129,752	103,465	138,802	124,724	107,353	114,209	120,508

Definitions of municipal categories as defined in the Constitution of South Africa, Act No 108, are as follows:

- Category A:** A municipality having exclusive municipal executive and legislative authority within its area. These are often known as “metropolitan areas”. There are no metropolitan municipalities in the Northern Cape.
- Category B:** A municipality that shares municipal executive and legislative authority with a category C municipality within whose area it fall, such municipality are often referred to as “local municipalities”.
- Category C:** A municipality having municipal executive and legislative authority in an area that includes more than one municipality, such a municipalities are often referred to as a “district municipalities”.

## 5.8 Personnel numbers and costs

Table 1.19 provide a summary of personnel numbers for the province

**Table 1.17: Summary of Personnel numbers and costs by Vote**

Personnel numbers	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007
Office of the Premier	175	200	176	269	282	286
Legislature	79	93	102	134	134	134
Safety and Liason	129	176	179	264	258	264
Education	9,221	9,359	9,347	9,347	9,347	9,347
Transport, Roads and Works	411	395	410	435	435	435
Economic Affairs	59	54	57	129	129	129
Sport, Arts and Culture	171	168	162	178	368	387
Finance	79	135	144	231	231	231
Housing and Local Government	294	354	254	449	471	635
Health	4,334	4,554	5,225	5,432	5,665	5,665
Social Services and Population Development	599	619	718	1,032	732	880
Agriculture and Land Reform	279	306	341	393	427	427
Tourism, Environment and Conservation	60	66	84	120	147	151
<b>Total personnel numbers *</b>	<b>15,890</b>	<b>16,479</b>	<b>17,199</b>	<b>18,413</b>	<b>18,626</b>	<b>18,971</b>
Total personnel cost (R thousand)	1,528,728	1,720,271	1,952,005	2,184,320	2,389,486	2,535,038
Unit cost (R thousand)	96	104	113	119	128	134

\* Full-time equivalent



# **ANNEXURE TO BUDGET STATEMENT 1**

**Table A.1(a) Payments summary by policy area**

FUNCTION	CATEGORY	DEPARTMENT	PROGRAMME
<b>GENERAL PUBLIC SERVICES</b>	Legislative	Premier	Administration
			Management services
		Provincial Legislature	Administration
			National Council of Provinces
			Management services
	Financial and fiscal affairs	Finance	Administration
			Financial planning and resource management
			Financial management
			Procurement
			Management services
<b>PUBLIC ORDER AND SAFETY</b>	Police services	Provincial Safety and Liaison	Administration
<b>ECONOMIC AFFAIRS</b>	General economic affairs	Economic Affairs	Administration
			Trade, industry and tourism development
			Economic and development services
			Consumer protection and inspectorate services
			Management services
	Agriculture	Agriculture	Administration
			Agricultural development and research
			Veterinary services
			Conservation management
			Environmental management
			Specialist environmental services
			Management services
		Transport	Roads
		Safety	Road traffic and law enforcement
			Transport
		Communication	Tourism
<b>ENVIRONMENTAL PROTECTION</b>	Environmental protection		Conservation management
			Environmental management
			Specialist environmental services
<b>HOUSING AND COMMUNITY AMENITIES</b>	Housing development	Housing	Technical service
			Planning and development
<b>HEALTH</b>	Outpatient service	Health	District health services

Table A.1(b) Detail of expense by policy area

	Outcome			Main appropriati	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
R thousand	2002/03	2003/04	2004/05	2005/06			2006/07	2007/08	2008/09
<b>General Public Services</b>									
Executive and Legislature	104,605	115,132	121,460	140,010	146,209	142,010	158,166	154,463	161,946
Office of the Premier	63,781	71,231	67,628	86,845	88,844	88,845	95,447	91,597	95,697
RDP									
Provincial Legislature	40,824	43,901	53,832	53,165	57,365	53,165	62,719	62,866	66,249
Financial and Fiscal Services	45,710	67,677	45,183	68,167	68,167	68,167	80,101	81,017	85,068
Provincial Treasury	45,710	67,677	45,183	68,167	68,167	65,030	80,101	81,017	85,068
General Services (Public Works, Local Government)									
<b>Total: General Public Services</b>	<b>150,315</b>	<b>182,809</b>	<b>166,643</b>	<b>208,177</b>	<b>214,376</b>	<b>210,177</b>	<b>238,267</b>	<b>235,480</b>	<b>247,014</b>
<b>Public Order and Safety</b>									
Police Services	30,670	38,985	41,778	51,237	51,237	51,237	59,496	59,921	63,292
Safety and Liaison	30,670	38,985	41,778	51,237	51,237	51,237	59,496	59,921	63,292
<b>Total: Public Order and Safety</b>	<b>30,670</b>	<b>38,985</b>	<b>41,778</b>	<b>51,237</b>	<b>51,237</b>	<b>51,237</b>	<b>59,496</b>	<b>59,921</b>	<b>63,292</b>
<b>Economic Affairs</b>									
General Economic Affairs	34,093	41,012	32,557	66,500	70,634	71,891	67,571	71,143	75,125
Dept of Economic Affairs	34,093	41,012	32,557	66,500	70,634	71,891	67,571	71,143	75,125
Agriculture	60,488	64,813	90,574	116,123	157,181	116,123	129,298	149,119	166,532
Dept of Agriculture Affairs	60,488	64,813	90,574	116,123	157,181	116,123	129,298	149,119	166,532
Transport	294,946	246,680	313,344	310,544	338,720	338,720	366,775	446,629	494,600
Department of Transport	294,946	246,680	313,344	310,544	338,720	338,720	366,775	446,629	494,600
<b>Total: Economic Affairs</b>	<b>389,527</b>	<b>352,505</b>	<b>436,475</b>	<b>493,167</b>	<b>566,535</b>	<b>526,734</b>	<b>563,644</b>	<b>666,891</b>	<b>736,257</b>
<b>Environmental Protection</b>									
Environmental Protection	16,672	19,639	27,199	49,917	49,917	49,917	60,302	61,010	69,739
<b>Total: Environmental Protection</b>	<b>16,672</b>	<b>19,639</b>	<b>27,199</b>	<b>49,917</b>	<b>49,917</b>	<b>49,917</b>	<b>60,302</b>	<b>61,010</b>	<b>69,739</b>
<b>Housing and Community Amenities</b>									
Housing Development	150,217	245,076	235,037	208,997	253,108	234,813	260,680	294,706	316,959
Department of Housing	150,217	245,076	235,037	208,997	253,108	234,813	260,680	294,706	316,959
<b>Total: Housing and Community Amenities</b>	<b>150,217</b>	<b>245,076</b>	<b>235,037</b>	<b>208,997</b>	<b>253,108</b>	<b>234,813</b>	<b>260,680</b>	<b>294,706</b>	<b>316,959</b>
<b>Health</b>									
Outpatient services	17,404	44,449	46,023	49,909	67,949	88,857	177,742	155,689	93,215
R and D Health (CS)	8,018	11,109	17,079	26,239	27,274	27,556	33,670	34,301	35,081
Hospital Services	18,123	2,903	23,906	34,735	75,643	54,735	151,300	201,300	148,300
Health	564,963	774,164	749,014	831,186	866,947	914,814	928,537	1,009,568	1,096,320
<b>Total: Health</b>	<b>608,508</b>	<b>832,624</b>	<b>836,022</b>	<b>942,069</b>	<b>1,037,813</b>	<b>1,085,962</b>	<b>1,291,249</b>	<b>1,400,858</b>	<b>1,372,916</b>
<b>Recreation, Culture and Religion</b>									
Sporting and Recreational Affairs	39,549	47,343	48,930	55,314	62,056	62,964	62,249	72,120	77,789
Sport, Arts and Culture	39,549	47,343	48,930	55,314	62,056	62,964	62,249	72,120	77,789
<b>Total: Recreation, Culture and Religion</b>	<b>39,549</b>	<b>47,343</b>	<b>47,343</b>	<b>57,864</b>	<b>53,014</b>	<b>50,424</b>	<b>62,249</b>	<b>72,120</b>	<b>77,789</b>
<b>Education</b>									
Public primary phase	494,935	678,302	739,233	792,313	809,633	802,931	898,478	1,022,725	1,129,347
Public secondary phase	427,233	299,159	302,600	317,178	338,786	338,786	333,635	362,367	392,616
Adult Basic Education and Training	9,211	21,576	21,576	24,390	23,043	23,043	24,165	25,292	26,550
Education not define by level	239,586	289,836	335,263	397,529	404,574	456,847	388,146	390,840	408,149
<b>Total: Education</b>	<b>1,170,965</b>	<b>1,288,873</b>	<b>1,398,672</b>	<b>1,531,410</b>	<b>1,576,036</b>	<b>1,621,607</b>	<b>1,644,424</b>	<b>1,801,224</b>	<b>1,956,662</b>
<b>Social protection</b>									
Social Security Services	803,145	1,017,352	1,358,568	1,327,079	1,327,079	1,305,992			
Social Services and Population Development	107,665	128,188	148,839	177,779	190,763	176,069	215,025	263,258	311,955
<b>Total: Social protection</b>	<b>910,810</b>	<b>1,145,540</b>	<b>1,507,407</b>	<b>1,504,858</b>	<b>1,517,842</b>	<b>1,482,061</b>	<b>215,025</b>	<b>263,258</b>	<b>311,955</b>
<b>Total provincial payments and estimates by policy area</b>	<b>3,467,233</b>	<b>4,153,394</b>	<b>4,696,576</b>	<b>5,047,696</b>	<b>5,319,878</b>	<b>5,312,932</b>	<b>4,395,336</b>	<b>4,855,468</b>	<b>5,152,583</b>