

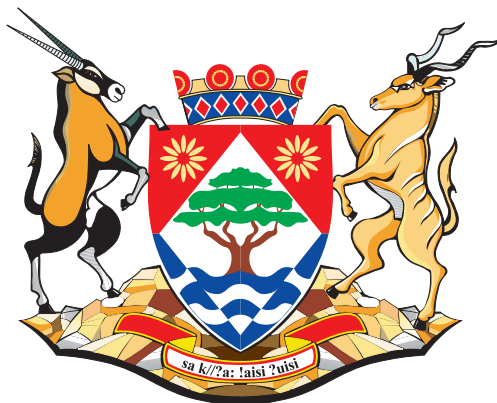
2016

Budget Speech

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MEC for Finance, Economic Development & Tourism
Northern Cape Province

08 March 2016



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HONOURABLE SPEAKER & DEPUTY SPEAKER

HONOURABLE PREMIER, MS SYLVIA LUCAS

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MEMBERS OF THE MEDIA

LADIES AND GENTLEMEN

INTRODUCTION

Honourable Speaker, Let me first and foremost join the chorus on anti-racism. Martin Luther King once said, "I have a dream that one day this nation will rise up and live out the true meaning of its creed: We hold these truths to be self-evident, that all men are created equal."

As long as we consider race beyond the human race there will be racism. We need to get a revelation of what it means to be human. The source of racism is low self-worth and a poor self-concept. Once you realize how valuable you are as a human being and recognize that everybody else is also made in the same image as you are, then equality is an automatic result. The greatest command in the Holy Bible is to love God with all your heart, your soul, and your strength. Then love yourself and love your neighbour to the same degree that you love yourself. Until you love yourself, racism will always be present.

Racism is a sign of self-hatred. It matters not whether you are rich, a church leader or a political leader. If you have problems with people who are different from you, then you are still suffering from self-hatred. If you discover and really understand God and love what God is and who God is, then you'll naturally love yourself because you are made in His image. It's impossible for you to love God and hate your brother or sister.

Honourable Speaker, the budget I table continues to move the Northern Cape Province forward, by focusing on what matters most in these uncertain times. We know our fundamentals are strong

but we see more dangers ahead. The effects of drought are being felt. There is uncertainty in the global economy. Some of our largest trading partners face severe economic problems.

Our balanced approach is responsive enough to meet the challenges coming our way today and tomorrow. It contains innovative, responsible ways to reduce spending to match revenue. This allows us to continue to invest into things that matter most to Northern Cape people. Honourable Speaker, this means more money goes to priorities such as schools, roads and hospitals, while at the same time we reaffirm our commitment to fiscal stability.

Honourable Speaker, governments around the world continue to confront the need to contain spending while providing important services. In lean times, families and businesses find ways to ensure that they have money for the things that they need.

Our government is also doing its part to reduce spending while ensuring the needs of Northern Cape people are met. In this regard we will continue to maximise the efficiency and cost effectiveness of government's operations and services finding all possible savings from within.

Macroeconomic Outlook

Honourable Speaker, the world economy is experiencing a period of slowing growth, only this time the key areas of weakness are found in the emerging markets. The International Monetary Fund estimates that global economic growth slowed to 3.1 per cent last year, down from 3.4 per cent in 2014. This was driven by a considerable slowdown in emerging market growth to a six-year low of 4 per cent from 4.6 per cent in 2014. Meanwhile, gross domestic product growth in advanced economies increased marginally to 1.9 per cent last year. The slower pace of economic expansion in China played a major role in the weaker performance of emerging market economies last year. Emerging market growth was constrained through the channels of slower export growth into China, lower commodity prices, currency weakness and financial market volatility. These factors along with domestic challenges saw emerging market economies like Brazil and Russia suffer recessions in 2015.

Honourable Speaker, global economic growth has persistently disappointed since the financial crisis hit in 2009. This is due, in part, to high levels of indebtedness, excess capacity as well as weak fixed investment growth in many parts of the world. However, these challenges are being exacerbated by longer-term trends such as falling productivity growth, the technological displacement of jobs, and a downshift in global trade. While these trends present both

opportunities and challenges, it appears as if emerging market economies are most at risk in the current environment, especially from an employment perspective.

National Economy

Honourable Speaker, South Africa like other commodity exporting nations, is facing a terms of trade shock as a result of the persistent decline in commodity prices since 2011. This has been exacerbated by periods of protracted labour unrest and electricity supply shortages. More recently, the severe drought conditions have begun to weigh on activity in the agricultural sector. At an aggregate level, corporate profit growth in the third quarter of 2015 known as the gross operating surplus was at its lowest level on record at 0.3 per cent year-on-year. This was due to declining profitability in agriculture, mining, and manufacturing.

Pressure on corporate income suggests that investment, consumption, and hiring by the private sector will be muted in 2016. Further compounding South Africa's weak short - to long- term growth prospects is the diminishing confidence shown in the domestic economy by international credit ratings agencies. The 'credit rating' is used by investors and borrowers to gauge credit worthiness of an economy and the recent status downgrades by Fitch, Moody's Investor Services and Standard & Poors negatively impact on the cost of borrowing and capital outflows. It is thus imperative to restore confidence in the domestic economy by reiterating government's commitment to austerity and fiscal conservatism so as to avoid job losses and further economic cooling.

Honourable Speaker, meanwhile, the inflation outlook has also deteriorated. After averaging 4.6 per cent in 2015, inflation is expected to accelerate to 6.8 per cent in 2016 and 7 per cent in 2017. The elevated inflation trajectory is largely as a result of multiple supply-side shocks which are expected to feed into consumer prices over the forecast horizon. These include a sharp depreciation of the exchange rate, a spike in domestic maize prices, and above-inflation electricity tariff increases. The domestic drought conditions have forced South Africa to import maize, which means that the depreciated exchange rate is now a determinant of the local maize price. As a result of this double whammy, food inflation is expected to reach 11 per cent this year. Furthermore, the economic growth for South Africa is projected to grow at less than a per cent in 2016 and this is not enough to raise employment or improve average incomes.

Provincial Economy

Honourable Speaker, according to Statistics South Africa the economic growth of South Africa and the Northern Cape followed the same general trend from 2004 to 2010. Both the national and provincial economies experienced their highest growth levels in 2006 at 5.6 and 4.9 per cent respectively. In the years under review, the national GDP growth rate consistently outperformed that of the Northern Cape, except for 2012 which saw the Northern Cape's growth rate exceeding that of the nation by 1.1 percentage points. The estimated and forecasted growth figures from 2015 to 2017 show expectations of a positive yet low growth for South Africa.

In terms of districts' contribution to provincial economy, the Frances Baard District contributed the largest share towards the GDP of the province in 2014 at 32.7 per cent followed by ZF Mgcawu District at 24.3 per cent. Namakwa contributed the least at 10.5 per cent for this period. The structure of the provincial economy remained mostly unchanged, with mining remaining the largest industry contributing 25.5 per cent to the provincial economy. However, it should be noted that the province is also negatively impacted by the developments in both the global and national economies as well as the effects of the drought that are weighing into some of the economic sectors like Agriculture.

Honourable Speaker, Statistics South Africa further indicates that in our province there were 8 000 jobs shed between quarter 4 of 2014 and quarter 4 of 2015. On a quarter to quarter basis, there were 10 000 jobs gained between quarter 3 and quarter 4 in 2015. The number of unemployed people decreased from 161 000 in quarter 3 of 2015 to 108 000 in quarter 4 of 2015. The good news is that after a shocking unemployment rate of 34.8 per cent in quarter 3 of 2015, the rate of unemployment declined to 25.8 per cent in quarter 4 of 2015.

Honourable Speaker, focusing on the provincial sectors' contribution to employment, the following is evident; the tertiary sector had the largest number of workers most of them coming from the community services and social services in quarter 4 of 2014 and quarter 3 and 4 of 2015. The secondary sector registered the smallest number of workers for the period under study. The primary sector was the only sector that experienced an increase in the employment percentage share from 18.5 per cent in quarter 3 of 2015 to 20.9 per cent in quarter 4 of 2015. Between quarter 4 of 2014 and quarter 4 of 2015 the total number of workers decreased by 8000.

People of the Northern Cape, are always positive and what makes them like that is,

- They have got a responsible government that they trust;
- They have got a government that cares;
- They have a government that knows their pain and suffering.

Kunzima! Indeed even during these trying times people of the Northern Cape deserve the best services from their government.

Provincial Economic Review and Outlook

Honourable Speaker, in the 2016/17 financial year the Provincial Treasury will publish the Provincial Economic Review and Outlook (PERO) which excludes the districts and their local municipalities. The Provincial, District and Local Municipalities Socio-Economic Review will now be tabled every 5 years to coincide with the publication of the Census and Community Survey publications of Statistics South Africa. This will give more credibility to the social indicators contained in the document as these are the official statistics. Therefore, with official statistics being published on a provincial level every year, the PERO will be published annually.

Honourable Speaker, The PERO contains an informative analysis on the socio economic conditions of the province, therefore the provincial government is invited and even urged to use this publication to assist with decision making and identifying the gaps that we need to address to fight the triple challenge of unemployment, poverty and inequality.

Infrastructure

Honourable Speaker, if we are to maintain our core priorities such as education, health and social programmes and be able to grow revenue it is essential that we grow a strong and prosperous economy. Our efforts are aptly demonstrated by our capital budget and infrastructure programmes. Our MTEF stimulus plan will invest an amount of **R6.3 billion** in job creation projects.

Honourable Speaker, we project to spend an amount of **R2.2 billion** in 2016/17 financial year in our infrastructure portfolio and this amount will total to **R6.6 billion** over the next three years. Of the total amount to be spent, **R3.2 billion** will be directed towards maintaining and repairing infrastructure in the province, whilst an amount of **R1.3 billion** is earmarked for upgrades. A further amount of **R365 million** will go towards rehabilitation and renovations.

Cost Cutting Measures

Honourable Speaker, in view of the slow growth and fiscal consolidation, there is a need to intensify cost containment measures to achieve maximum benefits and efficacy in spending. We have imposed expenditure and growth ceilings in most goods and services items to ensure that they do not increase above inflation, except in items that are driven by conditional grants and have a direct bearing on service delivery like HIV/AIDS grant which the framework allows for extensive campaigns and advertising to reach out to communities as part of HIV/AIDS awareness programmes. However, other cost drivers such as travelling, advertising, venues and many others have been capped at inflation. We will continue to monitor closely these expenditure patterns and take necessary action to completely eradicate wasteful expenditure in the system.

Honourable Speaker, the cost containment signals provincial government's stance on prudent financial management and to this extent, Provincial Treasury has further refined cost containment measures and departments and public entities must ensure total enforcement of these measures.

Personnel represent the largest single category of our Government's expenditure. Significant growth has taken place in public sector staffing over the past years. To ensure that human resources are deployed where most needed, all departments will undertake a review of their staffing over the coming months.

Honourable Speaker, we announced during the adjustment budget in November 2015 that the Executive Council has resolved to impose a moratorium on the filling of vacant posts across departments; we are moving towards full implementation to formalize this decision through a treasury directive to cap headcounts.

Honourable Speaker, based on this decision, Provincial Treasury in collaboration with the Office of the Premier is developing the following additional measures to manage headcounts in the province:

- All vacant posts to be frozen with immediate effect for both departments and public entities. If there are any absolutely critical posts that need to be filled, a submission by the relevant department must be made to Provincial Treasury and Office of the Premier for approval, public entities should channel their requests through the respective Executive Authority;
- Where posts become vacant through natural attrition, these may not be filled without receiving approval from the Provincial Treasury and Office of the Premier;

- Any revised organogram which have the effect of increasing a department's or entity's total staff number may not be implemented. Any revisions to organograms must be approved by EXCO;
- A detailed assessment must be done of each department's and entity's personnel in order to remove non-productive staff to critical service delivery posts;
- No leave days will be converted into pay-out and this does not apply to leave pay-outs when staff is exiting the public service.

Honourable Speaker, we are hopeful that these interventions will help us achieve two things; firstly, we need to find a balance between the ratio of frontline services and administrative staff and secondly stabilize headcount growth.

Whilst we agree and acknowledge that public entities play an important role in providing certain service on behalf of government, we cannot be oblivious to the challenges faced by some of our entities especially as it relate to governance.

Honourable Speaker, work is at an advanced stage to rationalize some of our entities in the province. We will provide further details in the near future in this regard. This will assist us to consolidate entities that duplicate functions and to merge some entities to make them more relevant and cost effective. Therefore no new appointments to be done at public entities, even advertised post should not be filled.

Honourable Speaker, some of the areas that will need Provincial Treasury's prior approval include:

- Requests for events, however lavish and expensive events will not be approved;
- Outbound missions, to be limited to relevant officials and Members of the Executive Council;
- Fighting against government assets abuse, cars, telephones, ambulances etc;
- Maximum use of government buildings before leasing is considered;
- Donations and sponsorships made by departments and public entities towards events must be submitted to Provincial Treasury prior to making such donations or sponsorships;
- New expenditure items/projects/mandates will be permitted only if they are funded through internal reprioritization by the department and /or public entity. Motivation for such

programmes that require new funding from the fiscus must be submitted to Provincial Treasury for assessment;

- All requests for equitable share roll overs will be critically assessed by Provincial Treasury before submission to Executive Council for approval;
- Accounting Officers to have consequences for failure to manage finances effectively.

Honourable Speaker, it is imperative that these cost containment measures be adhered to in order to protect service delivery spending in the province.

The full package of these measures will be formalized through a treasury instruction to ensure full compliance by all departments and entities in the province. We will spare no effort to save government money from wasteful practices.

Ons doen die, because the people of the Northern Cape deserves the best services from their government.

FRAUD AND CORRUPTION

King Charles I in a speech delivered on a scaffold, in 1649. "I have a good cause, and a gracious God (on my side) I go from a corruptible to an incorruptible crown, where no disturbances can be, no disturbance in the world."

Ladies and gentlemen, as the government of the Northern Cape we can wait until we die, in order to be incorruptible, we should deal with corruption in our life time, without fear, favour or prejudice. Honourable Speaker, during the tabling of Provincial Medium Term Budget Policy Statement, I said, "Improving financial accountability and fighting corruption are essential for good governance". Let me reiterate this by emphasizing that good governance is a fundamental right in a democracy and it brings about transparency and accountability. Good governance entails an administration that is sensitive and responsive to the needs of the people.

Honourable Speaker, corruption is the abuse of public office for private gain and impedes a state's ability to use its available limited resources progressively to achieve the full realization of socio-economic rights as resources are diverted into the pockets of public officials. It is costly, not only for the general public but mainly for the poor as resources which are supposed to address their needs are diverted away from them. I refer in this regard to those "tenderpreneurs" who enrich themselves through corrupting the awarding of government tender contracts, mostly based on

corrupt relationships, who are overcharging the state and producing shoddy workmanship. This in turn compromises the quality of public services to the poor.

In recent years, the financial crisis put stronger focus on making sure that taxpayers' money is not wasted through corruption or other financial mismanagement. We need to deal with the cancer of corruption head on.

Honourable Speaker, we need to entrench the moral fibre in our society to deal with this scourge of corruption. Corruption has become an accepted way of life in society and it has reached a stage where the public not only tolerated corrupt activities, but even encouraged it by offering bribes to attain services, to jump queues, bribing law enforcement officers, selling RDP houses and so on. There is an acute need to re-engineer the social culture and attitudinal formations of our communities so as to embed a corruption intolerant culture in the people. A corrupt free environment which we all desire is only possible through a concerted, collaborative, multi-pronged and multi-sectoral effort to fight corruption. Given that corruption exist in all sectors of the society and that perpetrators come from the entire social fabric, I therefore call upon private sector or business community, civil society, religious organizations, trade unions among others to declare war against corruption.

Honourable Speaker, one of the measures implemented to combat corruption and non-compliance with Supply Chain Management prescripts in government is the implementation of the National Central Supplier Database effective 01 April 2016 for National and Provincial government institutions and 1 July 2016 for local government institutions.

The National Central Supplier Database will interface with South Africa Revenue Services, the Companies and intellectual Property Commission, Government payroll systems, Department of Home Affairs and South African Accreditation System as well as all commercial banks. It will electronically verify a supplier's tax and BEE status and enable public sector officials doing business with the state to be identified. This intervention will not only reduce the administrative burden for Supply Chain Management practitioners and address many of the concerns raised by the Auditor- General. It will also address the public's perception that government officials are utilising procurement opportunities in government to their advantage because public sector officials will be identified on the National Central Supplier Database when they conduct business with the state.

Honourable Premier, if we can use the department of Health as a pilot, the following can be done:

- Millions are diverted away from our people;
- Public servants, are influenced and they can negatively influence outcomes on procurement;
- Collusion will collapse the state and people will suffer;
- Self-enrichment, to the expense of the state should be discouraged.

Stop then train of corruption, because people of the Northern Cape deserves the best services!!!

Municipal Support Programme

Honourable Speaker, Provincial Treasury embarked on intensive hands-on programme that would assist struggling municipalities to improve their audit outcomes. This has led to an increased level of monitoring and support to all municipalities particularly on assets, supply chain management and other asset related audit findings.

Honourable Speaker, the focus in the 2016/17 financial year is to rollout and intensify the intervention in those municipalities who continue to obtain disclaimer audit opinions in the province. Whilst we acknowledge that issues in the municipalities range from a wide spectrum of financial management disciplines the main focus area is around asset management based on the assessment made on the audit outcomes reports.

Honourable Speaker, notwithstanding the massive use of consultants by municipalities there is still a minimal improvement on the audit outcome reports. Provincial Treasury is in a process of assessing and evaluating all service level agreements of the consultants in municipalities. Those consultants who are not adding value to municipalities their contracts will need to be relooked and if necessary even be terminated.

Honourable Speaker, our assistance and intervention in municipalities will be coupled with stricter conditions such as among others good governance, appropriate controls, and stability within the municipalities. As we already indicated in our previous budget speech failure to comply with these conditions will leave the Provincial Treasury with no other option but to withdraw its assistance both in terms of financial and human capital resources.

Honourable Speaker, in line with cooperative governance agreement signed between department of Cooperative Governance Human Settlements and Traditional Affairs and Provincial Treasury

the Executive Council has approved the de-establishment of the municipal finance unit in the department of Cooperative Governance Human Settlements and Traditional Affairs and be shifted to Provincial Treasury. This will eliminate the duplication and allow the department to focus on governance issues as required by the Municipal Systems Act and Municipal Structures Act.

FISCAL AND BUDGET FRAMEWORK

Honourable Speaker, the budget we table in this house today is significantly different compared to what was published in the 2015 Medium Term Budget Policy Statement in that, it has been revised downward due to a number of new priorities that should be catered for at a national level without breaching the expenditure ceiling.

There are two downward adjustments applied in the provincial equitable share, the first one amounted to **R38.9 million** over the 2016 MTEF is targeted at inefficiencies in the system especially non-core spending. This was followed by another cut amounting to **R394.8 million** over the 2016 MTEF in relation to the compensation of employee's budgets in order to change the current composition of staff. This effectively means that we can no longer add numbers in the system moving forward until additional funds are available.

Honourable Speaker, the total reduction on the equitable share over the 2016 MTEF period amounts to **R433.8 million**, notwithstanding the constrained economic climate we need to re-affirm and assure the citizens of this province that the provincial fiscal framework is undoubtedly sound and healthy to the extent that we have managed to protect the baselines of social sector departments from this cut.

Honourable Speaker, total equitable share from national amounts to **R35 billion** over the 2016 MTEF, after factoring in the net adjustments and the function shift to national Health in respect of the Human Papillomavirus Vaccine which will be administered by the national department.

The only addition in the equitable share of the province is an amount of **R948 million** over the 2016 MTEF provided for the 2015 wage agreement carry through effect.

Conditional Grants are set to increase by an average growth of 2.6 per cent over the MTEF from **R3.8 billion** in the 2016/17 financial to **R4 billion** in 2018/19 financial year, whilst provincial own revenue grows from **R314 million** to **R351 million** which constitute an average increase of 5 per cent over the same period.

Honourable Speaker, total provincial receipts are projected to grow from **R14.9 billion** in 2016/17 financial year to **R16.8 billion** in 2018/19 financial year which represents an average growth of 5.6 per cent. Total receipts for the province amount to **R47.5 billion** over the next three years. Whilst total payments for the province are projected to grow from **R14.8 billion** in 2016/17 financial year to **R16.3 billion** in 2018/19 financial year which total to **R46.5 billion** over the MTEF period.

Honourable Speaker, we cannot over emphasize the need to optimize provincially own collected revenue. This becomes more important in the context of a sustained reduction in the provincial equitable share. After various engagements with municipalities on the challenges with regards to paying over of the money in respect of the collection of motor vehicle licence fees in the province, the provincial government has resolved to move the function to the South African Post Office. We also encourage people doing businesses in the Northern Cape to register and renew their vehicle licences in the province.

Honourable Speaker, we are focusing on assisting the department of Health to improve its revenue collection by strengthening systems at the centres of collection. We also aim at introducing new systems to deal with non-collection and non-payment by medical aid patients and those that can afford to pay. We are also planning to establish the Inspectorate unit which will assist in strengthening internal controls in all revenue collection centres.

Honourable Speaker, due to the negative impact that illegal gambling has in our revenue base, we will be increasing number of Inspectors to specifically focus on eradication of illegal gambling machines.

Honourable Speaker, national government's commitment to maintain the expenditure ceiling required that baseline allocations for provincial conditional grants be reduced. Some of significant reductions over the MTEF relates to the Human Settlement Development Grant which has been reduced with an amount of **R58.6 million**, Comprehensive Agricultural Support Grant with an amount of **R34.7 million** and the Community Library Services Grant by **R4.1 million**.

Honourable Speaker, to finalize the construction of the Substance Abuse Secure Centre in Kimberley, an amount of **R43 million** is allocated in the 2016/17 financial year. This additional allocation has been topped up by **R25 million** compared to what was allocated in the 2015/16 MTEF budget which amounted to **R18 million**. An additional amount of **R14.2 million** in the

2017/18 financial year and **R17.7 million** in 2018/19 financial year is added to operationalize the treatment facility.

Honourable Speaker, the Comprehensive HIV and AIDS Grant will extend its focus to now include Tuberculosis (TB). This includes the continued expansion of the Antiretroviral Treatment Programme, HIV prevention and to cater for the TB screening and treatment. In this regards the name of the grant will change to the *Comprehensive HIV, AIDS and TB grant* to reflect the new objectives of the conditional grant. The increase of **R56.6 million** in the outer year of the MTEF is provided to cater for TB screening and treatment.

A new conditional grant to expand Early Childhood Development services and improve basic maintenance of ECD facilities will start in 2017/18 financial year. An amount of **R8.8 million** has been allocated for this purpose in the two outer years of the MTEF.

Honourable Speaker, in moving towards the introduction of a National Health Insurance (NHI) system, two funding streams, direct and indirect, were created. In 2016/17 financial year, the NHI direct grant to provinces will come to an end as the effectiveness of this grant in preparing for the roll out of NHI has been quite opaque. To this end, the National Health Insurance is reconfigured to form the National Health Grant and consequently the last trench of the NHI to the province amounts to **R7.5 million** in the 2016/17 financial year.

Honourable Speaker, the province will spend **R44 million** in the 2016/17 financial year on Extended Public Works Programme (EPWP) towards the creation of 16 693 job opportunities in the province. This money is allocated to various departments but will be coordinated by the Department of Roads and Public Works.

Honourable Speaker, in line with the resolution of the Budget Lekgotla of 2015 that any unauthorized expenditure incurred after the Finance Act of 2012 becomes a first charge against the funds allocated for the next or future financial years under the relevant vote in terms of Section 34 of the Public Finance Management Act (PFMA). To date an amount of **R58 million** has been recovered as a first charge against various affected departments.

MEDIUM TERM EXPENDITURE ESTIMATES

Honourable Speaker, I will now turn my focus to the main expenditure proposals for the 2016 MTEF period whose details are set out in the Estimates of Provincial Revenue and Expenditure (EPRE).

The Estimates of Provincial Revenue and Expenditure contains information and details at programme and sub programme level of all provincial departments including planned transfers to Public Entities and Municipalities in the province.

Honourable Speaker, Service Delivery Measures which include key performance indicators and planned annual targets linked to the Annual Performance Plans of all departments are also included in the EPRE. This information is intended to assist the portfolio committees in providing their oversight responsibilities.

2016 MTEF Spending Plans

Honourable Speaker, to maintain fiscal balance, we will continue to invest in our foremost priorities of education and health. We know that Northern Cape people want the best possible future for their children and that in the long term, that future depends most of all on our education system from the early years onwards. To ensure this, Government has invested strongly in education.

Honourable Speaker, once again I need to remind members that this budget is underpinned by continuous cuts in the equitable share and a commitment to maintain the expenditure ceiling. The only additions in the 2016 budget framework as I already indicated relates to the Improvement on Conditions of Services, some adjustments made on conditional grants and carry through effects of provincial priorities funded in the 2015/16 adjustment budget.

Social Sector Services

Honourable Speaker, despite huge reductions in the equitable share, social sector spending continues to drive our expenditure. The Departments of Health and Education spending continue to grow over the medium term and account for 64 per cent of the total provincial budget in the 2016/17 financial year.

Investing in Education

Honourable Speaker, over the medium term, Education will focus on improving school infrastructure, improving curriculum delivery, continue to deliver Learner Teacher Support Material on time and provide school nutrition to all deserving learners in the province.

To this end, the department is set to spend **R5.4 billion** in the 2016/17 financial year and a total of **R17.1 billion** over the MTEF and as a total of the provincial budget education constitutes 35.1 per

cent. Compensation of employees remains the main cost driver and account for **R4.1 billion** in the 2016/17 financial year or 76 per cent of the total budget for education.

With respect to conditional grants an amount of **R670 million** is allocated in the 2016/17 financial year and grows to **R689 million** in the outer year of the MTEF. Over the MTEF the department will spend a total of **R2.0 billion**.

Honourable Speaker, to deal with the delivery of school infrastructure and to provide for the completion of existing projects an amount of **R462 million** over the MTEF in respect of the School Infrastructure Backlog grants has been incorporated into the Education Infrastructure Grant. This has increased the allocation of the Education Infrastructure Grant to **R1.4 billion** over the next three years.

Honourable Speaker, to ensure that the programme continue to contribute to the national development plan's priority of eliminating poverty, an amount of **R475 million** over the MTEF is provided for the National School Nutrition Programme as a conditional grant and furthermore, an amount of **R32. 2 million** over the MTEF is reprioritized from the equitable share to ensure provincial wide coverage in providing nutritious meals to learners. A total number of 289 545 learners in 501 schools across the province will benefit from this programme in the 2016/17 financial year.

Honourable Speaker, to provide for the salary adjustments which was higher than budget for, an amount of **R292.1 million** over the 2016 MTEF is allocated to deal with this shortfall.

Honourable Speaker, our Government will continue to invest in education because education is the best investment we can make in our future. Education enables individuals to have a good income, to be healthy and to have a high quality of life. An educated workforce increases productivity and enables our economy to grow.

Promoting Health

Honourable Speaker, when we invest in learning, we are investing in our future and we are mindful that we must also respond to the needs of today to improve the health and wellbeing of our people.

Honourable Speaker, as the population ages, high quality health care services are increasingly important to our people and Government has responded to that priority throughout years. We

have invested strongly to increase physicians and other health human resources to strengthen primary health care.

The department of Health will spend **R4.1 billion** in the 2016/17 financial year and expenditure will grow to **R4.6 billion** in the outer year at an average growth of 4.1 per cent over the MTEF. Over the next three years, total expenditure will amount to **R13.1 billion**. Included in the expenditure are conditional grants of **R1.3 billion** in the 2016/17 financial year and over the next three years expenditure will amount to **R4 billion**.

Honourable Speaker, during the 2015 adjustment budget we allocated funding for the appointment of administrative support officials in all clinics and community health centres in the province with an intention to improve the general administration in these facilities. An amount of **R43.4 million** over the first two years of the MTEF is allocated to the department as carry through costs for this initiative. Furthermore, an amount of **R159.4 million** over the MTEF is allocated to deal with the carry through effects of the Improvements on Conditions of Service.

Honourable Speaker, the department will spend **R1.5 billion** in the next three years on the Comprehensive HIV, AIDS and TB grant which has been increased with an amount of **R70.4 million** in the outer two years of the MTEF to extend Anti-Retroviral Treatment coverage and the TB scope.

Health Revitalization Grant is allocated a total amount of **R1.2 billion** over the next three years to deal with health infrastructure in the province. An amount of **R150 million** in the first two years of the 2016 MTEF is earmarked for the completion of the Mental Hospital and **R85 million** is also provided towards the new De Aar hospital over the same period. We have also provided an amount of **R189 million** towards maintaining our health infrastructure portfolio in the province.

Social Protection

Honourable Speaker, over the medium term, the department of Social Development will focus on improving household access to food and nutrition, protecting and promoting the rights of children and complete and operationalize the Substance Abuse Centre.

The Department of Social Development will spend **R773 million** in the 2016/17 financial year and expenditure will grow to **R833 million** in the outer year of the MTEF and this translate to an average growth of 5 per cent over the MTEF. The Department of Social Development will spend **R2.3 billion** over the MTEF.

Honourable Speaker, the very heart and soul of a society is represented by its Non-Governmental Organizations. These are the unsung volunteers who are out there every day making life better for our fellow citizens. In this regard an amount of **R647 million** over the MTEF is set aside for the Non-Governmental Organizations in the province to support their sustainability.

Honourable Speaker, an amount of **R18 million** was provided in the current financial year for the construction of a Substance Abuse Treatment Centre. The 2016/17 budget further provide an amount of **R25 million** to allow for the completion of the Centre. In addition, amounts of **R14.2 million** in the 2017/18 financial year and **R17.7 million** in the 2018/19 financial year is provided to operationalize the Centre.

A new conditional grant to expand Early Childhood Development (ECD) services and improve basic maintenance of ECD facilities is introduced in the 2017/18 financial year and an amount of **R3.7 million** is provided as a new baseline in this regard.

Honourable Speaker, a total amount of **R23.4 million** over the MTEF is also provided to cater for the carry through effects of Improvement of Conditions of Service.

Social Cohesion

Honourable Speaker, the Department of Sport, Arts and Culture is responsible for the promotion, development and the transformation of arts and culture, museums and heritage in the province. Over the medium term, the department will focus on commemorative days, provide for artistic expression and capacity building in the fields of music, dance, craft and drama.

Our role in ensuring social cohesion cannot be over emphasized, especially in the wake of recent racial tensions in our country. We need to stand together to fight this scourge as a collective.

Honourable Speaker, the Department of Sport, Arts and Culture is allocated an amount of **R352 million** in the 2016/17 financial year and this grows to **R394 million** in the outer year of the MTEF.

The following priorities amounting to **R32.2 million** over the next three are provided as carry through effects of pressures funded during the adjustment budget of 2015. Of the total allocation, **R7 million** is made available for the capacitation of library services, **R9 million** is made available as a top up for the celebration of commemorative days in the province, **R9.5 million** is earmarked for the operationalization of the Northern Cape Theatre while an amount of **R3 million** is made

available as financial assistance to the Heritage Resource Authority and an amount of **R3.1 million** is set aside for the Safeguarding of Multi-Purpose Sport Facilities in districts.

Honourable Speaker, the Community Library Services Grant is allocated an amount of **R492 million** over the MTEF for the construction of new library infrastructure and procurement of library materials in the province. The Mass Sport Participation is allocated a total amount of **R107 million** over the next three years to facilitate sport and recreation participation.

With regard to Improvement of Conditions of Service, an amount of **R9.5 million** over the MTEF is provided to deal with carry through effects of the shortfall.

Economic Sector

Honourable Speaker, the National Development Plan has placed specific emphasis on the creation of decent jobs that will enable the poor to participate in the economy. The Medium Term Strategic Framework's Outcome 4 refers to decent employment through economic growth.

Total spending in the economic sector amount to **R3.1 billion** or 21 per cent of the total provincial budget in the 2016/17 financial year, this amount will increase to **R3.4 billion** in the outer year of the MTEF.

Honourable Speaker, investing in infrastructure is important to ensure economic growth and development as well as the quality of life of all our people.

The Department of Roads and Public Works expenditure will amount to **R1.4 billion** in the 2016/17 financial year and grows to **R1.6 billion** in the outer year of the MTEF. An amount of **R905 million** in the form of Provincial Road Maintenance Grant has been allocated in 2016/17 financial year and grows to **R1 billion** the last year of the MTEF to supplement provincial roads investments support preventative maintenance on provincial road networks, and to ensure that the province implement and maintain road asset management systems. An amount of **R19 million** has been allocated over the next three years in respect of the Improvement on Conditions of Service.

To facilitate and promote an enabling environment for economic growth and development in the Northern Cape, the department of Economic Development and Tourism is allocated an amount of **R278 million** in the 2016/17 financial year and spending grows to **R307 million** in the outer year of the MTEF with an average growth of 5 per cent.

Included in the budget for the department are carry through costs for priorities funded during the 2015 adjustment budget. This includes the shortfall in respect of the Improvements on Conditions of Service amounting to **R10.2 million**, and **R5.7 million** for the additional costs of municipal services as well as additional inspectors of the Gambling Board amounting to **R8.3 million** over the MTEF. Honourable Members, due to illegal gambling in the province there is a need to increase the inspectors.

Honourable Speaker, it is worth noting that the transfer payments to public entities under the auspices of the department will amount to **R45 million** in the 2016/17 financial year and totals **R145 million** over the MTEF period.

The Department of Environment and Nature Conservation is responsible to ensure an environment that is not harmful to the health of citizens. The department is also responsible to provide environmental management and conservation.

To this end, the department is provided with a total amount of **R141 million** in the 2016/17 financial and this grows **R155 million** in the last year of the MTEF with an average growth of 5 per cent, included in this amount is **R7.1 million** over the next three year to deal with the shortfall in Improvement on Conditions of Service.

Honourable Speaker, the Department of Agriculture, Rural Development and Land Reform remains a key contributor to economic growth and a catalyst for job creation. The department is allocated an amount of **R552 million** in the 2016/17 financial year and **R1.6 billion** over the next three years to expedite land and agrarian transformation and facilitate rural development programmes that contribute to vibrant, equitable and sustainable rural communities in the province.

Honourable Speaker, an amount of **R405.2 million** over the next three years is provided for the Comprehensive Agriculture Support Programme to expand the provision of agricultural support services, promote and facilitate agricultural development by targeting smallholder and previously disadvantaged farmers in the province.

An amount of **R15.3 million** over three years is also provided to deal with the Improvement on Conditions of Service shortfall.

Honourable Speaker, we also announced during the adjustment budget of 2015 that an amount of **R64 million** relating to the flood disasters was suspended due to slow spending. Currently, all systems have been put in place and this amount is made available in the 2016/17 financial year.

Honourable Speaker, the department of Co-operative Governance, Human Settlements, and Traditional Affairs is responsible for the creation of sustainable human settlements in the province. The budget of the department amounts to **R676 million** in the 2016/17 financial year and grows to **R772 million** in the outer year, an average growth of 2.5 per cent over the MTEF.

To support the demarcation process of //Khara Hais and Mier municipalities an amount of **R4 million** is made available in the 2016/17 financial year for disaster management.

Honourable Speaker, the Human Settlement Development grant has been reduced by an amount of **R58.6 million** over the MTEF. The reduction is as a result of the commitment to maintain the expenditure ceiling, this capital expenditure can be postponed without negatively affecting delivery in the sector. Despite the reduction, the department is projected to spend **R1.2 billion** in the coming three years.

Honourable Speaker, an amount of **R35 million** in the 2016/17 financial year is ring fenced for the development of mining towns in Tsantsabane, Ga-Segonyana; Gamagara and Kgatelopele Municipalities.

An amount of **R16.7 million** over the MTEF is also made available to cater for the shortfall in Improvement on Conditions of Service.

Governance and Administration Sector

Honourable Speaker, the share of the Governance and Administration sector is **R966 million** or 6.5 per cent of the total provincial budget in the 2016/17 financial year and is expected to grow to **R1 billion** in the outer year of the MTEF.

Honourable Speaker, the Department of Transport, Safety and Liaison is allocated an amount of **R367 million** in the 2016/17 financial year and grows to **R406 million** in the outer year this represents an average growth of 4.6 per cent over the MTEF. The department projects to spend **R1.2 billion** over the next three years.

The Public Transport Operations Grant for bus subsidies has been allocated an amount of **R49 million** in the 2016/17 financial and grows to **R54.5 million** in the last year of the MTEF and **R155. 6 million** over the next three years.

Provincial Treasury is allocated an amount of **R222 million** in the 2016/17 financial year and grows to **R248 million** in the last year which represents an average growth of 3 per cent over the MTEF and set to spend **R703 million** over the next three years. Included in the allocation to Provincial Treasury is an amount of **R11.9 million** over the MTEF in respect of the shortfall on the Improvement on Conditions of Service.

Office of the Premier is allocated an amount of **R209 million** in the 2016/17 financial year and grows to **R233 million** in the outer year with an average growth of 3.4 per cent over the MTEF, and is set to spend **R662.8 million** over the next three years.

Office of the Premier is allocated an additional amount **R14.9 million** in the 2016/17 financial year inclusive of Improvement on Conditions of Service to provide for the carry through effects of the pressures funded in the 2015/16 adjustment budget.

Honourable Speaker, an amount of **R167 million** is allocated to the Provincial Legislature in the 2016/17 financial year and grows to **R187 million** in the outer year of the MTEF. The Provincial Legislature will spend **R531. 4 million** over the MTEF towards its aim of serving the people of the Northern Cape by building a developmental institution for effective law making, public participation, accountability and oversight over the Executive and municipalities.

NORTHERN CAPE 2015/16 SECOND APPROPRIATION ADJUSTMENT

Economic Development and Tourism

Honourable Speaker, Northern Cape Provincial Government identified tourism through the provincial growth and development strategy as a crucial and vibrant sector that must contribute towards improving the long term socio economic wellbeing of the people of the province.

Honourable Speaker, government has prioritized entrepreneurship and the advancement of SMMEs as a catalyst to achieving sustainable levels of economic growth and development. During KDC week, SMME development as a function of the Department of Economic Development and Tourism benefits the province in three distinct ways: service provider contracting, SMME skills development training and vendor opportunities.

Honourable Speaker, The Northern Cape Provincial Government entered into a sponsorship agreement with Kumba Iron Ore in August 2013 through the Department of Economic Development and Tourism to sponsor the event for a period of three years ending in the current financial year 2015/16.

Honourable Speaker, when the adjustment processes were finalized in November 2015, the last trench of the sponsorship in respect of the 2015/16 financial year which amounted to **R11 million** was not yet transferred into the provincial revenue fund by Kumba Iron Ore and this money could therefore not be included in the budget of the Department of Economic Development and Tourism as part of the adjustment appropriation Bill. Subsequently an amount of **R11 million** was transferred and received into the provincial revenue fund as per the agreement in February.

Honourable Speaker, let me take this opportunity to thank Kumba Iron Ore for their contribution and hope that they will continue to partner the provincial government and share in our endeavors to improve the lives of our people.

Cooperative Governance, Human Settlement and Traditional Affairs

Honourable Speaker, in an effort to ensure that provinces do not under-spend, section 19 of the Division of Revenue Act, 2015 (Act 1 of 2015) (DORA) makes provision that the National Treasury may at the request of a transferring National Officer stop the transfer of a conditional grant allocation to a province if there is a projected under-spending and compelling reasons that the province will under-spend the allocated grant in that particular financial year. Section 20 further stipulates that the stopped portion of the allocation be re-allocated to one or more provinces on condition that the allocation will be spent in the financial year or the next financial year.

In compliance with the said section of DORA, the Department of Human Settlements stopped a total amount of **R908.3 million** from Gauteng province, following the slow spending by that province, of which a total amount of **R100 million** was re-allocated to the Northern Cape Province, primarily to supplement provincial investments for the creation of sustainable and integrated human settlements.

Honourable Speaker, the additional funding will be used for the construction of 550 top structures.

Conclusion

Honourable Speaker, this budget is tabled at a time when the economic environment globally is improving slowly. In this regard, Honourable Members, we must act decisively and swiftly to ensure that future generations are not burdened with costs of increased debt. By making choices now, the Government is taking the necessary steps to reinforce the fundamental strength to grow economy in order to sustain growth, create sustainable high quality jobs of tomorrow, preserve social programmes and sound public finances, and deliver continued prosperity for generations to come.

Honourable Speaker, the Government's priority for this MTEF budget is to deliver better public services within tight fiscal constraints. Spending restraint is not a handbrake on providing better public services. In fact, big increases in spending have often been a measure of failure, rather than a measure of success. Our approach has been to spend well, not to spend up. The Government's spending focused on programmes that will achieve results and improve the lives of Northern Cape people and their families.

Honourable Speaker, in this regard we believe that Budgets are about careful stewardship of public money, and investing wisely in programmes to improve people's lives and help grow the economy. In the end, it is the effective use of public money, not the amount of it that makes a positive difference to the lives people.

I pay tribute to our Premier for her leadership and unending support. I must also acknowledge the insight and support of my Executive Council colleagues to whom the public responsibility for the measures being taken will rest.

Honourable Speaker, for the past number of months, the Heads of Departments and Chief Financial Officers have worked diligently to make sure that Provincial treasury is provided with necessary and credible information.

I am also thankful to the acting HOD of Provincial Treasury, for his continued support and advise to ensure that provincial treasury fulfils its mandate. Let me also nod my head to display a sign of appreciation to the dedicated, hard-working professionals of Provincial Treasury including the Ministry staff responsible for putting this budget together to ensure that it is tabled timeously, despite the difficult fiscal choices under the current economic climate. Last but not least, let me thank my family for their continued support.

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

- The Northern Cape Appropriation Bill, 2016;
- The Northern Cape 2015/16 Second Adjustment Appropriation Bill,
- The Northern Cape Estimates of Provincial Revenue and Expenditure for the 2015 MTEF,
- Provincial Economic Review and Outlook; and
- The budget Speech.

Finally, people of the Northern Cape, let us join hands, work together and move towards the same goal, with commitment, determination, deduction and a shared vision with our government.

Yes, because you deserve the best services from your government.

I thank you

