

**ADDRESS TO THE PROVINCIAL LEGISLATURE ON THE OCCASION OF  
TABLING OF THE NORTHERN CAPE APPROPRIATION BILL 2019 AND  
THE SECOND ADJUSTMENT BILL FOR THE 2018/19 FINANCIAL YEAR  
BY MR.M.N JACK (MPL), MEC FOR FINANCE ECONOMIC  
DEVELOPMENT AND TOURISM**

**06 March 2019**

**HONOURABLE SPEAKER & DEPUTY SPEAKER**

**HONOURABLE PREMIER, MS SYLVIA LUCAS**

**MEMBERS OF THE EXECUTIVE COUNCIL**

**HONOURABLE MEMBERS OF THE PROVINCIAL LEGISLATURE**

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**EXECUTIVE MAYORS AND COUNCILLORS**

**DIRECTOR-GENERAL, HEADS OF DEPARTMENTS & MUNICIPAL  
MANAGERS**

**CEOs OF ENTITIES**

**DISTINGUISHED GUESTS,**

**COMRADES AND FRIENDS**

**MEMBERS OF THE MEDIA**

**OUR LISTERNERS AT HOME**

**LADIES AND GENTLEMEN**

## Introduction

Honourable Speaker, I stand before this August House today to give account, reflect and most importantly humble myself to the people of the Northern Cape whom in their overwhelming majority continue to put their trust and future aspirations in the hands of this glorious organisation, the African National Congress (ANC).

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

1. *The Northern Cape Appropriation Bill, 2019;*
2. *The Northern Cape Second Appropriation Bill, 2018/2019;*
3. *The Northern Cape Estimates of Provincial Revenue and Expenditure for the 2019 MTEF,*
4. *Provincial, Socio Economic Review*
5. *The Northern Cape Capital Estimates of Provincial Expenditure for the 2019 MTEF*
6. *Gazette of allocations to municipalities*

**Honourable Speaker,** the year 2019 marks the final year of the 2014 Medium Term Strategic Framework (MTSF), which was the plan for implementation of the National Development Plan (NDP) and served as the principal guide to the planning and the allocation of resources.

In order for us to improve the living conditions of our citizen, the effective implementation of the MTSF and NDP was crucial to achieve our objectives.

It goes without saying, that in achieving these objectives, we were faced with extreme challenges, such as economic growth rates that were below projections, thus necessitating the implementation of cost containment measures, increase in unemployment rates and downgrades by financial institutions.

**Honourable Speaker**, in the 2019 State of the Province Address, our Premier, Mme Sylvia Lucas, summarised the implementation of the MTSF and NDP very well when she said;

*“Good governance and accountability stand at the forefront of building a capable state and to this end the province has finalised its first Provincial Evaluation Plan in 2018 with the aim of ensuring that a culture of continuous improvement in service delivery is maintained in the Province, reflecting on performance and making the change there- by reducing the gaps between vision and reality.”*

During the National Budget speech in Parliament last month, the Minister of Finance, Hon Tito Mboweni, made a grand entrance with an iconic South African plant called, the *Aloe ferox*.

Yes! it has always been a tradition of South African Ministers to bring in to the house all method of fruits to make clever symbolic points about how hard times are- **but why the Aloe? one may ask.**

Even though the Minister has explained the rationale behind the plant, in the article which appeared in the *Mail & Guardian* titled, “**A necessary bitter aloe to swallow**, Business Consultant, **Vukani Mde**, captured the Minister’s mood very well when he indicated that the *Aloe ferox* is a reminder of what we have within us that it is tough, resilient and perhaps even healing.

In IsiXhosa is called Ikhala. Its bitter sap has been used to heal a number of sicknesses, however, in most cases it will be used resourcefully by mothers by smearing a dash around their nipples when they think it is time to stop breastfeeding an infant.

We can all agree that a bitter aloe is a convincing metaphor. Not tough, or hard, or resilient, JUST BITTER - An unpleasant way to stop us off old habits, as Mde has it well captured, “Habits such as Eskom and the entire accompanying mess that is our country’s state-owned: the immovable feast of bailouts and handouts, the dodgy procurement, bribes and destroyed balance sheet.”

We agree with Minister Mboweni that we cannot continue to pour money down that dark hole any longer.

**Honourable Speaker**, last year during the Medium-Term Budget Presentation, I did indicate that, as we build this nation and walk the path of development, we must be mindful of the realities of our circumstances and those of the changing global economy. The budget proposal was therefore designed against the backdrop of global economic uncertainty.

I further indicated that the policy statement gives us an opportunity to reflect on the context within which we are proposing to fund some of the priorities included in the adjustment, which is a product of extensive consultations with key stakeholders and which should translate to tangible outputs in the short term.

**Honourable Members**, we could not celebrate the 5<sup>th</sup> year of the effective implementation of the MTSF and NDP without asking the people of the Northern Cape to contribute in the 2019/2020 Provincial Budget speech.

**In the lead-up to the drafting of the speech, we ran a Provincial Poll** on our Twitter Account (**@NC Finance, Economic Development and Tourism**), and asked our fellow citizens, which areas they think the Budget should focus on. The results went as follows:

- Health – 8%
- Education – 25%
- **Basic Service Delivery- 43%**
- Infrastructure- 23%

A similar poll was conducted by National Treasury on the same platform, and the majority of the people overwhelmingly voted that **Basic Service Delivery** should take a centre stage.

On my Facebook account as well as that of the department, we asked for Budget Tips with the ***HashTag#TipsForMacJack***. We received an overwhelming respond from the people of the Northern Cape, those who are residing in the Province as well as those who are from the Province but working and studying in other Provinces- and those even those who are not from our Province.

**Honourable Members, it is therefore safe to say, this is the People's Oriented Budget.**

This budget like previous years has been one of the most challenging. The challenges continue to be arising against the backdrop of less than favourable economic growth. High expectations from our communities for the effective and efficient delivery of public goods and services represent a further challenge to the budget.

**Honourable Speaker,** our problems cannot be blamed on external events alone. While some of the most immediate issues may have been triggered by external factors, our fundamental economic problems were also caused by domestic factors. The core structural deficiencies in our economy have existed for decades and are home grown. As has been said, "you only find out who is swimming naked when the tide goes out." The global crisis has in fact revealed large imbalances that were allowed to persist and remain unaddressed for too long.

In the same breath, the Zondo Commission and other Commissions have revealed deep rooted corruption in our system. We therefore cannot afford to sit on our hands and wait for an external recovery, the solution to this crisis must come from us and must be dealt with in our life time. Even though there will be resistance to the fight against corruption, the march towards a better South Africa is unstoppable.

The Northern Cape Provincial Treasury will fight this with more vigour and commitment on behalf of its people. The President once said, the road ahead will not be easy, renewal will sometime pose difficulties.

South Africa is one blessed nation which has a President with a foresight and a vision to see our country renewing itself again. His ambitious agenda for our nation, lays out a series of interventions that will put South Africa on a bold new path.

**Honourable Speaker**, whilst I have listed to a range of challenges, let us not forget the progress we have made to date. There have been significant and sometimes painful decisions that we had to take. Often these decisions were misunderstood and there were many pressures to change course in mid-stream.

Our record of fiscal discipline gave us an edge to continue without fail building new state of the art health facilities, schools, road network, provide healthy nutrition to learners and provide social services to the most vulnerable in our communities.

**Honourable Speaker**, let me also bring to the attention of this House and the Provincial Administration the ramifications of the Public Audit Amendment Act 5 of 2018. This piece of Legislation amongst others provides for the Auditor General to refer suspected material irregularities arising from an audit performed under this Act, to a relevant public body for investigation. Furthermore, this should apply to all in the hierarchy of an organisation; I have always maintained that any senior official or supervisor who is not acting against transgressions or wrong doing is contributing to a culture of organisational decay. This initiative is welcome as it further enhances accountability in dealing with the tax payers' money. The practice of simply ignoring Government processes will soon be a thing of the past here in our Province.

**Honourable Speaker**, let me also take this opportunity to welcome the efforts of National Treasury with the new Budget Reform commonly known as "*VulekaMali*" directly translated as **Open Money**. National Treasury is working with IMALI YETHU, an open coalition of civil society organisations driven by an interest in promoting budget transparency and public participation in the budgetary processes. Internationally, through ranking in the 2017 Open Budget Index (OBI), South Africa came 1<sup>st</sup> out of 115 countries, sharing the position with New Zealand, however, the OBI report shows that South Africa can improve on public participation.

The VulekaMali Online Budget Data will significantly improve and support the involvement of civil society in the budget process.



Whilst the national launch happened on February 2018, in the Northern Cape it was launched on the 28<sup>th</sup> February 2019. This initiative is a further commitment to entrench transparency and budget participation reforms.

## **Macro-Economic Outlook**

### **Global outlook**

Honourable speaker, according to the International Monetary Fund (IMF), the global economy is projected to grow at 3.5 and 3.6 per cent in 2019 and 2020 respectively. Advanced Economies are projected to grow at 2.0 and 1.7 per cent while Emerging Market and Developing Economies are projected to grow at 4.5 and 4.9 per cent respectively over the same period.

### **National and Provincial Economy**

In the National Budget Review, it is indicated that the South African economy is estimated to have grown at 0.7 per cent in 2018 and that it is forecasted to grow at 1.5 per cent this year, 1.7 per cent next year and 2.1 per cent in 2021.

The latest release of the Quarterly Labour Force Survey (QLFS) by Statistics South Africa (Stats SA) shows that the national unemployment rate was 27.1 per cent in the fourth quarter of 2018, decreasing by 0.4 of a percentage points from the third quarter. The number of employed people increased by 149 000 while the unemployed decreased by 70 000 over the same period.

Community and social services followed by Trade were the industries that employed the most people nationally.

In 2016, the Northern Cape economy grew by 0.3 per cent. Mining and quarrying remained the largest industry in the province. The provincial unemployment rate was **25** per cent in the fourth quarter of 2018, which is lower than the national unemployment rate. This was a decrease of 2.0 percentage points from the third quarter. The Community and social services industry absorbed most of the workers followed by Trade and Agriculture.

Honourable Speaker, let me also share some of the mega projects and investments coming through the province. As Members would have read in the media this past weekend, more than **R5 billion** has been invested into the development of Gamsberg to produce 4Mt of zinc ore a year by the Vendanta group. The group is also assessing the feasibility of building a zinc smelter and refinery. We are looking into the long-term, whilst Aggeneys has a population of just over a thousand people currently, this town could develop to a million people once the smelter and refinery takes shape and would further need rail infrastructure.

Honourable Speaker, with regard to the Boegoebaai project, all technical feasibilities, demand flow and commodity mix studies have been conducted to determine the feasibility of building a financially viable Port. The first phase has been completed and the second phase will be finalised by the end of April.

This will lead to the procurement phase of the project which will create **10 000** estimated direct and indirect jobs related to the Port Construction and another **15 000** indirect jobs for the Rail construction.

The Provincial Government will support the application of a Special Economic Zone (SEZ) to the Department of Trade and Industry to link the Gamsberg zinc with Boegoebaai and this will ultimately see other industries related to sulphuric acid and value adding initiatives take off. The Province and especially the Small Medium Enterprises will have to leverage on these opportunities.

## **Municipal Performance**

**Honourable Speaker**, the deteriorating state of local government finances in the province is of serious concern, this is evident by some municipalities' failure to pay salaries and third parties as they become due and persistent negative cash flow positions reported by municipalities. The main contributing factor to this problem is the continuous approval of unfunded budgets by municipalities.

Technical Committee on Finance (TCF) which is a technical structure advising the Budget Council took a resolution that all municipal 2019/20 budgets including the 2018/19 adjusted budgets must be funded. Failure to approve a funded budget by municipalities will result in National Treasury instituting Section 216(2) of the Constitution which empowers the National Treasury to withhold transfers.

Five municipalities in the province have approved Financial Recovery Plans, namely; **Renosterberg, Ubuntu, Dikgatlong, Kai Garib and Magareng.**

In order to ensure traction in the implementation of these plans, Provincial Treasury will establish a Financial Recovery Services unit. The main objective of this unit is to assist municipalities in financial distress to draft and implement the Financial Recovery Plans.

**On our Facebook HashTag#TipsForMacJack, Dimakatso Victor Wolfe, suggests “Set aside money to promote the payment of basic services as these will help municipalities to function better and deliver a service to the communities in the Northern Cape.”**

**Honourable Speaker,** we heard **Mr Wolfes’** concern, with regard to revenue initiatives and the dawn of the Fourth Industrial Revolution, municipalities are expected to be more technological knowledgeable. Provincial Treasury is assisting municipalities to implement revenue enhancement innovations that are more technologically inclined ensuring effective billing and revenue management processes.

Provincial Treasury has made significant strides in addressing the numerous challenges in the revenue value chain, through the implementation of the Data Integrity Testing project in five municipalities during the 2018/2019 financial year, the project is focused on developing systems that will allow municipalities to utilise the latest technology to address challenges of incorrect billing, credit control and indigent management and ensuring correct linkages between municipal general valuation roll and consumer accounts.

**Honourable Speaker,** Government Debt Forum has made some strides in ensuring that municipal accounts are paid on time, coupled to that, Provincial Treasury is working on a project to assist municipalities with charging Property Rates on tribal land and state domestic facilities to improve their cash flow. Emphasising the *Thuma Mina* call- “Pay your municipal bills on time”. Provincial Treasury is assisting municipalities to review current revenue operations in their resorts and nature reserves, improving cash flow from these assets.

In response to the crisis of electricity supply interruptions, Provincial Treasury continues to facilitate talks between Eskom and municipalities on the review of Wheeling agreements, tariffs and payment method to affected municipalities.

The credit control and debt management in municipalities has for a number of years been treated as a finance related function, however the successful implementation calls for an institutional and political effort, and a clear message of zero tolerance for theft of municipal services.

To address these challenges, Provincial Treasury is encouraging district municipalities to play their part in ring-fencing the additional Regional Service Council Levey grant to assist with the introduction of a smart metering system in struggling municipalities. This will allow municipalities to curb water and electricity losses as a result of theft. **Don't steal from yourselves that delays our plan towards a better life for all!!**

In order to ensure that municipalities are in line with the indigent management provisions, Provincial Treasury will assist municipalities with technology to allow accurate and fast verification of indigents, improving the indigent registration and management process.

## Supply Chain Management

Oupa Phiri, makes the following submission;

*“I would like to see more emphasis on SMME development.....it is critical for economic growth in the province. As we focus on SMME development (sic) we need to focus more on core issues as compared to soft issue.....Once more (sic) this will assist us to be competitive to South African markets and the world at large... Thank you MEC for allowing us to contribute in your speech.... Highly appreciated...”*

**Honourable Speaker**, in a bid to ensure business growth of designated groups within the province and to transform the local economy, **Mr Phiri is rest assured** that a Procurement Policy Framework has been developed and approved. The said framework aims to increase public procurement from suppliers within the province significantly.

The implementation of the policy framework will be affected in the 2019/20 financial year with the aim of having the procurement policies of all provincial departments aligned to the objectives of the Procurement Policy Framework by the end of the 2019/20 financial year and this aims to increase local procurement to 60 per cent.

We will continue to prioritise the promotion and support of Small Medium Micro Enterprises (SMME's), and as such, we will increase our efforts to engage with suppliers in the province to update their credentials on the Central Supplier Database in order to enable procurement opportunities to advance designated groups. The Provincial Government will continue to procure 30% of appropriate categories of state procurement from SMME's Co-operatives, as well as township and rural enterprises.

**Please work with us in a responsible manner and stop colluding with public servants to steal from the State.**

## **Infrastructure**

**Honourable Speaker,** Infrastructure Delivery Management Programme within the Public Sector is continuously evolving to ensure synergy and integration. Over the last ten years of infrastructure delivery in the public sector, we have seen the focus shift from only concentrating on Provincial Infrastructure to a more integrated approach between Local and Provincial Government. In terms of infrastructure delivery to foster effective and efficient delivery to support the national agenda of Urban Development and Spatial Transformation more emphasis has been placed on Intergovernmental Relations.



There is also a critical need to focus more intensively on municipalities and the management of urban infrastructure systems and spatial transformation. Therefore, the province will need to focus on developing a provincial infrastructure project pipeline in line with national priorities in terms of infrastructure as a vehicle for economic development focussing on the medium to long term projects in order to drive economic growth through infrastructure and funding methodologies for the province.

Total Provincial Infrastructure spending for the next three years will amount to **R 8.7 billion** of which **R 2.9 billion** will be spent in the 2019/20 financial year. Over the same period, **R 1.3 billion** is earmarked for new and expanded infrastructure including schools, health facilities, and social housing, **R 429 million** for the rehabilitation and refurbishment, **R 430 million** is set aside for non-infrastructure assets such as machinery and equipment, **R 3.8 billion** will be utilised for the maintenance, repairs and upgrading. This clearly demonstrates government's commitment to not only concentrate on building new infrastructure asset but to also maintain the existing ones.

### **Provincial Fiscal Framework**

**Honourable Speaker,** Government's fiscal consolidation instruments are a permanent feature in the province's fiscal framework as part of National Treasury's efforts to manage the primary deficit, and this inevitably impacts directly on our budget. This is further compounded by revenue shortfalls both at national and in the province. As indicated by the Minister of Finance in his budget speech, tax revenue has been revised down by **R15.4 billion** in the year ending March 2019.

It therefore follows that any shortfalls at national government will adversely impact on the estimates of the province.

Despite these challenges, the fiscal sustainability of the province remains a top priority and we have been shown resilience in that we have managed to make provision for some of the emerging provincial priorities over the next three years.

The provincial fiscal framework comprises three components for which I will provide a summation of each, namely; own revenue, equitable share and conditional grants.

Total receipts for the 2019/20 financial year are projected at **R18.3 billion**, which represents **6.4 per cent increase** compared to the 2018/19 position. Total provincial receipts amount to **R58 billion** over the next three years with an average growth of **5.9 per cent**.

**Honourable Speaker**, of the total receipts amounting to **R18.2 billion**, the equitable share constitutes the largest slice amounting to **R13.4 billion** or 73 per cent of the total provincial budget hence any reduction on the equitable share tends to have a significant impact on the fiscal framework. This is followed by conditional grants amounting to **R4.5 billion** which represents 25 per cent followed by our provincially collected own revenue at **R387 million** or 2 per cent in the 2019/20 financial year. This trend remains largely the same over the 2019 MTEF period.

The province's total aggregate payments will total **R18.2 billion** in the **2019/20** financial year and the economic classification is as follows:

- The province will spend **R 1.2 billion** towards infrastructure projects.
- **R1.8 billion** for transfers and subsidies and **R15.2 billion** towards current payments of which compensation of employees amount to **R10.8 billion**.

The budget for compensation of employees is set to grow by an average of 7 per cent over the next three years well above the projected consumer price index (CPI).

Education and Health continues to drive employment numbers in the province, these two departments constitute 78 per cent of the total provincial budget in respect of personnel expenditure.

**Honourable Members**, as part of Government's intervention to manage the wage bill, it is estimated that 30 000 people across the country will take up subsidised early retirement with no penalties applied. This dispensation will target employees between the ages of 55 and 59 years old. The province currently has **three thousand, six hundred and thirty-four** (3634) employees within this age-bracket-which makes it 12 per cent of the 30 000 - This will be managed in a considerate and sensitive manner.

Assuming that these officials will opt for this opportunity, the province will realise significant savings as officials likely to replace this cohort will be appointed on first notches. The ripple effect will also allow these vacancies to open at the lower echelon to provide for young people to access employment opportunities, The Minister of the Department of Public Service and Administration is working on the specific modalities and the departments will be kept abreast in this regard, **and this is not a dream but a reality!!**

**This will help address the challenge of youth unemployment as a concern which was raised by many young people including the ANC Youth League Provincial Secretary, Cdes Neo Maneng, Thembisile Msengana and Luyolo Bosman and others, when they said; *“Honourable MEC, key in your budget speech should be, Youth fund, infrastructure and SMME development for job creation among the youth.”***

We agreed on what the above gentlemen said, hence we aim at creating jobs for the youth through:

- Districts to get back the function of road building and maintenance.
- Extension EPWP of EPWP program
- Artisan training and deployment of young people
- Support a marine job project with China.

## Equitable Share Adjustments

**Honourable Speaker**, I indicated in my speech last year that the National Treasury has undertaken to review the Provincial Equitable Share Formula (PES), which aims to incorporate the Rural Component into the formula, considering rural and urban cost differentials. Although work was targeted on defining “rural” so as to better differentiate between **rural vs urban** cost differentials in the provincial equitable share formula, there has been delays in this process and work will continue in the 2019 financial year.

However, **Honourable Speaker**, in the main, the provincial equitable share has been reduced by an amount of **R169.954 million** over the 2019 MTEF as a result of the impact of new data updates in the PES formula based on the current formula.

During the same period, other adjustments amounting to **R156.8 million** have been made to the following departments:

**Provincial Treasury** is allocated an amount of **R44.8 million** over the 2019 MTEF of which **R15 million** is earmarked for Infrastructure Development Improvement Programme (IDIP) to increase technical capacity for the infrastructure unit and **R29.9 million** over the MTEF to strengthen the support interventions at municipalities.

These funds will assist Provincial Treasury to develop and implement Financial Recovery Plans for struggling municipalities in the province.

**Honourable Speaker, Dr Ncebakazi Enoch Galada, a former learner of mine at the Isibane Primary School, suggested the following, “Increase the budget for education.....but also human capital development aligned to the market/ industry needs”**

We are serious about quality education, hence in the 2019/20 financial year, **Education** is allocated an amount of **R10.5 million** financial year for the provision of sanitary products for indigent schoolgirls from grade 4 upwards.

**Health** is allocated an amount of **R26.4 million** in the 2021/22 financial year for the absorption of medical interns and registrars.

**Social Development** is allocated **R13.7 million** over the MTEF for Food relief programmes. This function was previously performed by National Department of Social Development and has now been devolved to provinces.

**Honourable Speaker,** Social Worker Grant and Substance Abuse Treatment Grant have been phased into the equitable share and as such an amount of **R2.1 million** and **R59.2 million** has been allocated to Social Development over the MTEF respectively.

Whilst we had to content with the reduction amounting to **R169 million** as already indicated, the province also had to make provision for some of our emerging provincial priorities over the next three years.

To this effect, we had to further look for savings in departments whilst cushioning core service delivery programmes especially in Health and Education and accordingly an amount of R163 million has been reprioritised to fund the following urgent priorities in the province:

- **Information Technology** is fragmented and we have lacked behind as a province to upgrade our IT Infrastructure. The province has taken a decision to roll out a Comprehensive Shared Services Centre for IT. This proposal is between State Information Technology Agency (SITA) and the Northern Cape Provincial Government to implement a shared information security service solution to all 13 provincial government departments. This project will cost the province **R100 million** over the next three years.
- An amount of **R3 million** has been allocated to the Department of Transport, Safety and Liaison towards the construction of weighbridges using the PPP model to attract the private sector to provide a solution.
- The baseline for Rates and Taxes in the Department of Roads and Public Works has become a serious problem to sustain in the province, the rate at which rates and taxes have increased in the past recent years, have meant that the existing baseline is not sufficient to carry the current obligations.

- We need to start dealing with this problem progressively and an amount of **R40 million** is reprioritised from all departments for this purpose.
- An amount of **R25 million** in 2019/20 has been made available to the Department of Cooperative Governance, Human Settlements and Traditional Affairs for projects linked to our **Operation Kgotso Pula Nala programme**.

This money should be distributed to Districts, through COGHSTA to ensure that we:

1. Green and clean environment
2. Fixing of roads/ streets
3. Dealing with the issues pertaining to water, electricity and sanitation
4. Projects aimed at making the youth more employable through skills development such as;
  - Driver's licences
  - Computer training
  - Business plan drafting

### **Conditional Grants Allocation**

**Honourable Speaker**, the growth in conditional grants is mainly driven by our investment in infrastructure. The total allocation for



conditional grants amount to **R4.5 billion** in the 2019/20 financial and this will total **R13.7 billion** in the next three years.

We heard the cry of our people, from as far as *Van Wyksvlei, when they asked for tarring of roads, upgrade of educational infrastructure to meet the needs of the 4th Industrial Revolution, as well as water and sanitation upgrades and elimination of pit toilets. In responding to Yvonne Siegel, we shall start with a 10-20km road improvement, to save the lives of our people.*

It is a matter of note that of the total **R4.5 billion** set aside for conditional grants in the 2019/20 financial year, **R2.6 billion** or 57 per cent is exclusively earmarked for infrastructure programmes, this re-affirms our commitment towards moving expenditure from consumption to investment.

The roads maintenance grant enjoys the largest share followed by investment in school infrastructure, a significant amount is also earmarked for health facilities and the construction of libraries in the province.

**Honourable Speaker,** the framework on conditional grants allocations are underpinned by the following changes.

The reduction in the Comprehensive Agricultural Support Programme (CASP) grant is to fund the foot and mouth disease facility that will be established by the Agricultural Research Council.

This grant is further reduced to establish a central fund to be managed by the Land Bank for a blended finance mechanism. The provincial Department of Agriculture, Rural Development and Land Reform will have to provide dedicated support to emerging farmers to access this funding at Land Bank.

**MEC for Health, Honourable Fufe Makatong, Mr Mzolisi Marcus Banca raised a very important matter when he suggested; *“Budget should be set aside to upgrade current facilities and to shorten the distance between patients and health services especially in rural areas. The training of nurses and healthcare workers must be made high priority.”***

**Honourable Speaker,** there are several changes to the Comprehensive, HIV, AIDS and TB grant. The framework now makes provision for Malaria component. Because we are a listening Government, the Community Outreach Services Component has been increased in the outer year of the MTEF to fund wages of Community Healthcare Workers.

As I mentioned in the 2018 Medium Term Budget Policy Statement, there were several changes that were affected through the 2018 Division of Revenue Amendment Bill, one of which was the creation of the Human Resources Capacity grant component within the National Health Insurance (NHI) Indirect Grant.

An amount of **R37.1 million** has been allocated over the MTEF to directly appoint critical staff in the health facilities.

The Department of Health will drive the recruitment process in line with the core posts agreed upon by National Health.

**Honourable Speaker, at the department of Coghsta led by MEC Bentley Vas,** the Title Deeds Restoration Grant comes to an end in 2021, when the backlog would have been completed. This allocation will then be phased into the Human Settlement Development Grant. This grant has also been reprioritised to the National Housing Finance Corporation for the Finance Linked Individual Programme in order to promote support to individuals in the gap market.

### **Own Revenue**

**Honourable Speaker,** let me share with this House how we have chosen to respond to the challenges facing our provincial own revenue.

The province has been experiencing constraints in the collection and optimisation of own revenue. This has been evident in poor revenue performance by the departments and the rising of debt across various departments. As part of our commitment Provincial Treasury has appointed a service provider to recoup monies owed to departments, this intervention will ensure that the monies that are due to government are collected timeously.

**Honourable Speaker,** Provincial Treasury together with the department of Transport, Safety and Liaison are working together on a weighbridge Public Private Partnership (PPP) project aimed at ensuring safety on our roads and collecting revenue.

Collection of revenue from government rental properties has been a challenge for the province, it is imperative that the province start to ask a question, can we manage these properties? YES, we can! Provincial Treasury will be assisting the Department of Roads and Public Works to hand over the houses to user departments, to ensure proper management, rental tariff increases and enhancement of revenue.

As I reported in this house previously, that we will be looking at the disposal of government houses. I can confidently report that the project is progressing smoothly. I can further narrate that the establishment of Tariff Committees has led to the review of tariffs that were never considered by other departments.

**Honourable Speaker**, the collection of motor vehicle licences is in its final stage of transition and the impact in terms of improved recollection of Motor Vehicle Licenses will be fully realised from the 2019/20 financial year.

### **Departmental Estimates**

Honourable Speaker, the Departments of Health and Education remains our apex priorities and it comes as no surprise that of our total provincial budget amounting to **R18.3 billion**, these two departments account for **R12.1 billion** or 66 per cent.

The budget of the Department of Education is personnel driven in line with its mandate of teaching and learning. Estimated expenditure for compensation of employees amount to **R5.3 billion** of the total budget of R6.9 billion this represent 76 per cent of the total budget of the department.

The Department of Health budget amount to **R5.2 billion** in the 2019/20 financial, contrary to the Education, goods and services drives the spending in this sector. Whilst compensation of employees amounts **R3.1 billion** or 59.6 per vent, goods and services amount to **R1. 7 billion** or 33 per cent and capital expenditure total **R320 million**.

The huge component of goods and services caters for a variety of health related items such as medicines, patient food, and security services to mention but a few. The department of Health is mostly funded by conditional grants from national. Total grants amount to **R1.5 billion** which account for 29 per cent of the total budget in the 2019/20 financial year. Goods and services also represents a huge cost to the department amount to **R1.7 billion** or 33 per cent of the total budget. The proportion of goods and services to total budget is by far the biggest in the province.

Honourable Speaker, the Department of Social Development is allocated a total amount of **R920 million** in the 2019/20 financial off which compensation total **R441 million** of 48 per cent of the total budget.

Transfers is the second biggest component, this due to the work done by the NGO sector in the Province which amounts to **R244 million** in the next fiscal year.

The Department of Sports, Arts and Culture is allocated an amount of **R404.8 million** in the 2019/20 financial year, compensation of employees represent 48 per cent of the total budget, followed by goods and services at **R111 million**. Capital expenditure which mainly funds the construction of new Libraries in the Province is allocated **R36. 6 million**.

The economic sector which includes Roads and Public Works, Economic Development, Agriculture Land Reform & Rural Development and the Department of Co-operative Governance and Traditional Affairs total **R3.7 billion** in the 2019/20 financial year. The impetus in this sector is mainly driven by the Roads Maintenance Grant which is allocated an amount **R1.1 billion** earmarked towards maintaining our road infrastructure.

The second investment in the sector is related to Human Settlements to continue to build top roof structures in line with our Spatial Development Planning strategy. COGHSTA will spent **R470 million** in the 2019/20 financial year for this priority.

**Honourable Speaker**, as a commitment towards our Small Medium Enterprises, the Department of Economic Development will earmark R30 million in the 2019/20 financial year to provide ongoing support to our SMMEs. These include a portion for youth entrepreneurship and development fund, as pronounced by the Premier.

The Department of Agriculture Land & Rural Development budget amount to **R539 million** in the 2019/20 to provide various interventions aimed at supporting black emerging farmers, this will also include the youth entrepreneurship fund.

Honourable Speaker, last but not least, the Governance Sector total budget amount to **R1.1 billion** in the 2019/20 financial. This sector is mainly responsible for providing oversight and monitoring government's programmes in the provincial and local spheres.

### **2018/19 Second Adjustment Bill**

Honourable Speaker, when I tabled the adjustment budget in November 2018 I made mention of the **R127 million** allocation for Drought Disaster to the province under the Department of Agriculture, Land Reform and Rural Development.

During that time, only an amount of **R85 million** had been gazetted by the Minister of Finance. The monies and the gazette for the remaining amount of **R42.3 million** had not been made available by National Treasury then, hence we could only table the **R85 million**.

It is against this background that I take the opportunity to table the remaining **R42.3 million** for Drought Relief in respect of the 2018/19 financial year. This allocation is made available to the department to acquire and transport animal feed to affected and disadvantaged farmers in the province.

On the other hand, National Department of Social Development has stopped the allocation amounting to **R1.9 million** to the provincial Department Social Development in respect of the Early Childhood Development Grant for 2018/19 in accordance with section 19 of DORA.

## **Conclusion**

Honourable Speaker, this is the People Oriented Budget, a budget which focuses on critical human development indicators such as:

1. Improving health
2. Quality education
3. Basic service delivery
4. Infrastructure development

Contrary to all expectations, we have not presented an “election Budget”. In fact, we have done the unthinkable by not shying away from discussing the challenges which face us in the medium term. I have outlined some and I wish to reiterate that the Government, whilst willing to involve all stakeholders in discussing the challenges will not stop from taking the lead on these important issues.



We have firmly prepared ground for the incoming Administration to inherit a well-oiled machinery capable of continuing the sterling work achieved by maintaining the current fiscal consolidation stance, I can stand tall before this House and assure the masses of our people that the finances of this province are healthy and the current intervention programmes if maintained will definitely turn the tide for the better.

**Honourable Speaker**, in conclusion, let me take this opportunity and appeal to all eligible voters to go and exercise their hard-fought democratic right and **Vote on the 8<sup>th</sup> of May 2019**.

Let me also thank the **Honourable Premier, Me Sylvia Lucas** for her leadership and the confidence she continues to place in me as a Member of the Executive Council in leading this extremely critical portfolio.

I must also place on record my appreciation for the support of my Executive Council colleagues and Treasury Committee whom we collectively drove the budget processes through difficult economic times for their support.

I would also like to recognize the contribution of the HODs, CFOs and urge them to continue to serve the people of this province with dedication, professionalism and commitment, a CFO loved by people is not real and won't assist our people.

**Honourable Speaker**, let me also take this opportunity to thank my family and most importantly my beautiful wife for their understanding and support because they know that this cause is for the betterment of the people and the organization that I served and continue to serve selflessly.

Thanks, to the Acting HOD and Provincial Treasury staff for their unwavering and professional support, and the Ministry staff for their patience and sacrifice all the time when duty calls.

Most importantly, allow me to thank all the people who took some time off from their busy schedule by contributing on this Budget Speech. We continue to welcome your inputs, moving forward. You can keep track of the speech on Twitter using **#NCBudget19** and on our Facebook platforms.

Last but not least, let me mention that this year, our communication team has chosen to do things in a different way- the Budget Speech summary is available in four official languages, namely, **IsiXhosa, English, SeTswana and Afrikaans.**

From tomorrow get the Budget Summary in your own language inserted in your favourite local newspaper. Enjoy the read.

**Honourable Speaker**, let me close by using a well-known poem by Rita Umali, BETTER DAYS ARE COMING, taking the two last sentences:

*“God spoke, and with my tortured soul, I hold on to his word.  
Better Days are coming .....*”

I thank you.