

**SPEECH BY THE HONOURABLE MEC FOR FINANCE,
ECONOMY AND ENTERPRISE DEVELOPMENT, MS
WENDY NELSON (MPL) DURING THE OCCASION OF
TABLING OF THE PROVINCIAL ADJUSTMENT BUDGET AT
THE NORTH WEST PROVINCIAL LEGISLATURE, 13
NOVEMBER 2014**

Madam Speaker and Deputy Speaker
Honourable Premier, Supra Mahumapelo
Members of the Executive Council
Honourable Members
Executive Mayors and Mayors
Ladies and Gentleman

Madam Speaker, the 2014/15 budget adjustment is presented when the country's economic performance which threatens our ability to achieving faster growth and job creation has weakened since the beginning 2014. These requires a strong fiscal discipline, which includes a culture of doing more with less collectively.

“We will not balance the budget on the backs of the poor”

The approach to doing more with less can further be defined within the context of ***“Saamtrek-Saamwerk”*** which is the call that has already been made by the leader of the provincial government, Honourable Premier Mahumapelo.

Honourable Speaker, allow me as I table the 2014/15 Adjustment Budget to reiterate on what the Minister of Finance, Hon Nhlanhla Nene pronounced recently when he was tabling the Medium Term Budget Policy Statement where he indicated that efficiency improvement will be prioritized in the core areas of service delivery in support of the National Development Plan and Medium Term Strategic Framework.

The Minister further emphasized that as government ***we will not balance the budget on the backs of the poor***. This means that intensive effort has to be redirected towards achieving the intended savings and maximizing efficiency. Maximization of efficiency has to do with the reduction of allocation on non core expenditure items whilst protecting the reasonable growth in items that support both national and provincial priorities.

Honourable Speaker, if we are to protect funding of core and critical expenditure items, support will have to be provided to municipalities to improve revenue collection, implementation of effective debt and credit control including management of infrastructure financed from both own revenue and grants. As announced previously, the MFMA unit has already started with the process of ensuring that provincial departments contribute to the objective by facilitating payments of municipal accounts.

To date the unit has completed the categorization of the debt owed to municipalities in terms of ~~disputed~~, undisputed and unknown debt. Owing to the comprehensive data verification process between the unit and municipalities, we have determined that R410 million government debt was understated and the verification process resulted

in the determination of the correct figure of R527 million as at 30 September 2014. The Housing Corporation is the biggest debtor in excess of R260 million as a result of legacy issues.

Through this initiative, accounts to the value of R60 million has been reconciled correctly. Engagement with provincial departments on undisputed debt has already been started and I hope to continuously brief the Legislature about the progress made on this important matter.

The success of our budget is defined by its contribution to building a more equal, prosperous society, as envisaged in the National Development Plan and in the context of the Province is the extent to which the budget as a resource plan adequately funds the national priorities including provincial key priorities through the ACT (Agriculture, Culture and Tourism) strategy which underpins our economic and enterprise development objectives.

Honourable Speaker, the tabling of this adjustment budget takes place during exciting times in the Province with renewed public confidence in government service delivery initiatives following the launch of Bua le Puso and Setsokotsane programmes by our Honourable Premier with the full support of Executive Council of Bokone Bophirima.

In preparation of the 2015/16 budget, all efforts would be made to ensure that the above-mentioned programmes form the basis of allocation of resources towards key programmes of government in particular the ACT initiative.

As indicated before through the words of Minister Nene, the reprioritization process including reduction of department budgets will not be done on the backs of the poor in our Province.

Economic Outlook

Honourable Speaker, the country's economic performance has resulted in the revision of the economic growth forecast from 2.7 per cent to 1.4 per cent for the current year and a growth of about 3 per cent in 2017. Achieving faster growth and job creation will require growing public-private sector investment in infrastructure and other key sectors, as well as structural reforms that enhance the economic growth prospects with the view to moderate public consumption, boost savings and expand productive investment in order to reduce the budget deficit and stabilize public debt.

Madam Speaker, the economy of the North West province, which is equivalent to R202 billion in gross domestic products (GDP-R), recorded a negative growth of 0.6 per cent in recent times because of labour disputes in the platinum sector. The high levels of unemployment which is at 27 per cent in our Province mainly affect the youth coupled with the abject poverty that prevail among our communities remain a serious challenge for all of us to intervene and make contributions in order to change the situation around.

During the first quarter of the calendar year, the mining industry experienced a tremendous decline in foreign demand for minerals, as a result of the slow recovery of the global economy and in particular the recovery of South Africa's main trading partners like the Euro zone and

China. This has exerted unbearable pressure on the price of the minerals to the extent that there were already discussions of possible restructuring which could result in job losses and exacerbate the current high level of unemployment.

Honourable Speaker, the provincial government has as early as May 2014, pronounced and provided further details about the need to diversify the economy of the Province through three key critical pillars of our economy, namely: Agriculture, Culture and Tourism (ACT) which in our view constitute the mainstay of our economic growth in the Province in response to the vulnerable prospects of growth which is largely reliant on minerals in particular platinum. In support of the ACT initiative, it is also expected that other sectors like manufacturing and mining would continue to contribute to the economic growth of the Province.

Honourable Speaker, as the Province, out of the 1 088 334 households, about 285 522 do not have formal dwelling, and about 277 011 do not have access to water. The situation is particularly rife in rural districts of the province like Ngaka Modiri Molema and Dr. Ruth Segomotsi Mompati.

In line with the Repositioning, Rebranding and Renewal vision of the Peoples Province of Bokone Bophirima, service delivery in particular the provision of basic services like water, electricity, sanitation, refuse removal, housing and road infrastructure need to be fasttracked to reach those in need.

As part of Setsokotsane programme, the Provincial Government has already assessed the situation in Ngaka Modiri Molema District and intervention programmes are currently underway through the %Crack Team+ which is a multi-sectoral team, comprised of officials from the Province and key National Departments.

Honourable Speaker, I think that the Premier of the ANC led Provincial Government of North West; Honourable Supra Mahumapelo should be commended for being decisive and insisting on departments and municipalities for starting processes of implementing practical solutions in response to the challenges faced by our people.

Through this dynamic and pragmatic approach to issues, I can gladly announce that the Premier initiated a process of collaboration between government and Development Bank of South Africa. His %unconventional+ approach to issues has resulted in the signing of a Memorandum of Understanding between PeoplesqProvince of Bokone Bophirima and the Development Bank of Southern Africa (DBSA) in November 2014 in Bojanala Platinum District Municipality.

This constitutes practical expression of government's firm resolve to join forces with other stakeholders in order to radically deal with challenges such as infrastructure backlogs for roads, water, electricity and housing.

Honourable Speaker,we are also mindful of the prevalence of income inequalities across all districts, municipalities and wards. We are, as a result, in full support of the objectives of the %Setsokotsane+programme and ward based allocation of resources.

As government we believe that poorer wards and communities will henceforth begin to feel the presence of provincial departments within their environments. It is our belief that communities will be better served through a resource allocation mechanism which is ward based. The details of how the budget would respond to the ward based system will be presented as part of the 2015/16 budget proposals.

Adjustment Budget

Honourable Speaker, allow me to provide details on specific funding proposals of the 2014/15 Adjustment Budget. The adjustment budget that I am tabling today; broadly provides for the following:

- Transfer of funds following the transfer of function between departments in line with section 42 of the PFMA;
- Appropriation of rollover of unspent funds from the preceding financial year; and
- Appropriation of any funding made available to the province through the national adjustment budget.

Honourable Speaker, the socio-economic challenges are enormous and the needs are overwhelming. So therefore, the current economic conditions, only allows us to reprioritize and redirect funds to key government programmes and not spend money on the %ice to have+ as no additional allocations have been made available by National Government. The 2014 Medium Term Budget Policy confirms this statement and requires all of us to pursue greater efficiency and value for money in achieving government goals.

We need to contain expenditure on non-essential items such as travel, catering, consultants and general administration in line with the 2013/14 National Treasury Instruction 01 on Cost Containment Measures and allocate a greater share of goods and services budgets towards core priority areas of service delivery.

Departments and Public Entities are requested to reprioritize from existing baselines and manage headcount growth to respond to inflation wage pressures, particularly as negotiations resulted in an outcome that deviated from the initial projections. Provincial departments and Public Entities will need to reduce inefficiency and waste, and minimize the impact on front-line service delivery, by targeting non-essential items and uncommitted resources. Spending on core social obligations, ACT initiatives and key provincial priorities must be protected in the current financial year and over the MTEF period.

The 2014/15 Actual Spending up to the end of September

The actual provincial expenditure as at 30 September 2014 is 48.67 per cent or **R15.5 billion** of the **R31.8 billion** provincial annual budget. The expenditure shows a marginal increase of 0.33 per cent, compared to 48.34 percent in 2013/14 for the same period. Spending of R15.5 billion is more by R 1.4 billion as compared to the previous financial year for the same period. This constitutes an improvement in spending trends in support of improved service delivery.

2014/15 Adjustment Budget Allocations

Honourable Speaker, while there is no additional equitable share funding from National Treasury, the province managed to raise a total amount of **R231.649 million** from over collection of own revenue in the previous financial years and furthermore, the Executive Council approved a reduction of **R74.351 million** within the current baseline to fund critical provincial priorities.

Owing to the above reprioritization exercise, the 2014/15 Budget will be adjusted upwards by **R718.331 million** as per the following sources of funding, resulting in a net increase of **R643.980 million** from **R31.8 billion** to **R32.4 billion** adjustment budget;

- R361.897 million rollovers from the unspent funds in the 2013/14 (of which R115.747 million relates to conditional grants and R246.150 million relates to Equitable share);
- R36.434 million from unspent (retained surplus) Provincial Legislature allocation in the 2013/14;
- R231.649 million from over collection of own revenue from the previous financial years
- R74.351 million reprioritized from slow spending programmes;
- R14 million from National adjustment budget for the Health Facility Revitalization Grant.

Funding for labour Intensive initiatives as part of job creation

Honourable Speaker, during the 2013/14 Adjustment budget, the North West Provincial government took a decision to create job opportunities

in response to the plight of unemployment in the province. The decision has resulted in the creation of 20 000 temporary EPWP jobs which was planned to end at the end of this month, November 2014.

Honourable Speaker, in consideration of the current economic challenges, the Executive Council has resolved to seek ways to absorb these men and women into the job market to sustain their income and improve the life of our communities. This will be done through the establishment of cooperatives in all districts and also through engaging private companies doing business with government.

While the process of establishing cooperatives is underway, the Executive Council resolved to extend the contract period of EPWP workers. An additional amount of **R88 million** has been set aside to cater for this programme.

Departmental Adjustments

Honourable Speaker, the largest contributor to the 2014/15 adjustments remained rollovers at 64 per cent. Considering the available funds raised from over collection of own revenue and the budget cuts, it became necessary to fund the following key expenditure items as well as addressing budgetary pressures as follows:

- ***Office of the Premier***

Office of the Premier receives a rollover of R1.132 million for the commitment on provincial bursaries. It should be noted that provincial bursaries have been decentralized from 2014/15 financial year.

- ***Provincial Legislature***

Honourable Speaker, the Provincial Legislature retains an amount of **R36.434 million** as a surplus from the previous year.

- ***The Department of Health***

The department receives a rollover amount of R17.2 million for Health Facility Revitalization Grant. Furthermore, the department received an additional R14 million for the Health Facility Revitalization Grant specifically to deal with the nursing colleges.

- ***Culture, Arts and Traditional Affairs***

An amount of R4.4 million is approved as rollovers for completion of Libraries and maintenance of Mafikeng Museum and a further R6.6 million for the Community Library Services Grant. The department also receives an amount of R1.5 million for EPWP (labour intensive programme) and R6.5 million from Education and Sports Development for the Recreation activities.

- ***Community Safety and Transport Management***

The amount of R30 million is rolled over for the North West Transport Investment subject to full disclosure of the detailed expenditure commitments of this allocation and R8.4 million for Commuter Bus subsidy.

- ***Finance***

An amount of R737 thousand for the Installation of Audio Visual Solutions in Boardrooms and R500 thousand for Internal Audit Learnerships have been allocated as a rollover from the previous financial year;

- ***Education and Sports Development***

A rollover which relates to unspent funds for the construction of Artificial Turfs amounting to R10.5 million is made available to the department, R2.7 million for maintenance of Mmabatho Stadium and R72.2 million for the Education Infrastructure Grant are received by the Department of Education and Sport Development. The department also received R4.9 million for EPWP, labour intensive programme.

- ***Local Government and Human Settlement***

An amount of R174.4 million has been approved as a rollover for the department of which R170.7 million is for water and sanitation projects and R3.6 million for Disaster management centre project. The allocation is subject to full disclosure of expenditure details and commitment.

- ***Tourism***

As a new department and one of the three pillars of economic growth in the province, the department received an additional R36 million to cater for programmes aimed at improving tourism in the province.

- ***Public Works and Roads***

The department receives a rollover of R4.1 million for the rehabilitation of Matooster to Ruighoek road and R7 million for the Provincial Road Maintenance Grant. The department further receives an amount of R52.8 million for EPWP labour intensive programme. The department also receives R80 million to deal with the shortfall on Rates and Taxes allocation and R102 million for the establishment of Cooperatives.

- ***Social Development***

An amount of R6.7 million has been approved as a rollover for the completion of Taung In-Patient Treatment Centre, Taung Old Age Home, Office Furniture, NGO's and Boikagong Child & Youth Care Centre in Mafikeng. The department also receives an amount of R9.2 million for EPWP labour intensive programme.

- ***Rural, Environment and Agricultural Development***

A rollover amount of R1.1 million is received by the department to meet commitments made on Comprehensive Agriculture Support Programme grant and Illima/Letsema Projects grant. An amount of

R1.2 million has been allocated as a rollover for commitments on labour intensive programme and another R1.2 million for the Taung Skull World Heritage Development project. The department further receives an amount of R19.6 million for EPWP labour intensive programme.

Summary of Adjustment Budgets Allocations to Provincial Departments

In summary, the following adjustments have been made to the Provincial Departments and Provincial Legislature budget inclusive of the budget cuts;

	Main Appropriation	Total Adjustment	Adjusted Appropriation
Departments including Provincial Legislature R'000			
Office of the Premier	757 447	(762)	756 685
Provincial Legislature	276 890	36 434	313 324
Health	8 174 022	10 721	8 184 743
Culture, Arts and Traditional Affairs	593 124	18 958	612 082
Community Safety and Transport Management	1 551 356	34 571	1 585 927
Economy and Enterprise Development	260 588	(651)	259 937
Finance	432 896	155	433 051
Education and Sports Development	12 498 363	64 322	12 562 685
Local Government and Human Settlements	2 023 335	169 345	2 192 680
Tourism	78 919	36 000	114 919
Public Works and Roads	2 801 009	238 902	3 039 911
Social Development	1 241 360	12 782	1 254 142
Rural, Environment and Agricultural Development	1 080 483	23 204	1 103 687
Total	31 769 792	643 980	32 413 772

Honourable Speaker, the 2014 Adjustment Budget indicates to us that our financial resources are under tremendous pressure and that only prudent financial management can pull us through. Continuously and collectively, within the %Saamtrek-Saamwerk+ philosophy we need to pursue greater efficiency and value for money in achieving our goals.

Honourable Speaker, the Executive Council will continue to closely monitor the provincial spending and performance of departments to ensure value for money. Provincial departments and public entities are expected to reduce inefficiencies, wastage and ensure that funds are directed to programmes that will make an impact to the lives of North West citizens.

Honourable Speaker, departments that fails to implement prudent financial management and efficiency will be subjected to Section 18 of the PFMA within the spirit of protecting the provincial fiscus and to maximize service delivery in the province.

Conclusion

Ek wil graag van hierdie geleentheid gebruik maak om die Premier Supra Mahumapelo, ten sterkste te bedankvir die geleentheid wat hy aan my as LUR toe vertrou het om die department van Finansies wat die kern verantwoordelikheid dra om die finansiele bronne van die Noord Wes provinsiale departemente te bestuur.

Ek will ook die bekwaame span in die department wat hul kundigheid, onvermoeide pogings en verbintenis bewys het om vir die agtereenvolgende nege jaar te verseker het dat die department van finansies 'n skoon ouditverslag, verkry en behou het.

My gratitude also goes to colleagues in the Executive Council for their support which has made this difficult task easier and it is well appreciated.

The Chairpersons of the various portfolio committees, thank you most heartily for your immense support.

Last but not least my sincere gratitude goes to my family for their continued support.

As we draw close to the festive season let us all drive safely, arrive alive and come back in the New Year to continue our responsibility of taking Bokone Bophirima forward

Many thanks to Acting Director General and all Heads of Departments and their staff for their cooperation and the role they played in the compilation of the adjustment estimates.

My appreciation also goes to the staff of the department led by the Acting HOD Mr. Ndlela Kunene for producing the 2014/15 Adjustment Budget documents within tight timelines.

Honourable Speaker, within the current deteriorating economic and fiscal outlook, we have no option but to reconsider the revenue and

expenditure plans of all the departments and lower allocations to items that do not contribute to the attainment of the Medium Term Strategic Framework and priorities.

We have gone past the period where year-on-year upwards adjustment to baseline allocations of the department was a norm and we are in a period when wastage, irregular and fruitless expenditure will not be tolerated any more. Consequence management, innovation and creativity will be the culture that would be deepened in the Public Service for better management of limited resources without compromising the objectives of the National Development Plan.

If we are practical and sensitive to the needs of our people, we should complain less about reduction in budgets but rather continue to evaluate relevant practical solutions in the form of Setsokotsane and Bua le Puso programmes in response to the needs of our people.

Relevant practical solutions demands that we respond urgently and faster to the needs of our people in line with the Back to Basics strategic document adopted by Cabinet, moreover we should be less philosophical about the problems/solutions and drive programmes that are simple and basic for implementation.

Madam Speaker, in conclusion, I hereby table for consideration by the House, the 2014/15 Adjusted Estimates of Provincial Expenditure and Revenue and the Adjustments Appropriation Bill.

I thank you

Ke a leboga

Baie Dankie