

ADJUSTMENTS ESTIMATE BUDGET SPEECH

PRESENTED BY:

WENDY JOY NELSON

**MEC FOR FINANCE, ECONOMY AND ENTERPRISE
DEVELOPMENT**

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**2016 ADJUSTMENT STIMATES SPEECH PRESENTED BY
HONOURABLE WENDY NELSON, MEC FOR FINANCE, ECONOMY
AND ENTERPRISE DEVELOPMENT: BOKONE BOPHIRIMA
PROVINCE ON THE 24 NOVEMBER 2016 IN THE PROVINCIAL
LEGISLATURE**

Honourable Speaker of the Provincial Legislature

Honourable Premier of People's Province of Bokone Bophirima,
Rre Supra Mahumapelo

Honourable Members of the Executive Council

Honourable Members of the Provincial Legislature

Executive Mayors, Mayors and Speakers of our Municipalities

Chairperson of Provincial House of Traditional Leaders, Kgosi Zibi

Our Esteemed Traditional Leaders

Chairpersons and Board Members of the Parastatals

Director General, Heads of Departments, Municipal Managers
and CEO's State Owned Entities

Leaders and members of labour movements, civil society, faith
based organisations and business

Distinguished guests

The People of Bokone Bophirima

Honourable Speaker, budgets are not about markets, bonds or
statistics. Budgets are about our **PEOPLE!** It's about ensuring
that we deliver what we have promised to our people.

Given the fact that the economic environment and the needs of the people are not static, the law allows us to adjust the budget at least once annually.

In adjusting the 2016/17 budget, I am reminded about the words of our Premier during the 2016 State of the Province Address in Matlosana, when he said “our country has moved decisively over the last 21, years from being the skunk of the world to be a shining model of democracy anchored on constitutionalism and the rule of law.

The progress we have registered has not been without weaknesses; mistakes were committed, mistakes acknowledged and mistakes corrected. These are painful but necessary lessons. Some of the mistakes may have been fatal, but what is important is to draw lessons of value from our pre and post 1994 past and use such lessons to move our Province forward”.

This important statement by the Premier, is more relevant today than it was yesterday. It is also a timely reminder that the economic environment remains uncertain and therefore our economic stability is influenced by external factors which are not in our control.

Honourable Speaker, we are living in one of the most turbulent periods in modern economic history where our main trading partners from the developed economies such as the United States of America, China, Japan, Greece and others are facing internal economic challenges that are affecting their demand for our exports, which are important for our own economic growth.

The slow global economic performance has impacted negatively on the economic growth of our country. Government spending as a proportion of GDP has increased from 28% to 30% between 2009 and 2016 as a result of increase in demand for public goods and services. Debt to GDP ratio has in the meantime increased from 22% to 45% between 2008 and June 2016. This in itself should not be considered a serious problem provided the country can attain higher economic growth rate as envisaged by our national and provincial development plans growth targets.

Honourable Speaker, notwithstanding the unfavourable economic outlook, it is the responsibility of Provincial Government to provide the expected level of service delivery to the citizenry of Bokone Bophirima, pursuant to our objectives of completely addressing the triple challenges of poverty, unemployment and inequality.

We should continue to strengthen our implementation efforts of the National Development Plan (NDP) through RRR (rebranding, repositioning and renewal) anchored on the five concretes with

aggression, urgency, speed, observing the value for money principle and by building strong partnerships with the private sector and our communities.

Honourable Speaker, amidst all the economic challenges that we face, the Province will continue to ensure that we employ the limited resources at our disposal to derive the maximum impact for the benefit of our people.

Let me highlight the following progress we have recorded on some of the commitments we made during the tabling of the 2016/17 main budget in the context of RRR:

- **Implementation of Consequence Management:** The Provincial Government has implemented controls to curb Irregular and fruitless expenditure. In this regard, the Executive Council has approved the establishment of the Provincial Regularisation Committee which would be implementing consequence management strategies by identifying, investigating and taking action against officials who would have incurred irregular, fruitless and wasteful expenditure.
- **Provincial Revenue Enhancement Strategy:** The current economic situation compels us to look for alternative strategies to increase revenue. The Provincial Treasury

continues to implement intervention for both departments and municipalities.

It is indeed encouraging to note that by the end of the second quarter, departments have recorded an increase in expenditure of 11.8% compared to the previous financial year. While the collection rate was less than 50% by the end of the second quarter in the previous year, this year departments recorded 52.2% actual collection.

Similarly, municipalities have recorded an increase in collection rate especially on property rates due to the intervention that the Provincial Treasury has implemented. To date an amount of R298 million has been paid by Public Works and Roads to municipalities for property rates as part of our debt management intervention programme. Furthermore an additional amount of R80 million is being provided to the department as adjustment for purpose of clearing outstanding property rates payments.

Flexible Moratorium: The implementation of the flexible moratorium in the current financial year has yielded a saving of about R574 million by the end of the second quarter. Provincial departments had to prioritise critical positions without affecting service delivery and request approval from

the Provincial Treasury and Office of the Premier before advertising.

Comparatively, during the 2013/14 and 2014/15 financial years, the province exceeded the Compensation of Employees' budget by 0.6% and 0.3% respectively with a consolidated amount of R276 million for two financial years mainly due to amongst others, uncontrollable and unfunded appointments.

As a consequence of the implementation of the flexible moratorium, the average provincial head count reduced from 73 488 in 2015/16 to 68 003 in the current financial year, with a saving of R575 million without compromising on service delivery.

- **Co-Management:** Honourable Speaker, tremendous progress on the co-management programme for the Department of Education and Sport Development, Health and Public Works and Roads have been recorded to date.

The three departments contributed R1.5 billion to the provincial accruals in 2015/16 including R205 million overdrawn PMG account by Health. The picture changed drastically to R700 million in the 2016/17 financial year,

which represent 51 per cent reduction with no overdrawn PMG accounts by these departments.

Honourable Speaker, the following concrete deliverables of co-management have been recorded to date for the three departments:

Education and Sport Development:

- ✓ No backlog payment to educators have been reported since the beginning of the current financial year;
- ✓ Accruals from the previous financial year cleared before the end of the second quarter;
- ✓ The number of excess educators have been reduced from 898 in May 2016 to 142 by end of September 2016;
- ✓ PILIR cases, (people on Long sick leave). From 1 461 cases, as at 31 September 2016; 496 cases were assessed and approved, 672 cases were declined, 293 still in process of assessment and approval;

Health:

- ✓ The accruals reduced from R953.900 million (inclusive of the overdrawn PMG account by R203.200 million) in 2014/15 to R654 million in 2015/16;

- ✓ R590 million of the 2015/16 accruals to date has been settled. An amount of R64 million is in process of being settled;
- ✓ Payment of outstanding compensation of employee's liabilities from 2014/15 paid and the 2015/16 to be paid before the end of the current financial year;

Public Works and Roads:

- ✓ Accruals of the previous financial year have been settled;
- ✓ Re-gravelling team empowered to ensure that re-gravelling is done internally and as such 4 x 10 cube trucks procured last year and 4 x Excavators are awaiting delivery in the fourth quarter;
- ✓ Recommended that plant hire be included in the PRMG to ensure that service delivery is not disrupted due to inadequacy of the equitable share;
- ✓ Inclusion of re-gravelling in the PRMG on the basis that more than 75 per cent of the road network is made up of unpaved roads which are in a bad and deteriorating condition, this was supposed to have commenced in the 3rd quarter. This is to be done with the internal capacity therefore it will not be subjected to lengthy SCM processes.

- **Supply Chain Management as an enabler to transformation of the Provincial Economy**

Honourable Speaker, the Provincial Supply Chain in collaboration with National Treasury has developed the Blueprint SCM System as part of reforming SCM in the Province. Provincial Departments and Public Entities are required to institutionalize the Blueprint SCM System by the 1st April 2017.

The system will assist departments and entities in addressing most of the issues that contributed towards negative SCM audit outcomes and irregular expenditure in the past, namely: - limited and emergency procurement, contract management, inadequately skilled staff, evaluation and complaints etc. The Blueprint SCM System provides for comprehensive solutions for the above challenges. To further increase spending in VTSD, the Provincial Treasury would be issuing further instruction notes relating to quotations for implementation in the 2017/18 financial year.

- **VTSD Spend:** Following the pronouncement by the Honourable Premier SOR Mahumapelo that 60% of the provincial procurable budget will be spent in VTSD areas in 2015/16 and increasing the target to 70% in 2016/17.

I can proudly announce that the Province, from a zero base, spent 19.6 per cent towards VTSD areas in 2014/15 and increased such spending in VTSD drastically in 2015/16 to 34.2 per cent or R1.820 billion of R5.324 billion.

In the current financial year, by the end of the second quarter the VTSD spending amounted to R879.492 million or 39.5% this is 20% more than what was spend for the entire year in 2014/15 financial year.

The radical policy pronouncement by the Premier, did not only result in increased spending in VTSD areas, it has also in turn changed and or shifted government spending towards supporting economic activities within the province as opposed to outside.

In 2014/15 financial year, R3.041 billion of procurable budget was spent outside the province while R2.130 billion was spent within the province. Following the VTSD policy pronouncement, by the end of 2015/16, R3.028 billion was spent within the province compared to R2.296 billion spent outside the province which resulted in the 57:43 split. In a one year period, this administration has been able to profoundly change the split and ensure that it favours the Province.

Honourable Speaker, this positive narrative does not only reflect the sound and positive decisions by the 5th Administration on policy directives, but it profoundly demonstrates our practical resolve and commitment to the implementation of the NDP through RRR anchored on the five concretes by using the current and future allocations at our disposal without new and or additional resources to change the lives of communities by implementing practical and realistic radical economic programmes.

Adjustment Budget Allocations

Honourable Speaker, the provincial departments and the Provincial Legislature presented an additional budget bid for the 2016/17 Adjustment Budget cycle amounting to R3.300 billion. The Executive Council had to make hard choices to ensure that within a constrained budget, implementation of apex priorities in the context of the five concretes is sustained and not compromised.

Revenue Sources

Honourable Speaker, the 2016/17 adjustment budget is being tabled within a constrained fiscal position and we have not received any additional equitable share allocation for adjustment

in the current financial year and therefore all our resources must be utilised in an efficient and effective manner.

The 2016/17 provincial adjustment budget is mainly funded from the under-expenditure of previous financial year, re-allocation of the COE's budget and such funding has been re-directed to the provincial apex priorities.

Conditional grants: An amount of R4.264 million has been reduced from Mass Participation and Sport Development Grant to align the allocation with what was agreed to by the sector. Furthermore, an additional R4.511 million is allocated to National School Nutrition Grant mainly to assist with the pressure resulting from food price increases. The adjustment of the two conditional grants resulted into a net increase of R274 thousand on conditional grants allocation.

In addition, an amount of R90.046 million has been approved as conditional grant rollovers from the 2015/16 financial year to the 2016/17.

Own revenue – although on aggregate the Province has recorded an increase in the own revenue collection in the current financial year compared to the previous year, the own revenue budget is revised downwards by R23.239 million for three

departments, given the collection rate as at the end of the second quarter.

Honourable Speaker, we have declared 80 per cent of the saving realised from the compensation of employees' budget for the first half of the current financial year for key provincial priorities and budget pressures.

The Departmental adjustments are as follows:

The total additional allocation to be included in the adjustments budget amounts to R360.428 million. This amount represents an increase of 1% of the original budget of R36.229 billion to R36.589 billion. The departmental budgets and the allocation for the Provincial Legislature have been adjusted as follows:

Office of the Premier

The Department's main Budget increases by R94.295 million, that is from R492.243 million to R586.538 million. The additional amount of R94.295 million relates to ICT and Communication transformation programme, funding for NWDC and roll over of R10 million for the completion of the MRRRP projects.

The Provincial Legislature

With an increase of R39.237 million, the total budget for the Legislature increases from R349.435 million to R388.672 million. This increase is mainly intended to address pressures on Goods and Services and especially in relation to the budget for committees. Included in this amount is R3.237 million allocated without cash flow implication as retained income from the previous financial year. This allocation is made in terms of Section 23(1)(2) and (3) of the Financial Management of Parliament Act.

The Department of Health

Honourable Speaker, the Department of Health has been experiencing tremendous budget pressures from the previous financial years.

This pressures culminated with a total liability of R1 billion at the end of 2014/15 financial year. I want to point out to this August House that during the past two financial years, the Executive Council took a conscious decision to assist this department to stabilise its financial position.

During the 2015/16 financial year, the Department of Health was allocated an additional R179.634 million and R116 million in the first and second Adjustment budgets respectively. This additional amount of R295.634 million, was to assist the department to offset

the accruals and sustain the provision of health service in the Province.

Furthermore, the Executive Council directed Provincial Treasury to co-manage the finances of the department, mainly focusing on goods and services and compensation of employees.

In the 2016/17 adjustment budget, the department receives a net amount of R181.614 million to assist with the pressure of accruals, after discounting an amount of (R18.386) million for ICT and Communication budget, from R9.461 billion to R9.676 billion. An amount of R123.978 million has been ring-fenced within the CoE budget to address the CoE liabilities (PMDS and Pay Progression) from previous financial year. The department also received a rollover of R33.793 million for Conditional Grants. The

Department of Culture, Arts and Sport Development

The Department's main budget increases from R659.665 million by a net amount of R8.070 million to R667.735 million.

The department receives a net increase of R8.070 million after discounting the reduction of R11.668 million in lieu of underspending on compensation of employees and the ICT and communication transformation programme. Amongst others, the additional amount relates to the rollover of R5.221 million in

relation to the Community Library Services Grant and R7 million to address pressures for Mmabana Arts and Cultural Centre.

Department of Community Safety and Transport Management

Honourable Speaker, this Department's main budget is adjusted by a net increase of R62.222 million, after discounting an amount of (R3.187) million for ICT and Communication budget, from R1.852 billion to R1.914 billion. The main contributor to the additional funds is the amount of R53.409 million approved as rollover CCTV cameras, donation from RTMC for the weigh bridge. Furthermore, an amount of R7 million has been set aside for the procurement of two Fire Engines for the Airports and R5 million for an Aviation Academy.

Finance, Economy and Enterprise Development

- **Finance**

The allocation of Finance has been adjusted downwards by an amount of R20.986 million, from R485.643 million to R464.657 million.

- **Economy and Enterprise Development**

The total adjusted budget for Economy and Enterprise Development amounts to R306.315 million which is a net increase of R3.630 million after a reduction of (R8.370) million on CoE and ICT and Communication budget, from R302.985 million. The key items funded are for the liquor licence system the VTSD Lekgotla.

Department of Education and Sport Development

The net reduction for the Department amounts to R89.324 million, that is, from a total allocation of R14.331 billion to R14.242 billion.

The department also received a rollover of R51.032 million on unspent Conditional Grants and R23.494 million of which R18.383 million is for commitments relating to Learner Teacher Support Material and R5.111 million for the completion of Sports Development infrastructure.

Furthermore, the department received an additional R4.511 million for the National School Nutrition Programme to supplement the cost of procurement of food for learners and the Mass Participation and Sport Development Grant have been revised downwards by R4.264 million to align with what was agreed by the sector.

Department of Local Government and Human Settlement

This Department has been allocated a net additional amount of R44.776 million, increasing the original total budget of R2.646 billion to R2.690 billion.

Honourable Speaker, the departmental allocation has been reduced by an amount of R12.424 million of which R616 thousand relates to the reduction on own revenue. This was informed by the departmental revenue performance of the first half of the financial year.

Conversely, an amount of R30 million is allocated to assist the department with the NW Housing Corporation Litigation, R20 million for the completion of the Disaster Management Centre and a rollover of R7.200 million.

Department of Tourism

The Department receives a net additional allocation of R2.262 million, increasing the original budget from R229.261 million to R231.523 million.

This net increase came as a result of an additional R10 million earmarked to address the budget pressures for the Tourism Board and an increase of R436 thousand on own revenue. The

department surrendered an amount of (R4.302) million on CoE and (R3.872) million for ICT and Communication.

Department of Public Works and Roads

The Department receives a net increase of R21.633 million, increasing the original budget from R2.721 billion to R2.743 billion. The net increase came as a result of a reduction of R58.367 million from CoE, ICT and Communication and own revenue projections; and an additional R80 million earmarked to assist the department to pay Rates and Taxes to municipalities.

Department of Social Development

Department of Social Development surrendered an amount of R22.295 million. This reduction adjusted the departmental allocation from R1.415 billion to R1.393 billion.

Department of Rural, Environment and Agricultural Development

The Department of Rural, Environment and Agricultural Development budget increases from R1.285 billion to R1.286 billion, a net increase of R1.501 million.

This net increase came as a result of an additional R35 million (of which R25 million is earmarked for Springbokpan Agripark and R10 million is allocated to address budget pressure experienced by Parks Board) and the reduction of R33.499 million of which R3.214 million relates to the changes on the departmental revenue target and compensation of employees.

The table below gives a summary of the adjustments to the 2016/17 Main Appropriation.

Departments	2016/17 Main Appropriation	Total Adjustment	2016/17 Adjusted Appropriation
Office of the Premier	492 243	94 295	586 538
Provincial Legislature	349 435	39 237	388 672
Health	9 460 530	215 407	9 675 937
Culture, Arts and Traditional Affairs	659 665	8 070	667 735
Community Safety and Transport Management	1 851 672	62 222	1 913 894
Economy and Enterprise Development	302 685	3 630	306 315
Finance	485 643	(20 986)	464 657
Education and Sports Development	14 331 224	(89 324)	14 241 900
Local Government and Human Settlements	2 645 675	44 776	2 690 451
Tourism	229 261	2 262	231 523
Public Works and Roads	2 720 913	21 633	2 742 546
Social Development	1 414 986	(22 295)	1 392 691
Rural, Environment and Agricultural Development	1 284 840	1 501	1 286 341
Total	36 228 772	360 428	36 589 200

Infrastructure Delivery Intervention

Honourable Speaker, with regard to **Infrastructure delivery intervention**, the department has observed significant gains on the quality of planning documents and timeous reporting by departments. However, implementation and expenditure remains a challenge.

In line with the Shared Services Model (SSM) for Infrastructure approved by the Executive, Treasury ensured development and sustainability of the Governance Structures for appropriate interventions on infrastructure bottlenecks realized in both departments and municipalities.

The Standard for Infrastructure Procurement and Delivery Management (SIPDM) is applicable as from July 2016 across all departments and their entities with the aim of ensuring standardized approach to procurement and realization of value for money in the delivery of infrastructure. This standard will also be applicable to all Municipalities effective from July 2017 and the Provincial Treasury has undertaken numerous awareness workshops to departments and municipalities.

Honourable Speaker, the Executive Council has approved the revised Bokone Bophirima Infrastructure Delivery Management System (IDMS) which incorporated the Shared Service Model as well as the Standard Infrastructure Procurement and Delivery Management system.

The Office of the Premier and Treasury will continue strengthening its fiduciary functions of monitoring and evaluation in order to ensure compliance, effective and efficient planning and delivery of infrastructure to realize value for money.

Honourable Speaker, the South African Economy is contending with the difficult economic times. As a country and the Province we remain positive and optimistic about tomorrow. The realization of a better South Africa and the Rebranded, Repositioned and Renewed Bokone Bophirima depends entirely on us and we have every reason to continuously sharpen our programmes to ensure the total eradication of poverty, unemployment and inequality. This adjusted budget provides us with a good opportunity to forge ahead with programmes that progressively change the lives of our people.

Honourable Speaker, the nature of the work we are charged with carries the trust and hopes of the people of Bokone Bophirima. For the fifth administration to ensure that we deliver on the promises we made to our people, it is important that we stick to the allocated budget and use it sparingly to meet the demands at hand.

This administration will continue to ensure that consequence management is implemented at all levels where state resources are being compromised.

In conclusion I would like to convey my sincere appreciation to:

- The Honourable Speaker,
- Members of the Provincial Legislature, whose role cannot be over-emphasised and is highly appreciated
- Portfolio Committee on Premier, Finance, Economy and Enterprise Development, led by the Honourable Elisha
- Standing Committee on Public Accounts led by Honourable Mahlakeng;
- Premier Supra Mahumapelo for his visionary guidance and leadership;
- The HoD for Finance, Mr Kunene, HoD for Economy and Enterprise Development, Dr Thekiso, staff in my office and All FEED officials for their immense contributions and ensuring that we carry our work with diligence and integrity.
- To my family for your continued support and encouragement.

Honourable Speaker, in the spirit of “**Saamtrek-Saamwerk**” we need to continue working together to build a prosperous and economically sustainable Peoples Province of Bokone Bophirima.

Honourable Speaker, I wish to take this opportunity to call on the People of Bokone Bophirima to support and join us during the hosting of the first ever Bokone Bophirima VTSD Economic

Lekgotla which will be held at the Mmabatho Convention Centre from the 30 November to 02 December 2016.

The relevance and the importance is found in the words of the Premier during the 2016 State of the Province Address when he said “our approach is to build the inclusive VTSD economy that promotes enterprise and industrial development, reduce unemployment in rural areas and utilise existing capacities within rural households to promote entrepreneurship”

I Thank you

Ke a leboga