

**KEYNOTE ADDRESS BY NORTH WEST MEC FOR FINANCE,
MAUREEN MODISELLE
AT THE ANNUAL SALGA BUDGET WEEK
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It is once again an honour and an inspiration for me to have been invited to be part of this year's SALGA budget week. It is also a real privilege for me and a tall order to be given an opportunity to deliver a keynote address in this august occasion.

It behoves me, on behalf of Premier Edna Molewa and the provincial government, to take this opportunity to thank all our councilors and officials who have committed themselves to delivering services to our people.

The importance of local government derives largely from its position as the critical interface between the government service delivery system and the people. It is with this understanding of the importance of local government that we have always strived to capacitate our municipalities so that they are able to tackle the challenge of reducing poverty among our people.

It is for this reason that we have always emphasized the importance of each and every ward councillor to be the custodian of all the critical information on economic activities, unemployment and poverty in their respective wards. In fact, ward councillors need to be familiar with the poverty profile of the families in their areas.

At least, they should know the most indigent families in their areas and be certain that they are accessing social security grants. That is the most tangible form of public service at ward level.

Over and above familiarity with the poverty profile of their wards, each ward councillor needs to be familiar with new economic investment activities and trends as well as growth potential in their ward and municipality.

It is only when such information is at their fingertips that they can influence council to develop informed strategic IDP's and LED's. This will help reduce the number of indigents as more and more people will be able to generate some form of income and help relieve pressure from the municipality to provide free basic services.

There is consensus in government that no municipality will be able to achieve proper development if it is not financially stable. This implies that for a municipality to be able to facilitate real economic growth within its area of jurisdiction, it must be able to manage its finances first.

Over the past six years, our municipalities have experienced a number of challenges in areas such as financial management, especially financial accountability and effective revenue collection and the implementation of capital projects. Slowly but surely, we have been striving to improve this situation and I must say some of our municipalities have been responding very positively.

Since the past two years, the province has shown significant improvement in utilizing the Municipal Infrastructure Grant (MIG) to provide basic infrastructure and eradicate service delivery backlog. In the past financial year several municipalities managed to spend 100% of their allocations and they must be congratulated for that.

There was also an overall 27% improvement in infrastructure expenditure and I think this is a positive step towards the right direction. I must hasten to say, though, that there are some municipalities that are still disappointing when it comes to spending their MIG allocations. Perhaps SALGA will have to work out strategies to try and assist in pulling everybody to improve in this regard.

It is also encouraging that during the 2005/2006 financial year, all our municipalities managed to submit financial statements to the Auditor-General. However, it is of serious concern that eight of them did not submit their statements within the required deadline due to vacant CFO posts and other capacity problems.

It is therefore sad to realize that we still have municipalities that struggle to account for their finances as stipulated by law. I hope this body will help in alleviating this problem once and for all.

About five municipalities in the province currently do not have CFOs, which is a matter of great concern. But I hope we have already learned from past experience that we should not leave critical posts such as that of CFO vacant for a long time.

I'm told all the municipalities in the province have already approved their operating and capital budgets for the 2007/2008 financial year with a combined budget for all municipalities sitting at R5,84 billion. Without the necessary financial management systems and skills, the bulk of this money may not benefit the communities we serve.

We must therefore ensure that we improve our systems and policies and appoint people with the right skills for the job in order to have better outcomes. Community engagement will also be necessary in order to ensure that our people understand and support our development programmes.

Further strategies must be employed to try and increase our collection rate of municipal revenue. It has been brought to my attention that municipalities in the province are owed at least R2,6 billion that they are struggling to recover.

This amount is more than the R2,36 billion that municipalities have budgeted for capital projects, this financial year.

The most affected municipalities are Merafong, Matlosana, Mafikeng and Rustenburg, which are owed between R297 million and R682 million each.

Of particular concern is that almost R400 million of this is owed by government departments.

Good revenue collection strategies are therefore needed to recoup this money as a matter of urgency.

One of the challenges we are going to grapple with in the next four years is to achieve the alignment of development plans of all three spheres of government. The national government has promised us the requisite support in order to realise this critical imperative.

In terms of the MFMA municipalities are expected to table their draft budgets by 31 March which is 90 days before the start of the budget year and out of the 25 municipalities in the North-West province only 8 municipalities met the stipulated timeframes in terms of the draft budget.

Only 22 municipalities adopted their budget on or before 31st May 2007. This matter was referred to the MEC for Finance to pro-actively engage with the responsible municipalities to allude the consequences of not adopting their budgets.

From the municipalities that submitted their draft budgets on time, about 9 municipalities were analyzed and the following are the most common problem areas identified:-

1. Low allocations in terms of the Capital budget
2. Municipalities still depend entirely on government grants to fund the Capital infrastructure programmes. In some municipalities it is as high as 95%.

3. Collection of revenue is still a serious challenge to our municipalities. The total debt in the NW is estimated at R1.8 billion of which a great portion of it is irrecoverable.
4. Lack of clear linkage between the budget and the IDP
5. Credibility of the budget is still lacking

In light of the sequential nature and prescribed timelines of all the key issues in the MFMA, My Department has planned to engage all municipalities with an incremental approach. This would give priority focus on:-

1. The effective and efficient Implementation of 2007/08 Budgets, which entails effective monitoring, consistent and timeous reporting by our municipalities in a prescribed manner
2. Analyze quarterly expenditure reports from municipalities and submit to legislature and publicize this information to our community to make sure that our communities are well aware of how municipalities are performing.
3. Encourage and assist municipalities with the establishment of Internal Audit Sections and Audit Committees.
4. Assist municipalities towards significantly improving on the audit opinions of 2005/06.

5. Assist our municipalities with the GRAP (ie. General Recognized Accounting Practices) and GAMAP (ie. General Acceptance of Management and Accounting Practices) especially the medium capacity, as they are expected to comply with GRAP requirements by end of August 2007.

6. Assist municipalities with the compilation of 2006/07 Annual Financial Statements which must reflect the quality and integrity of the information and most importantly reflect the true financial performance and position of the municipality.

7. Assist municipalities with the revenue collection and enhancement.

I wish to take advantage of the platform to record my appreciation of the coordinating work your organisation is doing to make our municipalities and councils function better. This function is going to progressively increase if the face of our province is to transform evenly within the remaining years of your term of office.

Our programme for this term is unambiguous: "We want electricity for all. We want water and sanitation for all." Our politics are about economic development, and the rollout of infrastructure.

We must become activists and self-made experts on the implementation of all these programmes.

The success of our local government system must not be predicated on some highfaluting behavior or genius officials, but rather on an understanding the system of local government within the cornerstones of a developmental state. That is, the existence and practice of sound developmental relations across the three spheres of government.

It is thus my view that hand-in-hand we can become workmen and women in the eternal construction of a better tomorrow. We owe it to our people! We dare not fail.

I thank you!