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**2010 BUDGET SPEECH**

NORTH WEST PROVINCIAL BUDGET SPEECH 2010  
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MEC FOR FINANCE

PRESENTED AT THE NORTH WEST PROVINCIAL LEGISLATURE  
ON 04 MARCH 2010

Honourable Speaker;  
Honourable Premier;  
Members of the Executive Council;  
Members of the Provincial Legislature;  
Magosi a gaetscho a a mpusang;  
Distinguished Guests and  
Fellow Comrades

Honourable Speaker,  
It is my privilege and honour to present the North West Provincial budget for the financial year 2010/11. This budget is presented during the turbulent domestic and global economic conditions that need our collective and creative minds to advance improvement of the lives of our people. Although we may technically be out of the recession but in real terms it will take us some time to recover as a nation.

The 1994 political breakthrough has given us hope for an improved economic environment in which all the citizens will have equal opportunities in order to live better lives as a result of the freedom they sacrificed their lives for. We have demonstrated to the whole world that we can construct a united, democratic, non-racial and non-sexist South Africa. Even if we differ politically, we have shown the world that we can share a common understanding on matters that are of concern to all of us, which we need to address to build a better country for our children.

Since 1994 we have created a government which is constantly seeking to connect with the people. As government we have improved on listening to our people, understanding their concerns and practically taking up the issues they raise through government imbizo's and the Legislature playing its oversight role through public participation engagements.

We must utilise our capabilities, energy and skills to resolve the challenges of job creation to increase our provincial economic growth and alleviate poverty which ravages our communities. As government we will continue to work together with the private sector and Dikgosi in order to ensure that our people get employment and skills; these include entrepreneurial skills that can assist in sustaining their lives and economic growth.

Honourable Members, FIFA Soccer World Cup has arrived and we must all enjoy the tournament. The World Cup assisted us to invest in infrastructure and tourism facilities. Let us unite us as we look forward towards hosting it. Let us not be derailed by those who undermine our capacity to host.

Honourable Speaker, Minister Pravin Gordhan in his budget speech gave us a huge task that:

"We have achieved a remarkable goal in completing the 2010 stadiums in good time. As we rightly enjoy and take pride in this achievement, we must know and extend the same extraordinary efforts to address our critical social and economic challenges. We must be ambitious yet realistic,

we must be bold yet pragmatic, we must be creative and inventive, yet we must build on sound and secure foundations”.

This statement must be a challenge to all of us that we must be bold, realistic and pragmatic in order to deal with challenges of service delivery as politicians and public servants in this province to, build a better life and future for our people. Citizens of this province expect us to take bold and decisive actions now to turnaround the service delivery situation with the limited financial resources we have at our disposal, because there is no reason to be hesitant in our approach. Most of our people want to work for themselves without heavy reliance on government social grants. It is possible that we can use the grants as a basis for creating sustainable livelihoods.

The reality is that we must deal with as a province is to increase the quality of services that we deliver to our communities. We lose people to other provinces during every election due to the quality of services that we deliver. If we do not deal with this challenge in a realistic manner we will indirectly contribute to the dissolution of our province. The resources that we have can go a long way in improving the quality of services that we deliver.

We need to step up engagement between government, business, labour and communities to forge a working relationship that we can use to mobilise our determination and strength to build a developmental state. Our communities should not be exploited on the basis of poor service delivery to destroy government property that is intended to improve their lives. Change is painful but people need not to resist it, once you accept, embrace and implement it progressively, you will feel fulfilled when you see the impact of your contribution on the lives of the impoverished people.

Honourable Speaker, President Zuma and Premier Modiselle have outlined way forward on actions that we must implement as provincial departments and municipalities to achieve more out of the limited resources that are at our disposal.

We are expected to make a concerted effort to reduce joblessness among young people, support labour intensive companies that do business with the provincial and local government. It is also expected of us to improve performance and effectiveness of the state, deliver quality services as our responsibility to the people of our province. History will judge us if we do not take decisive actions to create sustainable communities but develop a few elite.

Boldness to change things in a progressive manner, improve and increase the services that we deliver within the tight budget constraints, will go a considerable distance in preventing the abuse of communities during service delivery protests. Those who studied the French history will understand and acknowledge that the backlogs that we have as a province need bold steps, like truly going the labour intensive route and increasing beneficiation of the primary goods that we produce and have the potential to beneficiate to create more jobs Our province is endowed with wealth that can leverage us as we improve the lives of our people and develop economically as a province.

President Zuma implored on all of us that:

“The most urgent focus of policy change must be interventions to create jobs for young people”. We must use their energy and creativity to give them meaning in life. Both the President and the Premier have emphasised that we will sign detailed delivery agreements with them as the Executing Authorities and the Accounting or Implementing Officers. We must never attempt to fool ourselves that these delivery agreements will bind only politicians and exclude public servants.

#### Budget framework

Hon Speaker, the fiscal framework for the 2010/11 MTEF takes into account the pressures created by the global and domestic economic conditions. In approving the framework the Extended Cabinet the proposed data updates to the equitable share formula, including the adjustment for re-demarcation in Gauteng and North West provinces. They agreed that the impact of the revisions be phased in over the MTEF period.

The impact of the realignment of the provincial boundaries between the two provinces as a result of the re-incorporation of Merafong to Gauteng, led to a reduction of the equitable share by R889, 345m during this financial year. The Northern Cape was allocated R6, 994m from our equitable share for 2010 FIFA World Cup Legacy because they are the only province that does not host the

soccer tournament. These impacted negatively on our budget. We must also await the reincorporation of Ba Ga-Mothibi to Northern Cape.

With the function shift of Further Education and Training (FET) Colleges to national government, a conditional grant of R235, 870m had to be redirected. The variance that results from the reallocation of the OSD for Health (2009 MTEF) from Provincial Equitable share formula to actuarial work done amount to R23.499m for this financial year. The total impact of the reduction of the adjustment to baseline is R1, 216 298 bn.

Therefore the baseline is reduced from R17.813 857 bn to R16.597 559 bn. Additional funds to the Provincial Equitable share include inflationary adjustment for salaries of R377, 653m.

#### Reprioritisation of spending

Hon Speaker, the additional funds for policy priorities funded through the provincial equitable share are as follows:

- In Education OSD for Educators amount to R209.807m.
- In Health OSD for Doctors (Shares for actuarial work done) amount to R39.201m, OSD for therapists (Shares of actuarial work done) amount to R19.968m.
- The general adjustment to the Provincial equitable share is R 69.936 m; this amount does not leave sufficient room for the province to reprioritise these allocations.

The total for conditional grants to the province amounts to R4, 202 944 bn. It is vital that we improve our spending on conditional grants through planning and targeted implementation as a province. Our performance on conditional grants as a provincial government and municipalities is not impressive at all. Let me remind all of us that if we do not spend on the conditional grants National Government can redirect them to other Provinces that are in need of them.

This will be a clear sign of compromising service delivery to our people. During the approval of this budget, the Executive Council mandated the Provincial Treasury to report quarterly on the spending of conditional grants.

As a province we managed to collect R597.310m as own revenue, therefore the total for the budget for the province amounts to R22.114 378 bn.

The Minister Pravin Gordhan made a call to provinces to reprioritise spending to address pressures in their budget. All spheres of government including municipalities are expected to reassess their baseline budgets and conduct a reprioritisation exercise in order to provide funding for new prioritise. In addition departments, entities and municipalities are expected to be more prudent with their spending in order to avail more funds for service delivery. We have managed to save +- R300m as a province from cost saving measures that we have redirected to our priorities. The core priority departments must vigorously reprioritise funds to produce more outcomes.

We are all expected to cut spending on non essential items like entertainment, catering, gifts, events, travel and accommodation etc. Let me take this opportunity to remind departments to reprioritise funds to payment of audit fees and for debts they owe to municipalities. A ke tseye sebaka seno go gopotsa mafapha, bomasepala le dientiti go duela disuga tsa bona go Moruni Kakaretso (Auditor General) pele re ka tsaya dikgato tse di seng monate go dira gore ba duele. Fa re dira mmogo go duela disuga tseno re ka salelwa ke madi aa bonalang go ka a lebisa kwa ditirelong go baagi.

Hon Speaker, we had to continue with the bold action that we started during this financial year in order to become exemplary in cost cutting measures by utilising funds that are meant for a glamorous dinner to share with children from destitute families. We are considering to reduce the allocations to departments that continue to spend on these non-essential items because during the course of the financial year they will definitely approach the Provincial Treasury for additional funding. The effort of implementing these cost cutting measures in the province will succeed only if there is political buy in and support .The Presiding Officers, MEC's and Mayors' of Municipalities are expected to provide leadership in this process.

Moporesidente Zuma le Tonakgolo Modiselle ba bua ka tshakgalo ba sa kgale mathe mo ganong fa go tla mo bobodung le manyofonyofo mo pusong. Se ke tthagala ee senyang madi a ditirelo ka lebaka la megagaru. As a team of Finance MECs and the Minister of Finance we have unanimously

agreed during our first meeting after the elections that we are compelled to review our procurement system and supply chain management.

Through a combination of corrupt practises, inefficient procurement, poor planning and collusion by the private sector, we do not get the kind of value from purchases that our people deserve. Even in instances where there is absolutely no corruption, we sometimes give contracts to people or companies that cannot implement these projects. Therefore this is a leakage in our budget circle that needs to be sealed. Together we can successfully seal this leakage to protect our future.

Honourable Members let me remind you of what Premier Modiselle said during the State of the Province Address: "Corruption is a curable disease; it is one virus that depends on its host to survive. This administration will not be a willing host of corruption". Therefore, the Forensic Unit of government must be capacitated to deal with many cases of corruption that confront us as a provincial government. Maybe this is time that the unit is transferred to Provincial Treasury as the Premier had promised during her response to last year's State of the Province Address.

As a point of emphasis on the funds that are available at our disposal, the province did not receive any additional funds that it can use with discretion to address its priorities.

Revisions to the equitable share during this financial year were informed by data from the 2009 mid-year Population Estimates, 2009 Education Snap Survey, 2008 General Household Survey, the 2007 GDP – R and the 2005 Income and Expenditure Survey. This adjustment will be phased in over three years. However, the adjustment for the realignment of provincial boundaries will be implemented with immediate effect.

#### Provincial Fiscal Framework Policy Priorities

This year's Provincial allocations to Policies are:

- for the OSD for Education and Health (PES)
- HIV and AIDS programme (conditional grants)
- Hospital Revitalisation Grant (conditional Grant)
- National School Nutrition Programme (conditional grant) in 2012/13
- Infrastructure Grant to Provinces for school infrastructure in 2012/13
- Integrated Housing and Human Settlement development in 2012/13
- Support to Municipalities

Hon Speaker, with regard to support to municipalities, the financial management capacity is improving although there are still serious challenges in municipalities. Provincial Treasury and the Department of Local Government and Traditional Affairs have been working together to assist Municipalities to improve service delivery. An amount of R29m has been set aside and will be increased over the MTEF to assist Municipalities. As provincial government we urge municipalities to cooperate with teams that we deploy to assist them. We cannot continue to work in silos whereas the Constitution mandates us to cooperate and have an integrated approach in doing our business.

#### Provincial Infrastructure Delivery Improvement Programme (IDIP)

The programme was introduced by National Treasury in collaboration with the Provincial Treasuries and has indeed assisted the province with capacity to integrate planning with the implementation of projects. An amount of R3.2 billion has been allocated to address infrastructure needs. Departments have to ensure that they intensify the implementation of this programme in order to increase spending on capital budget and infrastructure conditional grants. Both the provincial departments and municipalities must verify that spending on infrastructure is aligned to the outcomes and quality of work delivered by service providers.

#### Provincial Revenue and Expenditure

National Treasury has allocated us R17, 314 124 bn as the equitable share and R4, 202 994 bn as conditional funds. Provincial own revenue amounts to R597, 310 m. The total budget that is available for the province during this financial year is R22, 1 14 378 bn.

## Departmental allocations

The Office of the Premier receives an amount of R219.615 m. The increase is as a result of additional funds (R17 m) earmarked for the fight against fraud and corruption in the first two years and the shifting of Provincial Council on AIDs to the office.

Provincial Legislature receives R143, 156 m which will increase over the MTEF; additional funds to the baseline are provided for Political Party funding.

Department of Public Safety receives an amount of R336, 862 m; this has increased by R212.524m from the provincial own revenue to strengthen the fight against crime as a government priority.

Department of Provincial Treasury receives the total R318, 727m and this budget includes learner-ship funds, MFMA support Unit and own Provincial revenue.

Department of Local Government and Traditional Affairs receives R302.326 m. The budget decreased as a result of shifting of function of housing to Human Settlement department and includes provincial own revenue allocation.

Department of Sports, Arts and Culture receives an amount of R399, 243 m. The allocation increases as a result of the following conditional grants: R34.022m for mass sport and recreation participation programme and R59.275m for community library services. The grant will assist to keep the youth actively involved and well focused in all regions.

Department of Economic Development and Tourism receives R336, 526 m. The additional funds are for the establishment of Provincial Micro lending funds, creation of youth cooperatives to promote job creation for youth and development of entrepreneurship. Additional funds are allocated for the resuscitation of Madikwe sisal project, Khanyisa wild silk and Mafikeng bio-diesel project. Additional funds from own revenue amount to R69.344m, the allocation includes the finalisation of industrial development strategy that will increase economic growth.

Department of Public Works, Roads and Transport receives R2, 583 914 bn. The department receives the following conditional grants: devolution of property rates fund, Extended Public Works Programme for the social and infrastructure sectors R634.958m that is earmarked for infrastructure development. It will also receive additional funds for road maintenance and re-sealing of potholes. The issue of roads remains a challenge but the department has a plan of how we are going to proceed. Let me take this opportunity to request the departments and municipalities not to commit government over the medium term. This arrangement is a great risk to performance of government.

Department of Agriculture, Conservation, Environment and Rural Development is allocated R678, 718m. The allocation includes R93m for Rural Development over the MTEF. The following conditional grants are allocated – Comprehensive Agricultural Support Programme (CASP), Letsema Projects and Land Care programme to the value of R127m. It must be noted that funds earmarked for Rural Development to the value of R25m are not intended for compensation of employees.

Department of Human Settlement receives R1.401 873 bn; the allocation is earmarked for the facilitation of integrated Housing and Human Settlement developments. This grant is to the value of R1, 288 770 bn. and we believe that this grant will not be utilised to provide houses that are of low quality whereas some contractors are fully paid for incomplete projects. Provision of low cost housing has been compromised by incomplete projects and low quality projects as a result of fraud and corruption.

The Department of Health receives R582.752 bn. of the baseline allocation that is drastically increased by the following grants: comprehensive HIV and AIDs, hospital revitalisation. The department receives conditional grants to the value of R1.151 bn. Furthermore, it will receive additional funds for pharmaceuticals, OSD, medical waste etc to improve outcomes because it is one of the priorities of government.

Department of Education is allocated R9.050 791 bn. The following grants are allocated: for HIV and AIDs, National School Nutrition programme, infrastructure development etc. to the value of

R764m. Additional funds are made available for OSD and scholar transport. It remains a challenge that both Education and Health are allocated the highest portion of the budget whereas the quality of education and health have been below expectations as already alluded to by the President.

Department of Social Development receives R749, 875m. Hon Speaker it is important for the Department of Health and Social Development to manage and account on their budget votes separately to prevent Health from swallowing Social Development budget.

Budget tips.

The Provincial Treasury visited various Districts to collect budget tips for the MEC and Team Finance to consider during the budget presentation and implementation. Mosiameng Mothupi of Taung says that rollover funds by government despite poor service delivery brings the mandate of government to the brink of collapse. He continues that the intention of these funds is to better the lives of our people. Thank you Mothupi for telling the honest truth, rollovers compromise government in a great way especially in a rural province like ours.

Both the National and Provincial Treasuries have engaged with municipalities on the new budget format which will address issues of service delivery backlogs, roll-overs and lack of spending of funds by the municipalities. Mosimane Gilbert Mochwaedi from Vryburg, who is here today, advises government to review the tendering process and procurement system. Rre Mochwaedi o feditse kgang yotlhe, the National and Provincial Treasuries are compelled to review the process this year because we fully agree that this is a bucket that continuously leaks resources that must assist the poor.

Boitshoko Nape from Rustenburg advises that they need libraries in the communities so that they can read and increase their knowledge and vocabulary rather than loiter the streets. You are 100% correct, we must definitely spend the conditional grant for libraries and build quality structures than the one in Tlhabane, Rustenburg that was recently completed but has already been destroyed by a thunderstorm.

Martha Dibetso from Northam says: government must teach people the importance and methods of savings irrespective of how little they earn. A puso e rute batho mekgwa le botlhokwa ba go boloka madi go sa kgathalatsege gore ba duelwa bokae kwa ditirong. Yes it is true, such savings would help us not to depend on the World Bank and IMF loans that are expensive to service with difficult conditions laid out for the developing countries.

Azwindini Regina Muavana says that government should create more jobs so that people earn money and not depend on social grants only. A re puso e oketse go tlhola ditiro gore batho ba kgone go nna le letseno ba sa lebelela madi a mphiwa-fela. O tswelela ka gore go thapiwa ga basha go ka fokotsa botlhoko-sebe thata mo lefatsheng la rona. Youth employment will drastically reduce the crime rate in the country. Thanks Azwindini for supporting government priorities.

Conclusion

Honourable Speaker, I have been given considerable support and guidance by the Minister for Finance, Rre Pravin Gordhan who made us (MECs) feel at home in the finance family despite the challenges that we face at the time when SARS collects below target and the allocation of additional funds becomes a luxury. I want to appreciate the support I receive from my predecessor and Premier Maureen Modiselle and her Executive Council. Thank you for understanding that our resources have been greatly reduced by the reincorporation of Merafong to Gauteng mme re gopole gore re tshwanetse go dira go tlala seatla ka bonnyane bo re bo fiwang. Together we can do more.

I am grateful for the close working relationship and partnership that we have with the Office of the Auditor General since Mr Serote took over in the North West Province. Thanks to all Chairpersons of Portfolio Committees who vigorously engage departments on their budgets, in particular the Chairperson of the Portfolio Committee on Finance, Mme Tebogo Modise for driving budget accountability and the Chairperson of the Public Accounts, Mme Rosho for removing the lid from the Auditor General reports that are hidden somewhere in the annual reports of departments.

Thanks to the HODs and CFOs for your cooperation during the process of redirecting funds from non-core issues to priority issues. Now let us focus on improving the outcomes. A big thanks to the

Team Finance in the Provincial Treasury that has been working very hard to ensure that we keep on sailing in rough financial seas irrespective of the workload they have.

It may be a big mistake if I do not thank staff in the Office of the MEC who work sleepless nights and over the weekends without overtime pay to make sure that they give me the necessary support.

Thanks to my family for understanding that you share me with the people of this province.

Hon Speaker, please allow me to table the following documents:

- The North West Appropriation Bill 2010
- Revenue and Expenditure Estimates
- The People's Guide to the Budget
- A copy of the Provincial Budget Speech 2010

Thanks a million times  
Ke leboga go menagane  
Baie dankie