



North West
Province

2012 - 2013 Provincial Revenue and Expenditure Budget Speech

Presented by:
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(MPL)

06 March 2012



NORTH WEST PROVINCIAL BUDGET SPEECH 2012

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MEC FOR FINANCE

06 MARCH 2012

Honourable Speaker,

Honourable Premier,

Honourable Members of the Executive

Honourable Members of the Legislature,

Maaparankwe a gaetsho,

Honourable Executive Mayors, Mayors and Speakers of Municipalities

Provincial Auditor General

The Provincial Audit Committee

Acting Director General and Heads of Departments

All members of the business, civic and religious organizations

Distinguished Guests

Fellow comrades and compatriots

Honourable Speaker, it is my honour to privilege to introduce the 2012 budget to the Legislature. This budget has been crafted during the stormy and hazardous global economic environment that will remain with us for some considerable period of time. This unstable environment needs to be approached with resilience and not despair.

It is also important that people must understand the economic environment in which we operate. This is critical because they will always be misled by those who



are enemies of the truth. These are prophets of doom who claim to can perform miracles where it is impossible. Nevertheless our province is full of possibilities; that all of us must contribute in making our province a real home for all of us.

Baagi ba Bokone Bophirima ba tshwanetse go tshaloganya maemo a ikonomi ya naga le ya lefatshe ka bophara. Se se tla ba kgontsha go tshaloganya botoka seo se diregang. Se seka ba sireletsa go bommutla ka matlhajana, fa baba solofetsa ditsholofetso tse di sa kgonagaleng go ya ka maemo a ikonomi a re itemogelang ona. Fela se, ga se kae gore re ka se diragatse bojotlhe jwa rona go fetola seemo mo porofenseng ya rona. Ka na thuto ga e golelwe e bile botlhale jwa phala bo tswa phalaneng. Mokodue go tsoswa o o itekang.

When the ANC was formed 100 years ago, it recognised the intelligence and potential of everyone. It did not base capability on race, gender, colour, creed nor education. It is this critical link that we must use to ascertain that we all join our hands to develop our economy and bridge the inequalities that have been entrenched in our society for many centuries. This great movement of the people is 100 years old; but is a toddler in comparison to the history of dispossession in this country. The dispossession that created huge inequalities that cannot be bridged within a wink of an eye.

This is clearly visible in Honourable Mulder's attitude towards the land question. His comments are like a cancer wound to the people of this province who own a small chunk of arable and economically viable land. Most of these Africans have tilted the land which at the moment, they are compelled to vacate and resort to the formation of informal settlements around cities and towns of our province.

Our past is not only characterised by difficulties, oppression and despair. We can draw from the memorable lessons of the 100 years of the existence of the ANC, that we build on the good foundations that it established to liberate us politically and focus us on economic liberation. Minister Pravin Gordhan when he presented the national budget last month, stated that, 'every one of the last 100 years has seen our nation overcome obstacles that seemed insurmountable. We will not turn away from our challenges.



We will confront them boldly, and with hope. In harnessing all the resources at our disposal, we have to do more with less, work smarter and harder'. Kena le tshepo ya gore re ka dira go tlaala seatla go fetola maemo ano. Premier Modise has 'committed our government to take reasonable measures within the available resources to ensure that these basic services are accessible to our people'.

Government, business, labour and everyone must work together to create a conducive environment for the creation of jobs and economic development. Government must create foundations and a conducive environment for economic development. Business must invest in the economy to create much needed jobs and grow the economy, they need to take the opportunity that our country has relations with BRIC countries and this can harness faster economic development.

Labour must implement and be more productive. Members of the public must protect and not destroy government property. Consequently all of us have the responsibility to move our province to greater economic heights. Let us remember that having a job restores one's dignity, self-worth and self-actualisation.

Economic outlook

The North West is heavily reliant on mining, agriculture and tourism for economic development. These sectors are closely interlinked with the economies of the US and Europe that are currently unstable. The economic instability in these areas presents us with great opportunities. Diversification of our economy into manufacturing is what our province needs most.

The primary commodities and agricultural goods that we export can be manufactured in our province through the private sector positioning itself in manufacturing. Manufacturing can create more jobs and increase revenue for us.

Negative growth that is forecast in Europe will impact negatively on our economy. Emerging economies like China, India, Brazil and Russia (BRIC) are expected to reshape the global industry and investment. History has shown that difficult times like the current ones are always accompanied by conflict and instability. The



question that faces us is: what different role will our province play to strategically place our country where the BRIC are?

As a mining area, our province is expected to benefit from continued buoyancy in commodity markets. This is the opportune time that we should explore and increase manufacturing in mining and agriculture. Does business in this province have the appetite to invest in these areas?

Infrastructure development

The Premier has established a Planning Commission that will assist a great deal in aligning plans of provincial and local government over a long period of time. This initiative will assist with the planning and development of bigger infrastructure projects that can have greater impact in our economy. We are all aware and must accept that there are some weaknesses in our capacity to deliver on infrastructure. For several years the province has been struggling with capital expenditure and spending of conditional grants.

On the other hand, business has failed government by delivering poor quality goods and services at an abnormally huge price. This arrangement retarded the necessary growth in capital investment on the side of government. The question is: Is business ready to work with government on our priorities of infrastructure development, water provision and sanitation, alternative sources of energy and telecommunications?

We will prioritise the six roads announced by both the President and the Premier that will be constructed by SANRAL. The resources that are available in the Provincial Revenue Fund for road construction will be diverted to other roads that will not be constructed by national government. The R10, 825 billion earmarked by ESKOM over a five year period will also make great impact on the expansion of electricity in the province.

Some of our provincial entities have not contributed much to government's effort to develop our provincial economy. The Presidential Commission is busy finalising



the assessment and review of our entities. We will use the report to restructure and derive maximum benefit from our entities at a lesser cost. These entities are expected to assist government to deliver socially and economically. Furthermore it is worth noting that we intend to pull together resources as provincial and local government to derive maximum benefit on our investment.

Honourable Speaker

All these good intentions cannot be achieved without confronting corruption that drains the limited resources available at our disposal and prevent us from deriving maximum benefit from the same resources. The Premier has been active at the forefront of fighting the scourge of corruption and we need to applaud her leadership in this regard.

As a province we have not accelerated our spending on conditional and infrastructure funds. Minister of Finance has emphasised as follows on under-spending: 'this means that government departments and municipalities that do not spend, under-spend or miss-spent their allocated funding, will be at the risk of losing allocations. The relevant officials will also be held liable for such misdemeanours.' None of us must under-estimate this statement because no government department or municipality is entitled to the funds allocated and under-spent or miss-spent. We must remember that the funds are sourced from the financial markets and government has to pay interest on such loans.

National Treasury will pro-actively monitor spending of grants to ensure value for money, adherence to EPWP targets and implementation of maintenance programmes. We cannot afford to lose such monies whereas we know that we are a poor province. Provincial Treasury will also redirect unutilised funds to other priorities. This is in line with our commitment to the principle of 'no plan no budget, use it or lose it'. This is a rural and low capacity province. We should therefore ensure that we do more with the little resources that are at our disposal. Let us not prioritise personal benefit at the expense of the majority.

Reprioritisation of spending



Motlotlegi Mmusakgotla

We will continue with the reprioritisation of funds from non-core to core functions of government as we have started since 2009. This process has availed the much needed resources to be redirected to areas of need and priority. For example, we had to redirect funds to scholar transport in order to make sure that learners attend school for the last quarter of this financial year without any challenge. As provincial and local governments we must channel personnel funds to core and critical positions and suspend appointments of administrative staff.

There are some departments and municipalities that continue to appoint non-core staff, arguing that such posts are in their organisational structures. The big question is: are you patriotic enough when you make appointments that are not critical to deliver quality services to our people?

Go reng re tshwanetse go nna manganga ka go tswela go thapa badiri ba dikantoro go na le go thapa dingaka, baoki, ditlhalefi tsa botaki le metshameko, ditlhalefi tsa temothuo, jalo le jalo. Kana madi are a dirisang go duela badiredi puso a mantsi thata go feta a rea dirisetsang ditlhabololo le boleng jwa ditirelo tse re neelanang ka tsona. Le fa go le jalo, go botlhokwa go tlhagisa gore ditirelo tsa rona di tokafetse go utlwala tota le fa go santse go nale dikgwetlo fale le fale.

Cost of personnel in the province

We have a challenge with the cost of our personnel in relation to the skills and capacity to deliver quality services. It is indisputable that we need to increase the speed at which we deliver quality services. This is the time that people must know that they are in government to deliver services within a limited timeframe at a lower cost.

Public servants must start to take serious the capacity building programmes that are organised to equip them in their responsibilities. Training organised to address certain challenges is a waste of money if people attend half the session or if wrong people are sent for such training. Something must be done in this regard.



We are busy finalising the skills audit that we undertook in the CFO directorates. This was intended to assess our capacity in that area of the provincial government. The audit will be escalated to municipalities during the next financial year.

The Premier emphasised our intention to fill all vacant strategic positions; that we will look for capabilities and skills; we will not simply employ people because we know and like them. This approach will definitely bear much fruit for the province in the long term. The capacity of the state has been compromised with such wrong appointments. Our public service must be patriotic and acknowledge that when things go wrong they should not shift the buck. They cannot be part of those who complain about services whilst they are the ones who deliver services on behalf of government.

We must congratulate the EXCO led by MEC Masike in taking Medunsa under our wing. This will increase our capacity to deliver in health services at a lower cost and put us in a better position as we prepare for the National Health Insurance. Let's welcome the student doctors who have started working at Job Tabane Hospital in Rustenburg.

Supply chain management

We have introduced new regulatory changes around supply chain management. The changes are aimed at improving efficiency of the system and combating fraud and corruption. Departments are expected to submit procurement plans in advance to reduce the tendency of implementing projects that are not planned and budgeted for. Furthermore, to reduce tender processes that start late in the financial year and for lack of compliance with BBBEE codes.

We are at final stage of the development of the provincial commodity price index as part of cost containment measures. We are also in the process of establishing a unit that will follow up on suppliers' complaints of 30 days payments. The process of vetting all 300 bid committee members from departments has started. We believe that departments will restrict or blacklist suppliers involved in fraud and corruption and those that deliver poor services.



Honourable Speaker, our budget for the 2012/13 financial year is R26, 271 billion. Our own revenue collection is estimated at R717 million or 3% of the total revenue. This is an indication that we are heavily reliant on nationally sourced revenue. Our Provincial Revenue Enhancement Strategy is concluded and is ready for submission and implementation. We need to maximise our revenue collection to allow us more space to fund provincial priorities. The equitable share allocation has been reduced from 6, 8% to 6, 6% over the medium term. The reduction translates into R169m in 2012/13 and R433m in 2014/15. This reduction will be shared by all departments because it affects all departments including the Legislature.

Performance of municipalities

Honourable Speaker, financial management in municipalities remains one of the serious challenges faced by this government. The audit outcomes for 2009/10 in our municipalities have worsened. Most municipalities could not submit or submitted the financial statements late. They struggled to compile statements in compliance with GRAP. Some have not submitted financial years for two years and this compromises accountability. Those that submitted received bad audit reports. Some have incurred huge debts with service providers that provide bulk services and do not pay monthly.

We have dispatched Thuthuka project internship students to assist municipalities under distress. Furthermore Provincial Treasury has employed students who have completed their internship on 12 months contract to assist all municipalities with capacity. Furthermore, there are other initiatives that are targeted to municipalities by both National and Provincial Treasury.

Expenditure proposals for 2012/13

Honourable Speaker

The following are budget proposals that result from the bids that departments submitted in line with government priorities. Needs are unlimited and funding will never be enough for all the needs. The limited purse is worsened by the uncertain global economic conditions. The proposals are informed by the following assumptions:



- Budget to support funding for government key outcomes
- Provision for key provincial priorities i.e.
 - infrastructure development and maintenance e.g. roads
 - maintenance of social and economic infrastructure
 - provision of water and sanitation
 - provision of alternative sources of energy

The fiscal space in which we operate is very tight and is worsened by the capacity to deliver on our priorities on time. We will partner with members of the private sector who want to engage in clean and quality business with government. We have availed R486m over the MTEF for water and sanitation and alternative sources of energy to augment resources from national government.

The Legislature is allocated R165, 3m that increases to R184m over the MTEF. The Legislature has been declared a National Key Point and R35m has been allocated in the first year for this responsibility and to upgrade the Chamber. This amount will be included and ring-fenced in the allocation of Public Works, Roads and Transport.

The departmental allocations will be outlined according to the clusters. The Governance, Administration and Crime Prevention cluster is the least allocated of the three clusters.

The **Office of the Premier** is allocated R236m which excludes the funding for PERSAL that moved to the Department of Finance. The funding includes the responsibilities of the newly established Provincial Planning Commission and Provincial Council on AIDS.

The **Department of Finance** receives R372m that is inclusive of the PERSAL function shift and nationally sourced funds for support to municipalities.

Department of Local Government and Traditional Affairs is allocated R332m. The funds include responsibilities for water and sanitation and traditional leadership disputes.



Department of Human Settlements, Public Safety and Liaison, the Public Safety and Liaison branch receives R379m which includes funding for the 24hours shift for law enforcement and initiatives around revenue enhancement.

The largest percentage goes to the social cluster as per national priorities. The Department **of Education and training** is allocated R10, 872 billion for 2012/13 increasing to R12, 197 billion in 2014/15. This is inclusive of funding for OSD for educators, expansion of no-fee schools and universalisation of grade R. Conditional grants for this department amount to R1, 137 billion. I believe that at some stage government must revisit OSD because it puts huge constraints on provincial budgets.

Department of Health is allocated R6.959 billion in 2012/13, increasing to R7, 980 billion over the MTEF. The funds are inclusive of laboratory and emergency services, medical consumables and OSD for some health practitioners. This budget is inclusive of the conditional grants of R1, 563 billion. The national government will devise mechanisms for the funding of National Health Insurance that the country has been eagerly waiting for. The departments of Education and Training and Health jointly consume 67, 87% of the provincial budget.

Department of Social Development, Women, Children and Persons with Disabilities receives R949m for 2012/13 increasing to R1, 091 billion over the MTEF. The allocation includes funds for EPWP and infrastructure delivery.

The Department of Sports, Arts and Culture is allocated R447m in 2012/13 increasing to R491m in 2014/15. The funds include funding for Mass and Recreation Participation programme and the building of Community Libraries and Multi-purpose Centres.

Department of Human Settlements, Safety and Liaison, the **Human Settlements branch** receives R1, 199 billion in 2012/13. The funds are inclusive of the Integrated Housing and Human Settlement Development Grant. This department has serious challenges because more people are evicted from the farms and settle



informally in the surroundings of townships. Thus the target for the provision of housing continues to be extended. We call on the farming community not to evict people who have been working in their farms for many years because evictions create unnecessary tensions among communities.

Honourable Speaker, The Economic and Infrastructure Development cluster is allocated R4, 359 billion or 17% of the provincial fiscus. The **Department of Public Works, Roads and Transport** is allocated R3, 082 billion for 2012/13. This budget includes ring-fenced funds for scholar transport and upgrading of the Legislature. It must be noted that the situation that prevailed at the end of the school calendar year remains under the microscopic eye of the Executive Council.

There are great efforts that are undertaken to deal with problems and challenges encountered in this department. We must also not expect miracles to happen overnight. We have requested municipalities to submit their property rates invoices by mid February 2012 in order to clear debts owed by provincial departments to municipalities. The Premier announced during the State of the Province Address that a maintenance squad will be established in the province. The department is allocated R594m roads maintenance grant and R61m for infrastructure maintenance.

Department of Agriculture and Rural Development is allocated R851m in 2012/13. Given our challenges of water and energy, the allocation for these priorities will be R328m over the MTEF. The funding is intended to augment the funds from national government. The total infrastructure funding for this department amounts to R352m, and increases to R402 in 2014/15.

Department of Economic Development, Environment, Conservation and Tourism is allocated R427m which increases to R496m over the MTEF outer year. The funding includes funds for provincial public entities that are under review of the Presidential Commission. The funds also include funding for the vehicle that will supplement funding for provincial priorities. Funding for MIDZ has been withdrawn and reallocated to other provincial priorities. MIDZ as not assisted government as expected but also failed to account on the allocated budget for many years.



Honourable Speaker, most of the provincial departments have improved on the 30 days payments. We therefore request the service providers to submit invoices on time in order to be paid on time. Furthermore, we call upon all service providers to refrain from inflating prices. This is tantamount to theft from your own people. Please do not bribe our officials to give you business or get employment. We need your assistance to fight the corruption disease, together we can do more.

Budget tips

Let me take this opportunity to thank all North West citizens for engaging with us during the sourcing of budget tips campaign. This is your budget and you must become actively involved. Your views are valuable and help us to shape up our policies when we do our planning. Bogolo ba baagi go tswa kwa karolong tsa Ngaka Modiri Molema le Dr Segomotsi Mompoti bare metsi ke tlhoka boroko e kgolo, ba kopa gore puso e ba tlisetse pele metsi.

Ditshwaelo sa lona se utlwagetse e bile tonakgolo mo puong ya gagwe o netefaditse fa re semeletse ka thata go thusa ka tlamelo ya metsi. Re kopa gore le seka la re felela pelo bagaetsho gonne re tla diragatsa tsholofetso eno.

Daniel Mongale, Tsweleng township, Wolmaranstad are ga a bolo go itirela boikuelo go masepala gore ntlo ya gagwe ya RDP e beilwe mo morago ga borite jo bogolo ba letlapa mme ga go ope o a mo tsayang tsia. O lekile go ipatlela ba ba ka mo thusang le fa a sa dire mme go padile.

Tebogo Morapedi, Vryburg says it is time for government to do away with tenders because moneys that can be channeled to service delivery are wasted on tenders. He says this is the right time for government to take responsibility. **Thapelo Malwetsi, Rustenburg** says nationalize roads, get rid of tenders and get Public Works, Roads and Transport to do their job. **Lizette Joubert, Rustenburg** says government must minimize social events to save money. **Malebogo Masire**



Vryburg says that government must reduce grants because recipients misuse them and channel these funds to road maintenance.

Moagi mongwe kwa masepaleng wa Maquassie Hills o gapeletse badiri ba lefapha go ya go bona lesaka la modiredi wa masepala o a dirileng lesaka fa pele ga jarata ya gagwe kwa motse-setoropong. Baagi ba re se ke tshosetso go maphelo a bona ebile masepala ga o ba tsee tsia. Are se, se bontsha fa go nale emerging entrepreneurs ba ba ratang go tsena mo temong mme ba tlhoka lona lefatshe gore ba semelle ka thata go tlhagisa dikuno. Another resident has asked government to intervene where a sewage stream has been overflowing for almost 10 years in Wolmaranstad.

Boitumelo Dithae kwa Zeerust are a go tlhabololwe magae (rural development) gore batho ba dire gaufi le metse-magae. **Andries Kwenampe, Zeerust** asked why do rapists get bail after a day or two, are go reng fa o tshwara legodu mo ntlong ya gago ebe puso ere o itseela molao mo matsogong fa o mo setla gone legodu leo le tla boa gape fa le sena go neelwa beile.

Mmapula Thafe a re o kgotsofalla madi a bagolo a ba a newang mme puso e leke go oketsa madi a bana ba dikhutsana.

Thato Makoba of Rustenburg wrote: "I am an unemployed youth and wish to have my own company. I want to employ other youth because there is no hope. Originally I am from Mpumalanga and came to Rustenburg to seek employment but there is no help. Government must help people to have their own businesses in order to reduce unemployment. MEC I have confidence in our government and hope it will not disappoint us.

Most of the budget tips were about job creation. This clearly indicates that we still have a long way to go. Thanks a million times to all of you who participated in



taking the budget to the people. We value your contributions and will include your views in improving our work.

Conclusion

I would like to thank the Honourable Speaker and Deputy Speaker for offering us the opportunity to table this budget in this Chamber. Thanks Honourable Premier for your leadership, guidance and support. I would also like to thank the Auditor General for the valuable work in the audit of our province. Thank you to all Chairpersons of Portfolio Committees for the oversight role played, in particular the Chairperson of the Portfolio Committee on Provincial Affairs and Finance and Chairperson of Public Accounts Committee. Thank you Accounting officers, Chief Financial Officers.

A big thank you to Executive Mayors and Mayors; municipalities for understanding that we are compelled by our mandate that we must work together to achieve more. Thanks to the Acting Head of Department and Team Finance for the sleepless nights you spent to make us achieve this project. Know that there are many challenges ahead of us, ga gona kgomo ya boroko. Thanks to the political office staff and my family for your support.

Ke leboga go menagane

Baie Dankie

Thank you

