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## **Speech on the adjustment appropriation bill by Hon. MEC Louisa Mabe (MPL)...**

**Date:** Tuesday, December 07, 2010

- Honourable Speaker,
- Honourable Premier,
- Honourable Members of the Executive
- Honourable Members of the Legislature,
- Maaparankwe a a mpusang,
- Ladies and Gentlemen.

Where there is a will there is a way. As leaders and people of the North West Province we have the opportunity to reverse the tendency of creating mountains out of mole-hills, we have to create possibilities and realities out of miseries and poverty. We have the opportunity to create a real and true developmental state that can deliver quality services to our people, assist them to create opportunities for themselves in order to reduce their dependence on social grants. Re na le monyetla wa go dira mmogo go tlaa seatla go thusa bagaetsho go itirela ka diatla tsa bona.

Hon Speaker, we must not forget that we must do our best to deliver on the priorities of government. These are crucial for changing the lives of our people, in order for them to reap the fruits of freedom and democracy. Porofense ya rona e tletse metse-magae mme re tshwanetse go dirisana mmogo le Magosi go netefatsa gore ditirelo di fitlhelela baagi bao ba nnang kwa metse-magaeng.

Tirisano mmogo ya rona le bo-masepala, ba dikgwebo le Magosi re tshwaragane jaaka ngatana ya dikgong, di ka re ungwela go tlaa seatla mme baagi ba porofense eno ba boa ba nna le tsholofelo le menyebelo mo difatlhegong gore batla nna le bokamoso jo bo botoka.

Some people make a huge mistake of thinking that the North West government can deliver through politicians only and that the pace of service delivery will accelerate through the recent reshuffling and redeployment of politicians. I fully agree with the bold words of Premier Thandi Modise that she will also give more attention to the provincial administration, an action that must be welcomed because if the administrative machinery is not well-oiled to adapt and run with the implementation of government program and priorities, less will be achieved.

Now is the time that we must remind our administration that delivery of quality services relies on politicians to give political leadership and for administrators to implement political decisions. It has been stated that we have good policies but we are weak on implementation of those policies. Baagi ba Bokone Bophirima ba tshwanetse go nna motlotlo ka ditirelo tseo ba dinewang ke puso ya porofense mmogo le bo -masepala.

Go phiphiella madi go mafapha le bo-masepala etswa ba sa abe ditirelo tse di tlhwatlhwa ga se gona go fedisa mathata, seno se tla itlhagisa sentle fa ke tlhagisa gore tekanyetso-kabo ya matlotlo e tla ikala jang. The Adjustment Appropriation will clearly reveal that pumping money into departments does not equate to delivery of quality services.

**During the presentation of the MTBPS, Minister Pravin Gordhan stated that:**

“ Our central goal is unequivocal, we have to accelerate growth in the South African economy, and we have to do so in ways that rapidly reduce poverty, unemployment and inequality. We have done well but it is not good enough. We know our challenges and we must deal with them. It is time to be impatient with ourselves. The time for talking about our challenges is over. The challenges that we know so well: poverty, unemployment, deteriorating infrastructure and delays in services provision demand our urgent responses.”

We must be impatient with ourselves with the quality of services that we deliver to people of this province.

Honourable Speaker, section 31 (1) of the Public Finance Management Act, Act no 1 of 1999 as amended, provides for the MEC for Finance/ Treasury to table an Adjustment Budget in the Provincial Legislature.

**The New Growth Path identifies six key sectors and activities for unlocking employment potential:**

1. Infrastructure through expansion of transport, energy, water, communication and housing
2. Agriculture and agro-processing sector
3. Mining and mineral beneficiation
4. The green economy and associated manufacturing and services
5. Manufacturing sector and
6. Tourism and selected services sector

The biggest question that we need to ask ourselves as a province is: how are we going to make government priorities and the six key sectors referred to above realizable?

All six key sectors intended to unlock employment potential are most relevant to this province. Firstly, we must develop and expand our capacity in infrastructure development, energy, water which is a scarce commodity in our province, communications and housing. We have paid millions of rands to contractors who delivered few houses of poor quality; they pocketed funds that were supposed to build houses for poor households.

The question is what should be done and do we have the willingness to deal with such contractors? Why should we have so many incomplete housing projects but do nothing with such contractors and officials who connive and become Siamese twins in corruption.

In her acceptance speech the Premier Modise emphasized we must overcome the challenge of water that confronts us as a province. However, we must not allow service providers and contractors to exploit this huge challenge by turning it into a money-making business without delivering quality products.

Secondly, as an agricultural province we must exploit full potential of agriculture and agro-processing to create more jobs. Have we exploited beef beneficiation to its full potential? The national government and Parliament have questioned our spending and delivery on agriculture for several years without much improvement. We must be impatient with ourselves and do more to exploit our comparative advantage in agriculture with its potential of job creation.

Fa re ka ja marapo a tlhogo mmogo le Magosi, balemi, le baagi re ka kgona go fetola seemo sa temothuo mo porofenseng eno ra ba ra iphitlhela re makalla katlego ya rona. Temo ke lehumo le legolo la kwa magaeng.

Thirdly, we take pride in ourselves that we are a platinum province. During the recession we lost many jobs in the mining sector which have not yet been replaced due to the slow economic recovery. As the economy improves we must reflect and ask a few questions, e.g. how should we collaborate with the mining sector to develop our economy in an integrated manner?

We can't continue to rely on exports of primary products that create many jobs in countries that we export to. Consequently, we are compelled to commit ourselves to the implementation of beneficiation within the province for job creation and diversified economic development. This may sound like an impossible dream but it is a possibility that is realizable.

We need to take advantage of the recession to exploit such possibilities as we gradually move out of the recession.

For emphasis, in our integrated approach as provincial and local government we should collaborate with Magosi or Traditional leaders and the private sector to expand our full potential to derive maximum benefit through our economic potential as a province. We must be impatient with ourselves and with entities that provide mediocre contribution towards economic development in our province.

We must be impatient with ourselves that for several years we have been and still underspend on infrastructure and on conditional grants. As we approach development finance institutions to co-finance economic and social infrastructure development, enterprise development, land reform and access to housing, we need to simultaneously

put proper systems in place in order to derive maximum benefits out of such investments.

Re tlhoka bogatlamela masisi go fitlhelela ditoro jaaka baagi ba porofense eno. Re ka kgona go itirela motlakase wa letsatsi (solar energy), ra boloka le metsi a pula mo ditankeng go fokotsa madi a go duela metsi le motlakase segolo jang go bao ba leng dikobo-khushwane.

Government has over the MTEF identified and proposed several areas of reform that will directly impact on the manner in which we conduct our business as a province. To cite a few examples of such changes: excessive administrative capacity relative to frontline services, will come under renewed budget scrutiny. For example, Health has employed + 900 administrators from 1st April to 30th September 2010 against employment of staff in critical positions like nurses, doctors and pharmacists.

The trend continues in several departments as if things are normal and they continue to overspend on personnel and bloat the structure.

My view is that we must support the Premier in her stance that such people must bear the consequences of their actions.

- A new approach to budgeting and management of capital projects is proposed to improve planning and reduce under spending.
- Non-departmental and departmental agencies and entities will be reviewed with special focus on governance, remuneration and mandates. This matter need to be finalized soon by the Office of the Premier.
- Strengthened capacity need to be put in place to deal with wrong doing in government procurement to enhance transparency in supply chain processes.
- Municipal underspending on capital and infrastructure maintenance is a challenge that needs to be urgently addressed. We have started to take more interest and action by working together with municipalities due to capacity challenges that they experience.
- This must be linked to the challenge of availability and provision of water in the villages.

In line with what Minister Pravin announced during the MTBPS, we are expected to increase the monitoring capacity of government; furthermore departments and government agencies will be expected to provide specific information to Treasuries on their procurement practices. Stiff penalties are proposed for service providers who obtain government contracts fraudulently and public officials who assist in tender fraud.

### **Latest spending on budget**

Hon. Speaker, the total provincial expenditure as at **31st October 2010 is 43% or R9, 6 billion of the total allocation of R22, 2 billion budget, of which 49% is on compensation of employees 36% is on transfer payments 36% on goods and services. Capital expenditure which is composed of equipment, land and**

**buildings and infrastructure excluding transfer payments is 36% or R580,351 million of the R1,619 billion that was allocated.**

The highest spenders on compensation of employees is Social Development at 58% and Provincial Legislature at 55% with the lowest being Sports, Arts and Culture and Provincial Treasury at 36% and 38% respectively.

The budget for conditional grants is R4, 3 billion and its spending is R1, 6 billion or 37%. The lowest spending departments are Agriculture, Conservation, Environment and Rural Development at 19% or R26, 270 million of the allocated R141, 1 million. Department of Sports, Arts and Culture spent 27% which is R30, 2 million of the allocated R110, 3 million. Education spent 30% or R234, 8 million of the allocated R782 million, Department of Public Works, Roads Transport spent 34% or R262, 4 million of R1, 288 billion allocated.

Average spending of 37% for the 2010/11 financial year is at 21%, a decrease when compared to the same period for 2009/10 financial year where for six months it was 58% or R1, 8 billion of the allocated R3, 1 billion last year. The 58% that we spent last year stimulated national government to allocate us an additional R1, 1 billion this but we are currently unable to spend those funds.

The Department of Sports, Arts and Culture has a history of under spending on Mass Sport Participation program grant and Community Library Services. We have confidence that they will improve their performance because our people want to play and have access to reading. Agriculture is in the same situation of a track-record on under expenditure on conditional grants, whereas emerging farmers need assistance.

**Let me remind Honorable Members of the implications of under spending on conditional grants:**

1. National government may divert funds earmarked for this province to another province that experiences budget pressure. Funds for bus subsidies were reallocated from Kwa-Zulu Natal to us were re-directed at the end of the previous financial year to our province because we had utilized all our funds before the end of that financial year.
2. Learners go to school without food whereas funds for school nutrition are underutilized. Se ke tlhoba boroko gore bana ba rona ba ya sekolong ka tlala mme madi a go ba fepa a le teng a sa dirisiwe.
3. The plan to address the challenges of children learning under the trees and those without proper classrooms and decent toilets is compromised if the department under spends the infrastructure grant.

Already National Treasury knocks on our door to remind us that they will not transfer more funds if we do not provide a plan on how we are going to improve spending.

4. As a rural province we have more gravel or dirt roads and some of the tarred roads are not well maintained. The rule of the game is that if you foresee that you will underspend you must submit a plan on how the funds will be absorbed or otherwise they will be re-directed to the province that shows capacity to absorb such funds before the end of the financial year.

During the previous financial year the department of Public Works, Roads and Transport was under tremendous pressure of the infrastructure budget that was depleted within six months but now it is underspending. Tota re tshwanetse gore re tokafatse go dirisa madi gonne ditsela tsa rona di tletse mesimana kgotsa "potholes".

It is better to patch potholes rather than allow them deteriorate and redo them at a high cost. If one thinks of the Wolmaranstad to Schweizer Reinecke road that is closer to its death, it gets more dangerous with heavy trucks that utilize it on daily basis.

5. With regard to under spending on land care grant, rural development and poverty alleviation will be compromised. Magosi a rona a lelela gore batho ba bona ba thusiwe ka tsa temothuo gonne ba bolawa ke tlala. Eno ke nako ya go lema.

6. Funds that we underspend are borrowed by national government in the open market with interest to pay and that may even over burden future generations.

As we reflect on infrastructure expenditure in exclusion of conditional grants, the picture gets bleak. As a province we have spent 16% or R 159, 2 million of the R1, 026 billion. None of the departments have spent more than 30% and it is worrying that we are a poor province but cannot spend the little that we are allocated on quality services.

Spending on infrastructure at the end of October increased to 25% or R236 million out of R936, 4 million. Closer scrutiny reveals that Health is at 34% for items like clinics, Sports at 9%, Education at 18%, Public Works at 24% , Agriculture at 13%. We need to develop a turnaround strategy around conditional grants and capital or infrastructure spending else our communities stand to lose from the current and future allocations. If at the end of October we had spent 42% or then we must be impatient with ourselves. Let's remember that the money that we underspend is money that is borrowed by national government that they must still pay interest on.

In our efforts as government to scale down on costs, each department in exclusion of Provincial Legislature contributed 7% and we managed to save R54, 1m which will be redirected to pressure points. We must continue to identify non-core spending items and channel funds to core service delivery areas e.g. promotional items and gifts and advertising in tender bulletin. It must be highlighted that in September, departments projected to overspend by R1, 2bn whereas they are under spending at present.

This may be an indication of a possible fiscal dumping to municipalities and entities and wasteful expenditure on projects that were not planned for and services of low quality at a huge cost at the end of financial year.

Surprisingly, in October the projected overspending decreased to R837m. Of this projected amount R680, 517 is earmarked for compensation of employees and goods and services and only R156, 658m is for capital expenditure. We must turn the situation around because we can't project to spend three times more on salaries bloating the structure but not on capital projects that can impact positively on service delivery and economic development.

### **Adjustment budget figures for 2010/11**

Hon. Speaker the recession has hit us hard that National Treasury cannot allocate us additional funds that we can utilise for new projects and provincial priorities. It is really tough and gone are the days when new funds could be allocated yearly during the Adjustment budget. Additional funds we have at our disposal are as follows:

Total budget after adjustment is R22, 430, 544bn. The total available fund is R256.551 million, composed of Provincial Equitable share at R94, 667 million and additional National funds at R161, 884 million.

The unspent funds on Provincial budget for 2009/10 are R41, 2 million and unspent conditional grants are R53, 453 million. The additional funds allocated to the province leave no space for us to maneuver to redirect funds.

R236, 898 million was received from National Treasury for Improvement of Conditions of Service (ICS) and housing allowance. R199, 898m was allocated for compensation of employees and the difference of R37m will be added to funds that are earmarked for service delivery pressures.

**Public Works** is allocated R7, 272m for Devolution of Property Rates Funds Grant that is earmarked for provincial government properties that fall within municipalities. There is a reduction of R100m in the allocation to Human Settlements due to housing funds for Merafong that were misdirected to our province and are now redirected to Gauteng. We believe that strong measures must be applied on the departments that seem not to be willing to assist in their self-created budget pressures.

They continue to appoint for unbudgeted administrative posts at the expense of critical posts that are core to delivery of government priorities.

It is problematic that the department of Health appointed more than 900 administrators in posts that were not budgeted for between April and September 2010.

In future we will not allocate them additional funds for self created budget pressures for compensation of employees who are not critical for service delivery like nurses, doctors and other critical professions.

An additional R1m has been added for HIV/AIDS to meet the greater demand for male circumcision. The approved roll-over funds of the equitable share were allocated R8, 4m

for the upgrading of Mmabatho stadium, Public viewing areas and 2010 related matters. Occupation Specific Dispensation (OSD) for Education is allocated R10m.

Traditional Offices Projects for ba Ga-Makgobi and ba Ga-Mankurwane is R814 thousand and,

R21, 159m has been allocated to Local Government and Traditional Affairs for Municipal Turn Around strategy interventions and public mobilization. The funds include money allocated for thirty three (33) cars for Traditional leaders who have been finding it difficult to fulfill their responsibilities

A donation of R18, 3m was received from the European Union (EU) for HIV/AIDS and R12, 8m for MDR/TB projects. Unused funds of R43m were transferred back from Thubelisha to the Human Settlement Department for building low cost houses. R19m was received for the completion of VIP toilets from the department of Rural Development and Land Reform. Mmusakgotla, madi ano a tshwanetse go a dirisetswa go agela baagi ba kwa magaeng matlwana a boithusetso, mme kana re ka aga a le mmalwa fa re ka dira gore banne karolo ya go a aga.

R118, 029m is made available from budget reductions on non-core budget items and surrenders by some departments. We were compelled to deduct 7% from all departments with exception of the Legislature to make funds available. The process availed only R54,105m that departments had to share. Madi ano a mannye thata mme kana gatwe sejo sennye ga se fete molomo, bana ba motho ba kgaogana tlhogwana ya tsie.

Health is allocated R35, 890m from the R118m that is earmarked for pharmaceuticals and laboratory services. The Legislature will receive R14, 965m for amongst others INCA, Constituency allowance and responsibilities of committees. Human Settlement is allocated an additional R36 455m.

**Department of Public Works, Roads and Transport** will receive R13, 791m for bus subsidies. The department is not allocated anything for the Premier's new car because she chose to utilize the vehicle that was utilized by the former Premier.

Allocations to other departments are reflected in the proposed bill and the adjustment documents. The reconfiguration changes that were announced few weeks ago by the Premier will be reflected mainly in the budget of the new financial year.

## **Conclusion**

It is with humility that I table the 2010/11 Adjustment Appropriation Bill before this august House for adoption. Go botlhokwa thata gore jaaka puso re tshwaragane jaaka ngatana ya dikgong mme re dire mmogo le botlhe ba ba ratang go bona tswelelopele mo porofenseng ya rona. Ke rata go lebogela tirisano mmogo e ke e boneng go tswa go Khuduthamaga ya maloba, mme ke boe ke leboge Moprimiri Mme Thandi Modise le



Khuduthamaga gore ba bo ba dirile gore re kgone go tlisa tokomane eno go Ntlo-kgolo ya Bokone Bophrima.

A ke boe ke leboge Komiti ya Finance, Economic Development and Tourism go re neela tshegetso le dikakanyo. Ke leboge dikomiti tsotlhe tsa Legislature ka oversight e ba e dirang gonne ba re thusa go tlhokomela gore matlotlo a dirisiwe ka tshwanelo. Let us all be optimistic that together we can achieve more as people of this province.

**Thank you very much**  
**Baie dankie almal**  
**Ke lebogela tshegetso yotlhe ya lona.**