



NORTHERN CAPE PROVINCIAL GOVERNMENT

NORTHERN CAPE ADJUSTMENT BUDGET APPROPRIATION SPEECH 2024



**ADDRESS TO THE PROVINCIAL LEGISLATURE ON THE OCCASION OF TABLING OF
THE 2024 NORTHERN CAPE ADJUSTMENT APPROPRIATION BILL AND THE
NORTHERN CAPE MEDIUM TERM BUDGET POLICY STATEMENT, BY V BLENNIES-
MAGAGE (MPL), MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM**

HONOURABLE SPEAKER & DEPUTY SPEAKER

HONOURABLE PREMIER, DR ZAMANI SAUL

MEMBERS OF THE EXECUTIVE COUNCIL

HONOURABLE MEMBERS OF THE PROVINCIAL LEGISLATURE

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DISTINGUISHED GUESTS

OUR LISTENERS AND VIEWERS

LADIES AND GENTLEMEN

INTRODUCTION

Honourable Members, I am presenting this Medium Term Budget Policy Statement on this virtual platform today with a great sense of humility, respect but most importantly, a momentous responsibility of leading the financial portfolio of the Northern Cape Province. Honourable Speaker and Members we find ourselves in a period where the country and the world are facing challenges in growing and propelling economic growth. This has led to a situation where global and domestic economies have had to extend fiscal consolidation in an effort to reduce debt levels.

However, we present this statement against this backdrop acknowledging that despite these challenges we have a responsibility to meet the hopes and dreams of the people of the Northern Cape. The people of this beautiful province need services, they need jobs and to be part of the collective journey towards economic prosperity for all, towards a *Modern, Growing and a Successful Province*.

Honourable Speaker, noting the context and reality of our fiscal position, we are determined to ensure that the legacy of the 7th administration will be one marked by service delivery and competence. We have been hard at work to ensure that there is implementation and monitoring catalytic projects across the province as fundamental components of economic growth and job creation. The legacy left behind by the 6th Administration was centred on developing and implementing regulatory frameworks to support the provinces' objectives. An example of this work includes accelerating the process of lobbying cabinet to officially designate the Namakwa Special Economic Zone (Namakwa SEZ). This victory was achieved by leveraging our natural endowments with regards to solar radiation and wind, the SEZ is progressing on the path to be funded through instruments such as the Budget Facility for infrastructure, which will be underpinned by the work to have plans shovel ready towards implementation. These actions form the foundation for us to unlock the Northern Cape Industrial Corridor and give effect to the green Hydrogen Master Plan.

Honourable Members, Premier Saul led a delegation consisting of myself and officials of the Department from the province to engage on a benchmark exercise visiting key ports to explore options available to advance processes of our ports. **Honourable Speaker**, these activities are fundamental components of the blue print to reshape the economic and developmental trajectory of the Northern Cape.

Honourable Speaker, noting our tight fiscal position, we must improve our planning capability as a province. This will bridge the gap between our planning and budgeting processes especially in the context of the Medium-Term Development Plan. The Department of Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA) is also central in this collaboration given the role of the District Development Model in leveraging resources and enhancing intergovernmental relations between the three spheres of Government. **Honourable Speaker**, I must emphasise the importance of this integration and breaking the silo approach as this has been our worst enemy in the past.

As we embark on the journey of improving our planning processes, we must use evidence-based planning and scenarios analysis to ensure that our infrastructure budgets are responsive to our developmental agenda in the province. Our actions must take into consideration factors such as: where we build, how much we pay, what technological innovations are being leveraged, who are the beneficiaries, if we are able to answer these questions successfully, we will be achieving fundamental strides in terms of efficiency and ensuring value for money.

Honourable Members, improving our planning must include mobilising and repurposing existing resources towards areas of strategic importance and impact. We must utilise evidence based resource allocation data in order to better leverage benefits of conditional grants ensuring that they align with broader infrastructure plans related to our catalytic projects. To achieve this, we must ensure that various Departments work together. In this manner we will ensure that government is able to play a more active and direct role in crafting business plans across various sectors especially in relation to infrastructure planning and implementation.

This integration will ensure that we allocate resources to strategic areas of future growth that align with the Northern Capes' developmental trajectory in pursuit of building a *Modern, Growing and Successful Province*.

Honourable Members, the Premier has directed that the province to develop the Northern Cape Infrastructure Rollout Framework which will help to give us a long term perspective on the rollout of infrastructure project in the province and their socioeconomic impact The teams are hard at work to develop this plan.

Honourable Members, the PMFA places clear responsibilities and accountability measures directly in the hands of Accounting Officers and it is against this backdrop that any inaction

from the Accounting Officers will mean that Office of the Premier, Provincial Treasury, and relevant Portfolio Committees must work together in enforcing accountability as per the legal mandate.

Honourable Members, the fundamental difference between the old Exchequer Act embedded by the Treasury Instructions was replaced by the PFMA which represented a shift of authority from the Treasury sector to the departments. The PFMA grants clear responsibilities and accountability mechanisms to Accounting Officers, it must be clearly stated that failure to utilise these powers will not be tolerated. Inaction from Accounting Officers constitute a tacit breach of the PFMA, consequentially it over burdens other role players and slows down the rate of service delivery.

Honourable Speaker, this Provincial Medium Term Budget Policy Statement (PMTBPS) sets out our priorities in the short to medium term and further provides details of our anticipated receipts for the coming three years. This policy statement seeks to balance our fiscal framework in the next financial year by making adequate provision towards our debt stock as a province at the end of the 2025/26 financial year. This is important given that the level of debt is an indicator of how well we manage our finances as a province. It is for this reason that we commit that come the end of the next financial year, the province will be debt free.

Honourable Members the path to achieve our debt free status is dependent on external and internal factors. This commitment is hinged on the assumption that there will be no further cuts in the Northern Capes' provincial equitable share as per the preliminary allocation letter approved by Cabinet and confirmed in the Medium-Term Budget Policy Statement of the Minister of Finance. In a recent Budget Lekgotla, we resolved that no department may exceed its budget as such action exacerbates our debt levels and negatively impacting on our plans. **Finally Honourable Members** we must continue unlocking our resources towards our service delivery imperatives as incurring debt implies the opposite.

ECONOMIC OVERVIEW

Honourable Members, global economic growth is estimated to remain stable, yet uninspiring. The world is reeling from high cost-of-living crisis as well as tightening financial conditions in many regions, including South Africa. The current global economic developments are often characterised as the final economic remnants of the COVID-19

Pandemic. In the October 2024 issue of the World Economic Outlook, the International Monetary Fund (IMF) projected the global economy will grow by 3.2 per cent year on year between 2024 and 2025. At nearly half this rate, the growth of Advanced Economies is forecasted at 1.8 per cent per year, with the Emerging Market and Developing Economies' growth forecasted at 4.2 per cent per year over the same period.

This is slightly lower than the growth recorded for 2023, with the global economy growing at 3.3 per cent. Economic output in Advanced Economies grew by 1.7 per cent and Emerging Market and Developing Economies grew by 4.4 per cent. **Honourable Members**, considering the pandemic of 2020, geopolitical conflict and extreme weather events, the global economy as a whole showed some resilience, although there were varied levels of performance across regions. According to the IMF, inflation has begun to cool, with global inflation expectations showing a decrease from an annual average of 6.7 per cent in 2023 to 5.8 per cent in 2024 and 4.3 per cent in 2025. Emerging Market and Developing Economies are however not returning to their inflation targets as soon as the Advanced Economies.

Honourable Speaker, the GDP output of Sub-Saharan Africa is projected to grow by 3.6 per cent this year and 4.2 per cent in 2025. Growth expectations for the South African economy however remains well below that of Sub-Saharan Africa, with National Treasury forecasts showing an estimated growth rate of 1.1 per cent for 2024, 1.7 per cent for each of 2025 and 2026, and 1.9 per cent for 2027. National Treasury noted that the reasons for this lower growth included declining capital investment, inadequate energy supply, unreliable logistics, and high cost of doing business, a poor public-sector balance sheet and a weak fiscal position. Our energy supply has however become more reliable, with our last series of load shedding power interruptions coming to an end in March of this year.

Honourable Speaker, reducing unemployment remains a priority of government, even though it is not an easy task. The unemployment rate of the country and of the province improved from the previous quarter, with provincial unemployment dropping to the 30.4% per cent mark and that represents a decrease by 1.6 percentage. This was the second lowest rate among the nine provinces. As the directive by the Premier, the department of economic development and tourism has been instructed to develop a 60 000 jobs plan, the plan will look at measures that we need to take within the different sectors of the economy to create 60 000 jobs by the year 2030.

This will be a robust, evidence-based process which will be undertaken by a multi-disciplinary team. The plan will include clear time frames as well as clear deliverables within the next five years and I must mention that this plan will form the foundation of the engagements that we will have with the private sector in ensuring the success of our jobs plan.

Honourable Speaker, community and social services remains the industry accounting for the most jobs in the province, employing about 29 per cent of the employed people in the Northern Cape. The second largest employing industry was trade, employing 16 per cent. Compared to the previous quarter, the province gained jobs in agriculture, utilities, construction, trade, finance and community and social services, while jobs were shed in mining, transport and private households.

2025 PRELIMINARY PROVINCIAL FISCAL FRAMEWORK:

Honourable Speaker, the 2025 preliminary fiscal framework is anchored on our resolve to deal with our debt in the coming two (2024/2025) financial years and thus the framework still reflects provincial reductions in line with the province's two-year fiscal strategy. These reductions will only apply for the 2025/26 financial year and therefore the province will have discretion over these amount post 2025/26 financial year. This strategy will also help the province build enough buffers and further ensure that we are in a position to respond to unforeseen and unavoidable circumstances like disasters and other expenditure pressures emerging in the province.

Honourable Speaker, The equitable share remains the provinces' main funding source with an amount of **R53.4 billion** or **76.3 per cent** of the provincial receipts followed by conditional grants with an amount of **R14.8 billion** or **21.2 per cent** while own revenue constitutes on **R1.6 billion** or **2.3 per cent** of the total receipts.

The above-mentioned receipts include an additional allocation of **R250.3 million** received due to the updates of the Provincial Equitable Share (PES) formula mainly due to the positive numbers emanating from the Mid-Year Population Estimates (MYPE), this had a positive impact on all components of the formula.

Honourable Speaker, we are happy to announce that in contrast to the recent past, the 2025 preliminary fiscal framework does not reflect any budget cuts by National Treasury, however, the province had to carry-through additional reductions into the next financial year as part of the 2 year fiscal stabilisation strategy endorsed by the Executive Council. This will

allow us to completely eliminate our debt in the next financial year. This augurs well for the fiscal stability of the province over the medium term and these decisions are necessary as part of stabilising our cash flow requirements.

Honourable Speaker, we would be remiss if we don't mention that provinces were not compensated for the 2024 wage agreement settlement that was implemented programmatically in April 2024. Whilst most departments could absorb the costs associated with this mandate, the Departments of Health and particularly Education have struggled given the significant impact this has on these sectors. Provincial Treasury is working closely with these departments to monitor and mitigate the situation.

Honourable Speaker and Members, the provincial payments for the 2025 MTEF amount to **R66.9 billion** of which **R21.2 billion** is in 2025/26, **R22.4 billion** is in 2026/27 and **R23.2 billion** is in the 2027/28 financial year. These payments to departments include the carry through/over of the EXCO reduction amounting to **R383 million** for the stabilisation of the provincial fiscal position as well as the clearing of the provincial debt. After taking into account the payments from the receipts.

Honourable Speaker, we have to be deliberate in managing our debt as this will ensure that we unburden resources over the MTEF to fund priorities that will ensure that we achieve our provincial objectives and make a meaningful impact in the lives of our people. Furthermore, Executive Authorities must assist us in ensuring that departments stay within their allocated budgets in order to prevent the increase of the debt and its deferment to other years.

OWN REVENUE

Honourable Speaker, given the downward trajectory on the provincial equitable share in the recent past years, the province is optimising on own revenue sources and the financial sustainability of the province relies heavily on its ability to adequately and effectively collect its own revenue. As such, the Implementation of the Provincial Revenue Enhancement Strategy must be given priority and supported at all costs. We already have witnessed a turnaround in our revenue performance with the province projecting to meet its target at year end.

We reported last year that we had made allocations to the Department of Transport, Safety and Liaison to improve capacity around revenue management to assist the province in optimising its revenue base. This, in line with the decision of the province to take over the

Motor Vehicle Licencing (MVL) function from municipalities and the South African Post Office (SAPO) so that we are able to fully collect and account for our own revenue as a province.

Honourable Speaker, we are moving with speed to ensure that law enforcement takes place on our roads, as such the province has allocated resources for the appointment of 50 traffic officers who will be placed in all districts from the 1st January 2025. These officers have been undergoing training since January 2024 and will finish their studies in December 2024 and are expected to be appointed from January 2025. This will assist greatly in promoting law and order as well as improve revenue collection, we urge everyone with outstanding fines to settle their obligations promptly to avoid any undesirable action.

Honourable Speaker, our province has four (4) weighbridges of which three (3) are dysfunctional and Provincial Treasury has been working tirelessly with the Department of Transport, Safety and Liaison as well as the Department of Public Works to ensure that we refurbish and operationalise all weighbridges in the province. A thorough conditions-assessment was conducted and costed for the refurbishment of the weighbridges. However, the refurbishment will be done in phases. Phase 1 will commence in this financial year targeting implementation on 1st April 2025, it will include the refurbishment of the Colesburg and Kimberley weighbridges. Phase 2 will include the Uppington and Springbok weighbridges which will be undertaken in the 2025/26 financial year. With the additional 50 provincial traffic officers starting in January 2025, the province will have sufficient capacity to manage and fully operationalise these weighbridges.

Honourable Speaker, the appointment of case managers at the Department of Health is crucial in the revenue chain for that sector given that without dedicated Case Managers we are unable to ensure timeous and accurate billing of patients. The province loses millions from unclaimed claims especially from medical aids and Road Accident Fund, this is as a result of various short comings on our side, which include but not limited to the following: inaccurate patient data, lack of capacity and lack of follow-up claims submitted.

We also need to ensure that we provide adequate tools of trade to ensure that the province is able to collect optimally. **Honourable Members**, we are getting support from the National Department of Health, however, the National Department has appealed to the province to put the basics in place. To this end, the Provincial Department of Health is currently in the process of recruiting Revenue Clerks and Case Managers and we commend the department for prioritising these critical positions.

Honourable Speaker, private health facilities in the province have not been properly licenced since the dawn of Democracy. These facilities are required to annually renew their operating licences through the Department of Health however, this has not been happening. The Department of Health is doing work in this regard and will be consulting Provincial Treasury to take this process further. **Honourable Members** it is imperative that we look at every possible revenue source and explore it so that we can optimise our revenue.

2024 ADJUSTMENT ESTIMATES & FISCAL STRATEGY

Honourable Speaker, the primary goal of this adjustment framework is to stabilize our fiscal position in response to mitigating fiscal risks. Our short-term objective is aimed at maintaining fiscal sustainability while supporting core programmes of the provincial administration. In an attempt to balance this framework, Provincial Treasury has targeted non-core items like travelling, catering and venues. **Honourable Members**, departments spend surprisingly large on non-core items that in any event should be significantly scaled down as part of the Costs Containment Measures guidelines as issued by both the National and Provincial Treasury. We expect departments to demonstrate commitment in implementing these measures effectively whilst protecting core services.

Honourable Speaker, in line with the above frameworks, an amount of **R383.4 million** will be reduced as part of this adjustment process and this will be carried over to the 2025/26 financial year. We agreed with all departments that these cuts must not result in any unauthorized expenditure.

As in the previous years, there are several categories of adjustments, including the unspent funds appropriated in 2023/24 which have been approved for rollover to the current year, for identified purposes. We would like to draw the attention of the House to additional allocations included in the Adjusted Appropriation Bill, as provided for in section 31(1) of the Public Finance Management Act.

Honourable Speaker, let me restate that when developing this Adjustment Budget, we were not oblivious of the provinces' financial situation, as such this Budget comprises adjustments that are both unforeseeable and unavoidable, roll over of funds, shifting of funds between programmes, downward revisions and as such details are set out for each Vote in the Adjusted Estimates of Provincial Revenue and Expenditure (AEPRE).

The original budget of **R22.1 billion** which was tabled in March 2024 has been adjusted downward with a net amount of **R176.3 million**. Furthermore, other additional allocations pertain to the reallocation of unspent monies that are required to finance committed programs that are extending into the current fiscal year. Changes to the original budget comprises of the following categories of adjustments which includes:

- **R12.324 million** for conditional grants roll overs,
- **R59.435 million** is in respect of equitable share roll overs,
- **R30.427 million** is allocated to the Legislature as self-financing,
- **R2.196 million** is declared savings from Department of Sport, Arts and Culture,
- **R32.729 million** for MerSETA,
- **R363.730 million** – funding of in-year pressures and re-allocations.

Honourable Speaker, upon assuming office, the Sixth Administration outlined Apex priorities aimed at developing the province and part of this objective was the decision to insource security services. Today I am pleased to announce that included in this Adjustment Appropriation is an amount of **R12 million** which is reallocated from four departments, namely, Office of the Premier, Provincial Treasury, Economic Development and Tourism, and Agriculture, Land Reform, Rural Development and Nature Conservation to the Department of Transport, Safety and Liaison for the insourcing of 152 security personnel.

Honourable Speaker and Honourable Members, as from 1st December 2024, 152 individuals will now contribute to a pension fund, have medical and enjoy full employer benefits and thereby contributing to the well-being of their families. This is what we mean when we say we are a caring Government. **Honourable Members**, we will continue to progressively insource for other departments, and we envisage to complete this process in the near foreseeable future.

Honourable Members, the Education and Health sectors across all provinces are going through various pressures mainly as a result of the unfunded 2024 wage bill. These pressures are mostly pronounced in the Education sector given that the department is personnel driven. **Honourable Speaker**, without necessarily drawing comparison, other provinces have gone to the extent of freezing teacher posts and laying off teachers as part of managing the crisis, I can confirm here today that we are doing our utmost best to protect salaries to ensure that we meet our obligations as a province. Having said this, we are

working closely with both the Departments of Education and Health to monitor the situation moving forward.

CONCLUSION

Honourable Speaker, as I conclude, Priority 3 of the Medium-Term Development Plan is to build “a capable, ethical and developmental state”. This will require a strong Provincial Treasury which should be a catalyst and an enabler for strong Governance towards the progressive achievement of the Provincial vision of a modern, growing and successful province.

As part of achieving our goal of building a capable, ethical and developmental state, I am delighted to announce that the Northern Cape has been identified as a potential host province for the upcoming G20 summit which is scheduled to take place from the 31st of April 2025 to the 2nd of May 2025.

These great news coincides with the historic opportunity proposed by Minister of Energy and Electricity, Dr Kgosisentsho Ramokgopa which will elevate the Northern Cape’s global profile and showcase our commitment to sustainable development and economic growth. This also aligns with the important role that the province plays in the Just Energy Transition pathway.

The G20 summit will provide a platform to highlight the Northern Cape’s transformative projects such as Redstone, which is rapidly progressing towards full potential and throughputs being realised. This project along with other key initiatives will serve as a testament to the Northern Cape’s potential as a thriving industry hub.

By hosting this prestigious event, we aim to attract significant investments, foster international partnerships and position the Northern Cape as a global leader in renewable energy and sustainable development. We are confident that the G20 Summit will leave a lasting legacy for our province and our nation. The teams from both National and Provincial Government will be working hand in glove to plan and actualise the successful hosting of the G20.

I would like to take this opportunity to pledge my fullest support and cooperation to the Portfolio Committee on Finance in fulfilling my responsibility, and indicate that our partnership towards Accountability and Consequence Management can only become effective if we traverse this path together.

Honourable Speaker, let me extend my gratitude to my colleagues in the Executive Council led by the Honourable Premier Dr Saul, for their support. I would also like to acknowledge the Head of Department of Provincial Treasury, Dr Moses Gasela and the entire team for the continued leadership and support since the first day I assumed office, and to the Ministry Office, I say continue with the sterling job.

We still have a long way ahead of us. Allow me to leave you with a Chinese proverb that says *“with time and patience, the mulberry leaf becomes a silk gown”* This highlights the value of patience and perseverance. Patience is a powerful force that can transform something over time.

Honourable Speaker, I hereby table for consideration of this House, the Provincial Medium Term Budget Policy Statement, Adjusted Estimates of Provincial Revenue and Expenditure and the Adjustment Appropriation Bill 2024.

I thank you