



Member of the Executive Council
for Finance
FREE STATE PROVINCE

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2009/10 BUDGET VOTE SPEECH

BY

MEC. S. MOHAI,
MEC FOR FINANCE.

IN THE

FREE STATE
PROVINCIAL LEGISLATURE

ON

FRIDAY,
24 JULY 2009

Working Together We Can Do More!

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FREE STATE DEPARTMENT OF TREASURY

BUDGET VOTE 2009/10

BY MEC SEISO MOHAI

1) INTRODUCTION

Honourable Speaker,

Premier, Ace Magashule

Colleagues,

Members of the Provincial legislature,

Executive Mayors and councilors

Distinguished guests,

Ladies and Gentlemen

54 years back, in 1955, the people of South Africa, assembled in the greatest Congress of the People in Kliptown, declared amongst others: ***“We, the people of South Africa declare for all in our country and the world to know that; South Africa belongs to all who lives in it, black and white, and no government can justly claim authority unless it is based on the will of the people.”***

The premier movement of our people for liberation, the African National Congress enters the fourth term of our democratic governance with renewed sense of urgency and purpose inspired by this vision of a people centred and driven trajectory of development as articulated in the Freedom Charter.

Our election slogan; ***“Working Together We Can Do More!”***- is not only a reflection of this vision, but a celebration of the decades of collective memories of struggles of the

people of South Africa against social injustices. These are memories of voices of ordinary men and women, youth of our country, the workers and all other strata of our society we listened to during our tedious outreach programmes of our elections campaign in the very recent past.

Our greatest thank to you; the masses of our people for the confidence they bestowed on the African National Congress to continue leading South Africa as the only agent for change and fundamental transformation for a better life for all. We enter this, our fourth term of democratic government inspired by this renewed confidence and overwhelming support of our people as reflected in the recent elections outcome.

Honourable Speaker in everything we do, we will continue to strengthen our interface with these masses and critical social players as we seek to find solutions to burning challenges of our times. In doing so, we will not shy away from pointing out difficulties as we seek to map out strategic interventions.

This becomes more so in the light of the likely impact the current global economic melt down will have on our capacity to realize our core electoral mandate as articulated in the 5 strategic priorities identified by the Governing Party. According to the Medium Term Strategic Frame work for the period 2009-2014:

“We enter the fourth term of the democratic government in an environment of a global economic crisis affecting every region of the world. This is likely to have a huge dampening effect on economic growth in our country at least up to 2010 with the concomitant negative implications for investment, employment, incomes and government revenue. There is a danger that the burden of the crisis may be placed on the shoulders of the poor, deepening poverty and inequality.”

To demonstrate the impact of this on our province, Statistics South Africa, estimates that 17,000 people had lost their jobs between October 2008 and March 2009 in the

Free State, thus increasing the number of people unemployed by 35,000. During the same period, the number of people that are not actively looking for employment increased by 2,000, an indication of the increasing hopelessness on the part of job-seekers in the province. With salaries being a major source of income for the majority of Free Staters, unemployment directly increases both the number of people that are destitute as well as the extent to which they are. Combined with many other socio-economic indicators, these point toward the ravaging impact of the global financial meltdown on individuals and households in the province.

These are moments and times of hard choices that need courage and vision for long lasting solutions. We draw our inspiration on the steadfast and visionary leadership of our President and Premier for acknowledging turbulent times within which we operate in the current epoch with the attendant emphasis on spending on key priority areas as articulated in the MTSF.

Consistent with the statement by the National Minister of finance when he tabled his Departmental vote: ***“... because we choose to protect spending on these key priority areas, it implies that we will have to find savings in other parts of the budget ... (we shall) work collectively to review spending plans, to re-prioritize the budget, to reduce wastage, inefficiency, leakages and corruption as well as to get greater value for each rand spent.”***

2) PERFORMANCE OF THE PROVINCIAL ECONOMY

Honourable Speaker, Economic growth is the prerequisite to raising living standards. It sustains and creates jobs, one of the key means of providing household incomes that are so necessary for the benefits of growth to be felt across all of society. Further, it provides for the public revenues that are used to maintain and improve the physical infrastructure and the quality of core public services.

Since 2004, Free State's economy grew on average by 4 per cent every year until 2007. The effect of the financial meltdown pronounced in October 2008 reduced the growth rate to an estimated 2 per cent in 2008, with projections for 2009 showing a further reduction in economic output in the province to around 1.5 per cent. Careful choices need to be made and this is an opportunity to identify policy alternatives.

3) ASSERTING THE ROLE AND IMPORTANCE OF PROVINCIAL TREASURY

Honourable Speaker, there will always be two sides to a story! To some, the current financial crisis presents challenges! To others it presents opportunities! We, as a department and collectively as government, are presented with both challenges and opportunities; there is no middle road. Part of the challenge to us is to fully grasp, understand forces at play determining the total sum of the current economic realities. This will enable us to correctly identify which part of our systems and approaches must be reformed, done away with or improved. It is within this context that we must appreciate significant changes that have been announced on the structures of governance, both Nationally and Provincially. In this evolving context of our structures and systems of our governance, we need to further appreciate the strategic imperatives for the treasury to redefine and reposition itself.

As Minister Manuel in the Presidency puts it: ***“these changes have been brought about not to weaken certain functions or line departments, but to ensure that government operates differently, and to re-orientate government towards delivering better services in a more integrated way. The intention is to ensure that planning in government is interlinked with budgeting processes”.***

Despite changes in our systems and structures, the Provincial Treasury will continue to be the principal custodian of the strategic capacity for meaningful planning and resource utilisation across all departments. Without playing 'big brother role,' together with our

colleagues from other departments we will continue to be at the centre of synergising our spending priorities.

We espouse to the vision of **“A leading and influential Provincial Treasury in fiscal discipline for a better life of Free State communities”**. As a leading agent, we will aggressively pursue the promotion of responsive and sustainable service delivery that is in line with government priorities in an economical, efficient and effective manner through:

- Prudent resource management
- Sound processes
- Systems and reporting measures
- Prompt and quality services
- Policy and statutory compliance

We firmly believe that together, we can do more to overcome all these challenges ahead of us!

4) OVERVIEW OF ACHIEVEMENTS

Honourable Speaker, we are not only committed to the vision of a leading change agent, but are equally guided by it! In our attempt to excel, it is going to be extremely critical that the department recruits and retains only the best available talents. This remains relevant and necessary as this Department will continue to render support to other Departments and municipalities in highly specialised fields. To strengthen its institutional capability, the department will be introducing competency-based assessment as part of the recruitment process for supervisory positions where necessary.

Speaker, whilst we are aware of the challenges that confront us we will build on the achievements of the last term of government that include the following:

- Successful internship programme;
- Reduction in the vacancy rate from 20 per cent last year to only 8 per cent this year;
- Increased number of creditors paid within 30 days from 96 per cent to 97 per cent;
- Exceeding the 70 per cent target of procurement spent on SMMEs by 18 per cent;
- Establishment of Risk Management Unit and completion of Risk Assessment Report;
- Exceeding the 85 per cent adherence norm for Financial KPIs by 9 per cent;
- Up-to-date database of 183 socio-economic indicators;
- Completion of the Provincial Computable General Equilibrium (CGE) Model;
- Successful roll-out of the Infrastructure Delivery Improvement Project (IDIP)

5) FOCUS AREAS

Speaker, in view of the challenging times we face, the Pareto principle guides us. In this regard, our strategies and efforts will be concentrated on three areas of focus, namely:

- Optimizing funding for the province;
- Capacity support; and
- Oversight.

a) OPTIMIZING FUNDING FOR THE PROVINCE

As far as optimizing funding for the province is concerned, the importance of cash management and revenue enhancement cannot be over-emphasized. The downward management of accruals and the maximizing of interest-revenue will significantly increase cash flow in the province and address the problems of liquidity that we have faced as a province in the recent past. Discussions with our banker and other financial institutions on this issue are ongoing.

In terms of revenue enhancement, a number of strategic interventions would be necessary. To start with, departments will have to start thinking differently about own revenue. Provincial Treasury will be advocating for the inclusion of own revenue targets in departmental APPs and also in the performance contracts of Principal Revenue Owners. Over and above these, Provincial Treasury will review and intensify its efforts to assist departments to develop credible revenue budget. Secondly, Provincial Treasury will strictly monitor own-revenue performance against set targets and will explore appropriate corrective measures in the case where targets have not been met. These efforts will concentrate on primary revenue-generating departments and will gradually be rolled-out to all the departments.

With the process of reviewing the Equitable Share Model and formula now open to debate, it is critical that our collective voice as a province also be heard. Speaker, I must say that the issue of fiscal decentralization in South Africa has become so technical that very few understand how it works. In this regard, we will be working together with departments to better our understanding of the fiscal decentralization system in South Africa, so as to strengthen and consolidate our inputs to the FFC.

Honourable Speaker, the scarcity of financial resource demands that we manage even the little that we have. One source of revenue whose management we have neglected is Donor Funding. For the first time in the history of this province, Provincial Treasury will demonstrate its active interest on this source of revenue through the development of appropriate systems and mechanisms to closely monitor Donor Funding in the province.

Lastly, Provincial Treasury will conduct ongoing research that seeks to optimize funding for the province from various sources, thereby accelerating service delivery. Amongst others, we will pilot a new approach for optimizing revenue from Patient Fees and reducing outstanding patient debt during this fiscal year. We will also investigate the

possibility of reforming the process of appropriating own revenue to mitigate against persistent risks of under-collection by various departments.

b) CAPACITY SUPPORT

An adequately capacitated Treasury is thus necessary for the effective execution of both the constitutional and legal mandates that are placed on the department. The Provincial Treasury is committed that capacity building is improved to ensure that the personnel in departments and municipalities are trained in the different functional areas. Due to the introduction of the new budget and reporting formats National and Provincial Treasury will embark on training to all municipalities. Provincial Treasury will be rolling out risk management and internal audit KPI's to all municipalities in the current financial year. Hands on support to municipalities are also given on an ongoing basis.

The training on the transversal systems in respect of LOGIS, BAS and Persal will be provided on an ongoing basis to the users in departments to ensure that the different financial systems are optimally used. The Provincial Treasury will review the compliance of departments and municipalities with the different key performance targets set through continued guidance, training and assistance. The training of the officials of the Provincial Treasury will receive the necessary attention to enable them to improve on the services rendered to departments and municipalities.

The Department will focus on enhancing capacity of the Risk Management function. This is aimed at ensuring that risk that may adversely affect service delivery are adequately identified and monitored. More emphasis will be placed on evaluation of adequacy and effectiveness of controls designed to ensure that the Department achieves its set objectives. This will include evaluation of reliability of performance information that will enable to Department to make informed decisions on matters relating to achievement of set targets.

We will work together with various levels of Government to enhance capacity within departments and municipalities to ensure that “Clean Audit 2014” vision as pronounced by the Premier is attained. The department will also ensure that focused interactions take place among the affected stakeholders and the responsible programme, so that capacity challenges can be identified and attended to promptly.

c) OVERSIGHT

Speaker, in making sure that fiscal prudence is achieved and that service delivery is accelerated, we will also have to step up our monitoring and oversight role. Whilst we will continue to support other arms of government charged with this mandate, we will have quarterly meetings to review the performance of departments with respect to:

- (1) Infrastructure delivery
- (2) Cash Management
- (3) Own Revenue Management
- (4) Conditional Grant Spending

This will allow us to intervene promptly where and when necessary and to make timely decisions.

6) CONCLUSION

In conclusion, Speaker we will attempt at all cost to make this year, a foundation phase for a very robust five year term as we grapple with new approaches, methods and systems for an efficient and effective Provincial Treasury. As we do that, we will not treat this budget as a mere product of technocrats whose essence is only compliance. We will bear in mind that a budget is also a political process by means of which decision making on key political commitments are converted into real achievable objectives. This

vote is an instrument through which the Provincial Treasury aims to support the achievement of the commitments as contained in the MTSF (2009-2014).

I want to thank the CEO of the Department of Treasury, Dr Mokeyane for his stewardship in the Department and the entire senior management collective and all officials of the Department for their hard work and competency in their execution of the mandate of this Department, the Chairperson of the Portfolio Committee, Comrade Neels Van Rooyen and the members of the Portfolio Committee, with whom we will be carrying these tasks together, and my family: my wife Moyanda and my kids for their continued understanding and support.

Honourable Speaker, I hereby table the 2009/10 budget vote for the Department of Treasury (See the attached Appendix for details)

Ke a leboha!