



treasury

Department of
Treasury
FREE STATE PROVINCE

**THE 2012/13 BUDGET VOTE SPEECH OF THE DEPARTMENT OF TREASURY
BY THE MEC FOR FINANCE, THE HONOURABLE S J MOHAI
AT MOTLATLA SOCCER GROUND, THABA NCHU**

29 March 2012

Theme: Building sustainable capacity for effective Oversight, Monitoring and Control

The Speaker of the Legislature, honourable Sesele
Deputy Speaker, the honourable Tsopo
The Premier of the Province, the honourable Ace Magashule
Honourable Members of the Legislature
Fellow colleagues and Members of the Executive Council of the Free State
Office of the Auditor General
Leadership of the African National Congress and other political parties present here
Our distinguished traditional leaders
Religious and spiritual leaders
Mayors and Speakers of our Municipal Councils
Director-General and Heads of Departments
Heads and members of our security forces
Distinguished members of our media houses
Leadership and representatives of the banking sector
Leadership and representatives of the organised civil society
Comrades
Friends
And compatriots

Honourable Speaker, allow me to acknowledge the presence of the families and parents of the fallen martyrs of our revolution who are our special guests today.

Context

We present our fourth budget vote policy statement before this august house in the middle of the current term of our democratic government in this lovely village of Motlatla.

In doing so, we are accordingly called upon to honestly reflect on the path we have travelled since our first budget policy statement in 2009 by highlighting key successes and challenges on critical policy priorities we have set for ourselves.

It is only on the basis of this critical and honest reflection that we can measure the extent to which we have made headways in accomplishing the set strategic priorities to fulfil the 2009 electoral mandate.

Honourable Speaker, tabling our budget policy statement during this year of the centenary of the premier liberation movement of our people, the African National Congress, demand us to lower our banners in memory of the legacy of the former President of our movement, the late Dr James Moroka who hails from this area where we are assembled today.

We cannot over-emphasise the story of Dr James Moroka, like all other Presidents of the African National Congress is an embodiment of collective sufferings, resilience, selflessness, dedication, unity and struggles of our people against the brutal system of white minority regime.

Honourable Speaker, in the next few days South Africa will be joined by the entire global community in celebrating the 16 years of its constitution which has inspired many nations of the world both in the developing and underdeveloped countries.

Accordingly, as we look back on the last eighteen years of our constitutional democracy and we do so with great sense of pride and fond collective memories that ours is not just a rule book, but a declaration of fundamental aspirations of our people and the country's vision of the type of future we want to build as articulated in the preamble of our constitution: "*We therefore through our elected freely elected representatives, adopt this constitution as the supreme law of the Republic so as to:*

- *Heal the divisions of the past and establish a society based on the democratic values, social justice and fundamental human rights;*
- *Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law,*
- *Improve the quality of life of all citizens and free potential of each person; and*
- *Build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations."*

As a nation and country, our collective heritage of successes has always been a story of collective action by the masses of our people. It is in this context that the preamble of our constitution clearly places the masses, united in their diversity, at the centre of the transformation agenda of our country.

This preamble poses a fundamental question that we should always seek to answer from time to time in our policy choices, namely; can we confidently claim that, 18 years into our democracy, we have moved with adequate speed and a sense of urgency to address the fundamental aspirations of our people?

Honourable Speaker, this calls for greater integrity and clear conscience, sense of urgency and purpose. We must conduct our business to ensure that every cent from the public purse is directed to the maximum benefit of the poorest of the poor and the most vulnerable in our society.

In the midst of the escalating poverty, hunger, homelessness, disease, joblessness, and other forms of social deprivation that define the lives of majority in this country, we can no longer tolerate the slightest margin of error that results in the wastage and theft of public resources through fraud and corruption.

Looking at our past with pride: A Synopsis of our mid-term

Honourable Speaker, in our previous budget vote policy statements before this august House, we noted the three interrelated factors that impact on the Treasury's Budget oversight. These factors require a government wide coordination and strategic response.

The first one relates to the country's changing planning trajectory in the fourth term of our democratic government defined by a shift to outcome based planning as articulated in the ten APEX priorities.

The changing paradigm requires our collective response in determining whether in our migration into the new planning architecture we have broken ranks with the past and developed new competencies and strategic architecture to align our budgeting with the new planning.

Honourable Speaker, we can only report to this house that our systems, processes and structures are steadily maturing but not fully aligned to the new outcome based planning and budgeting. We need more rigorous dialogue, interface and sharing of experience and knowledge to ensure that this becomes a success story in the coming period.

The second factor relates to a shared responsibility between the Treasury, the Legislature, the Executive Council and the Auditor General in relation to oversight of the Provincial Budget.

Much as we have witnessed improved synergy and coordination between these structures, there is still a room for improvement through clear role differentiation and niche excellence. Each role player must assert their role in complementary manner aligned to a broader shared strategic vision. This will require different thinking, approach and a culture driven by strong leadership and accountability.

The third factor relates to the need to reposition the Treasury as a leading partner for fiscal discipline.

Honourable Speaker, what we envisaged with this strategic intent is to explore new competencies we should build, re-engineer our business processes and redesign our organisational structure in line with the changing public sector planning paradigm.

It is on the basis of this that Treasury can effectively coordinate a process of continuous skilling, reskilling, empowerment and training across departments and municipalities to leverage requisite competencies and capacity. This is for the sole purpose of improved internal control, oversight and prudent financial management. As part of this process, we have appointed 44 Interns since 2009/10, of which 32 were permanently employed. This year we will be appointing 30 interns, of which 2 will be people with disabilities.

Over and above these interrelated factors that impact on our sustainable capacity for effective oversight, monitoring and control as outlined above, we are pleased to report on broad critical areas of policy and strategic interventions undertaken to date.

Ensuring the credibility of the Budget process

Honourable Speaker, we made this a point about the credibility of the budgeting process because we believe as a collective process and outcome. The budget cannot be a boardroom technocratic process whose outcome is merely imposed upon departments arbitrarily.

To this end, we have held a Budget Lekgotla in November 2011 and Provincial Medium Term hearings as part of the processes to ensure a credible budget. A credible budget is mainly represented by the following key features:

- (1) identification and consensus on priorities,
- (2) link budget with agreed priorities, and
- (3) predictability of resources and lastly
- (4) deliverance of budget with minimum deviation.

A budget meeting these requirements will enhance trust and assurance amongst our communities that we are indeed a credible government.

More critical, through our sustained outreach with communities undertaken through Operation Hlasela, we have been empowered to listen to the voices of ordinary men and women, youth and the disabled and the workers of our country on their challenges and aspirations which have been factored in our budgeting process.

Revenue Enhancement Strategy

As part of our effort to increase own revenue, we committed to design a comprehensive revenue enhancement strategy. Whilst this strategy will come into effect from April 2012, we are pleased to report that our target of 2011/12 has been exceeded even before the implementation of this strategy.

This we owe to the diligent work, collective learning and innovation of the officials of the Department of Treasury and other revenue collecting departments. The coming into effect of the strategy will certainly build on the very existing best practice and pocket of excellence that has been built over years.

Strengthening monitoring, oversight and support to departments on infrastructure delivery

Honourable Speaker, as part of our effort to monitor and oversee infrastructure projects, the following has been implemented:

- The department managed to hold three Provincial Infrastructure Review Meetings.
- Infrastructure Delivery Improvement Programme (IDIP) was rolled out in four departments namely; Provincial Treasury, Department of Health, Department of Education and Public Works.
- The deployment of a Technical Advisor to the Department of Police, Roads and Transport from beginning of November to build infrastructure capacity by means of transfer of skills.

- Forty nine infrastructure sites were visited around the province; a central pillar to these visits was value-for-money.

Reducing turnaround time of payment to creditors to 30 days

In our response to the national injunction of paying all creditors within 30 days from the day of receipt of invoice, we are pleased to report that on average, we have paid 97% of all our creditors within 30 days, of which 91% were paid within 20 days. This will go a long way in addressing the development of the Small, Medium and Micro Enterprise (SMME) sector in our province.

Role and Impact of Research

Honourable Speaker, research remains a crucial aspect of our decision making regarding resource allocation and the impact assessment of policy imperatives on our policy priorities and objectives. In this regard, we commissioned a study with the University of the Free State on the agricultural sector. There is no doubt that Free State is distinct by its endowment with agricultural resources.

What has not been determined is the extent to which this pocket of economic potential has been exploited for the overall economic development of the province. The study has been concluded.

Vision 2014 clean audit

The Vision 2014 Clean Audit is the country's call to action by all departments, municipalities and Public Entities in the Province. This is a story of clean and accountable government which we cannot compromise.

With the current state of affairs in this midway of our current term of government, where only two departments, namely, the Premier's department and Treasury have a clean audit, the realisation of this vision will require more coordinated strategic response by all stake holders.

SMME Development through public procurement

A few years back, the Executive Council concluded a resolution that 70% of the 15 most procured goods and services should go to SMMEs. To date, we have attained 78%, meaning we have surpassed this by 8%.

The department of Treasury has consistently sought to procure goods and service from the small, medium and micro enterprise as part of our drive to leverage the state intervention in the promotion of small business development. For this financial year, we will undertake a review of the overall approach of the provincial procurement policy.

Institutional capacity to deliver better and faster services

Honourable Speaker, we reported before this august house that skilling, reskilling and organisational restructuring and re-engineering cannot be approached as a ritual but should respond to the strategic challenges of building the institutional capacity to deliver better and faster services to our people.

In this regard, our focus has been on internships and experiential learning where most of the best performing learners are appointed on merit. This has been accompanied by re-engineering of business processes to focus all our business units on core business of the department.

Part of what we have done in this regard is to build research capacity for the Provincial Treasury to continuously understand the financing needs of the broad policy priorities of government.

Our strategic map in the coming period

Honourable Speaker, the midway of our current term of government is a narrative of learning to expand into the new horizons never tested before in our effort to position the Treasury as a leading partner for financial management excellence.

We present this 4th budget vote policy statement at the time when section 100 (1) (a) intervention by the National Executive is in its full swing. This intervention has elicited mixed reactions from various sectors both within and outside government.

The Provincial Government led by the Premier has boldly welcomed the intervention as a rare opportunity for self-correction by all of us. This self-correction should indeed inspire courage and boldness on our part to begin a robust process of critical self-reflection.

Central to our critical self-reflection should be the fundamental question of whether we have adequately taken stock of totality of factors that have necessitated this intervention. In doing so, we are critically analysing our collective readiness, commitment and capacity for a qualitative shift of paradigm in the manner we conduct our business.

Our strategic response to these set of challenges should be understood not in isolation, but within the broader context of our on-going task of repositioning the Provincial Treasury as a leading partner in financial management and excellence.

The building block of this strategic response is a sustainable capacity for effective oversight, monitoring, accountability and control across departments and municipalities. These measures will be at the core of our strategic priorities in the coming period.

We must also point out that even before the intervention by the National Executive, the Provincial Treasury had already subjected the Department of Police, Roads and Transport under section 18 of the Public Finance Management Act intervention.

We are confident to report that corporation between the different affected departments and the National Treasury has yielded positive outcomes where deficiencies in our systems and practices have been correctly identified and addressed.

Intensifying the monitoring of the implementation of the budget

Honourable Speaker, the constitution requires government at all levels to promote budgetary transparency, accountability and sound financial management of resources in the public sector. In pursuit of this we will intensify our effort to enhance expenditure control and create conditions for increased efficiency in public spending.

We will further intensify our efforts to monitor the budget through constant reviews of expenditure to ensure that programmes and projects are implemented efficiently and effectively. This will be accompanied by comprehensive mid-term review of the implementation of the budget.

Budget process capacity building

We have said in the past that for our budget to have any meaning to the electorate, it should respond to the socio economic challenges facing our people like poverty, inadequate infrastructure and other social ills.

The key strategic challenge is how much impact are we making in alleviating these socio economic challenges with the little we have at our disposal? A response to this question requires a sustained capacity both at a technical and strategic level to understand the budget process and its accompanying principles of fiscal discipline, allocative efficiency and operational efficiency.

Key elements of strategic and technical capacity should position departments to respond adequately to the challenges of increasing costs due to inflation, poor project planning and budget overruns during the initial budget planning processes.

Investing in effective municipal financial management through increased monitoring and capacity building

Honourable Speaker, as we noted earlier on, increasing pressure on municipalities to accelerate provision of quality and essential basic services to our people is a reality of our time. This is more so

in the light of glaring infrastructure backlog facing municipalities.

Whilst we take note of the fact that municipalities are a core business and competency of the Department of Corporative Governance and Traditional Affairs, the Municipal Finance Management Act also mandates Provincial Treasury to support municipalities. Our support to the municipalities will extend to the following areas:

- 7 municipalities will be assisted with the Supply Chain Management capacity
- Focusing energies of municipalities on effective budgeting, improved cash flow management and effective administration of indigent management to avert incorrect revenue projections
- With regards to Revenue collection and debt management, R43 million debt was reduced through these concerted efforts, and lastly
- To coordinate efforts to build technical competence and skills in financial management.

Monitoring of infrastructure delivery and spending on conditional grants

Honourable Speaker, Free State has a huge infrastructure backlog. What has undermined our capacity to fast track infrastructure delivery is due to lack of integrated planning driven by technical capacity and lack of and coordination of resources between different spheres of government.

In the coming period we will focus on the consolidation of monitoring of infrastructure delivery and the spending of conditional grants by all departments. Part of our approach will involve the crafting of an integrated infrastructure delivery model that seeks to strengthen reporting, coordination and monitoring processes across departments.

Conclusion

During the tabling of the Provincial Budget a few weeks ago, we hinted at the tight fiscal framework and the need to reprioritise and consistently shift funds from non-core to line function services. For this reason, Provincial Treasury has reviewed the existing cost containment measures and will be implementing revised measures from the first quarter of the new financial year.

In conclusion, we will continue to strive to be an influential and leading partner in fiscal discipline. We will further endeavour to strengthen the link between expenditure on social services and the economic growth and development.

Honourable Speaker, having taken stock of our performance over the recent past and priorities for the coming period ahead, allow me to table the 2012/13 budget of the Free State Provincial Treasury.

I thank you.