



NCPT

NORTHERN CAPE PROVINCIAL TREASURY

2021/22 BUDGET VOTE



BUDGET VOTE SPEECH FOR 2021/22 FINANCIAL YEAR

The Honourable MEC: ABRAHAM VOSLOO, MPL

Provincial Treasury

**ADDRESS BY MEC ABRAHAM VOSLOO FOR FINANCE, ECONOMIC DEVELOPMENT
AND TOURISM TO THE PROVINCIAL LEGISLATURE ON THE TABLING OF THE
BUDGET VOTE FOR PROVINCIAL TREASURY**

18 June 2021

Honourable Speaker

Honourable Premier, Dr Zamani Saul

Colleagues in the Executive Council

Honourable Members of the Provincial Legislature

Esteemed Traditional Leaders

Executive Mayors and Mayors

Director-General and Heads Of Department

Senior Management and Officials of the Provincial Treasury

Comrades and Friends

Ladies and Gentlemen

Honourable Speaker, thank you for the opportunity afforded to me to table Vote 8 in this august house after numerous opportunities I presented since assuming office in this specific portfolio.

I table this Vote Speech during an important epoch in our country's calendar when we commemorate the Youth Month in a year dedicated to one great daughter of the soil, Mama Charlotte Maxeke who so gallantly spearheaded the struggle for women's emancipation towards the realization of a better life for all. She understood that human life has equal worth, and that this is the core value that unites us, her selfless deeds compels us to ask whether we have done enough to give practical effect to woman emancipation in South Africa today towards our shared humanity.

Honourable Speaker, this invites us to ponder as to whether we have acted in a manner that shows human life has equal worth through the allocation of state resources at our disposal.

Honourable Speaker, as Provincial Treasury, we have put forward a plan in the 2021/22 financial year that will allow us to consolidate and strengthen our capacity especially around interventions aimed at assisting our municipalities to start doing the basic things right. Central to our plans for the 2021/22 financial year is to strengthen our internal capacity as Provincial Treasury to ensure the system of governance in the Northern Cape remains solid, and continue to service our people as this will allow us to implement our mandate as Provincial Treasury.

Honourable Speaker, we derive our mandate as the Provincial Treasury from the supreme law of our beautiful country, the Constitution and further find clear expression in both the Public Finance Management Act and the Municipal Finance Management Act.

Honourable Speaker and Members, I refer to this legal context to remind us all that whilst the impact of COVID 19 has meant less revenue and by extension dwindling financial resources for the Government, the needs of our people unfortunately gets more and this places even greater pressure on fiscal allocation and spending.

Therefore, sound management of public finances and the improved compliance culture on which it rests, provides us with the resources to invest in our public services, renew our infrastructure, reshape our residential areas, and provide water, electricity, housing, sanitation, schooling, health care and access roads to millions who were previously denied these elementary building blocks of any modern society. The social grant system has expanded, hunger is in retreat and vulnerable families are being lifted out of poverty.

Yet the idea that human life has equal worth demands more of us. Former President Mbeki's speech at the 4th Nelson Mandela lecture reminds us that...

“.....to achieve the social cohesion and human solidarity we seek, we must vigorously confront the legacy of poverty, racism and sexism”.

Therefore, this 2021/22 budget strives to explore measures towards an accelerated economic growth and recovery that will result in work opportunities, modernise our public services and infrastructure, in our fight against poverty and inequality, because we have a shared pledge to act in unison. We will do this, consciously, as a choice of this 6th administration because we align our effort to Ma-MaXeke's dream of seeing every South African equal.

Consequently, this places the Provincial Treasury right at the centre of ensuring that the limited resources at our disposal are utilised exclusively, without wastage to the benefit of all the citizens of our province.

Therefore, the role and responsibility of the Provincial Treasury becomes more pronounced at this critical juncture to reposition the department in our pursuit to improve value for money by taking deliberate and unpopular decisions for the benefit of our province, this is against a backdrop of huge fiscal reductions across the system of Government.

Economic Outlook

Honourable Speaker, on a more positive note, gross domestic product (GDP) grew at an annualised rate of 4.6 per cent in the first quarter of 2021, following growth of 5.8 per cent in

the fourth quarter of 2020 as reported by Statistics South Africa. Only the Agriculture, Forestry and Fishing as well as Electricity, Gas and Water industries contracted in the first quarter. The Mining industry, which also plays a prominent role in the province, recorded positive growth of 18.1 per cent in the first quarter of 2021, following a contraction in the previous quarter.

Honourable Members, as expected, with restrictions on the economy easing to a large extent, the national economy is showing signs of recovery, albeit a tough road ahead to full recovery, the three consecutive quarters of positive growth shows promise.

Honourable Speaker, together with the threat that the third wave of Covid-19 presents to the wellbeing of the people of the country, it also poses a risk to economic recovery as increased restriction as per Level 3 of the National Lockdown again limits certain activities. It is the responsibility of each one of us to adhere to the laws, regulations and guidelines as announced by the Honourable President. We should also do our part to keep this wave at bay, as we all know the devastating effect that Covid-19 has had on so many lives and to the struggling economy.

Honourable Speaker, we have embarked on a digitisation strategy through which officials at all levels have the necessary connectivity, equipment and resources to provide much needed MFMA and PFMA support to client departments and municipalities, irrespective of restrictive factors such as the pandemic and budgetary constraints. This endeavour is geared towards ensuring continued support and service in ensuring prudent fiscal management of state resources while improving the much needed services to our people.

Honourable Speaker, the Provincial Treasury has collaborated with the Department of Cooperative Governance and Traditional Affairs and other agencies in developing intervention strategies to support struggling municipalities with regards to technical, financial and human resources so as to better serve their respective communities. This was done in an attempt to turnaround the dire financial situation of the affected municipalities.

However, this has further necessitated that the department reprioritise posts which are of critical importance in making sure that the department fulfills its constitutional mandate. It is worth mentioning that the Provincial Treasury portfolio is a human resource driven department, as a consequence, we are challenged to use technology more effectively, and explore focussed approaches in collaboration with other oversight stakeholders.

Honourable Speaker, the Provincial Treasury has established institutional and governance structures to facilitate the condoning of irregular expenditure incurred by provincial departments. The establishment of the said structures will give the process of condonation of

current and previous irregular expenditure much needed traction to speed up the process. It is worth mentioning that the condonation process has commenced already in considering applications from departments.

Honourable Speaker, timely payment of suppliers remains a grave concern to us, as the failure by certain departments to pay invoices within 30 days disadvantages suppliers and causes unnecessary suffering as they are unable to meet their obligations due to inadequate cash flow. We are once more making a clarion call on Accounting Officers to ensure that invoices owed by the state are paid within government payment terms as this tarnishes the image and reputation of the state.

Honourable Speaker, our departmental budget has been reduced by a total of R50 million for 2021/22 financial year and R166 million over the MTEF, i.e. from R348 million to R297 million which is a 15 percent reduction. This reduction has greatly affected our Compensation Of Employees (COE) budget which has reduced from R264 million to R217 million, amounting to a reduction of R47 million due to fiscal consolidation and wage freeze reductions. This has necessitated the reprioritisation of posts by the department, which are of critical importance to fulfil our mandate. It is worth mentioning, that Provincial Treasury is human resource driven portfolio and requires adequate capacity, hence provision has been made within the current baseline towards ensuring that some of the critical vacant funded posts are filled.

The 2021/22 Budget Allocation per Programme:

1. Administration

This programme has been allocated **R105 million** in order to continue to provide support to the oversight structures in pursuit of achieving the objectives of the department. We have made provision for the digitisation of departmental systems to ensure that we are able to meet the needs of our clients.

2. Sustainable Resource Management

This programme has been allocated **R26 million**, which includes support provided to departments with regards to revenue and budget management.

Honourable Speaker and Members let me reflect on some of the current fiscal measures that we have implemented in an effort to mitigate the risk of the budget cuts. In the short term

we have centralised the appointment of additional personnel across the system in order to ensure sustainability of service delivery, especially in health and education, we have allowed all critical posts to go through the system to ensure that we maintain the current levels of services. This is a short-term intervention and I need to indicate to members that we are working towards a long-term sustainable solution.

3. Assets and Liabilities

Honourable Speaker, this programme has been allocated **R44 million**. Assets and Liabilities is responsible for providing policy direction, in relation to assets, supply chain management, financial systems, banking and cash flow management.

4. Financial Governance

Honourable Speaker, this programme has an allocation of **R18 million** for the strengthening and development of accounting practices including the provision of support to institutions in addressing Unauthorised, Fruitless and Wasteful and Irregular expenditure. This programme plays a key role in the provincial operation clean audit drive, which aims to improve Audit Outcomes and further strengthen corporate governance.

Honourable Speaker in the past we announced the implementation of the SAIPA Internship programme in the province where 10 accounting graduates participated to acquire an NQF Level 8 qualification in accounting and be groomed to become professional accountants. Seven of the ten trainees are due to sit for the professional examination in July 2021. They have reached the required level of competency and we can give credit to the Departments of Education, Roads & Public Works, Social Development, Northern Cape Provincial Treasury and the Provincial Legislature for taking time into transferring skills to these young people.

5. Municipal Finance

Honourable Speaker, this is a newly established stand-alone programme aimed at implementing an integrated approach towards municipal interventions. The programme has been allocated an amount of **R69 million** to manage the promotion of effective and efficient performance of municipalities and coordinate the provisioning of capacity building. This programme will focus on:

- ensuring that municipalities table credible and funded budgets,
- mediate between Eskom and Municipalities for realistic payment plans, and
- support and advise municipalities on accounting, assets and supply chain management.

Honourable Speaker, in partnership with National Treasury, we will be implementing the **Financial Management for Improved Service Delivery** (FMISD) programme in municipalities to provide technical assistance that will contribute to the development of improved financial management through enhanced human, institutional, organisational capacity and stakeholder relationships.

6. Internal Audit and Audit Committees

The programme has been allocated **R37 million** to ensure that Provincial Internal Audit and Audit Committees function effectively and are value adding partners to the province. The Provincial Audit Committees will continue with their oversight and advice function to our client institutions.

Honourable Speaker and Members, as I conclude, let me share some of the reforms currently underway that will also enhance the oversight of the Portfolio Committee on Finance. Since the introduction of Gender Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing Framework in 2019, Gender Responsive Budgeting (GRB) implementation has been lacking considerably in relation to tracking and monitoring.

Honourable Members, National Treasury has been working on disaggregated data on gender for the 2021 MTEF process. However, information collected has not been of satisfactory quality, as a consequence compliance has been low, hence the departments have been struggling to report comprehensively on GRB. Based on this, the National Treasury has requested assistance from the International Monetary Fund to develop a comprehensive strategy for Gender Responsive Budgeting (GRB) implementation in South Africa.

Honourable Members, without going into details, some of the main areas that will be covered include the following:

- Perspective of GRB and other Gender Equity initiatives;
- Mainstreaming gender into procurement;
- Capacity for Gender Analysis and Mainstreaming within Government;
- Gender Equity Concerns in Macroeconomic and Fiscal Planning;
- Mainstreaming Gender Equity in Planning and Budgeting;
- Integration of Gender Equity in Intergovernmental Relations;
- Role of Parliament in Mainstreaming Gender Equity in legal and policy approval and oversight.

Honourable Speaker, once this reform is fully implemented, GRB will feature prominently in the budget system and the necessary oversight and accountability will become easier

including enforcement from both the Executive and the Legislature, but most importantly it will allow for better planning in resource allocation in the context of gender mainstreaming.

Honourable Members, achieving spending efficiencies in a fiscal constrained environment is of utmost importance, this would in sync with our forebears belief when they formed the African National Congress in 1912, in response to being excluded from the formation of the Union of South Africa, they were driven by the single-minded belief in that Human life has equal worth, irrespective of gender and race.

Honourable Members, since the introduction of the Medium Term Expenditure Framework (MTEF) we have been implementing the traditional approach of incremental budgeting, using mainly consumer price index projections as a measure. This approach focuses on changes at the margins of spending rather than at the core and new emerging programmes. In conjunction with the National Treasury we will introduce spending reviews underpinned by Zero Based Budgeting (ZBB) as a theoretical framework for the implementation of spending reviews.

Honourable Speaker and Members, once this is approved, Cabinet, will in light of the framework conduct policy priority ranking as aligned with the Medium Term Strategic Framework (MTSF) priorities as well as that of the ruling party. The Zero Based Budgeting framework will provide Parliament with a clear understanding of the methodology and approach to the roll-out of the process in departments over the MTEF period.

Honourable speaker, National Economic Development and Labour Council (NEDLAC) will conduct stakeholder engagements and discussions on the framework and implementation of the spending review process. National Treasury will provide capacity and skills training from external experts on the process and finally line departments will have to do an extensive evaluation of programme efficiency and effectiveness.

Honourable Speaker and Members, allow me once again to extend my appreciation to the Honourable Premier, Dr Zamani Saul for his continued guidance and support, my colleagues in the Executive Council, the Portfolio Committee on Finance, Economic Development and Tourism and to the entire Northern Cape legislature under your leadership.

Thanks to my team in the Ministry of Finance, Economic Development and Tourism for their continued support.

Honourable Speaker, I would also like to express a word of gratitude to the entire team at Treasury led by the acting Head of Department, Ms Lephina Bosvark.

I hereby table the 2021/22 budget vote of Provincial Treasury for your consideration.

Ek dank u!!!