

**ADDRESS BY MEC MAC JACK FOR FINANCE, ECONOMIC
DEVELOPMENT AND TOURISM TO THE PROVINCIAL
LEGISLATURE ON THE OCCASION OF TABLING BUDGET VOTE
8 FOR PROVINCIAL TREASURY**

26 JUNE 2017

Honourable Speaker and Honourable Deputy Speaker

Honourable Premier — Ms Sylvia Lucas

Colleagues in the Executive Council

Honourable Members of the Provincial Legislature

Senior Management and Officials of the Provincial Treasury

Comrades and Friends

Ladies and Gentlemen

Thank you, Honourable Speaker, for this opportunity to table the Provincial Treasury's budget for the 2017/18 financial year.

I rise to address this House on this important day in the history of our country, when we celebrate 62nd anniversary of the Freedom Charter - a historic document that is to our Movement what our Constitution is to our nation.

The Freedom Charter was our battle cry during the struggle, and indeed our answer to every evil thing that defined the apartheid system.

When it said "South Africa Belongs to All of us, black and white", the Freedom Charter defied the very definition of apartheid which turned citizens into foreigners in their own country through the Bantustan system, and reinforced racial divisions, seeing differences in our racial appearance as the reason to separate us instead of moulding us into the rainbow nation we have been constructing since 1994.

Honourable Speaker, our country has been down-graded by three rating agencies with a continuous negative outlook recently.

The credit rating downgrade means higher debt service costs, which will have in turn to be financed through increased taxes or reduced public spending. The recent decline of 0.7 percent in the gross domestic product for first quarter of 2017 compounded with the contraction of 0.3 percent in the fourth quarter of 2016, resulted in the announcement of a technical recession.

Honourable members, this is a serious setback with the possibilities of our country losing its investment grading, likely to trigger capital outflows, rand weakness, higher inflation and interest rates and rising bond yields.

These factors will also negatively impact on economic growth and job creation.

However, I have full confidence that the undying spirit of our liberation heroes such as Oliver Reginald Tambo, Solomon Mahlangu and more than 100 students among them, the

young Hector Peterson will pull us through this economic quagmire.

Oliver Tambo demonstrates to us that freedom without sacrifice is not freedom at all. He led the African Nation Congress in exile under tremendous hardships for thirty years, and yet his legacy lives on.

While he was awaiting his execution in Pretoria Central Prison, the young Solomon Mahlangu uttered powerful words, **“My blood will nourish the tree that will bear the fruits of freedom. Tell my people that I love them. They must continue the fight,”** which are still relevant even today.

We continue to salute more than 15 000 students who protested against the use of Afrikaans as the medium of instruction at schools in 16 June 1976.

I have a strong belief that Tambo, Mahlangu, the June 16 uprising students and many others who fell, did not perish in vain.

In this 23rd year of our freedom, our mission remains the quest for a united, democratic, non-sexist, non-racial and prosperous South Africa.

Honourable speaker, the predominant message today is that we need to radically transform the Northern Cape economy, so that all our people, including – the working class and the poor, black people in general and African in particular, women and youth can benefit.

I am of the view that the Provincial Treasury is a key enabling institution for progressive change in our society. Its work

must be marshalled in support of the National Development Plan.

This department will do its best to deliver on its mandate and strive to take the province forward by continuously ensuring that the priorities of government are addressed.

Our main aim as a department is to ensure the effective management and monitoring of financial resources, facilitation of credible budget processes that respond to the socio-economic needs of our province and provision of support and guidance in ensuring that the province achieves and maintains clean administration.

Sound management of our public finances is essential in this regard and we will continue to monitor and hold all our government entities accountable. Principles of consequence management need to find expression in ensuring clean administration.

Honourable speaker, in managing and monitoring provincial financial resources, we have continued to cushion the impact of the budget cuts on departmental baselines. Numerous interactions have been held with departments to ensure that the province's remuneration bill remains within the available resources. We have been able to ensure that departments only fill critical funded posts, we therefore appeal to all our entities to continue to comply with the cost containment measures in an effort to protect the core programmes of government.

Honourable Speaker, it has become important that the provincial own revenue base increases to fund the current service delivery commitments. Taking cognisance of this challenge and in fulfilling our mandate of promoting the optimisation of revenue collection, as indicated last year, I am now pleased to announce that as a province we have shifted the renewal of motor vehicle licences from municipalities to the South African Post Offices for the first ten identified sites. Honourable members, these services took effect from 1st June 2017 and the operations are currently live.

Department of Health is the second highest revenue collector in the province. In assisting and supporting the department to enhance their currently low revenue collection rate, we are in the process of appointing contract employees who will be based at hospitals to assist in improving revenue collection. These contract employees will serve as additional capacity to address the administration and collection of patient fees.

Honourable Speaker, Provincial Treasury aims to work very closely with all entities in order to emphasise the importance of prioritising revenue collection as one of their core functions. With our assistance, we encourage our government entities to continue strengthening their revenue systems, reviewing their respective tariffs and finding innovative ways of improving revenue collection value chains.

Empowered by the Municipal Finance Management Act (MFMA) and the Memorandum of Understanding (MOU) signed between ourselves and the Department of Cooperative Governance and Human Settlement (COGHSTA), we will continue to support municipalities in implementing sound and sustainable financial management. To strengthen coordination in providing oversight, the municipal finance functions have been transferred from COGHSTA to Provincial Treasury effective from 1st April 2017.

Our Municipal Support Programme is multi-dimensional whereby we provide hands on technical support to municipalities. A significant portion of the programme is to improve the quality of financial statements and the sound implementation of internal controls. To this end we have assisted six (6) municipalities and our efforts have resulted in an improvement of audit outcomes. We will be expanding to another six (6) municipalities for this financial year.

Honourable Speaker, Debt owed to municipalities in the province is ever increasing, with government debt being the second largest component. In an attempt to address this issue, Provincial Treasury assisted to reconcile outstanding accounts and facilitated communication between municipalities and departments. We will also pilot three municipalities to improve data integrity on the billing systems and build strong internal controls in the revenue section. We will continue to put stringent measures in place to ensure that affected poor municipalities get paid by provincial government on time.

With regards to Municipal Standard Charts of Accounts (MSCOA) our support included the setting up of relevant structures and the assessment of ICT network infrastructure capacities in preparation for the migration.

All municipalities in the country will be expected to transact and report according to MSCOA with effect from 1st July 2017.

Various challenges have been experienced, and as we table this budget vote, there are still four municipalities that are struggling to meet their mile stones. We are working closely with them to ensure these milestones are achieved.

Honourable speaker, in supporting municipal oversight structures, we hosted the Municipal Finance Management Act Councillor Induction Programme, conducted workshops on the Regulation of Financial Misconduct and Criminal Proceedings and provided technical assistance on financial management issues during the Municipal Public Account Committee (MPAC) hearings. By strengthening the shared internal audit model we have commenced to address shortcomings relating to internal audit and audit committees in two districts, and it is our intention to expand on this initiative across the province.

With regards to supply chain management, the revised Preferential Procurement Policy Framework Regulations were enacted and are effective 1st April 2017. These

regulations give effect to government's socio- economic transformation goals. They are intended to promote small enterprises, co-operatives, rural and township enterprises.

Utilising the Regulations will enable us to use pre-qualification criteria to support preferential procurement target groups for example Exempted Micro Enterprises, Qualifying Small Enterprises, and/ or companies with at least 51% black ownership by people who are either youth, woman, disabled, living in rural or under developed areas or townships co-operatives or military veterans. To further support economic transformation, the Regulations also make provision for subcontracting of a minimum of 30% of contracts with a value of R30 million or more, where feasible.

Honourable Speaker, Provincial Treasury is in the process of reviewing the provincial supply chain policy and therefore departments and municipalities will be required to revise their policies to give effect to the new regulations.

Timeous payment of suppliers continues to be one of government's key priorities and the responsibility is placed on all of us to ensure the sustainability of businesses by paying within 30 days or earlier. Over the past year we closely analysed the exception reports submitted and these indicated that out of 12 departments, 11 have demonstrated an improved pattern. Four (4) of the departments have maintained a clean record, thus fully complying with the 30

days payment rule. Provincial Treasury is committed to resolve the challenges in the remaining departments.

Honourable speaker, as pronounced by the Premier last year, Provincial Treasury has evoked the section 18 intervention in terms of the PFMA. The intervention is underway and is aimed at bringing stability to the department of health to ensure improvement of financial management and governance.

The benefit of all these support interventions will only be achieved when commitment towards good governance and cooperation is obtained from the political and administrative leadership. Provincial Treasury's assistance will not be effective unless there is compliance with the relevant prescripts.

Honourable Speaker, **allow me to table the 2017/18 financial year allocated budget of R299 million. This budget represents an increase of six (6) per cent from the 2016/17 Adjusted budget of R281 million and has been allocated as follows:**

Administration received an allocation of R95.4 million which is an increase of 7 percent from the 2016/17 adjusted budget of R89.5 million. The key deliverable is to provide support to programmes to enable them to respond effectively to the service demands placed on us by departments and municipalities.

Sustainable Resource Management received an allocation of R63.5 million which is an increase of 8 percent from the 2016/17 adjusted budget of R59 million. This includes an allocation for the Health Intervention project in-line with the executive council resolution to implement section 18 of the Public Finance Management Act.

Asset and Liabilities received an allocation of R75.8 million which is an increase of 7 percent from the 2016/17 adjusted budget of R70.5 million. These funds include an allocation towards the municipal support programme, aimed at improving audit outcomes and compilation of credible and compliant annual financial statements.

Programme 4: Financial Governance received an allocation of R29 million which is slight decrease of 3 percent from the 2016/17 adjusted budget of R29.5 million. This budget has been allocated for the strengthening and development of accounting practices including the implementation of MSCOA.

Programme 5: Internal Audit and Audit Committees is allocated R35.3 million which is an increase of 8 percent from the 2016/17 adjusted budget of R32.6 million. With this allocation, the unit will continue to ensure that Internal Audit and Audit Committees function effectively and are value adding partners to the province.

Honourable Speaker, we should be reminded that radical economic transformation and inclusive growth is a responsibility we all share. Hence there is a need to urgently devise programmes to bridge the high levels of economic

inequality through radical socio-economic transformation. Central to radical socio-economic transformation is ensuring inclusive growth, fighting monopoly capital and changing the apartheid structure and ownership patterns of the economy.

We need to ensure that there is an efficient and effective institutional mechanism for skills development based on industry specific needs informed by the skills audit. This initiative should address the skills deficiency in economic sectors.

In this regard we need strong institutions, led by competent and principled leaders, motivated by a desire to serve our people diligently.

We must all be committed to fighting fraud, corruption and waste as these create unnecessary impediments to investment and growth.

I said it before, and am going to say it again, that corruption is a cancer that has no place in our provincial government or our society.

We will therefore devise strategies to strengthen the fight against corruption, both in the public and private sector. Directly linked to the fight against fraud and corruption should be the random life style audits for public representatives and senior managers. I urge everyone who has information on any corrupt activities, be in private or public sector, to blow a whistle.

Honourable members, the provincial government has lost a lot of money due to the allocations of illegal contracts to friends and families who are connected to public servants. In this financial year, we will therefore embark on a review of all contracts which have been issued, and those in the process of been issued. We need to ascertain if the allocation of the contracts was in compliance with the law.

In conclusion, Honourable Speaker, Provincial Treasury is committed to work tirelessly, and passionately to assist and contribute in building a more prosperous and inclusive economy, because we are truly inspired the by the words, I quote, “those who complete the course will do so only because they do not, as fatigue sets in, convince themselves that the road ahead is still too long, the inclines too steep, the loneliness impossible to bear and the prize itself of doubtful value” close quote.

Honourable members, let us continue with what we have been entrusted without failure, without wavering and without delay.

Permit me to express appreciation to the Acting Head of Department, Mr. Thami Mabija and Acting Head of Ministry, Ms Sharon Plaatjies and the teams they lead for their dedication and effort.

I hereby table the 2017/18 budget of the Provincial Treasury for the consideration of this house.

I thank you.