

VOTE SPEECH
OF THE
LIMPOPO PROVINCIAL TREASURY
VOTE 5
TABLED IN
THE LIMPOPO PROVINCIAL LEGISLATURE
BY
MR. SA'AD CACHALIA, MEC FOR FINANCE
ON
THURSDAY, 03 MAY 2007

Honourable Speaker

Mr. Premier, Honourable Sello Moloto

Honourable and Distinguished Colleagues of the House

Distinguished Guests

Members of the Media

Ladies and Gentlemen

Freedom is both the primary aim of development, and also the principal means of development ... A person's actual capability to achieve or develop is influenced by economic opportunities, political liberties, social facilities, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives.

These opportunities are, to a great extent, mutually complementary, and tend to reinforce one another.

...Freedom we have won to choose our own destiny, and in so doing, take our development into our own hands.

...Freedom we have won to choose our own representatives, and in so doing, to decide for ourselves the character of our state and the actions we direct it to take on our behalf.

Freedom, writes the philosopher and economist Amartya Sen, is the primary aim of development, and also the principal means of achieving it.

There are a number of elements of the development equation that are often very hard to quantify yet are fundamental to achieving the outcomes we seek. One of these is the quality of the services we deliver as government.

When people experience poor service delivery, or our projects fail, then, not only are citizens denied the services to which they are entitled, but in turn their capacity to contribute further to the development process is undermined.

Unless our policies are implemented efficiently, courteously, honestly and enthusiastically, we will achieve far less than we intend, and far less than our people surely deserve.

Honourable Speaker,

It is proposed that the allocation to the Limpopo Provincial Treasury over the next MTEF period be as follows:

2007/08	2008/09	2009/10
R286,296m	R310,576m	R335,284m

These allocations represent an increase of approximately 9% per financial year.

Financial Year 2007/08

61% of the allocation will be funded from the provincial equitable share and 39% from departmental own revenue sources. The Provincial Treasury does not receive any national conditional grants.

Furthermore, estimates by economic classification result in the following relative shares of different categories of expenditure:

1. Compensation of Employees
R122,861m (42,9%)
2. Payment for Capital Assets
R6,804m (2,4%)

3. Transfers GEMS (Government Employees Medical Scheme)
R1,082m (0,4%)

4. Goods & Services
R155,549m (54,3%)

The vote is shared as follows between the four programmes:

Budget Allocation per programme FY 2007/08

1. Administration
R82,930m (28%)

2. Sustainable Resource Management
R51,729m (18%)

3. Assets and Liabilities Management
R40,160m (14%)

4. Financial Governance & Systems Development
R111,477m (40%)

Departmental Receipts

The Provincial Treasury as a department has its own sources of revenue which is collected and transferred on a weekly basis to

the Provincial Revenue Fund. The estimated departmental receipts for the 2007/08 financial year amount to R 111, 424m.

2007/08	2008/09	2009/10
R111,424m	R118,098m	R125,197m

An increase of approximately 9% per financial year

Expenditure proposals in respect of the four programmes for 2007/08

Honourable Speaker,

Permit me to now present an overview of the various expenditure programmes in our Vote as this will give an indication of the main services that the Provincial Treasury is expected to render over the 2007/08 MTEF period.

Programme 2: Sustainable Resource Management & IGFR R51, 729m [18%]

Sustainable Resource Management provides professional advice and support to the MEC on provincial economic analysis, fiscal policy, public finance development and management of the annual budget process as well as inter-governmental fiscal relations and provincial asset restructuring.

An amount of R1m has been allocated for programme support. The allocation referred to above, includes salaries & other personnel related costs.

The programme is comprised of the following sub-programmes:-

CD: Economic Analysis [R4, 691m]

Purpose: To provide provincial economic and social research and analysis that informs fiscal policy development and the annual budget process, thereby contributing to the attainment of the objectives of the Provincial Growth and Development Strategy [PGDS].

The Chief Directorate: Economic Analysis will also ensure that we publish the Medium Term Budget Policy Statement [MTBPS] by October this year [2007] and publish a citizens' guide on the impact of the provincial government's spending in the last financial year.

CD: Fiscal Policy [R6, 543m]

Purpose: To provide fiscal policy advice, determine the provincial Medium Term Fiscal Framework and identify, develop and optimize the provincial revenue base. The unit also deals with the revision and adjustment of the public entities' fees, rates and tariffs.

This Chief Directorate will champion the development and implementation of a provincial revenue policy during this financial year. As we mentioned in the Provincial Budget Speech, our own revenue is unacceptably low. Treasury must play a leading role in finding strategic mechanisms to maximize our revenue collection and identify new sources of revenue as a matter of extreme urgency. The revenue to be collected by the province during 2007/08 is estimated at **R468, 866m.**

CD: Budget Allocation & Public Finance [R26, 514m]

Purpose: To ensure that there is optimum budget resource allocation – allocative efficiency - and expenditure management within the province. The component further ensures that the Provincial MTEF Statement, Appropriation Bill and Budget Speech are aligned to the PGDS objectives, IDPs and national priorities.

Through this unit the Provincial Treasury will also implement the Annual Appropriation Act and monitor departmental spending trends via in-year monitoring reports.

We have already appointed programme analysts who will assist departments in their planning and budget management.

CD: Intergovernmental Fiscal Relations [R12, 876m]

Purpose: To provide financial management support to municipalities and conduct workshops to capacitate municipalities on budget related issues, annual reporting, internal audit and any other matter that relates to financial management as envisaged in the MFMA.

Honourable Speaker,

This year marks the third year since the MFMA was promulgated. The record with regard to financial management is mixed. While compliance has improved insofar as meeting deadlines for submitting financial statements on time is concerned, the quality of audit outcomes is still cause for concern.

The department has just concluded an agreement with the provincial Department of Local Government and Housing, which stipulates the different roles that the two departments will play in respect of municipalities. This will assist each department to focus on its core business and increase the impact we will make towards assisting municipalities to deliver better services to our people.

The cherished ideal and commitment of Government to extend services to citizens who were previously denied, including infrastructure, whilst ensuring that the quality of public service delivery improves and remains at an acceptable standard, compels the Provincial Treasury to continue to actively play its designated role regarding the implementation of the MFMA in respect of, inter alia:





- ✚ The institution of service delivery and budget implementation plans to support multi-year budgets;
- ✚ Compliance in respect of monthly, quarterly and annual reporting, in line with the MFMA norms and standards; and
- ✚ The implementation of appropriate supply chain management policies and processes

Honourable Speaker,

This programme also has a unit that deals with the restructuring of provincial assets. The role of the unit is to provide technical assistance and support to provincial departments on restructuring initiatives and to ensure efficient and effective delivery on infrastructure programmes and to look at alternative service delivery models in the province.

The unit's priorities for the 2007/08 financial year:

For the restructuring management component, the priorities for the year include the following projects:

-  ***Initiated project:*** The provincial property facilities management project, which aims to develop a strategy on the management of all assets and facilities in the province.
-  ***Approved projects:*** Hospital Big Bang Revitalization Project that will upscale the pace of hospital revitalization in the province through increased capacity and funding levels.
-  ***Integrated Water Supply System:*** This project will look at an integrated approach to the supply of water in the province - this presents an opportunity to enhance the systems and integrate the infrastructure to meet the needs of all the main sectors, including mining, energy, agriculture and households.
-  ***Projects in implementation:*** Renal Dialysis Public Private Partnership [PPP]: This PPP project was signed in November 2006 and the assistance provided by the unit aims to achieve partnership management, performance management and contract administration.

For Capital projects appraisals, the priorities for the year include the compliance to DORA and the Provincial Appropriation Act by assisting departments with:

- ✚ Infrastructure plans and delivery;
- ✚ Infrastructure cash flow reports;
- ✚ Infrastructure expenditure and monitoring; and
- ✚ The finalization of the 10 year integrated infrastructure plan.

The implementation of the Infrastructure Delivery Improvement Programme [IDIP] will also entail the launch of Phase II assessment and design of the business case for the Department of Health and Social Development. Through the IDIP, we intend to close the gap in terms of our identified weaknesses insofar as planning and spending on infrastructure is concerned. We have to address the serious backlog we face in terms of infrastructure.

Honourable Speaker,

The Provincial Treasury intends to start conducting visits to different infrastructure projects in the province, to assist departments to verify project implementation information contained in the provincial infrastructure model, as well as the information provided by officials in the departments' infrastructure plans, in order to facilitate better performance assessment of infrastructure delivery and its impact on key economic variables.

Programme 3: Assets, liabilities & Provincial SCM R40,160m [14%]

Assets, liabilities & Provincial Supply Chain Management is responsible for providing policy direction and supporting provincial departments on the effective and efficient management of non-current and financial assets, liabilities as well as supply chain management. Further, this programme will be providing training on policies relating to SCM, Manage the provincial cash flows and provide provincial departments with face value documents. The allocation for this programme includes salaries & other personnel allowances.

This programme is comprised of the following sub-programmes:-

CD: Assets and Banking & Cash Flow Management [R19, 9m]

Purpose: This sub-programme will ensure the effective, efficient and economic management of assets and liabilities in the province; coordinate the maintenance of a comprehensive provincial asset register; implement a provincial asset management plan; ensure the availability of a signed banking contract and service level agreements; open 15 bank accounts; maintain adequate stock levels for face value documents; monitor bank accounts to ensure that there are no overdrafts; increase departmental revenue through profitable investments; and the payment of all interest charges on all provincial PMG accounts.

Honourable Members may be aware of the fact that we will be advertising the tender for banking services during this year since our contract with the current bank will be coming to an end early next year. We shall endeavour to procure the services of a bank that makes the best offer and provides the best solutions to our challenges and needs. We will critically analyse the performance of both the department and the current bank so as to ensure that we maximize gains for the provincial administration by learning

from our previous mistakes and reinforcing existing best practices.

In addition, this sub-programme will need to ensure the implementation of the necessary economic life cycle and value for money mechanisms through the introduction of not only systems and processes to support the preparation of forward asset strategies in respect of acquisition, use and disposal of assets, but also in respect of managing the related risks and costs over all phases of the asset life cycle.

CD: Provincial Supply Chain Management [R18, 423m]

Purpose: To regulate and ensure effective and efficient SCM implementation; empower local HDIs, SMME and the youth; build capacity on SCM in provincial departments and public entities; ensure the effective and efficient implementation of SCM prescript; and ensure the effective management of demand and acquisition of transversal goods and services in the province, through the central procurement committee [CPC].




In an effort to strengthen the CPC's capacity to effectively manage the acquisition of transversal goods and services, we have directed that only CFOs must represent departments on this structure. We will also involve the risk management component in the department to participate and oversee certain phases of the tendering process in order to make it more transparent as well as to ensure that the imperatives of the SCM policies are attained. We have to ensure that the provincial resources are distributed as widely as possible so that we can truly speak about broad based black economic empowerment. We cannot allow a situation where only a few benefit at the expense of the majority of our people.

Honourable Speaker,

It is important for us to recognize that eradicating this problem is complex and will take time, effort and thorough planning. Simple solutions that rely on weak and generalized assumptions about who the poor and disadvantaged business people are, how and where they operate from, what they need and what they want are destined to fail. We need to work together to find lasting solutions.

To this end, the department will be working, in partnership with the Department of Economic Development, Environment and Tourism, to host a provincial business summit, which is aimed at engaging business people in the province on how we can improve, inter alia, our supply chain management processes and procedures to improve on the services we render and make it easier for them to do business with government in the province.

The provincial SCM regime must ensure:

-  Value-for-money in public expenditure through engineering a reduction in procurement costs over time;
-  Effective supplier performance management in line with pre-determined norms and standards;
-  The development of strategic sourcing methodologies to assist with the progressive realization of preferential procurement targets, through the development of small, medium and micro-enterprises and the implementation of effective broad-based black economic empowerment

strategies and the mainstreaming of historically disadvantaged operators into formal economic activities.

Key to the achievement of the aforementioned will be the implementation of a provincial suppliers' management information system, which will afford government the technical means to evaluate the province's progress towards meeting the targets we have set for ourselves.

Programme 4: Financial Governance & Systems Development R111, 447m [40%]

This programme executes the functions and responsibilities of the Provincial Accountant General and promotes accountability through the substantive reflection of the financial activities of the province, and compliance with financial norms and standards as well as the provision of financial systems support to provincial departments. The aforementioned allocation includes salaries & other personnel related costs.

This programme is comprised of the following sub-programmes:-

CD: Accounting Services [R35, 669m]

This Chief Directorate is responsible for ensuring the effective implementation of accounting practices in line with the generally recognized accounting practice [GRAP], and the preparation of consolidated financial information that reflect the overall financial position of the province; co-co-ordinating annual financial statements for departments and public entities; consolidating and evaluating monthly progress report on audit outcomes; monitoring the closure of financial books, including the Traditional Authorities Account; supporting the Audit Committee and monitoring the

implementation of the Audit Committee and Auditor General's resolutions.

The sub-programme will provide for the training of 800 officials on financial systems; register five youth with the Chartered Institution of Management Accountants and enroll ten youths for Chartered Accounting as well as ten officials to pursue a course on Advanced Project Management. Lastly, the sub-programme will be charged with the responsibility to develop and implement a provincial skills development plan.

The sub-programme of the Provincial Accountant General and its supporting directorates remains the champion of financial governance in the province and work will continue in this financial year and beyond to foster prudent financial practices in provincial departments and public entities.

CD: Internal Control & Risk Management [R4, 564m]

Purpose: This sub-programme is tasked with the responsibility of managing provincial risks; establishing a Risk Management Forum; developing a provincial risk management plan and policies; as well as assisting municipalities to develop financial policies.

CD: Systems Development [R69, 645m]

Purpose: This sub-programme will mainly focus on the development of sound and reliable financial systems in the province; ensuring the availability of financial systems; maintaining data lines; and the modification of the following

FINEST modules:- Assets [R6m], Revenue [R1m] Disaster Recovery Plan [R500k]

It goes without saying that the improvement of financial governance and efficiency remains key to the achievement of the objectives of the PGDS and the prescripts of the PFMA. The main focus in this regard remains the promotion of greater transparency to ensure the production of credible information with regard to government's financial transactions in line with the prescribed standards of GRAP.

Work in this area of operation does not only aim at ensuring that no unrecorded transactions with financial implications can take place unnoticed but also that financial results are analysed and interpreted to serve both the needs of public interest and internal use that can further improve financial management practices.

Furthermore, work executed to ensure adherence to the PFMA and MFMA also aims to improve not only performance management, but also to enhance the efficiency of oversight bodies such as those of the Provincial Legislature and the Auditor General. Availing such information for use by oversight bodies not only gives an indication of how well-vested the development and implementation of normative financial norms are throughout provincial departments and entities, but also contributes towards greater efficiency in operations, financial compliance in terms of existing prescripts and regulations as well as the internalization of risk-reduction practices in the provincial government.

Programme 1: Administrative R82,930m [28%]

The administration programme focuses on the overall management of the department and aims to provide strategic

leadership and strategic management in accordance with applicable legislation, regulations and policies, through planning, organizing, co-coordinating and controlling departmental functions so as to ensure that there is adequate support services available to all other departmental programmes, thus enabling the achievement of overall departmental goals as efficiently, economically and effectively as possible.

The development and approval of departmental policies is high on the agenda of the programme for this year. We have identified all the areas in the department where policy gaps exist and every effort will be made to close those gaps during the course of the year. Treasury has to lead by example. We therefore cannot afford a situation where we are found wanting on such an important yet basic requirement.

This programme is comprised of the following sub-programmes:-

CD: Office of the MEC [R4, 498m]

The budget for this office will be used to render secretarial, administrative and office support services and act as a link with the department, the Provincial Legislature and the National Ministry of Finance, enabling the MEC to realize his treasury responsibilities. The budget consists mainly for the compensation of employees and other administrative costs.

CD: Management Services [HOD & HOD SUPPORT] R2, 379m

The HOD support staff mainly focuses on providing strategic and administrative support to the Head of Department and assists the office to follow up on Executive Council, EXCO Clusters, Heads of

Department, Portfolio Committee and all inter-governmental structures' resolutions.

CD: Corporate Services [R33, 421m]

This sub-programme's key responsibilities are to ensure the provision of human resource management, human resource development, legal administration and labour relations services.

The department is operating under severe constraints as a result of the high vacancy rate. The chief directorate will mainly focus on the advertisement and filling of 36% of the vacant posts; increase the allocation of bursaries and employee training and skills development initiatives as well as improve on the department's contract and SLA management.

CD: Information Management

This sub-programme's function is to ensure management of communication services, information and technological services and the implementation and maintenance of sound records practices. The budget is mainly for branding and marketing the programmes of the department, providing technological support services to directorates and effective records management. The chief directorate will be allocated a budget of R3, 507m for goods and services and R7, 036m for personnel cost.

CD: Strategic Operations

The chief directorate will co-ordinate strategic planning, organizational development and performance as well as ensure the co-ordination of transformation and employee wellness

programmes. The BATHO PELE awareness campaigns and service delivery improvement strategies are central to the operations of this unit.

CD: Financial Management [CFO] R36, 725m

The greatest portion of the CFO's budget is located under Logistics. The additional funds requested under Logistics will be used for the renovation of Finance House in Paul Kruger Street [R10,845m] and the procurement of office furniture. The Logistics directorate is also responsible for the payment of water & electricity; the leasing of the two buildings in Paul Kruger Street [R6,649m] and the payment of physical security services [R1,761m] at all three buildings.

R15,601m of the chief directorate's budget will go towards compensation of employees.

Directorate: Risk & Security Management [R5, 101m]

R 1, 380m of the budget will be used for an effective access control system, vetting and investigations. The core function of this directorate is to administer the provision of risk management services that will minimize the impact of the department's risk exposure and to manage security services. The directorate has a budget of R4, 724m for compensation of employees.

Honourable Speaker,

This Vote and the programmes that it supports will make an important contribution to the extension of our freedom and the unlocking of our capabilities. We remain true to the spirit, courage, passion, commitment and values that propelled us to the freedom we enjoy today.

Our commitment to the majority, who are poor and unable to fully enjoy the benefits of our freedom, remains unwavering. For us, development will be about nothing else but the people – the poor people!

Under totally different circumstances and in a very different political context President J F Kennedy, spoke to a similar theme when he said,

“If a free society cannot help the many who are poor, it cannot save the few who are rich.”

I thank you!