



## **A WINNING NATION**

Madam Speaker, Mrs. Pinky Phosa  
Honourable Premier, Mr Thabang Makwetla  
Honourable Members of the Legislature  
Heads of Departments  
Representatives from the Business sector  
Representatives from the Local Government  
Members of the community  
The Media  
Distinguished Guests  
Ladies and Gentlemen  
Comrades and Friends

*“In ancient times, those who governed well did not arm, those who were armed well did not set up battle lines, those who set up battle lines did not fight, those who fought well did not lose, those who lost well did not perish”.*

Madam Speaker this wisdom we learn from an ancient oriental philosopher and genius Zhuge who echoes the idea of using combat as a last resort. We as South Africans are good examples of this philosophy as we won a war without fighting with weapons. To use the words Sun Tzu,

*“Weapons are instruments of ill omen, used only when it is unavoidable”.*

We have fought a war against hatred, racism, discrimination and inequality and emerged as winners while avoiding the use of weapons.





Madam Speaker we are still fighting an economic war to emancipate our people. In the first decade of our democracy we laid the foundation for future economic growth. We avoided becoming a populist state by introducing tight fiscal and monetary policies. We introduced high interest rates to contain inflation, we reduced spending in order to minimise our budget deficit. We introduced legislation that will see the country becoming more disciplined in its spending, being more accountable for its actions and being more transparent on its intentions.

In this new decade, we are reaping the fruits of our sacrifices. Recent statistics show that inflation is contained, jobs are being created, and the economy is growing, compliance with paying taxes has improved, we are spending more and better as a province, we are more transparent and more accountable for our actions.

Madam Speaker, it was encouraging to read in the press that the Receiver of Revenue has collected more than ten billion Rands above the set target. This is good news for us because it means that our deficit will be reduced and we will thus be paying less interest on our debt. This shows that we, as tax-payers are committed to working together to improve and develop our country.

### ***REVIEW OF THE 2004/05 FINANCIAL YEAR***

You will recall Madam Speaker, that our Department was split last year from Economic Affairs to allow us to focus more on treasury matters. The focus of the last financial year was on building and equipping the department with qualified staff who will deliver on our mandate. More time was spent on building a strong united team from the staff that came from different departments.





It was important for the Department to go through this exercise because just like the quote by Thomas Cleary *“nations have armies to help them, rulers have ministers to assist them. When the helper is strong, the nation is secure, when the helper is weak, the nation is in peril”*, close quotes.

Having said that, Madam Speaker, that does not mean that we do not have challenges. We do have challenges of fulfilling requirements of the Employment equity Act, of implementing the Broad Based Economic empowerment Act, of compliance with the Skills development Act, the Public Finance Management Act and the recently introduced Municipal Finance Management Act, just to mention a few.

### ***OUR MANDATE***

The Department of Finance has a responsibility to provide support to provincial departments, municipalities and public entities by promoting sound and prudent financial management through skilled, dedicated, accountable, transparent and professional workforce.

We are gathered here today to make sense out of those challenges and to translate them into monetary terms, and see how far we can go in addressing these challenges with the limited resources we have.

### ***ADDRESSING THE CHALLENGES***

In accordance with the new demands on us by National Treasury, we have established new directorates in Assets and Liabilities Management, Municipality Finances and Private Public Partnerships and the Monitoring and Evaluation directorate.





The objectives of the Assets and Liabilities Management Directorate, is to provide policy direction, facilitate the effective and efficient management of the physical and financial assets.

Madam Speaker as a province we have faced challenges in monitoring the projects that are undertaken to address needs of our society.

We have established the directorate of Monitoring and Evaluation to closely monitor and assess the implementation of norms and standards in terms of the relevant legislations. This unit will work closely with the Infrastructure co-ordination unit, which is responsible for co-ordination and implementation of infrastructure plans of departments. It is also responsible for ensuring that plans are carried out according to regulations.

The challenge of Broad Based Black Economic Empowerment will be addressed through the Supply Chain Management Policy and Public Private Partnerships. The establishment of the PPP unit will ensure that the capital investment programme of government will be speeded up. It will focus on housing, rural and urban infrastructure, public and national logistics systems.

The creation of the PPP unit received urgent attention because the house will recall that the President in his *State of the Nation Address* said urgent steps would be taken to strengthen the Public Private Partnership mechanism in government. The time frame that was set, was December 2005 to finalize the establishment of PPPs units in all government structures.

All these appointments are strategic and thus were given priority.





Madam Speaker, as we continue with our employment drive, we are mindful complying with the laws we have created as a country, including the Employment Equity Act as it relates to people with disabilities and women, particularly at senior management level.

One of the main challenges facing our country is that of transforming our society into a non-racial, non-sexist and an all inclusive society which does not discriminate and marginalize its people because of their make-up, but a society that affirms, empowers and ensure equal opportunities for all.

As a provincial department we are addressing these challenges. We have employed nine (9) women in management positions out of 25, including one person with a disability. At senior management level, we have employed three (3) women and one (1) person with and disability out of 10 senior managers.

### **SKILLS DEVELOPMENT**

The Department has embarked on both learnership and internship programmes to train and develop unemployed youth to alleviate unemployment and poverty. The initial intake of 56 of the unemployed youth in the 2004/05 financial year will run until the end of 2005/06 financial year.

We envisage that at the end of the programme learners and interns will have received the necessary pre-requisite skills for employment in the formal sector. This will also cultivate entrepreneurial skills that will enable them to become employers in the future. Madam Speaker we are proud to announce that twelve out of 29 interns have been employed within provincial departments. The department is slowly gaining a reputation of being the best training ground for financial staff.





In the last financial year, we introduced 3 learnerships in public administration, public accounting and human resources, and as a result 35 learners were appointed in this programme.

We will continue to train provincial departments on the transversal systems, that is, Basic Accounting Systems (BAS), Logistic Information Systems (LOGIS) and Personnel Salary Systems (Persal) and Supply Chain Management.

We are intensifying our support and monitoring to departments to ensure compliance with the PFMA and its regulations.

We have started to cluster departments and we are allocating dedicated staff to deal with each department as announced in the Provincial Budget speech in March.

We have started with the process of ensuring that we build capacity within municipalities to ensure that they comply with the newly introduced Municipal Finance Management Act. The unit has already been established and we are busy staffing it to ensure that municipalities are empowered to comply with the regulations.

### ***SUPPLY CHAIN MANAGEMENT***

Madam Speaker, we are only 12 days into the new financial year and we already recall some of the gains we made in the transformation process of the Supply Chain Management. In October 2004 we hosted the first supply chain management conference. Five hundred and fifty (550) delegates from government and businesses including emerging ones attended the conference.





I am pleased to report that the Provincial Government represented by accounting officers and organized businesses signed a declaration of commitment.

Government amongst others, committed to:

- Preserve the highest standards of honesty, integrity, impartiality and objectivity;
- Provide clear specifications for bidding requirements;
- Manage bidding processes so that genuine competition is preserved and discrimination is avoided;
- Pay promptly for work done in accordance to standards as set by a legal and binding contract; and
- Implement fraud and corruption legislation.

Whereas suppliers of goods and services amongst others, committed to:

- Demonstrate “good standing” as far as all the tax, levy and service charge obligations are concerned;
- Prevent the problem of fronting;
- Comply with labour regulations;
- Pay sub-contractors promptly for work done in accordance to standards as set by a legal and binding contract;
- Deliver goods and services in accordance to standards as set by a legal and binding contract; and
- Comply with fraud and corruption legislation.

The Department is ensuring that we continue to adhere to the principles of these commitments. We have established a bid committee, however, we are still waiting for the adoption of the Supply Chain Management policy by the Executive Council.





We still face the challenge of paying our suppliers within the 30 days stipulated. One of our targets in this financial year is to ensure that we fully comply with this requirement.

Madam Speaker, at the conference both groups have highlighted fraud and corruption as a concern. We, as the Provincial Administration do not condone activities of fraud and corruption. Instead we encourage “Whistle Blowers” to come out and report fraudulent and corrupt practices. We fully support the decision of the recent Executive Council *Lekgotla* that we should make sure that “whistle blowers” are protected.

Since the establishment of the new procurement system, we have seen the emerging businesses, especially for tenders below R100 000 being supported and protected from being bullied by the already established businesses. We are strengthening the compliance with the various policies and legislation, which includes, PPPs and Broad Based Black Economic Empowerment.

### ***INFORMATION COMMUNICATION TECHNOLOGY***

Madame Speaker, Honourable Members, you will agree with me that information has become an essential and indispensable resource that permeates all aspects of business in any organization. It is a strategic tool that ensures that there is effective and efficient functioning in an organization. Information Communication Technology (ICT) provides us with the systems we require for processing information into the output to support our organizational functional objectives, and for effective managerial decision-making.





The Department is the custodian of our provincial ICT system. We have in the past succeeded to live up to that challenge, 95% of the time. It is our intention to improve on this achievement in order to be up all the time, seven days a week.

We have a skilled workforce and have established a world class ICT infrastructure in the province. However we are still facing challenges in enforcing ICT governance. In order to enforce compliance, we will engage Heads of Departments to make sure that their departments adhere to ICT policies, procedures and standards including the SITA (State Information Technology Agency) Act. SITA is mandated to leverage ICT as a strategic resource for government, managing the ICT procurement and delivery process to ensure that the Government gets value for money, and using ICT to support the delivery of e-Government services to all citizens.

### ***NEW DEVELOPMENTS***

Madam Speaker, allow me the opportunity to brief the house on some of the reforms that are taking place in respect of the Centralised Banking System. The National Treasury has embarked on an Intergovernmental Cash Coordination (IGCC) project. The purpose of the IGCC is to optimize the use of borrowed money, eliminate governmental inefficiencies in short term borrowing, and reduce the credit risk exposure of government to the banking sector.

The Budget Council agreed that the investment of surplus cash and borrowing by provinces be coordinated centrally through the IGCC. The Division of Revenue Bill formalized the use of the Corporate Public Deposits (CPD) accounts to receive equitable share and other conditional grants.

This system Madam Speaker, will adhere to the following principles:



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- Compliance with the Constitution and other applicable statutes;
- Improve Inter-governmental cash co-ordination;
- Ensure that provinces receive monies due to them in terms of the Division of Revenue mechanism, timeously;
- Optimization of the use of borrowed funds by National Government;
- Maximization of returns on excess funds; and
- Reduce borrowing costs both at National and at Provincial levels.

### ***OWN REVENUE COLLECTION BY THE DEPARTMENT***

Honourable Members, it is important for all Departments to continue to collect own revenue including the Department of Finance, so as to increase our provincial financial resource base. In the previous financial year, 2004/2005, we managed to collect own revenue amounting to R72 million, which largely consisted of interest from investments. Our main sources of revenue thus remain bank interests and the sale of tender documents. The introduction of the CPD account as discussed above, will see a sharp reduction in our own revenue to R24, 2 million. This target, Madam Speaker, is achievable because we have improved our internal control systems to ensure that monies received are banked promptly.

It should also be noted that the interest that we receive depends on whether Departments are making more withdrawals or less from the Exchequer Bank Account.

### ***BUDGET PROPOSAL FOR 2005/2006***

The budget we are proposing here today seeks to enable us to realize the vision of the Department, that is, *“to become a strategic arm of government that strives for sound and prudent financial management, to accelerate service delivery for the people of Mpumalanga”*.





Madam Speaker, we are confident that we will deliver on our mandate and according to our planned outputs for 2005/06 financial-year.

Honourable Members, the 2005/2006 proposed budget for the Department of Finance is **R142, 9 million**, broken down according to programmes as follows:

### ***Programme 1: Administration***

The objective of this programme is to provide overall leadership and strategic management and to ensure appropriate support to all departmental programmes in terms of human and non-human resources management. A total of **R31, 963 million** has been budgeted for the programme to provide policy direction on public expenditure priorities, and to improve the effective and efficient use of resources within an affordable level as required by the PFMA.

### ***Programme 2: Sustainable Resource Management***

This programme provides professional advice and support to the Member of the Executive Council on Provincial Economic Analysis, Fiscal Policy, Public Finance, development and management of the annual budget process. The programme has been allocated a budget of **R49, 648 million**.

### ***Programme 3: Assets and Liabilities***

An amount of **R48, 739 million** has been allocated to programme 3, for the effective and efficient management of assets, the implementation of the PPP projects and the supply chain management framework by all Departments. The programme also provides functional support on financial and non-financial systems.





### **Programme 4: Financial Governance**

The objective of the programme, Financial Governance is to promote accountability through substantive reflection of financial activities of the province, as well as compliance with financial norms and standards.

The Programme has been allocated an amount of **R12, 545 million** to provide prompt support to line functions by developing and implementing norms and standards (both financial and non- financial).

### **OVERALL BUDGET**

Madam Speaker, I'm confident that the proposed budget will enable us to deliver on our mandate.

Allow me then Madam Speaker, to table the expenditure proposal of **R142, 9 million**, and the Policy and Budget Speech for the Department of Finance for the 2005/06 financial-year for consideration and approval.

### **CONCLUSION**

In conclusion Honourable Members, to quote President Mbeki, *“Acting together, we do have the capacity to realize these objectives. And sparing neither effort nor strength, we can and shall build a South Africa that truly belongs to all who live in it, united in our diversity”* (extract from the State of the Nation Address, 11 February 2005).

Two weeks from now we will be celebrating our 11<sup>th</sup> year of freedom and it is expected that South Africans from all walks of life will converge in different corners of the country, to celebrate new beginnings of a winning nation.





A winning nation that is envied and emulated by most nations as a liberator of its people because of the smooth transition we made from the old into the new era of democracy.

Allow me then to support my assertion with the quote from the former President, utata Nelson Mandela when he said, I quote:

*“Our deepest fear is not that we are inadequate.*

*Our deepest fear is that we are powerful beyond measure. As we are liberated from our fear, our presence automatically liberates others.”*

Close quote.

Yes, South Africans are a winning nation. This can be seen through the role and initiatives that we are involved in within the continent and beyond.

Let us continue to positively influence other nations to be winners and be liberated, and be assertive like us. This will make them stronger politically, socially and more importantly economically, and not dependent on foreign assistance.

Let us therefore rise beyond all challenges, and continue building a winning nation.

***I THANK YOU!***



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