



**SPEECH PRESENTED BY THE
MEC FOR FINANCE, MRS E.M COLEMAN, MPL
TO THE MPUMALANGA PROVINCIAL LEGISLATURE
DURING THE TABLING OF THE 2006/2007
POLICY AND BUDGET SPEECH
OF THE DEPARTMENT OF FINANCE
Tuesday, 06 June 2006**

AGE OF HOPE

Introduction

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 Local Government
Members of the community
The Media
Distinguished Guests
Ladies and Gentlemen
Comrades and Friends

Madam Speaker, allow me to remind the House again that we are in the **Age of Hope, a hope for a better life**. A better life where there is dignity and respect, a better life, where there is care and love for our elders, and a better life where children are cared for and loved.

Madam Speaker, hope for a better South Africa began in the dark days of apartheid. Hope for a better South Africa began with the realisation that South Africa needs to be a better nation and the rejection of the Apartheid order.



With the advent of democracy in 1994, the will of democracy-loving South Africans laid the foundations for future economic growth, and people centred development.

It is pursuant to this quest for “a better life for all” that one is reminded of Maya Angelou’s words:

***“History, despite its wrenching pain, cannot
be un-lived, but, if faced with courage, need
not be lived again”***

It is against this background, that South Africans need to re-double their efforts to ensure that this democracy is fully protected, and the **Age of Hope** transforms into a sustained improvement of the quality of life.

As the Department of Finance, we cannot continue in a “*business as usual*” mode but commit ourselves to stepping up several gears in order to meet the timelines of government programmes with regards to service delivery. The Department has a duty for the attainment of accelerated service delivery because its oversight mandate puts it in better stead to influence the Provincial Administration to the right direction.

The Department of Finance, in the province, has put the fundamentals in place, for improved financial management ideals and has successfully maintained focus on treasury matters as envisaged in its mandate. The mandate of the department is, amongst others, to promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and public entities; and to ensure that its fiscal policies do not materially and unreasonably prejudice national economic policies. The Department should also assist provincial departments and provincial public entities in building their capacity for efficient, effective and transparent financial management.



Review of the 2005/2006 Financial Year

When we presented our Policy and Budget Speech for the 2005/2006 Financial Year, we made certain undertakings, on which I now wish to report and outline our plans for 2006/2007.

The departmental structure and capacity was enhanced by the introduction of new directorates such as Legal Services, Infrastructure Coordination, Economic Analysis and Internal Audit. In 2005/2006 Financial Year, a total of 98 positions were filled. Amongst these posts, 13 were senior management positions, with 5 of them being filled by women and 4 filled by men. I must state that our total establishment is fully compliant with our Employment Equity objectives as far as race, gender and people with disabilities considerations are concerned. We therefore can confidently state that most of the senior management positions that were vacant and were necessary for a successful execution and discharge of our mandate, have been filled.

We, as a department are also confronted by the skills shortages, hence the slower rate in filling vacant posts. We are addressing the skills shortage in the Province through the learnership and internship programmes, and the awarding of bursaries. Once again, we continued with the learnership and internship programmes in the 2005/2006 financial year, and these programmes will continue in the current financial year. For the 2006/2007 financial year, we have already done an intake of 13 interns and 15 learnership candidates and plan to increase the intake.

The Legal Services section in the Department of Finance was established during November 2005. We have managed to facilitate the enactment of the Mpumalanga Finance Matters Act, 2006, which intends to provide for a procedure for the amendment of a Money Bill, the utilisation of funds in emergency situations and the withdrawal of funds before the annual budget is passed.



The Premier and the Executive Council assented to this Act, which gives effect to the Public Finance Management Act, in May 2006 and was published in the Government Gazette so that it can take effect.

Through the assistance of this unit the Department has finalised all policies that are necessary to streamline its operations.

The Accounting Services Unit has worked tirelessly to ensure that, amongst others, existing accounting policies and practices are implemented in provincial departments and municipalities, in line with Generally Recognised Accounting Practices (GRAP) standards to enable the transition from the cash basis to an accrual basis of accounting. Its primary objective is to improve the quality of financial reporting and information. More efforts will be made to ensure that there is financial discipline within departments and municipalities. The Public Finance Unit will be strengthened to monitor the effective implementation of provincial budgets, and ensuring compliance with the Public Finance management Act (PFMA).

The financial affairs of provincial departments and municipalities will be continuously monitored by utilising systematically collected data on specified indicators. The Monitoring and Evaluation Directorate will provide credible and useful information that can be incorporated into or used as reference points for future project or programme management. These will assist the Financial Governance Chief Directorate to plan in order to continuously strengthen the capacity of departments and municipalities through value-adding training, workshops and counselling.

The Chief Directorate on Financial Governance has developed and implemented a strategy to assist departments to address issues raised by the Auditor-General, that seems to be common amongst departments.

The strategy is stating corrective measures to be taken by departments and public entities in the province in order to avoid similar or new matters of emphasis to be raised in the audit reports for 2005/ 2006 financial year.



Of course, the Auditor General will continue to raise issues in order to assist the provincial administration to improve its financial controls and avoid complacency.

In order to ensure the full implementation of the Supply Chain Management Framework, the Executive Council has approved the Provincial Supply Chain Management Policy. The policy provides guidelines to ensure uniformity and common understanding of Supply Chain Management issues. We believe that the implementation of the Provincial Supply Chain Management Policy will assist Departments to realise government's objectives with regards to SMME development and the overall economic development of the province. We will continue to ensure that policy guidelines are adhered to. As per the time frames set in the National Treasury Guidelines, we managed to establish the PPP unit before the December 2005 deadline.

We are still facing challenges with regard to implementing fully, some of the policies of government such as the Broad Based Black Economic Empowerment and the Supply Chain Management because we still cannot account for the department's contribution to Broad Based Black Economic Empowerment in terms of expenditure in the 2005/ 2006 Financial Year. On a lighter note, one may even be tempted to borrow a solution from the date on which this Policy and Budget Speech is delivered, that is 06.06.06, and suggest that we set a future target of 6 from every 10 cents spent, should go towards Broad Based Black Economic Empowerment. On a more serious note, we are suggesting to the Executive Council that the Province should set a BBEE target.

We are at an advanced stage in finalising the Public Private Partnership (PPP) Policy Framework for the Province. It is our intention to launch the approved policy before the end of the current financial year. PPP initiatives indeed, can contribute to developing solutions to many service delivery challenges.



These solutions include service delivery aspects like provision of quality water, health care, roads, and many more. We are of the belief that PPP interventions will assist in increasing employment opportunities, skills development and transference and does contribute to economic growth.

In the 2006 / 2007 financial year, we will tighten our monitoring capacity in order to be able to provide accurate information and support to Departments. This will contribute towards the achievement of the President's call for set-asides - targeting women, the youth, and people with disabilities, on the procurement of goods and services. The 2006/2007 financial year will be characterised by innovative interventions such as Road-Shows to educate women and the youth on tendering processes to enable them to seize opportunities which exists.

These Road-Shows will be done in phases, meaning that the Road-Shows targeting the youth will be scheduled to coincide with the youth month, that is June, so that they can be incorporated with the celebration of the 30th anniversary of the Youth Day. A similar round of Road-Shows targeting specifically women, will be conducted in August to coincide with the celebration of Women's Day. This is in line with the spirit of ASGISA as the Deputy President stated:

“If ASGISA doesn't work for women, it will not work for South Africa”.

This will certainly generate much more exposure and generate better awareness amongst the target groups. We call upon the private sector to join the public sector in partnership and establish a Fund towards assisting the target groups.

The Department of Finance established its own internal unit in July 2005, to monitor and ensure that there are effective risk management, control and governance processes within the department.



We have also managed to have an Audit Committee established in July 2005, to monitor and oversee the internal audit and provide advice to the department. The Internal Audit Unit has conducted a risk assessment in September 2005 to determine the risks in the department. A three-year and annual audit plans based on the risk assessment was developed and approved by the audit committee.

Let me also state that, as we have previously said in the 2006/2007 Provincial Budget Speech, the implementation of the Municipal Finance Management Act (MFMA) received much attention in the previous financial year. We found a common set of challenges in most of the municipalities that we have visited. These include, but not limited to, the following:

- Municipalities battle to have government departments and public entities settle their accounts within the prescribed maximum period of 30 days after presentation of an invoice. Maybe, Madam Speaker, one should at this stage appeal to our Heads of Departments and my colleagues in the Executive Council to ensure that we pay municipal accounts in time.
- Lack of capacity in the financial management and the usage of different Financial Systems with some being so outdated that they are unable to generate desired management reports. This is a challenge that demands a holistic and provincial-wide attention so that the solution adopted should ensure full integration.
- Submissions of reports as per prescription by the MFMA, and the proper compilation of their Integrated Development Plans.
- Ability to stimulate and enhance their local economies.
- Debt Management Policy and Register. Municipalities have been unable to categorise their debtors and do a proper age analysis of their debtors.

The financial matters of municipalities delegated to the Provincial Treasury will be monitored to ensure accountability in terms of the management of their revenues,



expenditures, assets and liabilities and the handling of budgetary and financial planning. A lot of work has been done to capacitate and help these municipalities to comply with the Municipal Finance Management Act.

The overall aim of my department is to improve the status of these municipalities, so that we should eventually be left with high capacity municipalities. It is through capacity building in municipalities, and of course prompt settlement of municipal accounts, that this aim will be achieved. Most of the delegated municipalities are now submitting monthly reports on expenditure as prescribed by the Municipal Finance Management Act. The interventions of the Department of Finance have also enabled all High Capacity Municipalities to compile their service delivery Budget Implementations Plans. We have finished compiling Memorandum of Understanding for immediate signing by the Honourable MEC for Local Government and Housing and myself, in order to integrate and align our efforts because of the joint mandate over municipalities between our departments.

Madam Speaker, we have indeed successfully managed to provide comprehensive and systematic support to departments through the provision of a dedicated Information Technology network and financial systems. This has assisted our interface internally and externally in order to develop efficient business solutions through the engagement and the use of latest technology.

Madam Speaker, the capacity of provincial departments to spend and deliver on infrastructure remains a challenge and will be more so with the increase on infrastructure spending as planned by National Government in the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA). We are going to strengthen the capacity of the Infrastructure Coordination unit to facilitate the implementation of the Infrastructure Delivery Improvement Programme (IDIP) which is a capacity building programme. The programme aims to give government departments appropriate skills and systems to plan and manage the delivery of infrastructure well; and the envisaged



Infrastructure Maintenance Plan in departments to deal with infrastructure development and perform continuous monitoring in terms of these programmes. This will ensure proper planning and execution of infrastructure projects and regular maintenance of existing infrastructure.

Our Plans for 2006/2007

Our plans for 2006/2007 Financial Year are centred on the Department's responsibility to support other provincial departments by strategically playing an oversight, advisory and coordination roles.

The following chief directorates are in place to implement the mandate of the Department:

1. Sustainable Resource Management

The 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 annual budget processes. We will ensure that the programme continues to play a key role in supporting the other departments to achieve their objectives.

Budget Management

Madam Speaker, Budget Management remains central and key to the management and oversight of the provincial budget process. The unit is building capacity to analyse departmental strategic and performance plans and budgets. The proper analysis of departmental budget documentation will ensure that departmental budgets are aligned with the broad national and provincial policies and priorities.

The Budget Management Unit is positioning itself to assist municipalities in assessing and analysing their Integrated Development Plans (IDPs) and Budgets.



This analysis will assist in establishing the extent to which their budgets give expression to national and provincial policies and priorities. The unit will also assess capacity in budget units and conduct workshops to build capacity in budget compilation and management.

Fiscal Policy

Madam Speaker, the Fiscal Policy Unit in the Department continues to assist Departments by capacitating them to collect revenue. The Unit will continue to hold regular workshops with all departments on revenue management, and the identification of new revenue sources. We are in the process of working with department as alluded to in the main budget speech in order to increase revenue collection potential. I will be reporting on the outcomes in the adjustment budget on progress made in this regard.

Economic Analysis

The support to the economic growth of the Province will be provided through the economic analysis functions of the Department, which will provide strategic economic direction to the budgeting process of the Province. Through ASGI-SA and other government policies and programmes as our action drivers, economic analysis becomes critical for the identification of further areas for growth by the Province.

The Economic Analysis Unit will continue to conduct relevant research that will inform the strategic direction of the budget and planning processes; build modelling capacity to conduct effective impact assessments and forecasts. The unit will also continue to provide the updated socio-economic outlook of the province and municipalities, for more improved decision-making processes.



2. Assets and Liabilities Management

The objective of this programme is to provide policy direction, facilitating the effective and efficient management of physical and financial assets, Public Private Partnerships (PPP) and Information Technology (IT) services to all provincial departments.

Madam Speaker, we will develop a customized Preferential Procurement Policy Framework. The objective of the framework is to ensure consistency in the adjudication of tenders or bids. We want to instil confidence amongst our people and as such, we will introduce a complaints register for the province. In order to ensure a broad-based submission of bid documents, we will during this year focus on the establishment of Bid Advice Centres. This will make it possible for ordinary members of the public, especially women, people with disabilities and the youth to have easy access to information on available bids, as well as the pre-requisite for bidding and how to complete bid documents. We will ensure accessibility to bid documents as widely as possible, including the usage of the Internet.

We will invest more to improve the information super-highway by developing an Integrated Information Technology Plan for the province. This will also include the replacement of old IT infrastructure by new and advanced systems.

3. Financial Governance

This Programme serves to facilitate, monitor, support and provide professional advice to ensure financial compliance and to enable enhanced service delivery in the Province. It furthermore promotes accountability through substantive reflection of financial and non-financial activities.

Financial Governance remains key to fulfilling our mandate, which ultimately would ensure effective service delivery and bring about tangible changes in the quality of lives for the ordinary South African.



We have and will continue to support Departments and make sure that all Departments submit their annual financial statements to the Provincial Auditor General as required by the Public Finance Management Act. We are pleased to announce that all Provincial Departments were able to submit their 2005/2006 annual financial statements to the Auditor General by 31 May 2006.

Revenue Generation

Madam Speaker, the institutional set up in Mpumalanga is that departments are responsible for provincial own revenue collection and generation. The Provincial Treasury will assist departments review existing sources of revenue and identify potential sources of revenue in order to expand the overall revenue base.

Tariffs

As a province we need to review our own revenue tariffs annually as per Chapter 7 of the Treasury Regulations, in order to increase own revenue collection. The Mpumalanga Provincial Government could greatly increase the collection and generation of own revenue by focusing on annual review of the various tariff categories. The major tariff categories include Road Traffic Act Fees, Gaming revenue, and Hospital Patient Fees.

Currently five departments in the province have taken action to review and revise tariffs. They are the Department of Agriculture and Land Administration, the Department of Economic Development and Planning (Gaming levies), the Department of Roads and Transport (Road Traffic Act Fees), the Department of Health and Social Services and the Department of Culture, Sport and Recreation. These departments will be assisted to review the 2007 / 2008 tariffs as early as June 2006, in preparation for implementation on 01 April 2007.



Gaming Fees

Implications of the proposed revision of rates for Casino Levies

The current gambling levy charged in terms of the Mpumalanga Gambling Act (Act No. 5 of 1995), as amended, is fixed at a rate of 5% across the board (i.e. for all casinos irrespective of the turnover of their gross gaming revenue). Based on the survey conducted by the Mpumalanga Gaming Board and after a thorough consideration of the structure of gaming levies of other Provinces, it was concluded that the most equitable method of determining gaming levies, should be on a sliding scale.

This will assist in accounting for any amount of gross gaming revenue, which is in excess of R10 million, thus realizing an increase on the total gaming levies to be paid. The province will benefit from this exercise, as some of the casino licensees have already exceeded the R10 million mark. In the light of these findings, the Department of Economic Development and Planning has drafted a bill, which will be tabled for comments in due course. It should be further noted that this revision is long overdue, and has been overtaken by the tremendous growth of this industry during the period 1997 to 2005.

Horse Racing and Sport Betting

Madam Speaker, it is with great pleasure to announce that the regulatory function of the Horse Racing and Sport Betting for our province has now been taken over from the Gauteng Gambling Board, with effect from 01 April 2006. The province will now save on the interest that was previously accumulated and earned by the Gauteng Gambling Board for their services in regulating this sector of the gambling industry, on our behalf. As a result of this, the province will also be in the position to contribute towards the development of sport, since one percent (1%) of winnings from sport betting will be used for this purpose, as provided for in the Horse-Racing and Betting Ordinance, 24 of 1978, as amended.



Madam Speaker, it should be noted that the key critical success factor is the setting of targets for revenue generation and collection. A bottom up approach should inform the setting of these targets. In other words, the provincial departments should inform the Provincial Treasury about their revenue targets. In departments that have regional offices and Public entities, the institutions themselves should prepare revenue projections. This will ensure ownership and commitment to the targets.

It is lastly proposed that to build on the success and desire of managing revenue efficiently and effectively, the sources of revenue must be clear and documented. The human resource capacity must also be built and must be available to deliver on enhancing revenue generation and collection in all departments.

Budget Proposal: 2006/2007

Honourable Members, we believe that the budget we are proposing here this afternoon will enable us to deliver on our mandate and according to our planned outputs for 2006/2007 Financial Year. Allow me then Madam Speaker, to table the proposed 2006-2007 budget for the Department of Finance (Vote 3), which amounts to **R133, 741 million, (One hundred and thirty three million, seven hundred and forty-one thousand Rands)** broken down 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 **R36, 338 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

An amount of **R29, 690 million** has been budgeted for this programme, to provide professional advice and support to the Member of the Executive Council on Provincial Fiscal Policy, Public Finance, the development and management of the annual budget process.

Programme 3: Assets and Liabilities Management

The objective of the programme is to provide 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. To carry-out its mandate, the programme is allocated an amount of **R53, 008 million**.

Programme 4: Financial Governance

An amount of **R14, 705 million** has been allocated to the programme to promote accountability through substantive reflection of financial activities of the province, as well as compliance with financial norms and standards. The programme also provides prompt support to line functions by developing and implementing norms and standards (both financial and non- financial).

Overall Budget

Madam Speaker, I now table the expenditure proposal of **R133, 741 million and the Policy and Budget Speech** of the Department of Finance for the 2006/2007 Financial Year, for consideration and approval by the house.

Conclusion

In closing, Honourable Members, Madam Speaker, let me state that due to the nature of the mandate of the Department of Finance, we will have our moment of joy:



- When all provincial departments get unqualified reports;
- When the aspirations of our people are addressed, their trust maintained, and their interests advanced;
- When the provision of basic services are improved to levels never imagined before;
- When the poor and the vulnerable are promptly assisted to change their status.

Until then, we will maintain a consistent level of dissatisfaction with the **status quo** and unreservedly double our efforts towards the realisation of these goals.

I want to end by thanking the Honourable Premier, Members of the Executive Council, members of the Portfolio Committee for their oversight role and the manner in which they have guided and assisted the department.

I would also like to thank my family, especially my husband and daughters, for their continuous support.

As we are in the **Age of Hope**, this budget will assist in transforming the hopes of our communities into reality. Madam Speaker, that is why we can afford what the quote by Anne Lamott is stressing:

“Hope begins in the dark, the stubborn hope that if you just show up and try to do the right thing, the dawn will come. You wait and watch and work. You don’t give up.”

I thank you.