



**MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA**

Budget Vote Debate Speech

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Honourable Chair

What we faced yesterday is different from what confronts us today. In the context of the economic storm that has struck the global community over the past year, the public finance management responsibilities of the National Treasury are more challenging than ever before. In the National Treasury's updated Strategic Plan, tabled before this House, we said:

Ensuring that government provides and receives value for money will be a greater area of focus in these tough times. A Comprehensive Expenditure Review will be conducted jointly with the Presidency to identify opportunities for future improvements in public spending. Achieving value for money also demands stronger financial management... and a focus on implementation of procurement policy and standards.

In short, Honourable Chair, if we are to succeed in pushing back the frontiers of poverty, if we are to continue to broaden participation in our economy, if we are to give practical effect to the development and transformation goals we have set ourselves, we have some hard work to do in strengthening the culture of service delivery and accountability across the whole of government.

Allow me to remind the House once again of the extensive documentation on government programmes, spending allocations, trends in service delivery and plans for the period ahead that are set out in the Estimates of National Expenditure, the Budget Review and corresponding budget documents. We have at our disposal an encyclopaedic database, a comprehensive review, of the activities of government departments and their agencies, and projections of the growing envelope of expenditure that makes these activities possible. But these thousands of pages of budget documentation count for nothing if they are not put to use as instruments of accountability and trusteeship.

Confronted with the economic shock of a collapse in global trade, declines in employment and a sharp reversal in government revenue trends, we need to ask ourselves what “value for money” means in these circumstances. What are the special fiscal challenges of our times?

On the one hand, we know that our spending plans have to compensate, at least in part, for the deterioration in employment and business conditions.

The Department of Labour is already reporting an increase in unemployment claimants. We have announced an acceleration in allocations for the Enhanced Public Works Programme. The budget provides for continuing growth in social assistance grants, which now go to 13 million beneficiaries a month. There are larger numbers of young people seeking further education and training opportunities. The budget provides for strong growth in spending on housing, water services and municipal infrastructure over the period ahead. These are

critical investments in public services, and they also contribute to job creation and creating economic opportunities.

So our spending programmes are quite rightly expansionary in these times, and are part of our response to the economic crisis that surrounds us.

It is not just the direct effect of government employment and income transfers that contributes to moderating the impact of the recession – government spending on goods and services, on supplies from the business sector, is also a substantial contribution to the momentum of economic activity. So we need to remind office-bearers and administrators once again that the Public Finance Management Act obliges government to pay its bills on time. This is also important in assisting small businesses in difficult times.

But while our spending programmes will remain expansionary over the period ahead, Honourable Chair, we cannot ignore the reality that our revenue is sharply down, and the sustainability of our public finances sets limits to what we can afford.

This adds a special burden to our duty of financial oversight, a duty that rests on Parliament and our provincial legislatures, a duty that falls also on every municipal council and on the boards and governing bodies of several hundred public entities and over 25 000 public schools.

In brief, it is our duty to ensure that government services are rendered efficiently and effectively.

This means that the funds appropriated by Parliament must be used for the purposes intended. It means that competitive tender procedures must be followed to ensure that value for money is obtained from the supply of goods and services. It means that the abuse of government contracts to reward friends and

enrich family members must be exposed as a fraud against taxpayers and citizens, and an offence against the law. It means that extravagant entertainment and excessive foreign travel is illegal. It means that there has to be better control of consultancy contracts, better management of IT and communication services, and curtailment of ineffective or wasteful programmes and projects.

These principles apply to public entities and government departments alike.

Honourable Chair, we also have to recognise that good governance requires that special care and attention has to be devoted to salaries and remuneration – of executive managers, of professional and skilled employees, of interns and recruits, or administrative staff and production workers right across the public service. The general government wage bill was R271 billion in 2008 – over 28 per cent of all salaries and wages paid throughout the economy, and up 17 per cent by comparison with the previous year. If we are to succeed in expanding and improving public services, if we are to fill the vacancies that are widely reported in health departments and our law courts, if we are to fight crime through a stronger police service, if we are to put more money into housing and sanitation and rural development, then we need a responsible and considered approach to managing public service remuneration.

Our approach has to balance the decent wage that we owe to workers whose duties are often arduous though they may be unskilled, alongside the career progression that is appropriate for professional expertise and management competence. We have to reward the diligence of teachers in our classrooms, the attention to detail of our accountants, the technical capabilities of our engineers and technicians. We have to take into account the long hours and exposure to danger of our security personnel. And it should not be forgotten that we offer our public service security of income in retirement, access to health insurance and assistance in meeting housing costs.

President Zuma has rightly challenged us to put job creation at the centre of our economic development strategy, which means we must exercise discipline over higher remuneration settlements. So we have to caution that wildcat strikes and unreasonable pay demands will not take us forward.

Members of the House, we also need to insist that service delivery standards, administrative responsibility and professionalism are non-negotiable. Whether in classrooms, magistrates' courts, hospitals or Home Affairs offices, South Africans are entitled to expect orderliness, courteous service, commitment and competence. There is an important sense, Honourable Chair, in which value for money simply means doing the job properly.

When new programmes are introduced, of course, capacity has to be built to ensure that implementation is done properly. Last year Parliament amended the Special Pensions Act (69 of 1996), effectively extending the pension to people who were 30 but not yet 35 years old on 1 December 1996. In the coming weeks Honourable Chair we will be fully engaged with the public explaining to them how to apply for the pension, who qualifies and where they can get more information. I plead with the people to understand that this is a pension and not a grant, and as government we have other projects that can assist people who may not qualify for the special pension.

Allow me to comment also on the challenge of planning and scheduling major infrastructure projects in the present circumstances.

We can all take pride, Honourable Chair, in the performance of our construction sector in completing several stadium projects in time for the Confederations Cup, and next year we will showcase ten magnificent stadiums on an even larger world stage. An important phase of the Gautrain project will be completed for 2010, and a number of major road network improvements and hotel expansions

will also be completed in time for the increased visitor and traffic flow in a year's time.

There will be a brief lull in construction in the middle of next year, in order to minimise disruption during the World Cup, but then we will get back to work again. The next phase of Gautrain and of the Gauteng Freeway Improvement Programme will continue. Major electricity supply construction projects are already scheduled for the next five years and beyond. The rail freight and passenger service rehabilitation programmes have just begun. The momentum of investments in water infrastructure and reticulation needs to gain further impetus. There is still much to be done in improving rural roads and land conservation works.

Under the stress of current economic and financial circumstances some projects may need to be deferred, while others may be brought forward. Demand for electricity over the next two or three years is likely to be somewhat lower than was projected a few years ago; it seems clear, on the other hand, that we need to accelerate investment in housing and rural infrastructure associated with agricultural development opportunities.

Honourable Chair, I know that this House is ready to play a constructive role in ensuring better oversight over our public finances, and I would like to give the assurance that the National Treasury will continue to provide budget information, analysis, financial reports and strategic insight aimed at strengthening accountability and ensuring better value for money in our quest for sustainable growth, poverty reduction and broad-based development.

As long as there are patients sharing beds, as long as there are children who go to bed hungry, as long as there are learners who attend school in overcrowded classrooms and as long as there are small businesses that go under because government has not paid on time, our work and your oversight role must

continue. So, Honourable Chair in deriving value for money we need to understand the delicate balancing act required from our side – there are choices and as tough as some may be, we must make them. We will cut down on those items that do not translate to tangible results for the poor because how can we continue to have expensive budget vote dinners when our people crave for a slice of bread, how we can spend billions on marketing and advertising when children sleep in cardboard boxes in the cold and when our hospitals are under resourced?

Thank you.