



**MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA**

Private Bag x115, Pretoria, 0001 • Tel: +27 12 323 8911 • Fax: +27 12 323 3262
PO Box 29, Cape Town, 8000 • Tel: +27 21 464 6100 • Fax: +27 21 461 2934

PROVINCIAL BUDGET AND EXPENDITURE REVIEW

2005/06 TO 2011/12

ADDRESS TO THE NATIONAL COUNCIL OF PROVINCES

MINISTER OF FINANCE PRAVIN GORDHAN

16 SEPTEMBER 2009

Chairperson MJ Mahlangu

Deputy Chairperson T Memela

Permanent Delegates

Ladies and Gentlemen

The tabling of the Provincial Budget and Expenditure Review in the NCOP provides an important opportunity for South Africans to reflect on our provincial system. It is also useful for us to remember that the current constitutional system is the result of our negotiated settlement. We are now fifteen years into our democracy and there is no doubt that great progress has been made on the delivery of services to the citizens of our country. No one can deny that there are more children attending school today than at any other time in the history of our country; there are more people accessing health services now than fifteen

years ago; our housing programme is deemed historic internationally; and I can go on. This year's Provincial Budget and Expenditure Review, which we table in front of you today, highlights this undeniable progress.

However, Chairperson, this Review also provides us with an opportunity to reflect on the impact that government spending had on the lives of ordinary people. Is the quality of services at a level that has had a lasting impact on the lives of our people? Has the education system delivered the skills needed for the economy to grow and to foster social cohesion? Why is it that our education outcomes are lagging behind comparable countries? Despite the historic delivery on housing, did this contribute to sustainable human settlements where our people can play, work and sleep? The answers to these pertinent questions will without doubt suggest that we have a long way still to go to realise the goal of 'a better life for all' that we set ourselves.

I am of the view that the Review that I table in this House today will allow you to ask these tough questions. It should be a tool that you can use effectively to exercise your oversight responsibility, to challenge us to work smarter, to be efficient and effective in the period ahead so that we achieve the developmental goals we set for ourselves.

Provincial budgets have increased by R100 billion between 2005/06 and 2008/09. By 2011/12, provincial spending, at R339 billion, would have more than doubled the 2005/06 levels. The growth in the budget should allow us space to strengthen our education system, ensure effective delivery on health services and expand social services to our people.

I remain concerned that the outputs and outcomes are lagging the massive investments we are making. What could be the underlying reasons for this mismatch? What are we not doing correctly? Who is not doing his or her job in the delivery chain? More importantly,

what action is taken against people who do not discharge their responsibility effectively? By not asking these tough questions, we collectively endorse the poor performance that continues to be the trend in our country. When departments in your provinces come to report on the funds you appropriated, what questions do you ask them? Why do they get away with sub-standard performance each year? These are tough and unpopular questions, but I implore you to have these frank conversations.

Yesterday, we explained how you can use the document effectively to assist you in addressing these tough questions I am posing to you today. I am told that some of the members present had specific suggestions to address the challenges we are faced with as a country. Let me highlight some of these:

- First, there is need to change the culture of our public service from self serving to serving our communities;
- Second, norms and standards should be developed to guide our delivery. These should include norms and standards to build schools; district support to schools; and basic standards for sustainable communities;
- Third, there is a need to modernise that delivery mechanisms. Why is it that a soft drink company can deliver soft drinks to its thousands of outlets on time without any leakage, and yet our clinics are without drugs and medicines, and learner support materials arrive late or never arrive at schools?
- Fourth, contract management must be strengthened. This should ensure that there is alignment between delivery and payment and avoid any unwarranted escalation;
- Fifth, supply chain management needs to be strengthened. National Treasury and its provincial counterparts should take the lead on this;
- Sixth, Provincial Treasuries must on a quarterly basis present their section 32 spending numbers to the relevant committees as a matter of routine, and these

committees must align their processes to start building a culture of accountability in provinces;

- Seventh, national and provincial governments must take the lead to realign budgets from non-core to core areas of service delivery; and
- Lastly, there must be consequences for failure in the same way that there is reward for excellent performance. Action against non-performance must be stepped up.

Chairperson and delegates, this is a start in the right direction. There should not be any non-action on our part. Our people cannot continue to suffer while we sit on the sidelines and do nothing – we have the power so let us use it wisely. We have achieved much in the past 15 years and we should build on those strengths and continue to improve the lives of our people – that is the ‘better life for all’ that we should always aspire to create and sustain.

Thank you