



**NATIONAL TREASURY**

**REPUBLIC OF SOUTH AFRICA**

**KEYNOTE ADDRESS**

At the

**OFFICE OF THE ACCOUNTANT-GENERAL'S PUBLIC FINANCE  
MANAGEMENT CONFERENCE**

By

**DONDO MOGAJANE**

**DIRECTOR-GENERAL: NATIONAL TREASURY**

At the

**GALLAGHER CONVENTION CENTER, MIDRAND**

**09 MAY 2018**

Programme Director;

Marcus Conoro – the European Union Ambassador;

Ms Tsakani Ratsela- Deputy Auditor-General of South Africa;

Mr Gert Van Der Linde - the representatives of the World Bank;

Accountants-General from Lesotho, Botswana, Mauritius and Swaziland; as well as our Provincial Accountants-General

Senior officials from the all levels of government;

Ladies and Gentlemen.

I wish to thank you for the invitation to address you at this your 2<sup>nd</sup> Public Finance Management Conference. There is no doubt in my mind about the necessity for this kind of conference, where like-minded people in the profession get to share ideas especially as your theme suggests, in these volatile times. Indeed, it is now a known fact that public finance management practitioners face a big challenge of credibility as the world reels from some of the monumental governance scandals. In our country we have seen massive governance failures in the private and the public sectors. We have seen what havoc these failures can wreak. They threaten jobs, they erode investor confidence and reduce significantly the shareholder value. With these massive threats, the appetite for further investment in the business or state owned entity may be severely impacted. So thank you for arranging a conference such as this. It is appropriate that this conference seeks to focus on how to navigate the treacherous waters in volatile times. I hope that out of this will emerge

strategies and ideas that will be deployed in a practical way, at the coalface where service delivery is sorely needed.

Programme Director, I have been asked to address the question of how sound public finance management can improve service delivery and enhance opportunities for transformation. In considering this I would like to start with a sobering reminder by Amilcar Cabral who said,

*“Always bear in mind that the people are not fighting for ideas, for the things in anyone’s head. They are fighting to win material benefits, to live better and in peace, to see their lives go forward, to guarantee the future of their children. . .”*

It is regrettable that the truth of Cabral’s words is not only confined to the metaphoric sense. In our country people are really fighting – we witness on a daily basis, running battles between law enforcement agencies and people who call on government to deliver services to them. If Cabral is to be taken at his word, most of the protests are sparked by the desire amongst our people to “win material benefits, to live better and in peace.” Like all of us, the people seek to “guarantee a future for their children.” These running battles are largely about bread and butter issues. They are about survival on a daily basis. Of course, sometimes the protests result in the destruction of essential resources. While condemning these acts of

vandalism and wanton destruction, it is important that we acknowledge the legitimate cries for basic essential services. Often these are for water, decent roads, healthcare, ablution facilities that do not strip them of their human dignity etc. Surely these needs should be met.

Programme Director, ladies and gentlemen, we have to acknowledge that unfortunately we live in a world where resources are limited. Government always has to consider what priorities to attend to first. Our budget is always one of trade-offs and infinite opportunity costs. In order to finance one priority, it often means that the other priority has to be put aside. That is the sad reality.

Of course it does not help that with all these constraints some of the people entrusted with the custodianship of public funds sometimes do not do their work with as much diligence as is required. A cursory glance of the Auditor General's Report reveals a plethora of instances of non-compliance, a collapse in governance and serious weaknesses in leadership. Those who are given the responsibility of ensuring that the poor and vulnerable amongst us do not become exposed to the vagaries of nature and sickness and debilitating poverty, sometimes either deliberately or inadvertently cause further suffering. You just have to look at how much money is lost to unauthorised, fruitless and wasteful as well as irregular expenditure to appreciate fully the potential that our resources could do. While undeniably limited, the financial resources could be stretched to

ensure that services delivery is not compromised. It is for this reason that the National Treasury keeps considering ways in which a culture of frugality, prudence and sound management of public resources can be embedded. Efforts to ensure that expenditure efficiency is improved in order to apply resources effectively and efficiently to achieve the social objectives of government are one of the main issues that keeps us awake at night. I wish to suggest that this question should occupy your minds as well. I hope that Accounting Officers and their delegated officials can drive this message in all of the spending agencies of government whether they be at local, provincial or national government. It may not seem like much in the greater scheme of things that your careful management achieved a small saving, but believe me when I say it all adds up in the end. Therefore, never undermine the effort of saving at every corner that you can. All this makes a cumulative difference.

Non-compliance is one thing, and it has to be dealt with. But the erosion of public resources through sheer and sometimes brazen theft needs to be dealt with. The organisations for which you work must make this behaviour intolerable. Those who have been found to have subverted the law and policies set for good governance must be made to face the consequences of their actions.

In addition, it is imperative that the structures that have been put in place work effectively. It is important that oversight structures are supported to do their work. Audit Committees for instance have an important role to play in ensuring that governance is supreme in all entities. Executive authorities are the next layer and they have to play an important role in ensuring that financial resources are not spent without fruits to show for them. Other layers of oversight also need our support to ensure that those who are deviant are brought to book. It is important that a culture of consequence management should be instilled in government. People need to know that they will not get away with non-compliance to the rules and frameworks. Everyone needs to know that corruption will be punished. Until we get to that time, officials will still feel confident to have no regard to the rules. We need to create institutions that remind people of the bigger picture all the time. We serve the state because we have a higher calling – the call of serving the common good. Anything that invites us to serve anything else should be treated with suspicion and disdain. It is my hope that the strategies that will evolve from this conference will benefit you in your normal daily work.

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Allow me, Programme Director, to address the second part of the theme – transformation. We know that in some circles transformation has become a swear word. We also know that there are some amongst us who have allowed themselves to be used to give transformation the bad press that it has sometimes received. Incidents of fronting, bribery, collusion have all sometimes singly or collectively been the reason why transformation is received with such mixed emotions depending on which side of the fence you are. I am sure there is a helpful balance on this question.

Many people agree that in order to effect real transformation to the architecture of our economy we have to make deliberate interventions. Currently National Treasury is working on the Procurement Bill which seeks to address the deficiencies that have been identified in the current legislative framework. While that process is unfolding we should do what we can to ensure that the previously excluded get to participate meaningfully in the economy of our country. Government is already doing a lot in opening up spaces through regulations and legislation. But that is not enough. The government spend in procurement of goods and services can go a long way in creating, supporting and growing sustainable business amongst those excluded in the past – especially black people and women.

The continued misuse and wastage of public funds do not augur well for this transformation agenda. Sound management of public funds will enable government to ensure that there is enough to create opportunities in both small, medium enterprises as well as big business. The high entry barriers in many business sectors are often around access to capital. Without capital it is not possible to access for established and aspirant entrepreneurs to participate meaningfully in the economy.

In conclusion, ladies and gentlemen, I wish to emphasize that you form the bastion for protecting public finances from theft and misuse. If you play your part, we shall stretch our limited resources and make

a discernible difference in the lives of many who are vulnerable. If you play your part right, we shall be able to support efforts by black entrepreneurs and enable the creation of sustainable industries that will create employment for many more people. This, I wish to posit, is the only way to take our country forward.

I wish you well as you deliberate over the next two days.

I thank you.