



national treasury

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National Treasury
REPUBLIC OF SOUTH AFRICA

PROVINCIAL BUDGETS AND EXPENDITURE REVIEW AND LOCAL GOVERNMENT BUDGETS AND EXPENDITURE REVIEW

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Chairperson

Honourable Members

Ladies and gentlemen

Our sincere thanks are due to the Chairperson, Honourable MJ Mahlangu and the NCOP for the enthusiasm with which they always receive us when we come to share with this House the work we do at the National Treasury as part of our contribution to strengthening your oversight role. We do this not because the law requires us to do it, but because we feel that it gives meaning to our democracy.

Chairperson and Honourable Members, last year we published a Review which did not include information on local government. At the

time we promised to publish a separate document on local government this year. Today we are delivering on that promise. While the separation is artificial in some ways, there are some good reasons behind it.

Firstly, the provincial and national government financial year starts on 1 April and ends on 31 March, while the financial year of local government starts on 1 July and ends on 30 June. This makes for “untidy” reporting when financial information for all three spheres is combined in one publication.

Secondly, with consolidated budgets well in excess of R100 billion the local government sphere has now reached a stage where it warrants a dedicated publication.

Chairperson and Honourable Members, for us the two Reviews we table before this House today represent an important link in the accountability cycle. Every year this House processes a Division of Revenue Bill which appropriates just under 60% of nationally raised revenues to provinces and municipalities. The bulk of the money is intended for pro-poor public services such as public school education, primary health care, welfare services, water and sanitation.

Once the financial year has ended, the NCOP has a right to know what has happened to the money. It has a right to know what the money has bought. And it has a right to know whether what the

money bought has contributed towards improving the lives of our people.

Honourable Members, I must hasten to say that the two Reviews, while comprehensive, they cannot and are not intended to provide all the answers to all our questions about performance. However, they serve as a very valuable starting point. To get a complete picture Members need to complement them with other documents and publications that our system of reporting and monitoring has institutionalized over the years such as the Estimates of National Expenditure, the Division of Revenue Act, Strategic and Performance Plans of Departments, in-year Monitoring Reports, Annual Financial Statements, Integrated Development Plans, Service Delivery and Budget Implementation Plans and Annual Reports, to name a few.

Some of the issues that emerged from the workshop

Chairperson, when we were given an opportunity to make opening remarks at the workshop yesterday not only did we highlight some of the trends in the Reviews we table before this House today, but we also indicated how the two documents could be utilized to begin what we referred to as a “political audit”. Rather than repeating what we said yesterday, allow me to reflect on what emerged from the deliberations of the workshop.

Readiness to ask tough questions

The workshop confirmed yet again that the NCOP is ready, eager and capable of exercising its oversight role. The questions it asks are increasingly becoming sharper and tougher. Yes, as always it can always do better and should aspire to do even better.

There is a desire for more performance information

Chairperson, in the interest of ensuring that what we produce serves this House, in the past we have invited the NCOP to guide us by indicating whether the information we provide in these Reviews and other budget documents is adequate and how it could best be tailored to suite your needs. I am happy to indicate that the sense we got this time is that there is need for more information and deeper analysis.

In this regard, the National Treasury will seriously consider undertaking deeper and more extensive expenditure reviews. However, time and resources might not allow us to undertake in-depth reviews for all sectors in any given year. We shall have to prioritise sectors on the basis of some criteria, but we welcome the challenge and hope to rise to it.

Spending agencies need to show what the money buys

Honourable Members, yesterday a consensus also emerged that as a country we face a unique challenge. On the back of a robustly growing economy and efficient South African Revenue Service (SARS) we often find ourselves having more money than we are able

to use. I say this with the full knowledge that there may be many people who will find it hard to believe. However, Honourable Members if one examines the spending patterns for the first quarter of this year as contained in the section 32 report published in July it is not very hard to come to this conclusion. The report, which has been discussed extensively by the Select Committee on Finance showed that after three months or 25% of the financial year, spending on some of these grants was around 14%. Given past trends it is not hard to predict that if nothing changes during the course of the year we might witness some underspending on some of these grants, yet again.

The Reviews we table before this house today confirm that over the seven years covered in the analysis spending grows very strongly. They also show that there are more South Africans who have access to public services delivered by both provinces and municipalities, but I would submit to this House that we do not know enough about the quality and sustainability of these services.

Provinces and Municipalities account for very large spending

Chairperson, the Reviews we table before this House today show that provinces and municipalities accounted for R161 billion and R119 billion of public expenditure in 2005/06. The question we should be asking ourselves is whether we know enough about the change that amount of spending had on the lives of South African. We should ask this question not because we want to cause trouble for anyone or

ourselves, we ask it because this is our responsibility as elected representatives. If we fail to ask it we shall have failed those who elected us. This is what the “political audit” I referred to yesterday is about.

When Honourable Tutu Ralane and the Select Committee on Finance he chairs invite national and provincial departments to come and explain the progress they are making with implementing the range of programmes funded through conditional grants they are doing their job. This House and Parliament must support them.

Yes, when they ask difficult questions they may come across some resistance, but this is what the work of this House is about. You need no permission from anyone to do it. The Constitution assigns you that job.

Chairperson, I want to take this opportunity to encourage this House to make more use of the section 32 reports and the Division of Revenue Act in exercising its oversight. The reports indicate how much money national departments have transferred to municipalities and how much of it has been spent at the end of each quarter. This is very useful information. From it Members can tell which programmes are not spending the funds they appropriated to them. From the reports it is also possible to detect when national departments continue to transfer funds to provinces and municipalities regardless of whether spending takes place. This

allows this House to intervene and call for remedial action long before the end of the financial year.

Chairperson and Honorable Members, I now formally table the Provincial and Local Government Expenditure Review and the Local Government and Expenditure Review.

Thank you