

FOREWORD



HON. MJ KUSCUS, MEC FOR FINANCE

1. Background

This year we celebrate a decade of freedom and democracy of our country and I am honoured to submit my tenth Provincial Budget to the people of our province.

Many changes have taken place in our country over the ten years of democracy, including major changes in the management of public finances. The budget reform process, which started during our first years of democracy, has reached important milestones and it is still continuing. The reform process was required to ensure that the Budget reflects the priorities and policies of the Democratic Government and to make the Budget more transparent and user friendly.

The main instrument in enhancing fundamental changes in terms of budgeting and reporting on the implementation of the Budget was the introduction of the Public Finance Management Act, Act 1 of 1999 as amended, on 1 April 2000. The aim of the Act is to modernize the system of financial management in the public sector. It represents a fundamental break from the past regime of opaqueness, hierarchical systems of management, poor information and weak accountability. The Act also laid the basis for a more effective corporate governance framework for the public sector.

Since the introduction of the Act, changes to budgeting and the implementation thereof became more focused and rapid. A new budget structure was introduced which made the Budget more user friendly and planning and budgeting was integrated through the introduction of departmental strategic plans. Accountability was enhanced with the introduction of annual departmental reports that are submitted to the Legislature.

2. The budget structure

In the previous financial year, national uniform budget structures have been agreed upon for the health, education and social services sectors. These uniform budget structures are being fully implemented in the current year's Budget. Other sectors such as local government, transport, roads, public works and agriculture have also agreed upon uniform budget structures. Due to the fact that the agreement was reached very late in the 2003/04 financial year, only some of the changes to the budget structures of the relevant departments were included in this Budget and the agreed upon structures will only be fully implemented in the next financial year.

Changes to make the Budget more transparent and user friendly will continue in the foreseeable future. As in previous financial years, the Budget consists of the following budget statements:

- *Budget Statement No. 1: Budget Overview*
- *Budget Statement No. 2: Departmental Estimate*

One of the main changes to the Budget is the change in terminology. Previously the terms “revenue” and “expenditure” were used. These two terms, however, refer to accrual accounting not yet introduced in the public sector. To indicate that the public sector is still using a cash accounting system, the terminology was changed to “receipts” and “payments”. More information was also added to both statements in the Budget, which we trust will make our budget even more transparent and user friendly.

3. Basis for compiling the Budget

Historically there has been a constant and deliberate neglect of our people, resulting in many diverse needs and backlogs that have to be addressed. Over the last ten years of democracy the Provincial Government has addressed as many as possible of these needs and backlogs. However, due to limited resources, it has not been possible to address all demands simultaneously and therefore, after ten years of freedom, many needs and backlogs still exist that need to be addressed.

In our quest to achieve social justice, equity and a better life for all our people, the Provincial Government is guided by its policy priorities when compiling the budget. The Budget was therefore arrived at after due consideration was given to the needs of our people as embodied in our policy priorities. However, choices had to be made to accommodate our policy priorities within the available resource envelope.

The 2004/05 MTEF Budget is also a result of constructive participation of the Members of the Executive Council and heads of department. I would therefore like to thank all my colleagues and their heads of department for the constructive role they have played in compiling the Provincial Budget.

We trust that we have succeeded in our aim to address the policy priorities of the Provincial Government and that the result as contained in this document is transparent and user friendly for all concerned.

MEC for Finance

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