

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER 4

12 APRIL 2005

MR J W LE ROUX TO ASK THE DEPUTY PRESIDENT:

- (1) What steps does the Government intend taking to resolve the financial crisis currently being experienced by the Eastern Cape provincial government, especially in light of the fact that suppliers have for some time not been paid for goods and services rendered and (b) what long-term impact will the current situation have on the economy of the Eastern Cape;
- (2) whether the Government intends saving the Eastern Cape provincial government from bankruptcy by providing additional funds; if not, why not; if so, what are the relevant details?

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REPLY:

- (1) I am not sure that it is correct to say that the Eastern Cape is in a financial crisis or facing bankruptcy. Yes the province has experienced some financial problems, but the Premier and provincial EXCO have put in place measures to improve their state of finances. This is evident in the budget they have tabled for the 2005/06 financial year, and the way the province has improved its cash management since it incurred an overdraft at the end of the 2003/04 financial year.

To the extent that any suppliers may not have been paid, that is not necessarily due to a lack of funds, but is often due to capacity weaknesses in some departments – such problems can only be resolved if the member is more specific and points out the names of specific suppliers who have not been paid, and refer them to the provincial treasury. Treasury regulations require all accounts to be paid within 30 days of receipt of acceptable documentation. The provincial treasury has already succeeded in reducing the payment period from 61 days in 2002/2003 to 49 days currently.

National Government has also put in place a task team (IMT led by DPSA) to assist the province to deal with its management weaknesses.

(b) Given the above-mentioned, I do believe that these problems by themselves will have any long-term negative impact on the economy of the Eastern Cape.

- (2) In view of the points made in relation to question 1, question 2 becomes irrelevant. I do want to point out, however, that government generally does not bail out any province or municipality, and all allocations made to a province or municipality are in accordance to the annual Division of Revenue Act.