



PROVINCIAL BUDGET SPEECH

2006

PRESENTED TO THE MPUMALANGA PROVINCIAL LEGISLATURE
BY MEC FOR FINANCE,
MRS E.M COLEMAN, MPL
Wednesday, 22 February 2006

The Honourable Speaker, Mrs YN Phosa
The Honourable Premier, Mr TSP Makwetla
Other Presiding Officers (Deputy Speaker, Chair of Chairs and her Deputy)
Colleagues in the Executive Council
Members of the Legislature
Honourable Mayors and Councillors
Chairperson of the House of Traditional Leaders
Members of the House of Traditional Leaders
Former MECs for Finance, Mr Jacques Modipane, Mr Lassy Chiwayo,
Mr Jacob Mabena
The Director-General
Heads of Departments and Public Entities
The Business Community
Social Partners
Distinguished Guests
The Media
Ladies and Gentlemen
Family & friends

Madam Speaker, Honourable Premier, Honourable Members, the coming to power of the African National Congress in 1994 has had such a positive impact on the lives of ordinary South Africans that a leading English-language daily, after the Minister of Finance had delivered the Nation's Budget for the 2006/2007 Financial year, opened its editorial with the following observation:-



“Once upon a time South African economic policy-making was a dodgy business – and full of surprises. It was worth staying awake when listening to the Central Bank Governor hold forth, or the Finance Minister presents a budget. Not a bit of snooze is usually unlikely to do much harm. In recent years, monetary and fiscal policy has become increasingly transparent, predictable and stable – in other words, boring. And we are discovering the joys of boring. We have higher growth and lower interest rates than we had in many decades. And we have the tax cuts, on a fairly regular basis.”

However, Madam Speaker, the Honourable Minister of Finance used Ben Okri’s line, stating that ***“There are no joys without mountains having being climbed....”*** Within a similar context, allow me to use Charlotte Bronte’, not only to balance the gender scale, but to remind all South Africans of our past – the past when you needed to stay awake when the minister of finance presented the budget - the past of dodgy, unpredictable economic policies – the past of neglect:

“If we had no winter, the spring would not be so pleasant. If we did not sometimes taste of adversity, prosperity would not be so welcome”.

Indeed our country is on the threshold of prosperity. We have entered the “Age of Hope” – as the Honourable President noted in the State of the Nation Address, as he expatiates in the following quote:

“This year opened with the inspiring news that our people were highly optimistic about their future and the future of our country, ranking eighth in the world on the optimism index.



Gallup International, which issued this report, said we were three times more optimists than pessimists, and that optimism figures had doubled even since 2002.”

We, the Province of Mpumalanga, have contributed in many ways towards the optimism in the country, in the areas of tourism, sport, hosting of international events, an increase in business confidence - as many companies including multi-national conglomerates are considering investing in the province, etc.

Mbombela Local Municipality has been confirmed to be one of the hosts of the FIFA 2010 World Cup. Mpumalanga Province is presented with an opportunity, that many provinces would have wished for, to make a direct and meaningful contribution to better the lives of its citizens through the enormous economic opportunities, which arise from the building of the stadium and related infrastructure (of global standards), the establishment of related businesses, and the direct and indirect jobs to be created.

The people of Mpumalanga are advised to start identifying opportunities now and securing their participation and a share of the 2010 cake, but do so within global standards, if I were to emphasise the Honourable Premier's caution.

Madam Speaker, Honourable Premier and honourable members, allow me at this juncture, to review the economy at national and provincial level.

THE MPUMALANGA ECONOMIC OUTLOOK

Madam Speaker, Honourable Premier, last year in my 2005/06 Budget Speech, I quoted an Economist - Ndumiso Matlala as saying, ***“If Mpumalanga were a listed company, I would be buying stocks by a bucketful.”*** Little did I know then that this year he would be in our midst as an Economic Advisor to our Premier.



You are welcome sir, because your presence will add to the limited pool of experienced economists of your calibre in the Province.

As mentioned before, Our President, in the State of the Nation Address emphasized that we are in the “Age of Hope”. In the theme of the “Age of Hope”, he set the tone for an accelerated growth path, and further challenged us as government to the “high expectations of the people” and for maintaining that optimism. With the tabling of our budget today, we support the President and accept the challenge to meet the expectations of our people.

In order to meet these expectations, we will continue to strive towards alleviating poverty, growing our economy, and accelerating service delivery.

Honourable Members, the economy of the province depends to a large extent on the health of the country’s economy.

The revised economic growth of our country for 2005 is estimated at 5%. Our economy has achieved positive GDP over the past 10 years and inflation and interest rates have remained moderate over the previous MTEF period. The economic expansion since 1999 has been boosted by strong demand for commodities, sustained increases in consumer purchasing power, low domestic inflation, low interest rates, consumption and increases in both private and public investment. The consumer and business confidence remained at higher levels during 2005. However, low savings and job creation remain a challenge, as this growth requires sustainability and capacity utilisation.

As a follow up to our budget speech of 2005, the level of savings in South Africa continues to decline, with the latest figures for the third quarter of 2005 standing at 13%.



According to data released by Statistics South Africa on 29 November 2005, the province contributed 6, 8% to the national Gross Domestic Product (GDP) in 2004. The provincial economy has grown (GGP) by 4,2% in 2004, a significant increase from 2,7% growth in 2003, and has averaged 3% between 1996 and 2004. It will be interesting to see how we perform come November 2006, when annual growth figures are released.

However, growth is not enough if it cannot optimally translate into reduced poverty levels, less income disparities and job creation in the province, hence the utilisation of this MTEF budget as a tool to spearhead programmes and initiatives to address these challenges.

Inflation is expected to remain within the inflation target range of 3 to 6% for 2006. The inflation outlook has significant implications for the province, hence its developments should be pursued.

The unemployment rate in the province for September 2005 was 26,9% as compared to the rate of 24,8% during September 2004. Honourable Members, more integrated efforts are demanded from our government and other partners to increase employment in the province.

The economic expansion has a positive impact on the employment levels. The Official Labour Force Survey indicated an expansion of employment over the past year in formal sector job creation. Between March 2005 and September 2005, a 1, 8% increase in employment was recorded.

The slow pace of creating employment has contributed to the growing informal economy and the informal settlements in the province, as more people try to position themselves closer to economic centres of the province.



It is worth noting that between 2003 and 2004, sectors like manufacturing grew amongst other reasons because of demand for manufacturing inputs

(steel, petro-chemical, etc) and performance of economic clusters (wood, agro-processing, etc).

Manufacturing was the best performer with a Gross Value Added of 30,1% followed by mining at 21,4% to the provincial economy. Other sectors that grew include the trade, and community services (general government services) sectors.

However sectors such as mining declined in their contribution owing to the strong Rand and other challenges such as the mines closing down. Electricity and agriculture sectors had a decline in their contribution to growth. The agriculture and mining sectors that once played a major role in the economic development and job creation in Mpumalanga have declined slightly during 2004. The plight in the agricultural sector results from unfavourable weather conditions.

The tourism sector remains a significant contributor to employment and growth in the province.

Nationally, the electricity and mining sectors contributed significantly to the growth of the economy at 29, 4% and 20, 5% respectively.

There is scope to grow our financial services sector further especially with the growing trends nationally, towards call centres and business process outsourcing industries. I will urge the province to take advantage of this trend in boosting the sector activities, including enhancing the potential of attracting Foreign Direct Investment.



The sector has a bigger role to play in ensuring equitable transformation and broad based participation. Access to banking by the low-income earners and the previously un-banked is encouraging.

Five months after the launch of the Mzantsi Account, the number of account-holders of this type of account stood at 500 000 and a year later, the total number of Mzantsi account holders is standing at 1,8 million. This is an indication that more low-income earners are accessing banking facilities.

Let me take this opportunity to thank the banking sector in the province for the expansion of their services to the previously disadvantaged areas of our province.

This indeed helps Gogo Mthembu at KaNyamazane to access banking services locally and save transport money to town, as that would have reduced her pension and not being able to buy bread instead.

The financial services sector also had a positive growth that was boosted by the expansion in the property market and other factors.

While on this, I would like to appreciate the Minister of Finance in abolishing the transfer duties on properties below R500 000, and at the same time, caution the Property Management Services about any possible price manipulation, which will in turn defeat the intended purpose of relieving the tax burden of the poor.

Formal employment contribution during 2004 in the province was dominated by agriculture at 22,1%, followed by government and community services absorbing 19,1%, trade 14,2% and manufacturing sector at 10,7%. The lowest contributor to formal employment was the electricity sector, which only employed 2%. The employment trend in these sectors is a cause for concern



as many sectors are capital-intensive, requiring highly skilled people, while the large segment of the population is unskilled or semi-skilled.

This creates a challenge for our education and skills development policies as to how to align skills gaps and needs from industries, to the existing skills availability in the province. We hope the skills Development Strategy for the province will fast-track the alleviation of this challenge.

Our province has intensified efforts to accelerate performance in the sectors such as the agricultural sector through initiatives such as the *Masibuyele eMasimini*, which will address some of the challenges facing our agricultural sector and support growth in the province.

We need additional strategies to alleviate poverty through methods that take into account the unique socio economic context of the province. In the State of the Nation Address, the President referred to the Expanded Public Works Programmes (EPWP), land restitution, and land reform as measures to transform and grow the economy. The province has an opportunity to translate these programmes into viable economic activities that will help to alleviate poverty and address the challenges of the second economy.

Mpumalanga, like other provinces, faces many land claim challenges that have the potential of hampering economic growth. We are encouraged by the commitment of government to contribute to the empowerment of the poor, especially in the rural areas through the initiative by the Minister of Agriculture and Land Affairs in 2006 to review the willing-buyer-willing-seller policy, land acquisition models and manipulation of land prices, and regulate conditions under which foreigners may buy land. The Minister will further ensure that the land distribution programme is aligned to the Provincial Growth and



Development Strategies (PGDS), and the Integrated Development Plans (IDP) of municipalities.

The province is also expected to indicate its contribution towards the national target of 6% growth between 2010 and 2014, as stated in the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA).

We will, through the Moloto Rail Development Corridor, the Maputo Development Corridor and its associated initiatives such as the development of a dry port around the Komatipoort area, the Kruger Mpumalanga International Airport Industrial Park, the Cargo Terminal, the Maputo Corridor Logistic Initiative, contribute to the ASGI-SA objectives. This is in addition to the already existing economic focus areas namely Agro processing, Petro-Chemicals, Tourism, Manufacturing and Energy programmes.

Broad Based Black Economic Empowerment (BBBEE)

Our focus in this speech will be around the performance on the Preferential Procurement Policy Act (PPPA) and Supply Chain Management (SCM) Framework. We have since adopted the provincial policy on SCM and expect departments to adopt their own for the full implementation of procurement as a decentralised function. One of the main objectives of Supply Chain is to enable government to assist businesses to benefit from being awarded contracts.

While there is an expectation for government to create a positive business environment for business to prosper, a similar commitment is expected from business itself. Quoting the Honourable Premier in the State of the Province Address, he said:

“There is a need for previously disadvantaged people to elevate their standards, professionalism, efficiency and quality of goods and services, delivered as part of government procurement. Only in this way



will black business be a true partner to government in the delivery of services to the people”.

Government is moving towards bringing to book those businesses that are defrauding it at the expense of service delivery.

We welcome the announcement of a workshop by the Honourable Premier, and we would like to further propose that other business formations be included in the pool of prospective participants, in order to cover the broader categories of enterprises doing business with government.

We believe that through this type of dialogue, we will make every role player understand and begin to play their meaningful roles.

We also, in the same wavelength, congratulate the Department of Trade and Industry on the launching of the Small Enterprise Development Agency (SEDA) and its service centres throughout the province. We hope that this initiative will enhance the level of professionalism within entrepreneurs in the province through their training and mentoring services.

We also hope that the SMMEs in the province will bring to fruition, the tax benefits as pronounced by the Minister of Finance during his 2006 Budget Speech.

The President has emphasised the need to support entrepreneurial training, assistance to marketing, the development of cooperatives and commitment to reforming the procurement programme.

The province will intensify its efforts in procurement programmes to ensure that broad based black economic empowerment (BBBEE) is adhered to and that the development of women and the youth is enhanced.



The fast tracking of the implementation of the APEX fund will guarantee that the poor and marginalized participate in the economy of the province. The government is busy with the review of the regulatory and administrative reforms that are aimed at easing the compliance burden on small businesses and facilitating integration into the formal economy.

Mpumalanga experienced severe drought and water shortage in some parts of the province, such as in White River and Nelspruit in 2005. Many dams could not reach full capacity and hence water usage had to be regulated and this had adverse effects on the agricultural sector. Water is important for the economy as sectors such as agriculture and others depend on it. Since the beginning of 2006, some regions of the province have been blessed with positive rainfalls. This will expand agricultural productivity and strengthen the capacity to deal effectively with agricultural land and environmental issues.

The importance of investment in infrastructure cannot be over-emphasised. Co-operative Governance and Inter-governmental Fiscal Relations, encourage integrated planning and cooperation between the three spheres of government, both on financial and non-financial planning, coordination, implementation and monitoring of programmes with the aim of accelerating service delivery for the betterment of the lives of our people.

It is in this spirit that the Executive Council took a deliberate effort during it's *lekgotla* to ensure that this principle is activated and put to fruition.

Departments will elaborate further when presenting policies and budget speeches, as to how are they going to put the above into actual implementation.



THE IMPACT OF OUR BUDGET

As a government, our over-arching goal remains to eradicate poverty, increase levels of income and ensure equitable share of income and other scarce resources. Our budget has played a role in ensuring a move towards achieving those goals.

The budget for 2005/06 played an instrumental role in alleviating poverty through various reforms that addressed some backlogs in the province.

Our budget addressed the social security for our disabled, children and the elderly by creating a safety net for them from which they were able to participate in the economy. It created an economic voice for the people who would normally have no access to income.

The various relief funds, schemes and packages for the agricultural sector ensured that our agricultural sector survived the hardships of drought experienced in the province. The budget also assisted in extending farmer support.

Our efforts did ensure that school nutrition programmes and the scholar transport initiatives were progressive.

Although we acknowledge that we could not extend our services further, the budget has managed to address some of the challenges of nutrition and supporting our education initiatives.

The annual average growth of social grants beneficiaries for the province is 29, 4%, indicating our commitment as a province to provide a social wage for our people. Our contribution has been well above the national benchmark of 27%.

Our school nutrition programme reached 492 687 learners against the targeted 491 362, indicating our seriousness in alleviating hunger amongst our learners for effective learning.



We will continue to ensure that the budget we are presenting today, has an impact on the lives of the people we serve, hence intensifying our contribution to the maintenance of the expectations of our people.

Our total infrastructure spending during the year under review is R834, 738 million, which translates to 63, 7% of the allocated budget. We have exceeded the national average of 55%.

ACCELERATED SERVICE DELIVERY

The State of the Nation Address highlights local government delivery as a critical area of intervention. Reconstituted municipalities in many parts of the country included vast areas previously neglected regarding service delivery.

With this budget, we emphasise our commitment to governance through improving service delivery, eradicating corruption, creating safety for our communities, developing our social security networks and growing the economy.

We aim to create quality education with more emphasis on mathematics and science in our schools, efficient health services and offer social security to the elderly and the children, and improving our infrastructure delivery.

The budget for 2006/07 will ensure that we continue to build roads and bridges, build the clinics and classrooms, feed the children, assist businesses, market the province and make us contribute to the goals and vision of ASGI-SA.



Our budget will address critical skills shortages of doctors, nurses and other specialized health specialists, project managers and other skills required to address Primary, up to the tertiary health care needs in the province.

The world and national economic outlook suggests that the provincial economy will continue to expand further during the medium term period. In the long term our economic growth needs to be supported by continued macro-economic stability.

The Mpumalanga economy is growing and this trend is expected to continue because of the government's expansionary fiscal policy stance.

FISCAL POLICY AND THE BUDGET FRAMEWORK

Additional resources will be provided for infrastructure investment, increasing social and economic spending programmes. Growth in capital expenditure will rise relative to current expenditure.

Social Services Priorities

During October 2005, Budget Council considered the revised fiscal framework for 2006 MTEF. The revision of the provincial equitable share is to consolidate education, health, welfare and economic provincial functions, and to fund programmes that lend themselves to employment creation.

The revised equitable share baselines are intended to strengthen the delivery of social services in the following priority areas:

- With respect to **Education**, the revision to the provincial fiscal framework seeks to ensure further access, improved quality, and greater equity. Access, for example, refers to the expansion of Grade R, with the aim of improving access of children to quality Grade R programme prior to entering Grade 1 and by increasing the number of Grade R learners to 800 000 over the MTEF period.



- With respect to **Health**, the proposed revisions seek to further boost primary health care, the recruitment of health professionals and expand emergency medical services.
- In **Social Services**, the revisions seek to enable the sector to deal with the demands of different social welfare services legislation, e.g. the implementation of the Child Justice, Older Persons and Childrens' Bills when they become laws, and the expansion of social welfare services.
- In addition to social services, the revisions to the provincial baselines provide for economic functions, namely the maintenance and rehabilitation of provincial roads, and to strengthen the agricultural sector in the provision of much-needed extension and veterinary services.

Movements in Inflation

This year's budget framework has been adjusted to take account of movements in inflation since the 2005 Budget. Revised inflation projections published in the 2005 Medium Term Budget Policy Statements are:

- 5.1 per cent in 2006/2007
- 4.8 per cent in 2007/2008
- 4.5 per cent in 2008/2009

It should be noted, however, that in creating the 2008/2009 equitable baseline, the 2007/2008 baseline was increased by 7 percent. (2,5 percentage points more than the assumed inflation) to provide for a significant increase in provincial spending from 2008/2009 onwards.

The Provincial Equitable Share

Forty percent of public servants are within the low-income bracket and are without medical aid schemes. The Government agreed on specific incentives to allow for low-income public servants to have access to medical coverage at



affordable cost. The implementation of the Government Employees Medical Scheme (GEMS) has commenced on 1 January 2006.

The amounts earmarked for the Government Employee Medical Scheme (GEMS) (R59,519 million; R119,677 million and R180,475 million in 2006/2007, 2007/2008, 2008/2009 financial years respectively), remain unallocated, pending final decision by the Department of Public Service and Administration on the allocation criteria.

Conditional Grants

I wish to advise Madam Speaker, that a major challenge, in the provincial fiscal framework, after the publication of the Medium Term Budget Policy, is the shift of social security grant function from the provincial to the national sphere of government, which impacts directly on the composition of the conditional grant framework. The South African Social Security Agency is now in a position to administer the social assistance function. From 1 April 2006, the delivery of social security assistance will longer be administered through a conditional grant.

Financial Governance

- **The Public Finance Management Act (PFMA)**

Madam Speaker, Honourable Premier, we reported to this house in our Provincial Budget Speech of 2005, that the province managed to get only one qualified report in the preceding financial year. Our aim to produce twelve unqualified has not been achieved, as we not only got one qualified report, but, in addition, a disclaimer. The Treasury has taken extra-ordinary steps to address all the issues raised by the Auditor-General, including emphasis of matter, to ensure that come the next audit, we will achieve a clean slate.

A Plan of Action per department is in place, and Internal Audit units of each department are charged with ensuring that all issues identified by the Auditor-General are attended to and corrected.



Madam Speaker, we reiterate our comments in the Budget Speech of 2005, namely that there is no justification by departments to overspend on their allocated funds, while equally, there is no justification for under-spending, while we still have the scourge of poverty.

As we reported in 2005, in pursuance of improved quality of spending, departments have been clustered and assigned a dedicated staff member. Although we have clustered and assigned dedicated staff to departments, we still lack the requisite skills to perform the functions as prescribed by the PFMA.

- **The Municipal Finance Management Act (MFMA)**

The department has embarked on a programme to assist the municipalities, delegated to the department as from the 1st September 2005, in the following areas:

- Compliance with the provisions of the Municipal Finance Management Act;
- Financial Management.

The unit, under my leadership, has visited 14 of the 16 delegated municipalities in the current financial year. Delegations from municipalities were led by the mayors, and included municipal managers, CFOs and other officials. Discussions centred on compliance with MFMA, Financial Management, areas of weakness identified and corrective action to be taken. The Unit has organised workshops, in order to further capacitate municipality officials in their tasks.



Financial Management

The Province continues to be one of the best performers in relation to spending its budget allocation. As it was the case with the six months budget spending patterns, we are still spending consistently within our schedule.

This is further proof that the spending performance was not a mere coincidence, but a direct result of effective monitoring and good governance. We had spent 72% of our adjusted budget by the end of the third quarter.

The challenge still remains, being able to equate the actual expenditure and the deliverables. This means that we have to look at the actual impact made and ask ourselves whether it is relevant to the said expenditure. This will be the focus for the year. We need to continue to foster the spirit of cooperation and programme spending interrogation, so as to realise the greater impact of our programmes.

Revenue Generation

Madam Speaker, in terms of our own revenue collection, the Province is performing well after exceeding the yearly budget at the end of ten months of the financial year. The Province raised their R289, 526 million of the target of R272, 407 million. Six Departments exceeded the own revenue budgets.

As a Province, we continue to rely on four major sources of revenue and these are:

- Road Traffic Act Fees (mainly vehicle licenses)
- Gaming Levies
- Hospital Patient Fees
- Interest Revenue

Road Traffic Levies

At the end of ten months, an amount of R123 million was collected in terms of the Road and Traffic Levies Act. This amount constituted 97, 9% of the R126



million target. This is above the National Treasury norm of 82%. Our revised projections indicate that we will not only meet, but also exceed our target. According to our analysis, this success is largely due to the increase in the motor vehicle population in the province, and therefore the increase is associated.

Our focus in 2006/2007 will be to ensure that all departments with traffic levies, revenue-generating opportunities not only increase their capacity, but also review and revise their tariffs so as to ensure maximum revenue collection.

We will, as a Provincial Treasury, be issuing the tariff review schedule so that departments do not continue to review their tariffs and levies as and when they please, since this trend has a tendency of disorganising our budgeting procedures. This also implies that departments must also sharpen their revenue management capacities.

Gaming Levies

The gaming industry has achieved steady growth since its inception in October 1997 up to 31 December 2005. The Casino sector realised an average growth rate of 13,99%, with Limited Payout Machines (Machines Outside Casinos) reaching 85,29% growth. The introduction of the Limited Payout Machines in June 2003 increased the contribution of Gaming Levies to revenue by an average of 12,76%. By 31 December 2005 gaming levies recorded were R15,2 million from casinos and R2,5 million from Limited Payout Machines. Although the budgeted Gaming Levies for Casinos was R17,8 million for the 2005/2006 Financial Year, it is projected that this will reach R20,2 million mark by the end of the current financial year.

Limited Payout Machines were estimated to generate R2,9 million in the 2005/2006 Financial Year, we project to collect R3,3 million by the end of the current Financial Year. We should also note that these figures exclude the



budgeted income of R1,7 million for licence fees for the fore-mentioned Financial Year.

Research conducted by Mpumalanga Gaming Board reveals that the fixed rate of 5% of gross gaming revenue as a determinant of casino levies, has been overtaken by years of operations of regulated gaming activities in our Province and the related growth rate. We are therefore in the process of reviewing the methods for determining gaming levies for casinos.

Despite all these, our people are encouraged to gamble responsibly and there is a greater need for adequate counselling and treatment programs in order to deal with social ills associated with this form of recreation.

Hospital Patient Fees

At the end of the ten months of the current financial year this revenue-generating item has collected R10, 959 million against a target of R20, 26 million, which amounts to 55% of the target.

The National Department Health revised tariffs for 2002 during 2004 with implementation of revised tariffs being the 1st of January 2005. The revised tariffs brought about a dramatic increase in Out Patients and Emergency consultations fees. Based on the recommendations by the UPFS steering committee, a decision was taken to reduce tariffs with effect from the 1st September 2005, which meant that provinces experienced two revisions in one fiscal year.

There has been a need to update the management of information systems that are used for billing and administration of patients accounts through the PAAB systems. PAAB servers have been decentralised to all provincial hospitals, which will improve the downtime and the slowness of the system.



PAAB training is being offered to the newly appointed staff on an ongoing basis. Five hundred and forty two officials have been trained to use the PAAB system.

An area that needs urgent attention is hospital debts. During 2006/2007, the Provincial Treasury will assist the department in ensuring that a strategy is in place for recovering outstanding hospital fees. Our focus during 2006/2007 will be to assist the Department of Health and Social Services in setting reliable projections especially in hospitals.

Interest on Bank Balances

Interest on bank balances has become an important source of revenue in our province, due to good cash flow management.

Revenue Strategies for 2006/2007

We will focus on the following strategies in order to improve revenue generation and collection for the year:

- Annual review and revision of tariffs by all Provincial Departments before the finalisation of the budget process, as well as timeous implementation of revised tariffs, by implementing departments.
- Continue to encourage all people residing in Mpumalanga to register their cars in the Province.
- Ensuring the development of debt management policies as well as adherence by departments to debt policy and reduction of the provincial debt book.
- Continuous identification of potential risks in revenue collection and assist in instituting preventative measures.



The Phasing-out of RSC Levies

The Honourable Minister for Finance, Mr Trevor Manuel announced, during the Budget Speech of 23 February 2005, that for the decade ahead, the intergovernmental framework will see significant changes. He indicated that RSC levies will be abolished in 2006.

During the Medium Term Budget Policy Statement the Minister reiterated what he announced in February, that RSC levies, which are a significant source of revenue at the Local Government level, will fall away with effect from 30 June 2006.

Government has come to recognise that the RSC levies perform rather poorly with regard to the generally accepted principles of sound taxation (e.g. equity, efficiency, certainty, simplicity, ease of administration).

Some of the problems with RSC levies are:

Administrative issues:

- No local access to account of levy payers
- Poor collection practices
- High costs of collection

Horizontal equity

- No clear linkage between revenue collected and expenditure responsibility

RSC levies are therefore not well designed as a tool for redistribution, i.e. to address the infrastructure backlogs in under-served communities (redistribution is best achieved through the fiscus).

For Local government to meet their obligations, particularly in terms of poverty alleviation and social and economic development, it is important to maintain existing levels of revenue. In support of this national government will provide



compensating transfers to the relevant municipalities. The current budget framework contains allocations for this purpose of R421, 574, 000 in 2006/07, R481,799, 000 in 2007/08 and R542,024,000 in 2008/09. The removal of this levy is effectively a tax relief amounting to R1, 445 billion over the three –year period.

Provincial Revenue and Allocations per Department

Madam Speaker, allow me to present departmental budget allocations, and remind you of the wise words of Mahatma Gandhi,

“The future depends on what we do in the present”.

The budget we are tabling for the 2006/2007 Financial Year is R12, 906 billion, which represents a 9,9% increase from the previous year’s budget of R11, 748 billion. The R12, 906 billion is made of R11, 227 billion of equitable share, R1, 207 billion of conditional grants, R322, 722 million of own revenue and R148, 605 million from the provincial surpluses.

VOTE 1: Office of the Premier

The Office of the Premier is allocated an amount of R148, 779 million to continue with the governance coordination role, and management of international relations.

VOTE 2: The Provincial Legislature

The Provincial Legislature is allocated an amount of R111, 824 million in order to fulfil its oversight functions. These functions include bringing government closer to the people.

VOTE 3: Department of Finance

The department is allocated an amount of R133, 741 million. The department is responsible for, among others, financial governance, which includes



municipal finance. As the MEC for Finance has been delegated 16 of the 21 Municipalities by the Minister of Finance, the focus in 2006/2007 will be the overall improvement of all the 16 municipalities in their financial management.

VOTE 4: Department of Local Government and Housing

The Department of Local Government and Housing is allocated an amount of R625, 770 million, amongst others, to continue eradicating the bucket system.

VOTE 5: Department of Agriculture and Land Administration

The department of Agriculture is allocated an amount of R631, 736 million, which will be used amongst others for the expansion of support for agriculture.

VOTE 6: Department of Economic Development and Planning

The department of Economic Development and Planning is allocated an amount of R200, 257 million, which will be used for amongst others, boosting the provincial tourism industry.

VOTE 7: Department of Education

The department of Education is allocated an amount of R6, 218 billion which will be used to reduce backlogs in school equipment, expand Grade R, teacher development and HRM systems, extend new curriculum to grades 10-12, provision of norms and standards for school funding, special schools and expand information management systems, amongst others.



VOTE 8: *Department of Public Works*

The department of Public Works is allocated an amount of R295, 193 million, amongst others, to coordinate the EPWP (Expanded Public Works Programme)

VOTE 9: *Department of Safety and Security*

The department of Safety and Security is allocated an amount of R41, 724 million, to enhance the capacity of police stations to fight crime and ensure that our communities are safe.

VOTE 10: *Health (Department of Health and Social Services)*

The Health component of the Department of Health and Social Services is allocated an amount of R2, 912 billion which will be used to enhance human resource management, recruit health professionals, expand Emergency Medical Services, implement new national ambulance service model, expand primary health care, improve services in rural areas, modernise tertiary services, amongst others.

VOTE 11: *Department of Roads and Transport*

The department of Roads and Transport is allocated an amount of R961, 821 million, which will be used for amongst others, the rehabilitation and maintenance of provincial roads.

VOTE 12: *Department of Culture, Sport and Recreation*

The department of Culture, Sport and Recreation is allocated an amount of R93, 604 million, for the construction of the Provincial Archive Centre, amongst others.



VOTE 13: Social Services (Department of Health and Social Services)

The department is allocated an amount of R430, 279 million, which will be used for expanding welfare services, phase-in the implementation of the Children's Bill, Older Persons Bill and the Child Justice Bill, and contributing to the EPWP (health workers, community based care and Early Childhood Development).

Madam Speaker, Honourable Premier, an additional amount of R41, 996 million will be made available to fund the construction of the Provincial Archive Centre, repairs of critical bridges and for the 2010 FIFA World Cup logistics. This amount will be appropriated in the Provincial Adjustment Budget.

Madam Speaker, allow me to table the following documents for consideration by this house:

1. The 2006 Policy Budget Speech
2. 2006/2007 Appropriation Bill
3. 2006/2007 Budget Statement
4. 2006 Budget Made-Easy booklet

Conclusion

Let me conclude by wishing the Honourable Premier, Members of the Executive Council, Members of the Legislature, public servants especially those from my department under the leadership of Mr Rabeng Tshukudu, and all our guests, a very happy and rewarding 2006, while at the same time thanking them for their support and continued confidence in me and the Department.

To my family, thank you for always giving me a shoulder to lean on. To our learners in Mpumalanga, especially those in grade 12, the road to success has already started. Almost half of the Provincial budget, 48,56% to be precise, has been committed towards ensuring your success.



As we approach the municipal elections on the 1st of March 2006, I wish to direct the following words from Hendry Drummond, to our ever-toiling politicians:

***“You will find, as you look back upon your life,
That the moments that stands out,
Are the moments when you have done things for others.”***

Finally Madam Speaker, 2006 marks the 30th anniversary of the June 16 (Youth Day), in the same breath, marking the 50th anniversary of Women’s Day in August 9 – the day the women of South Africa began the process of bringing hope to the people of

this country, by marching to the Union Buildings in Pretoria, against the pass laws.

It is the day when the women of South Africa said enough is enough; we have seen our men-folk suffering.

We have seen them trying everything within their power to fight the injustices of this country;

It is that time now, when everything else, seem to have failed.

That the strength of a woman needs to be felt;

That strength that passes every understanding;

The strength that continues to hold the knife at the sharp end;

The strength that is subtle, but deep.

This is the very strength that was felt by Strydom,

Who in turn was forced to forget the door exit,

But rather found alternative way-out of his office.

Madame Speaker, to me that was the cutting edge; the beginning of the “AGE OF HOPE” – hence today I want us to commit



ourselves to honour them through making the objectives of this budget, a reality.

Let's honour those women;

Those who have passed on, and those who are still with us.

We have put a token on the member's tables,

That we hope will remind them that,

The struggle for women still continues.

Wa Thinta Abafazi wa Thinta Imbokodo. Wena Uzokufa.

Madame Speaker, I thank you.