



PROVINCIAL BUDGET SPEECH 2007/2008

PRESENTED TO THE MPUMALANGA PROVINCIAL LEGISLATURE

BY MEC FOR FINANCE,

MRS EM COLEMAN, MPL

Tuesday, 06 March 2007

“The challenge confronting all of us is to turn South Africa around – to make of her the opposite of what she has been. Where she has been the exemplar of racism and national antagonism, we must turn her into the exemplar of non-racism and national harmony. As our task will not end with the election of a democratic government, so do we believe that our task will also not end at that point.

We believe that we must stand together in the new South Africa. When our work is done, let us look at the new south Africa with hope and encouragement – hope and encouragement because she will have demonstrated that it is possible for people of different colours and different races and nationalities to live together in peace and friendship, sharing a common sense of nationhood and humanity”. ANC President OR Tambo on, “From apartheid to peace, democracy and development.” February 1993.

The Honourable Speaker, Mrs YN Phosa

The Honourable Premier, Mr TSP Makwetla

Colleagues in the Executive Council

Honourable Members of the Legislature

The former MEC's for Finance, Messrs JB Modipane, LLL Chiwayo and JI Mabena

Honourable Mayors and Councillors

Chairperson of the House of Traditional Leaders, Inkosi Mthethwa

Members of the House of Traditional Leaders

The Director-General

Heads of Departments and Public Entities

The Business Community

Pastor Tony and His Wife



Social Partners

Distinguished Guests

The Media

Ladies and Gentlemen

Family & friends

Madam Speaker, when these words were uttered a few years ago, just before our freedom, we did not know the enormity of the challenges that were associated with the statement. Some of us thought then that the struggle for human emancipation from the bondages of apartheid that came in all forms was going to be easier than the struggle we waged against oppression and degradation.

From where I am seated today, I want to declare that “It isn’t easy, and it will never be”, but like Mahatma Ghandi, in his speech “I have a dream” (not confusing it with the popular “I have a dream” speech of Dr Martin Luther King), “Whenever I have a feeling of despair, I remember that all through history, the way of truth and love has always won”. It is only the hard-hearted, ones who will stand the test of time. Not because they are immune to hardship, but because they stay focussed at all times and do not let anything to distract them. We need people who have a sense of purpose, a sense of urgency, and realisation that our people do not have patience to endure any further hardship, because they too are equal with others, hence cannot afford to be second-class citizens of Mpumalanga.

ECONOMIC OUTLOOK

Madam Speaker, honourable members, allow me to remind you of where we stand in terms of socio-economic outlay of our province.

Population

After re-demarcation, Mpumalanga, which covers 79 500 square kilometres in surface area, has a population of more than 3.5 million people, which is 7.4% of the total national population. The population of Mpumalanga is 51% females and 49% males. The youth (below 24 years of age) comprise a bigger portion of the population (56%). It is against this background that our biggest expenditure in the province is on education.



Over the previous MTEF (Financial Years 2003 / 2004 to 2005 / 2006) period Mpumalanga spent a total of R15.18 billion rand. Our estimated expenditure on education for the 2006 / 2007 Financial Year is R6.314 billion rand. Our expenditure estimates for the next MTEF period, starting from 2007 / 2008 to 2009 / 2010, on education is R25.93 billion rand.

We are a youthful population. Out of the total population, 32% is between the ages 15 to 35, 11% is between the ages 50 and 74, those at age 75 and above constitute only 1%. More than 1.8 million people live in poverty and half the population live in unfavourable conditions.

Economic Growth

Agriculture

One always feels perturbed by the fact that we are always faced with the challenge of continuous decline in agricultural activity in the province. We normally hear farmers complaining about reasons emanating from lack of sufficient support from government, crime and rain. But I would like to paint a real picture in terms of agricultural activity statistics, as informed by the national department of agriculture, supported by Statistics South Africa. We have 4,770 million hectares of farming land in the province, and only approximately 2,05 million hectares is tilled. Of the hectares tilled, only 130 million tons are produced for domestic consumption and 600 million tons for export purposes.

The question you may ask yourself is, what really happened to 2,72 million hectares and corresponding tons that are supposed to be ploughed and harvested. No wonder agricultural contribution to employment declines yearly. We therefore need to pay more attention to agriculture as growth in the sector makes an impact on jobs and unemployment. The provincial government has a plan for rejuvenation of agricultural activity in the province. Masibuyele emasimini is an intervention in this regard. The aim of the project is not only to till all available arable land, but also to involve as many households as possible. In the process, job opportunities will be created.



Madam Speaker, our power lies in the land, an asset that should be looked after and need to be invested wisely, so as to be able to reap sweet fruits for the betterment of the lives of our people.

In 2005/06 we had planted 336 000 hectares of white and yellow maize, and harvested 1 615 000 tons of the same, while 2006 / 2007 had ploughed 470 000 hectares and only harvested 1 562 000 tons of the same.

We experienced, a decline in both the production and harvesting of soya beans where in 2005, 140 000 hectares were planted and 210 000 tons produced, while 90 000 hectares planted and only 117 000 tons harvested in the following year. This represents a decline of 36% in the hectares planted and 44% in the harvest.

This situation cannot be allowed to go on as the maize and sunflower, are the main contributors in the agro-production share to our Gross Geographic Product.

Mining

The province is very rich in coal reserves (producing about 80% of the country's coal). It has the country's major power stations and three of the biggest power stations in the southern hemisphere are situated in Mpumalanga. We are nonetheless aware of the highest air pollution-potential of these. We as a province are aware of the negative effects of pollution on our environment. Hence, one of the Big 5 projects is aimed at greening the province so as to preserve the environment for future generations.

We are also lobbying Spoornet to fast track the rehabilitation of rail to take the pressure off our roads infrastructure.

Madam speaker, having touched the country's major power stations, we stated in the previous year's Budget Speech that Eskom has commissioned various projects, to return to service 3 mothballed stations, these being Camden, Grootvlei and Komati power stations. Spending on these projects to date is approximately R11 billion. Camden should be in operation at the end of this month (March), Grootvlei will be up and running in May, ahead of its original date and Komati is also expected to be ahead of target, by September 2007. Other operations of four units (2 Atlantis and 2 Mosselbay) which are outside the province should be operating by May 2007.



Unemployment levels

In addition, as we reported to this house during the tabling of the 2006 Provincial Budget, the unemployment rate in the province for September 2005 was 26,9 per

cent as compared to the rate of 24,8 per cent during September 2004. The level of unemployment in the country as at March 2006 was 25,6 per cent, down 0,7 per cent from September 2005, while in Mpumalanga the rate of unemployment at March 2005 was 27,4 per cent and remained at 27, 4 per cent for the period up to March 2006. This stabilisation in the unemployment levels indicate that we are creating more jobs and our labour absorption rate has improved. However, we are still not absorbing new entrants/graduates as quickly as we should. The stabilisation offers our government an opportunity of developing strategies to reduce the unemployment rate, at least to a level of the national unemployment rate or lower. We are no longer chasing a moving target.

Growth Trends

The upsurge in economic activity has benefited the high growth in the country and in particular Mpumalanga. In 2004, Mpumalanga contributed 6,8% to the national GDP, which was the fourth largest contribution to South Africa's economy. Mpumalanga recorded an economic growth rate of 4,1 per cent during 2004, in comparison to the national average of 4,5 per cent. During 2005, South Africa's growth rate was 5,1 per cent, while Mpumalanga's economy grew by 4,3 per cent. In 2006 the provincial economy was projected to grow by 5.6 per cent.

We re-iterate what we have stated before, Madam Speaker, that growth is not enough if it cannot optimally translate into reduced poverty levels, less income disparities and job creation in the province. The statistics by the Labour Force Survey indicate that, as at the end of March 2006, personal monthly income for the employed, (between the ages 15 – 65), 84 per cent of those earning R2 500 or less are African. The challenge of income disparities has to be tackled as a matter of priority in order to reduce the levels of poverty. Lest we stand the risk of failing to realise the United Nations Millenium Development Goal of reducing levels of poverty by half by 2015.



Let us remember that, as a country, we have set ourselves more ambitious targets, than the global ones. We aim to have no household using the bucket sanitation system by the end of 2007, to provide all communities access to clean potable water by 2008, to provide all communities access to decent sanitation by 2010 and to provide all our people access to electricity by 2012.

Key growth drivers

There has been faster growth in manufacturing and mining, and these sectors still remain the key growth drivers in the economy of the province.

We need to pay special attention to potential growth sectors like tourism and agro processing, so that we can reduce the unemployment rate of 27.4%. The reduction in unemployment rate will only be realised through investment that is labour absorbing.

Tourism has a significant impact on job creation. Tourism has the potential to be a leading growth sector in Mpumalanga, given the scenic beauty of our province.

The Plan of Action of the Economy, Investment and Employment Cluster for 2007 / 2008 has the following targets for tourism:

- Launching of the Brand Awareness Campaign
- Increasing the number of tourists by 10%
- Moving Mpumalanga from position 7 to position 5 nationally as a tourism destination of choice.

Value Added

According to Statistic SA the most important sectors to the economy of Mpumalanga, are fuel, petroleum, chemical and rubber products, which produce R2,450 billion or 38,5 per cent of the total Mpumalanga gross value added. Other important sectors are metal products, machinery and household appliances. In addition, food products and beverages are significant contributors to the gross value added total. The five main manufacturing sectors i.e. chemicals, iron and steel, food, wood products, paper and paper products, together contribute more than 88% to the value of manufacturing output in the Province. Recent research shows that Mpumalanga has more potential for improving on value added initiatives rather than exporting primary products.



This would contribute to exports, and to economic growth. The point being made is that a large proportion of the value added potential in downstream activity is not realised within the Province.

SMME Development

Madam Speaker, among the detailed programmes the government identified, was a programme to promote the growth of the small and medium business sector.

In order to develop a support programme for the small enterprise sector, the Department of Trade and Industry conducted a ten-year review of public sector support for South Africa's small enterprise sector from 1995 to 2005. The ten-year review findings, coupled with annual reviews on small enterprise support from 2003 onwards, indicated that:

- The sector has doubled in size over the past decade.
- Small enterprises have become increasingly sector differentiated.
- The differentiation trend has also spread into the informal sector and survivalist enterprise activities with operational, technical and market challenges of each niche differing significantly from others.
- Insufficient depth and professionalism amongst the network of service agencies is leading to erratic service delivery.

The review provided a basis for the development of the Integrated Small Enterprise Development Strategy tabled and approved by Cabinet in October 2005. The pillars of this strategy can be summarised as follows:

- Promoting entrepreneurship and increasing the supply of entrepreneurs through various measures, including entrepreneurship education, promotional campaigns and removing barriers to entry
- Improving the conditions for starting and operating an enterprise through more flexible regulations, better access to finance and markets, improved infrastructure facilities and business support



- Enhancing competitiveness and capacity at enterprise level, through skills training, more focussed support to increase quality, productivity and competitiveness of small enterprise, and the facilitation of technology transfer and private sector partnerships to support small business incubation programmes.

In the 2005 / 2006 Financial Year, 557 SMME accessed funding, while 1 456 entrepreneurs have received training. During the 2007 the Department of Economic Development and Planning, has set highly encouraging targets, which are demonstrative of the Provincial Government's resolve with regards to SMME Development. These targets include establishing 10 cooperatives in the growth sectors, facilitating access to finance for 200 enterprises, and 3 dedicated programmes for targeted groups (women, youth and disabled). In addition, the provincial Goods and Services budget of R12.03 billion over the next MTEF period, will be implemented in compliance with the Preferential Procurement Framework Act, in order to maximise the development of SMMEs.

However, SMME development is not only government's concern. Other role players, especially conglomerates, could help towards ensuring the sustainability of existing enterprises by affording these enterprises the opportunity to benefit from their procurement processes.

Growth of the financial services sector

We indicated in our last budget speech, Madam Speaker, that there is scope to grow our financial services sector further, especially with the growing trends, nationally, towards call centres and business process outsourcing (BPO) industries. We went on to urge the province to take advantage of this trend, which would contribute significantly to enhancing the potential of attracting foreign direct investment. It could be, Madam Speaker, that because of the finalisation of the merger process, our parastatals, some of whom are responsible for industrial development and attracting foreign direct investment, were not yet ready for this task, as they had to consolidate their organisations first.

However, the managers of these entities, as well as the relevant government departments, must know that such opportunities, once lost, will be lost forever.



Broad Based Black Economic Empowerment (BBBEE)

We indicated to this house, in our tabling of the 2006 Provincial Budget, that our focus would be around the performance of the Preferential Procurement Policy Framework Act (PPPFA), and Supply Chain Management Framework.

We have realised that departments are not adhering to the pre-requisites of the Preferential Procurement Policy Framework Act (PPPFA). This is a major challenge that hinders the province to effectively contribute to the empowerment of the historically disadvantaged individuals. We will, therefore, during the coming financial year, introduce a policy framework that will ensure uniform application of the PPPFA across departments.

In order to have a well-informed policy, the Department of Finance will commission a study and analysis of the Provincial Spending – that is, to analyse procurement decisions in departments in terms of who benefits, geographic spread, and compliance with the PPPFA. This will ensure that money is retained within the province.

Madam Speaker, in order to streamline and improve on government procurement methods at a provincial and local government level, we have continued to support departments and municipalities to adhere to critical supply chain management procedures and practices in line with applicable regulations.

We continue to strengthen internal controls through building the necessary capacities particularly through training and on-site management and technical support. We are also providing advisory and management services to municipalities. This will ensure that they establish the necessary structures, delegations and other pre-requisites to ensure smooth implementation of Supply Chain Management.

Madam Speaker, the Executive Council has in September 2006 approved in principle a provincial framework on Public Private Partnerships (PPP) with the objective of ensuring uniformity in approach and a coherent method in enabling the province to improve its infrastructure and service delivery.



We will also continue to transform our service points in an attempt to enhance our image. This will include exploring new cost-effective innovations of conducting business so that we are able to speedily and accurately respond to the needs of our clientele. The provision of ongoing training, support and development will always be encouraged in order to build a responsive and an empowered cadre of practitioners. For this purpose, as an addition to our current efforts and initiatives, we are exploring an exchange programme with the private sector to assist with skills development, attitude and ethic transformation.

Madam Speaker, the procurement of goods and services should enable any institution to meet the objectives of Supply Chain Management. Therefore, we will assist in building capacities of the low and medium capacity municipalities around supply chain management. All our interventions in this regard, which include facilitation and coordination of training, assistance in the establishment of committees and the appointment of qualified personnel and other related technical assistance, will play a role in avoiding qualified reports by the Auditor General.

Madam Speaker, Information Technology effectively supports and enhances the business of government and improves the ability to deliver responsive, cost-effective government functions and services to our clientele. As a result we have continued to ensure effective utilization of technology to achieve business functions and services. We are thus increasing citizen access to those services, sharing information and resources at all levels of government.

To this effect we are maximizing investment in IT resources through the development and implementation of Master Systems Plan (MSP) that will contribute to the creation of an information subway for the province.

The “BIG 5” projects of Mpumalanga: Mpumalanga In Action

The “Big 5” Projects, namely Maputo Development Corridor, Moloto Rail Development Corridor, Tourism, Heritage and Conservation, Water for all, and Accelerated Capacity Building, have been identified as projects that will give impetus to economic development in the province.



They will not only massify employment creation, they will also contribute to the provision of much needed infrastructure and improved service delivery. The Accelerated Capacity Building project, in particular, aims to build capacity within the provincial administration to effectively implement policies. The state is increasingly expected to intervene where markets have failed to deliver, especially on the broader social goals of ensuring a more inclusive economy. Delivery on such an expectation requires that capacity within departments and other public entities be addressed commensurately.

As the Honourable Premier indicated, we all believe that the Big 5 Development Programmes will soar and enjoy the majestic reputation that the “Big 5” of our abundant wildlife has. These “Big 5” of Mpumalanga must be like development sunbeams of the African Sun in our province.”

It is therefore around these projects that the citizens of Mpumalanga should focus and coordinate efforts. Activities in all spheres of government should be coordinated towards success of the Big 5. Indeed, the implementation of the Big 5 should be the embodiment of Mpumalanga in Action. To ensure that these projects get off the ground, the Budget we are tabling today provides for R58, 942 million to ensure that all the work that must be done, preceding the implementation of these projects, is catered for.

PROVINCIAL MEDIUM TERM EXPENDITURE COMMITTEE HEARINGS

Madame Speaker, in order to work towards a coherent budget process, the Provincial Treasury has introduced Medium Term Expenditure Committee Hearings (MTEC Hearings) during 2006 / 2007 financial year.

OBJECTIVES OF MTEC

The objectives of MTEC are:

- to improve analysis of key policies;
- fully examine the extent of reprioritisation;
- evaluate realistic spending plans;



- focus on policy areas and concurrent functions;
- finalise recommendations for consideration by the Budget and Finance Committee as well as the Executive Council;
- reach agreement with departments on revisions to their medium-term budgets;
- assist in deciding on allocations to departments;
- determine the need for increase or decrease of funds.

The MTEC Hearings enabled the Provincial Treasury to take a leading role in assisting and directing departments' budget bids and ensuring that the limited resources available to the province are used in the most efficient manner. MTEC Hearings also assisted determining whether the implementation of the agreed priorities that informed the preparation of the 2007/08 budgets is on track from an implementation perspective.

Key to this was to determine whether the funding for these priorities was adequate in the first instance and subsequently whether the department will be confronted with any pressures in this regard. Lastly, MTEC Hearings provided an opportunity to check whether there are any synergies between the 2007 priorities and the proposed 2008 priorities.

INFRASTRUCTURE DELIVERY

During 2005/06 and the beginning of 2006/07, the Province found itself facing several challenges in terms of infrastructure service delivery and expenditure thereof. The consequences of failure to deliver on the Province's infrastructure needs have dire impact on development and future funding.

In terms of the Division of Revenue Act, the requirements for infrastructure funding to flow to a province are the submission of infrastructure plans, which include organisational support plan and infrastructure programme implementation plan, in the prescribed format on a date determined by National Treasury as well as submission of quarterly reports on physical progress with implementation of infrastructure projects in addition to in-year expenditure monitoring reports. Reported information should cover the full infrastructure budget in the province, not only the grant allocation.



Reports should also indicate progress in terms of expenditure and jobs created with EPWP designated projects.

The flow of the grant is conditional upon submission and approval of quarterly reports.

The Provincial Treasury realised that without additional operational and programme management support in the Provincial Departments that are responsible for delivering infrastructure, the Province was facing a possible under-expenditure on its 2006/2007 infrastructure budget.

The Province has exercised its option as per the Division of Revenue Act Section 9 (3) to ensure that successful service delivery takes place moving forward into 2007/08 and the MTEF period. The Provincial Treasury has procured Operational Support Teams for all infrastructure delivery departments

The following Provincial Departments were identified as needing additional operational support to ensure successful and sustainable infrastructure service delivery:

- Roads and Transport
- Health and Social Services
- Local Government and Housing
- Education
- Public Works
- Agriculture and Land Administration
- Culture, Sport and Recreation

Additional support in the form of project managers and financial experts has been provided to the seven infrastructure delivery departments listed above.

OPERATIONAL SUPPORT TEAMS

The Operational Support Teams will primarily be responsible for:



- Ensuring that all necessary activities are planned and implemented in order for effective infrastructure service delivery to take place on behalf of Client Departments;
- Implementing best practice methodologies and systems in the infrastructure delivery function as defined within the National Treasury Guidelines of the Infrastructure Delivery Improvement Programme (IDIP);
- Implementing change management methodologies in the infrastructure delivery processes;
- Where appropriate, building the Department's capacity for the delivery of infrastructure.

INFRASTRUCTURE DELIVERY IMPROVEMENT PROGRAMME (IDIP)

Madam Speaker, we would like to confirm that the flow of the grants has now normalised and the Provincial Infrastructure grant for 2006/07 has been received on due dates.

Madame Speaker, in 2001 the National Treasury commissioned a review of provincial service delivery systems with the view to enhance infrastructure delivery. The review identified various deficiencies that impacts negatively on the effective and efficient delivery of infrastructure by the provincial departments.

The review recommended amongst others that a framework be developed to guide and structure the management of infrastructure delivery and that support be provided to provincial departments to develop their capacity to plan, manage and sustain infrastructure delivery.

Subsequently, the Government decided to promote the recommendations of the review report by means of a multi-sector and multi-partner capacity building programme. The Infrastructure Delivery Improvement Programme (IDIP) philosophy came into existence.

The Infrastructure Delivery Improvement Program (IDIP), aims to assist in addressing identified deficiencies in infrastructure delivery management.



It identifies and addresses capacity and skills deficiencies through technical assistance, and improves infrastructure delivery, both in terms of long-term planning and short-term delivery.

Provincial Technical Assistance Support Teams (PTATS)

Madame Speaker, currently the National Treasury has deployed two Provincial Technical Assistant Teams for the Department of Public Works and Education to perform the following functions:

- Promote the principles supported by the IDIP and which are embedded in the Delivery Management Toolkit comprising guidelines, templates and a delivery management system.
- Assist the Departments to define their infrastructure planning and delivery management business processes.
- Assist the Departments to improve their infrastructure plans, programme management plans, service delivery agreements and to establish the appropriate programme management capacity within the departments;
- Promote the best practice guidelines set down within the CIDB Standard for Uniformity in Construction Procurement.

The Provincial Programme Steering Committee on Infrastructure Delivery ("Committee") has been established. This committee is constituted to manage the Infrastructure Development Improvement Programme (IDIP) on an executive level. The primary objective of the Committee is to provide vision and direction to the other infrastructure committees in the province.

Own Revenue

Madam Speaker, the drive to improve efficiency and effectiveness in spending within provincial governments, the desire to boost economic activity and to provide for a better life for all, necessitates provincial departments to prudently look at own revenue policies, which remains an essential source of provincial funding.



The need to provide for provincial priorities, requires provincial governments to seek revenue sufficiency, i.e. a stream of cash receipts equalling or exceeding the financial obligations, when due. Thus as a province we need to find ways and means to optimise collection on existing sources as well as exploring new sources of own revenue as stated in Chapter 7 of the Treasury Regulations.

The role performed by provincial departments in terms of revenue management also varies largely across departments. Provincial departments with dedicated revenue sections tend to play a more active role in revenue generation and management and also have regular interactions with revenue sections even at regional level. Where departments share revenue management with other functions, such as expenditure management, the tendency is to focus more on expenditure management.

All departments will be assisted to have monthly own revenue workshops that aim to look at trends of own revenue within each department and address problems that may arise.

Certain revenue sections are already quite progressive in their approach to revenue management and continuously seek to improve on revenue management.

The Provincial Treasury with the assistance of National Treasury will implement a revenue-forecasting model that will be rolled out to the department of Roads and Transport, which is a main collector of own revenue. The Provincial Treasury will also assist the rest of the provincial departments with revenue forecasting in a more credible way.

Capacity Building in all cash offices cannot be over emphasized. The Provincial Treasury will continue to assist provincial departments with training on revenue management issues.

The Own Revenue Forecasting Model will assist with the following:

- It caters for all the relevant financial and statistical information to make better sense of the data
- Form a basis for better decision-making



- Automate statistical and economic calculations
- Conduct scenario and sensitivity analyses to point critical areas
- Audit and track forecasting performance
- Aid in more accurate forecasting and forecasts of revenue figures over the budget period on monthly basis using certain information from NaTIS as well as assumptions on hospital fees, interest on bank balances and investment and casino taxes.

The Revenue Forecasting Model will be rolled out to the provincial departments as soon as the National Treasury gives approval to do so.

Madam Speaker, Provincial Own Revenue to be raised during 2007/2008 financial year amounts to R337, 855 million.

The contribution per major source of revenue is as follows: Gambling and Betting taxes – R25, 951 million, Hospital Patient fees – R22, 145 million and Motor vehicle licences – R174, 831 million and others – R114, 928 million. The projected own revenue budget for the remaining MTEF period is as follows: R355, 025 million for 2008/09 and R384, 358 million for 2009/10.

REDEMARICATION

The changes in boundaries resulted in significant and immediate shifts in expenditure responsibilities among provinces. The movements above had implications on assets, liabilities, rights and obligations for all sector departments from both provinces, operating within the areas mentioned above.

The implementation protocol entered into and signed on 28 February 2006 between the Honourable Premiers of both Mpumalanga and Limpopo provincial governments provides for a full audited record of assets, liabilities, rights and obligations associated with functions and services of both provinces.

The Provincial Treasuries of Mpumalanga and Limpopo worked together to ensure the implementation of the protocol.



The administrative issues affecting all departments with regard to the protocol are to be monitored by the Provincial Treasury until the end of the financial year 2006/07.

The budget of the Province has been amended to cater for the additional responsibilities in terms of the new demarcations. The Provincial Equitable share for the MTEF period increased by R1,266 330 billion (2007/08), R1,338 317 billion (2008/09) ,and R1,790 837 billion for 2009/10 to cater for the increase in the population of Mpumalanga by approximately nine hundred people.

FISCAL POLICY AND THE BUDGET FRAMEWORK

Provincial Equitable Share

The Provincial Equitable Share has been increased from R12, 559 billion in 2006/07 to R14, 140 billion representing an increase of R1, 581 billion or 12.6% in 2007/08.

On the other hand the Conditional Grants have increased from R1, 475 billion in 2006/07 MTEF to R1, 729 billion in 2007/08 financial year. All these increases are to provide for the following priorities:

Social Services Priorities

Education:

Teacher development, targeted at developing valuable skills that would enhance teaching quality in subjects like Maths Literacy and Life Orientation. Grade R teaching and School Management, both vital conditions to the delivery of quality teaching and learning, are also targeted;

Education systemic evaluation is targeted to determine the efficacy of the system so that appropriate interventions can be introduced. Funding will allow the Province to conduct its own evaluation and introduce interventions that are specific and more focused areas.

The provincial fiscal framework provides for the scaling up of the remuneration packages of school managers (principals) from 1 April 2007 and extending it to other



educators over the MTEF. The exact detail on how the revised remuneration packages are to be introduced will be communicated to provinces once finalised. The framework also provides for the employment of administrative staff in schools.

Health:

Madam speaker, 90% of the population in Mpumalanga is wholly dependent on government for the provision of all their health services. Health Emergency Medical Services are prioritised to speed up rollout of the EMS model (shorter response times, better communication systems, vehicle replacement, introduction of aero-medical services, training course for basic ambulance assistants). This should significantly enhance the readiness of the service for the 2010 World Cup.

The implementation of the Health Professional Remuneration Review and the creation of additional posts for health professionals. Government intends to further improve the service conditions of professional health workers and boost health professional numbers over 5 years;

Social Development:

The employment of social auxiliary workers, who would be responsible for tasks that do not legally require a social worker. It is intended that, through in-service training and further studies, some would progress to becoming social workers. Scholarships to boost the increase in supply of social workers in the social development sector.

Non-Social Services:

Provincial roads, agriculture, economic affairs and tourism) that contribute to rural development, and to give effect to Government's labour-based and labour intensive programmes.

Movements in Inflation

This year's budget framework has been adjusted to take account of movements in inflation since the 2006 Budget. Departments were advised to take into account the following revised inflation projections, published in the 2007 Medium Term Budget Policy Statement:

- 6.0 per cent in 2007/2008



- 5.0 per cent in 2008/2009
- 5.0 per cent in 2009/2010,

as well as 1 per cent pay progression of the wage bill. The salary increases come into effect on 1 July each year for salary levels 1 – 12, or 1 January in respect of Senior Management Staff and political office bearers.

FINANCIAL GOVERNANCE

The Public Finance Management Act (PFMA)

Madam Speaker, Honourable Premier, as we indicated to this august house in our tabling of the Provincial Budget Speech of 2006, our aim was to produce twelve unqualified reports. We have not achieved our aim, as we got eleven unqualified reports, and one qualified report. We did not get disclaimers. In addition, two departments received clean audits, while three had one emphasis of matter, and the rest had more than four emphasis of matter each.

As we have done with the previous audit outcomes, the Provincial Treasury has put in place a Plan of Action per department, to address all the concerns raised by the Auditor-General. Internal Audit units of each department are responsible to ensure that the issues raised by the Auditor-General are corrected.

Madam Speaker, we have informed departments, during the Medium Term Expenditure Committee hearings on the 2007 Budgets, of the shortcomings, identified by Provincial Treasury, in their departments, regarding financial governance. We do not expect any department to overspend on their allocated funds, while equally; there is no justification to underspend, while we still have a myriad of development problems to resolve.

The Municipal Finance Management Act (MFMA)

As reported in the tabling of the 2007 Budget, the department continued to assist municipalities, and will continue to do so, in the following areas:

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



The Municipal Finance Management Unit has assisted the Lekwa Local Municipality to update its books of account and have them ready for audit. We have also provided training, to municipalities, in financial management, in order for them to sustain their financial management capacity. In addition, the Minister of Finance has increased the number of delegated municipalities by 4, to 21.

As soon as time and obligations permit, all the newly delegated municipalities will be visited in order for the staff of the unit, and myself, to familiarise ourselves with the status quo regarding financial management, compliance, and other issues.

Financial Management

As has become the norm, the province continues to be one of the best performers in relation to spending its budget allocation. We had spent 70,7% of our adjusted budget at the end of the third quarter, against a national average of 69,9% for the same period. Mpumalanga is the fourth highest spending province in this period.

We must caution, Madam Speaker, that, given the impressive spending levels, we should not be oblivious to value for money issues. In addition, as the Honourable Premier indicated, we need to fight corruption. We have in place the Monitoring and Evaluation Unit, which ensures that there is compliance with the PFMA, MFMA, and Norms and Standards in all infrastructure projects.

Provincial Revenue and Allocations per Department

We wish to indicate, Madam Speaker, that the Medium Term Expenditure Framework approach to budgeting entails multi-year budgeting, implying that financial planning is not a single year activity. We therefore wish to present the provincial budget for the MTEF period 2007 – 2009.

The budget we are tabling for the 2007/08 Financial Year is R16, 211 billion, which represents a 26, 3% increase from the previous year's budget of R12, 832 billion. The R16, 211 billion is made of R14, 013, billion of equitable share, R1, 729 billion of conditional grants, R335, 110 million of own revenue and R133, 626 million from the provincial surpluses.



The remaining R58, 942 million is put aside as a Contingency Reserve to cater for the “Big 5” Projects and other unforeseen and unavoidable provincial expenditure.

VOTE 1: Office of the Premier

The Office of the Premier is allocated an amount of R148, 821 million to continue with among other functions the governance coordination role, and management of international relations. The estimates for the outer years are R157, 453 million (2008/2009) and R144, 051 million (2009/2010).

VOTE 2: The Provincial Legislature

The Provincial Legislature is allocated an amount of R70, 260 million in order to fulfil its oversight functions. These functions include bringing government closer to the people. The estimates for the outer years are R69, 426 million (2008/2009), and R72, 897 million (2009/2010).

VOTE 3: Department of Finance

The department is allocated an amount of R145, 052 million. The Department is responsible for, among others, the uniform application of supply chain management, proper management of assets and liabilities, IT, and for 20 municipalities delegated by the Minister of Finance. The estimates for the outer years are R147, 645 million (2008/2009); R158, 790 million (2009/2010).

VOTE 4: Department of Local Government and Housing

The Department of Local Government and Housing is allocated an amount of R839, 586 million, amongst others, to recapitalise 5 LED projects in targeted municipalities; the construction of a Provincial Disaster Management Centre, the renovation and completion of 14 Multi-purpose Community Centres, and for social housing and upgrading of informal settlements. The estimates for the outer years are R958, 944 million (2008/2009); R1, 060 billion (2009/2010).



VOTE 5: Department of Agriculture and Land Administration

The department of Agriculture is allocated an amount of R621, 073 million, which will be used amongst others for Masibuyel'emasimini, assisting 7498 peasant farmers, support for the establishment of 5 apple projects, and for the distribution of 600 Agricultural Starter Packs in the 3 districts. The estimates for the outer years are R685,672 million (2008/2009); R743,876 million (2009/2010).

VOTE 6: Department of Economic Development and Planning

The department of Economic Development and Planning is allocated an amount of R361, 348 million, which will be used amongst others, to identify and scope economic opportunities along Moloto Rail Development Corridor, the finalisation of the Provincial Industrial Strategy; trade industry and tourism development and the promotion of Foreign Direct Investment. The estimates for the outer years are R359,389 million (2008/2009); R386,486 million (2009/2010).

VOTE 7: Department of Education

The department of Education is allocated an amount of R7,956 022 billion which will be used to recapitalise FET colleges; recapitalise Public Primary schools as part of the QIDS-up programme, and for food security and nutrition, among others. The estimates for the outer years are R8, 600 billion (2008/2009); R9, 372 billion (2009/2010).

VOTE 8: Department of Public Works

The department of Public Works is allocated an amount of R355, 070 million, amongst others, to massify and up-scale the Expanded Public Works Programme (EPWP); and implementation of the Infrastructure Delivery Improvement Programme (IDIP). The estimates for the outer years are R374, 668 million (2008/2009); R402, 917 million (2009/2010).



VOTE 9: Department of Safety and Security

The department of Safety and Security is allocated an amount of R44,510 million, to among others, support school safety initiatives, to mobilise communities in the fight against crime, and to develop the 2010 Integrated Safety Plan. The estimates for the outer years are R44,136 million (2008/2009); R46, 343 million (2009/2010).

VOTE 10: Health

The Health component of the Department of Health and Social Services is allocated an amount of R3, 595 billion which will be used to improve rural and urban EMS response times, recruit health professionals. The estimates for the outer years are R4, 132 billion (2008/2009); R4, 662 billion (2009/2010).

VOTE 11: Department of Roads and Transport

The department of Roads and Transport is allocated an amount of R1, 421 billion, which will be used for amongst others, the upgrading of 57 km roads, and improvement of drainage along 14km of road, thus creating 1800 job opportunities; and on Public Transport Capital Projects. The estimates for the outer years are R1, 441 billion (2008/2009); R1,576 billion (2009/2010).

VOTE 12: Department of Culture, Sport and Recreation

The department of Culture, Sport and Recreation is allocated an amount of R156,075 million, for the construction of the Provincial Archive Centre, the renovation of 8 public libraries in 8 municipalities; the development of film and video sector in the province, in terms of the 2010 FIFA World Cup, the establishment of fan clubs, public viewing sites, etc. The estimates for the outer years are R184,603 million (2008/2009); R213, 704 million (2009/2010).

VOTE 13: Social Services

The department is allocated an amount of R497,517 million, which will be used to scale up welfare services to deal with, among others, welfare services legislation: Children's, Older Persons and Child Justice Acts; for increased support for children's homes, and to address the challenges of substance abuse. The estimates for the outer years are R669,022 million (2008/2009); R719,450 million (2009/2010).



The total amounts Madam Speaker, to be voted for in the Mpumalanga appropriation bill 2007 is R16, 210 778 billion for 2007/08, R17, 824 634 billion for 2008/09 and R19, 559 413 billion for 2009/10.

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

The 2007 Policy Budget Speech
2007/2008 Appropriation Bill
2007/2008 Budget Statement
2007 Budget Made-Easy booklet

Conclusion

Madam speaker, allow me to conclude by thanking the premier, members of the Executive Council, members of the Legislature, public servants especially those from my department, the Portfolio Committee for their oversight, guidance and support and continued confidence in me.

Let us all make 2007 a year where we will be returning confidence back to youngster like Mandisa Ngomane when she asks questions like: "Is the Minister of Finance compensating nurses for negligence of patience and forever disappearing of medicines?" Let us continue making ugogo Buthelezi from Thekwane South, who was so proud to own a house for the first time, but was happy irrespective of the fact that the house did not have internal doors and the electricity was not connected.

In the pursuit of "A Better Life for All", we experience difficulties and challenges, but let me remind that:

"Every government or institution – no matter how great it is – faces difficult times.

There are no enduring great institutions that have a perfect, unblemished record.

They all have ups and downs.

The critical factor is not the absence of difficulty but the ability to bounce back and emerge even stronger".

Adapted from Jim Collins' "Good to Great"



To my family, thank you for always giving me a shoulder to lean on. To our guest, we thank you for taking time to be with us, on this important day.

I thank you.