finance
DEPARTMENT: FINANCE
MPUMALANGA
PROVINCIAL GOVERNMENT

SHAPING PROGRESS

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MPUMALANGA MAIN BUDGET APPRORIATION SPEECH: 2008/2009
PRESENTED TO THE MPUMALANGA PROVINCIAL LEGISLATURE
BY MEC FOR FINANCE,
MRS EM COLEMAN, MPL
Tuesday, 04 March 2008

Madam Speaker – Mrs YN Phosa
Deputy Speaker – Mr BJ Nobunga
Honourable Premier – Mr TSP Makwetla
Colleagues in the Executive Council
Honourable of the Select Committee on Finance- Mr. B Mkhaliphi
Honourable Members of the Legislature
The former MEC's for Finance, Messrs JB Modipane, LLL Chiwayo and JI Mabena
Honourable Mayors and Councillors
Chairpersons of boards of our Public entities
Members of the House of Traditional Leaders
The Director General
The Head of the Department of Finance
Other Heads of Departments and CEOs of our Public Entities
The Business Community
Social Partners
Distinguished Guests
Members of the Media
Ladies and Gentlemen
Family and Friends

Madame Speaker, Honourable Premier, Honourable Members, distinguished guests – it really has to be business unusual

When addressing the Nation on the occasion of the opening of Parliament on the 8th February this year, President Thabo Mbeki called on the Nation to rally together and unite in the spirit of Business Unusual and he said, I quote,

'More than at any other time, the situation that confronts our nation and country, and the tasks we have set ourselves, demand that we inspire and organise all our people to act together as one, to do all the things that have to be done, understanding that in a very real sense, all of us, together, hold our own future in our hands!' unquote.

These words madam Speaker, should firmly resonate in all our minds and should find further impetus in Chief Albert Luthuli's Presidential Address to the Forty-fifth Annual Conference of the African National Congress, Orlando, Johannesburg, December 16, 1957, in which he said, I quote,

'We must not underrate the task ahead of us on our forward march to freedom; it is most exacting and colossal. It confronts us with many problems, internal and

external, in our life and death struggle for freedom, nay for existence of life itself since we are faced by a ruthless oppressor.

Success will only come our way if we face this threat with indomitable courage and tenacity of purpose. We must build a formidable force of freedom lovers on the basis of a broad freedom front. We must seek to develop in our people a spirit of DEFIANCE that will despise terrorism and violence as methods of struggle.

Let no difficulties and temporary set-backs in our struggle discourage us and our vision of a united democratic South Africa; a South Africa where human relations shall rest on the firm foundation of equality, friendship and respect for human dignity,' unquote.

We must, Madam speaker, in meeting today's challenges, seek to develop in our people a spirit of DEFIANCE that will despise poverty, unemployment, illiteracy and all that underdevelopment has imposed on us.

Madam Speaker both these great leaders of our country are in their words further entrenching in us as a people the undeniable fact that we have the key to socio-economic freedom. The democratic government of the day has in so many instances re-iterated this truth, through its policies, principles, laws and regulations.

Indeed, Madam Speaker, all hands must be on deck to achieve the objectives of the 24 Apex Priorities-all three spheres of government, at both Executive and administrative levels. All hands must be on deck in Mpumalanga to ensure that the five Flagship Projects, which are calculated to have macro-impact on the socio-economic development of Mpumalanga-succeed.

However, all hands on deck will not have much impact if there was no urgency to it, that is, the development needs that must be met are of such urgency that they have to be treated in unusual ways.

As the Honourable Premier indicated in the debate on the State of the Province Address, the Flagship Projects are an innovative way of accelerating development through the public sector. There is a collaborative way that things are being done in government that has not been seen before. What provincial Clusters have done already, and that which they have geared up to do - all joining up to focus on one objective, is something that cannot be said to be usual.

To illustrate this point with but one example, Madam Speaker, allow me to refer to Maputo Development Corridor. Work is underway to identify bankable projects from municipalities IDP's.

These projects will then become the responsibility of Mpumalanga Economic Growth Agency to promote locally and or internationally in order to attract local funding from the private sector and Foreign Direct Investment.

The budget proposals that we are tabling here today, Madam Speaker, address the objectives and principles of the national apex priorities, while in many instances, directly responds to the pronouncements by the Honourable Premier in the State of the Province Address.

But, reality dictates that we are conversant with the outlook of the economy, from all fronts and angles so as to be in a position to take appropriate corrective steps should deviations occur.

ECONOMIC OUTLOOK

- Prospects for the South African economy

While economists had predicted a slump to 4,3 per cent in economic growth in the third quarter, Statistic South Africa reported an annualized 5,3 per cent growth, up from a revised 4,8 per cent for the 4th Quarter of 2007. Although the immediate visible impact was on the strengthening of the rand by one per cent, economists still expect a deterioration in the first quarter of the current year, when the impact of the energy crisis is likely to reflect on the economic output.

- Agriculture, forestry and fishing rose from 5,8 per cent in the third quarter to 10,4 in the fourth quarter. The best performing sector is manufacturing, which rose 8,2 per cent after a 2,5 per cent contraction in the third quarter. The Financial Services Sector dropped from 12, 3 per cent to 8,5 per cent, while construction achieved doubled-digit growth, in 16 consecutive quarters, due to the impact of government infrastructure spending.

  On the downside, mining contracted 1, 7 per cent, while electricity output slipped to 1,8 per cent, which adds to the expectations of a deterioration in the first quarter of 2008 as indicated earlier.

  It might appear, Madam Speaker, that the Minister's remarks about "storm clouds ahead" might not be justified. However, in its release of CPIX- inflation data on 27 February 2008, Statistics South Africa came up with what financial reports referred to as "inflation at shock 8, 8 per cent", thus increasing the prospects of another interest rate hike when the monetary policy committee meets in April 2008.

  However, because of the country's prudent fiscal stance, which includes inflation targeting and a floating exchange, a cushion has been put in place against shocks and pressures on interest rates.

Prospects for the economy of Mpumalanga

Madam Speaker, in evaluating the state of our economy in the province, let me borrow the words of the State President when describing mainstreaming of the second economy, and I quote:

"Economic growth, development and black economic empowerment are complementary and related processes. The empowerment that we speak of is an inclusive process and not an exclusive one. No economy can meet its potential if any part of its citizens is not fully intergrated into all aspects of that economy. Equally, it follows that any economy that is not growing cannot intergrate all its citizens into that economy in a meaningful way" – President Thabo Mbeki

Madam Speaker, this is precisely the challenge we are facing as Mpumalanga- that of integrating our citizens into the economic mainstream, and this needs a practical and effective approach.

Madam Speaker, Mpumalanga recorded an economic growth rate of 4,4 per cent during 2006. This follows a growth rate of 4,2 per cent in 2005. In 2006, the largest contributors to the Provincial economy were the mining and quarrying industry at 19, 4 per cent, manufacturing industry at 17, 7 per cent, and the finance, real estate and business serviced industry at 11,4 per cent. The construction industry made the lowest contribution namely, 1,8 per cent to the GDP of Mpumalanga.

The economy can attain a higher growth rate by increased focus on the following areas, among others:

- Maximizing Agricultural potential of the province through the manufacture of Bio-fuel and agro processing
- Expanding on the Construction industry – especially in new developments such as building of roads, stadia, hospitals, schools etc.
- Maximising the potential of the tourism industry

- Unemployment

In terms of the Labour Force Survey results released by Statistic South on 26 September 2007, the provincial unemployment level was 26,3 per cent in March 2007, a 1,1 per cent decrease from the 27,4 per cent recorded for March 2006. Mention must also be made, Madam Speaker, that the provincial level of unemployment is higher than the national average, which was 25,5 per cent at March 2007.

- Districts

Gert Sibande's annual growth increased from 0, 7 per cent in 1997 to 4, 4 per cent in 2000, only to decline to 1, 3 per cent in 2001, where the other district's annual growth decreased as well.

All the districts annual growth increased with Nkangala from 1,4 per cent in 2001 to 3,1 per cent in 2006, while Gert Sibande increased from 1,3 per cent in 2001 to 6 per cent in 2006, and Ehlanzeni from 0,85 per cent in 2001 to 3,2 per cent in 2006.

Gert Sibande is exhibiting an overall accelerating trend with average annual growth of 3, 1 per cent, followed by Ehlanzeni with 3,0 percent and Nkangala with 2,9 per cent in the ten year trend (1997-2006).

Madam Speaker, the statistics we have outlined per district clearly indicate that our districts are not taking advantage of the competitive advantages they have fully. Without blemishing and/or undermining any of the successes the districts have achieved thus far, more can still be done.

With the natural endowments of minerals, agriculture, tourism and a broad industrial base, Nkangala for example, should have grown more than the 3,1 per cent it attained in 2006, while the same can be said of Ehlanzeni, with its vast and diverse agricultural produce and tourism base.

It therefore means, Madam Speaker, that in order to ensure that the province makes a meaningful contribution to the national effort to reach a growth rate of 6,0 per cent, districts must identify the sectors in which they have competitive advantages so as to enable MEGA, Mpumalanga Economic Growth Agency, to formulate appropriate sector promotion and investor targeting strategies.

REVIEW OF THE 2007/2008 FINANCIAL YEAR

Madam Speaker, when we stood before this august house on the 06 March 2007, we made certain promises. Allow me therefore to reflect on how far we have gone since the report back we gave when we tabled the adjustment budget in November 2007.

- Preferential Procurement Policy

We have during this current financial committed ourselves to introduce a Mpumalanga customised Preferential Procurement Policy framework. Indeed, we have managed to produce a draft following extensive consultative processes with the many stakeholders within the province, with the objective of ensuring uniformity and standardisation of the processes, practices and procedures which will result in the progressive empowerment of the historically disadvantaged individuals particularly women and people with disabilities.

The process has not been finalised as yet, due to the current harmonization and re-alignment of the Broad Based Black Economic Empowerment Act (BBBEEA) and the Preferential Procurement Policy Framework Act spearheaded by the

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spearheaded by the

The province has started identifying and renovating unused government buildings to provide Thusong Centres (MPCC's) in the province. Although there is spending experienced there is no tangible results in most of the renovated structures. It is important that we all take part in ensuring that these structures are completed in order to give a meaning to e-governance and bringing services closer to the people through e-governance.

In addition, Madam Speaker, it is the intention of my department to train in the coming Financial Year, as many of the elderly, women and out of school youth on computer literacy, in order to give meaning to the President's call on KHA RI GUDE (lets learn campaign) mass literacy campaign.

- Submission of Infrastructure Quarterly Reports and Infrastructure Grant Spending

Madam Speaker, Honourable Members, compliance with the Division of Revenue Act in terms of submission of infrastructure quarterly reports is improving. Once submitted, the reports are scrutinised and monitored closely, to ensure that they serve as meaningful management tools. We continue to support Departments to produce infrastructure reports on a monthly basis.

As at 31 January 2008, spending on the infrastructure grant amounted to R 413, 295 million, being 74, 9 per cent of the adjusted budget of R 565, 318 million.

- Maximising own revenue collection (implementing a revenue forecasting model)

We promised to implement a revenue forecasting model during the current financial year. This could not be done, as the National Treasury, which is responsible for formulating the model, has not to date have been able to roll out the model. We are confident, however, that the model will be rolled out before the end of the coming financial year.

One of the objectives of the Fiscal Policy Unit is to assist Provincial Departments to optimize own revenue collection for the effective allocation of resources in line with government priorities over the MTEF.

The Provincial own revenue target for the 2007/08 financial year is R337, 855 million. However Departments were assisted to collect R367, 778 million which represents 108% collection at ten months ending 31 January 2008. Whilst the provincial monthly average target is R27 million, we project an over- collection of over R100 million at the end of 31 March 2008. The projected over collection will also include the R26 million interest from the IGCC (Inter Governmental Cash Co-ordination) account. The main contributor to the over collection is interest on revenue, which accrues from unspent funds.

In capacitating Departments on revenue collection, we conducted 18 training workshops on revenue management, one report writing skills workshop for revenue managers was conducted, 10 revenue forum meetings and 56 site visits also took place from April 2007 to January 2008.

The impact of these monthly revenue forums, training, monitoring and site visits is evident on the capacity that has improved, in terms of revenue management, compliance with applicable prescripts and general cash office management. The Provincial Treasury will continue to assist Departments through monthly own-revenue forums, cash offices site visits and monitoring of monthly revenue trends, to ensure that revenue collection is improved.

The introduction of the Mpumalanga Gambling Levies and the Mpumalanga Tourism Levies Bills will surely increase own revenue targets for the next financial year. Due to challenges beyond our control it has been impossible for us to make progress in the finalization of the Mpumalanga Tourism Levies Bill.

However such challenges have since been resolved and processes towards its finalization are now underway. The main challenge towards progress on the Bill was human resource capacity and compliance with the requirements of section 3 of the Provincial Tax Regulation Process Act, 2001 (Act No 53 of 2001).

Our Revenue Unit is doing all that is necessary to ensure that there is such compliance. We are further consulting with all responsible Units and Departments. We therefore in this regard make an undertaking to ensure that the Bill is passed within this financial year (2008/2009). On a positive note there has been reasonably satisfactory progress on the Mpumalanga Gambling Levies Bill, 2007 and the Bill has since been forwarded to the Legislature for introduction. The latter Bill provides, amongst other things, for the payment of gambling levies. This move will surely boost the maximization of own revenue collection once the Bill is passed into an Act..

- Produce 12 unqualified audit reports

Madam Speaker, our endeavour to assist, advice and monitor Departments in terms of financial governance continues. We promised to assist Departments to produce 12 unqualified audit reports. However we admit that we seem to be taking one step forward and two steps backward, as seven out of twelve Departments received unqualified audit opinions in the audits of the 2006/2007 financial year, compared to eleven (11) in the 2005/2006 financial year.

Due to the fact that the Auditor-General focused on performance auditing in terms of the PFMA and also placed more emphasis on asset management, six (6) Departments received qualified audit opinions for the 2006/07 financial year. Another six (6) Departments received unqualified audit reports with emphasis of matters and one (1) Department received a clean audit report.

We have provided and implemented a strategy to monitor and assist all Departments to address these audit findings, whether qualified or with emphasis of matters and we trust that this process will also strengthen the internal control environments in all Departments to prevent a recurrence of adverse audit opinions.

We will also provide assistance to strengthen internal audit processes in departments to contribute even more to the strengthening of internal control environments.

RE-ORGANISATION AND STRENGHTENING THE DEPARTMENT OF FINANCE

Madam Speaker, Honourable Members, in order for us to perform our mandate better as the Provincial Treasury, we have re-organised the Department The new structure was approved by the Executive Council in October last year. We are in the process of filling all critical posts, and the appointees are expected to start in the next financial year (2008/2009).

Furthermore, in order to strengthen our support to all delegated municipalities and others, we have upgraded the post of the head of the Municipal Unit to a General Manager , to be responsible for assisting municipalities with budgeting, revenue generation, just to mention, but a few. We believe that the upgraded unit will ensure that proper and sufficient support is given to municipalities.

PROVINCIAL MTEC HEARINGS

In line with our implementation plan, we held the Medium Term Expenditure Committee (MTEC) hearings from 25 September to 16 October 2007 with Departments, to consider their budget submissions for the 2008/2009 financial year.

The hearings were very fruitful, and as a result of the successful benchmarking, I'm delighted to inform the house that the National Treasury has rated Mpumalanga as the best province in terms of preparation and submission of budget documentation. Furthermore, we were able to comply with the requirements of Section 40 of the PFMA, by submitting our budget requirements on time.

We should, however stress that the "March Spike" syndrome, where spending rises steeply between January and March, still gives us a nightmare, and we implore Departments to avoid it as much as possible. This continues to give an impression that Departments had actually over-budgeted or did not spend according to their implementation plans.

Once more, a big thank you to my colleagues in the Executive Council, who saw it important – to put their political work aside, and became part of the MTEC hearings.

PROVINCIAL INFRASTRUCTURE DELIVERY

One of the key successes of the programme has been to develop a framework that guides the alignment of the infrastructure delivery cycle with the MTEF budget cycle, to ensure that departmental infrastructure budgets are informed by actual, properly planned, and budgeted projects.

This will also ensure that budgets for large multi-year projects are appropriately committed across the duration of each project. The presentation of this framework to most MECs and Heads of Provincial Departments has significantly enhanced their understanding of these cycles, and has further enhanced their commitment to addressing the problems associated with infrastructure delivery.

Madam Speaker, we acknowledge that there are major challenges facing infrastructure delivery in the province. This is because we do not have enough people with the required expertise to get the work done. Departments must also commit to establishing fully fledged infrastructure units in order to be able to absorb the transfer of skills. As a temporary intervention, the Provincial Technical Assistance Support Teams (PTATs) and Operations Support Teams (OSTs) deployed to the infrastructure delivery Departments, will over the next two years focus on the following:

- Resolving constraints that hinder the infrastructure development process;
- Implementing the GIAMA's (Government Immovable Assets Management Act) ideal of making users and custodians responsible for the infrastructure, especially the aspects that consider the maintenance of facilitates;
- Ensuring effective prioritisation, that is, the money must be spent where it is most needed;
- Ensuring that the education property portfolio master planning is based on National Education Information Management Systems (NEIMS);
- Ensuring that long term strategic planning needs are done at macro-priority level.

However Madam Speaker, we are delighted that the deployment of Provincial Technical Assistant Teams (PTATs) and Operational Support Teams to infrastructure delivery Departments is beginning to bear fruit, in that planning for 2008/09 has been finalised. The infrastructure plans for 2008/09 have already been submitted to National Treasury, and the National Treasury has completed the evaluation process. The province is busy with closing all the gaps that have been identified.

Infrastructure Delivery Improvement Programme (IDIP)

Madam Speaker, Honourable Members, a key feature leading to the success of the IDIP is the participative approach that is followed to ensure that Departments themselves, are fully involved in identifying their problems and designing the unique solutions to these problems. This is achieved by including Departments in an assessment and design phase, where departmental officials at all levels are able to contribute towards planning a preferred future for the department.

This phase has also been instrumental in improving the relationships between provincial client Departments such as Education and Health, with the Department of Public Works, which implements projects on their behalf. This has resulted in them working together and committing to jointly overcome the common problems associated with infrastructure delivery. Furthermore, as the Provincial Treasury, we have introduced the IDIP principles in all Departments dealing with infrastructure through the Operational Support Teams assigned to those Departments.

The main challenge is the inclination by some departments to do all planning and implementation of projects in one financial year. Possible solutions are in implementing the Infrastructure Delivery Improvement Programme in full. The IDIP model emphasizes on planning for infrastructure delivery to be done in the preceding financial year.

The pre-tender stages such as feasibility studies, designs as well Supply Chain issues should be finalized in the preceding year.
Contractors should be on site between February and March of each year. April should be a spending month and not a planning month.

IDENTIFICATION OF OWN REVENUE SOURCES

Chapter seven (7) of the Treasury Regulations states that, Provinces should continuously identify new sources of provincial own revenue. In order to carry out this mandate, we constantly encourage Departments to identify potential sources of own revenue during our interactions in the monthly revenue forums and during site visits to cash offices. The performance of the new revenue sources which were identified during the financial year under review, are constantly being monitored.

Revision of tariffs

Madam Speaker, the three (3) major provincial revenue generating Departments, namely, Economic Development and Planning, Health and Social Services and Roads and Transport will be implementing their new tariffs in the 2008/09 financial year.

All Departments will be assisted to revise their tariffs in line with inflation. This will include Uniform Patient Fees (UPFS) for patients using public hospitals.

The Gambling Board which is under the Department of Economic Development and Planning will:

- Introduce two independent Limited Payout Machine sites per District, that is, at least two licenses per District will be granted;

- Increase the gambling revenue collection by introducing the sliding scale rate of charging gambling levies for casinos, e.g. the casinos will pay levies according to how much they make. The proposal is with the Legislature in a

form of a bill. We are hoping it will be passed into law soon and will start implementing the new gambling levy rate by 01 April 2008.

The Department of Roads and Transport will be implementing the revised tariffs in for example learners drivers licences, certification of road worthiness etc, for the financial year 2008/09, and this will increase revenue collection.

The Department of Health and Social Services will also be assisted in the planning and support of the ten (10) identified hospitals, which we believe will make a great impact in improving revenue collection. This exercise will be conducted in consultation with the National Department of health.

All Departments will be assisted to establish departmental revenue committees. We will continue to assist Departments to compile credible annual revenue projections. The projected revenue collection for the next three (3) years is R357, 751 million (2008/2009), R376, 127 million (2009/2010) and R394, 259 million (2010/2011). The projections show a five (5) percent growth over the MTEF period.

FINANCIAL GOVERNANCE

- **Compliance with the Public Finance Management Act (PFMA)**

  Madam Speaker, once more we are pleased to inform this Honourable House that all Departments complied with the PFMA by submitting their annual financial statements to the Auditor-General by 31 May 2007 and also complying with Generally Recognised Accounting Practices as prescribed.

  This was achieved through continuous monitoring of month and year closure of the relevant systems and by providing all departments with hands-on support and training in terms of the compilation of annual financial statements, relevant accounting standards and the PFMA itself.

- **Progress on complying with the Municipal Finance Management Act (MFMA)**

The Accounting Services Unit in the Provincial Treasury is mandated to support and monitor the implementation of, and compliance with the Accounting Policies,

Public Finance Management Act (PFMA), Municipal Finance Management Act (MFMA), Treasury Regulations and other legislation.

In order to comply with the said legislation, municipalities are required to utilise the Accounting Standards as stipulated in the Municipal Implementation Plan. The plan indicates that all municipalities must comply with Generally Recognised Accounting Practices (GRAP) and Generally Accepted Municipal Accounting Practice (GAMAP) by 2009/10 and convert their reporting format in terms of the Institute of Municipal Finance Officers (IMFO) to GRAP/GAMAP.

We are delighted to inform the house that in the 2006/07 financial year, nine (9) municipalities converted their reporting format from the one used by the Institute of Municipal Finance Officers and are now reporting in terms of GRAP and GAMAP standards. Out of the nine said municipalities, five (5) are high capacity, three (3) medium and one (1) low capacity municipalities.

Madam Speaker, Honourable Members, the municipalities still face a challenge of a shortage of personnel to carry out the duties required to convert their financial statements and comply with the accounting standards. As a way of intervening, the Provincial Treasury has capacitated thirty-four (34) officials on how to prepare implementation plans. As a result, municipalities managed to finalise the plans, which have been submitted to Treasury for monitoring purposes. We are continuously supporting and following up on the plans, to ensure that they are implemented fully.

Challenges in financial reporting by municipalities still exist because municipalities in the Province are using seven (7) different systems and not all of them are compatible with the reporting requirements in terms of the MFMA.

We are currently conducting an assessment with regard to the financial systems used by municipalities in order to determine the gap between MFMA requirements and financial system capability. This analysis will provide us with information needed to determine the hands-on support and capacity building initiatives that are needed and to be implemented in municipalities

Our plan is to assist municipalities in adopting a uniform financial system, which will make reporting easier.We are glad to report that for the 2006/07 financial year, nineteen (19) out of the twenty (20) delegated municipalities complied with the requirements of the MFMA and submitted their annual financial statements to the Auditor-General on 31 August 2007. We are planning to strengthen our monitoring and improve planning through the implementation of a strategy and action plan to ensure timeous submission of annual financial statements by all municipalities.

Out of the twenty (20) delegated municipalities, seventeen (17) managed to approve their annual budgets on time while the rest approved their budgets later than the required date in terms of Section 24(1)(2) of the MFMA. The late approval of the budgets impacts on the compilation and implementation of the Service Delivery and Budget Implementation Plans with the result that these plans are not finalized before the start of the new financial year. This then impacts on service delivery to the community. Although capacity building was provided to all municipalities through hands-on support and training, we plan to strengthen capacity building in non-performing municipalities and develop a capacity building plan to focus on these municipalities to improve their quality of submissions.

In terms of Section 127 of the MFMA, the mayor of a municipality must table the annual report, including the audit report, to the municipal council. Only after the annual report has been tabled to the municipal council is the mayor allowed to submit the report to the Auditor-General, the Provincial Treasury and the Department of Local Government and Housing in the Province.

An agreement was reached between the Office of the Auditor-General, the Provincial Treasury and the relevant municipalities that information regarding the audit reports would not be made public before the tabling of the annual reports were done in terms of the legislation.

ASSETS AND LIABILITIES MANAGEMENT

- Cash Management Policy

Madam Speaker, a cash management policy for the province is currently being formulated. During 2006/07 two interventions were introduced in the cash management namely:

- an interdepartmental cash management forum was introduced to address cash management and banking issues in the province.
- An online banking system for all the departments was introduced in order to allow departments to have access to daily bank balances for effective cash management in the departments.

After introducing the two interventions as stated above, the Provincial Treasury has realized that there is an urgent need for a provincial cash management policy, which will address issues of uniformity in dealing with cash management as well as issues of locking up cash in departmental Pay-Master General Accounts, on which less interest in earned. The policy will therefore ensure that no cash or very minimal cash is locked in the PMG accounts, meaning that departments must adhere to their stated cash-flow requirements.

- Asset Management Reform

Developing capacity for the management of assets across departments and municipalities is a major challenge, as raised in the 2006/2007 audit outcomes. As such, strategies which include the establishment of structures, training of personnel and the provision of on-site technical and management services will be implemented in support of departments and municipalities. Our intervention in this regard will include the development of a Provincial Asset Management Policy Framework to ensure uniformity, standardisation, and common interpretation and implementation.

FISCAL POLICY AND THE BUDGET FRAMEWORK

Madam Speaker, Honourable Members the budget that we are tabling here today is biased towards providing more funding for Social Services Sector, with Education getting 47,7 per cent. Our budget allocation percentage split between social services and non-social services stands at **73.8 : 26.2** This split is in support of the country's fiscal policy stance, of prioritizing the social services sector.

Madam Speaker, allow me then to table the following priority areas:

Social Services Cluster

1. Education

1.1 **Increasing accessibility of more learners into Grade-R** with special focus on training and appointing additional staff; providing adequate classrooms with appropriate learner and teacher support material; and setting-up and supporting the structures and staff required to manage and administer the system effectively.

1.2 **Consolidating and expanding the sector for learners with special education needs (inclusive education)**

- the existing facilities will be upgraded by improving their physical resources, providing more learner-teacher support material to learners with special education needs,
- employing more support staff and improving hostel and transport facilities;
- Increasing the support and development capacity at district and head office level ;
- Equipping special schools to become resource centres for other schools in their areas.

1.3 **Improve working conditions for educators, with special attention to:**

- employ support staff at schools;
- provide district administration and office based educator staff;
- upgrade posts of District Managers and Circuit Managers;
- appoint Educator Assistants;
- tighten safety and security at schools; and
- put emphasis on school sport.

2. Health

2.1 Implementing the new remuneration dispensation for health professionals

This priority relates to the human resources retention plan for health workers and aims to stem the loss of professional staff from the public sector by improving their salaries.

In relation to retaining nurses, a proposal has already been finalised with the Department of Public Service and Administration (DPSA) and is being discussed in the bargaining chamber, for implementation from July 2007.

The cost implication by the DPSA indicates that the amounts allocated to provinces are sufficient to cover the proposal. The occupation specific dispensation for medical practitioners, medical specialists, dentists and pharmacist will be finalised in the 2007/2008 financial year; whereas the one for other health professionals such as physiotherapists and radiographers, will be finalised in the 2009/2010 financial year.

2.2 Hospital revitalisation programme

Madam Speaker, Honourable Members, we plan to address the increasing costs of specific projects and to allow for some new projects, by bidding for more funding as well as exploring other funding possibilities. One of such option is to go the Public Private Partnership route. We have already discussed the option with the National Treasury.

If we decide to go this route, this will mean a portion of the capital funding will be borne by the private partner, who will be awarded a contract to manage the hospital in question, for a certain period of time.

2.3 HIV and AIDS National Strategic Plan

HIV and AIDS remains our priority as the Provincial Administration of Mpumalanga. However it has became evident that not enough funding is provided for, to operationalise the Strategic Plan of HIV and AIDS at national level. This, amongst others, includes increasing the roll-out of ARVs, care, strengthening of the support and health system.

2.4 Fighting tuberculosis

The challenge caused by Tuberculosis in the country cannot be over emphasised. Hence the discovery of MDR/XDR- TB has put a strain on our budget. It costs around R 24 000 to treat a single patient with MDR/XDR-TB, compared to treatment of R 400 for the normal TB.

2.5 Developing a common Health Information System

We need to provide funding for the development of a common health information system for the main health professional councils and provincial departments, as it will serve as a management tool in order to aid decision-making, planning and development of the health work-force.

3. Social Development

3.1 Infrastructure funding for social welfare service delivery

The funding for this priority area is meant:

- to improve working conditions of social welfare service professionals, such as the provision of offices and "tools of the trade";
- to improve conditions at substance abuse rehabilitation centres, children's homes, secure care centres, ECD centres;
- for the implementation of the management information system to facilitate improved operational procedures.

3.2 **Protecting women and children and reducing child poverty** remains our major concern. As a result, subsidy funding for Early Childhood Development (ECD) will be standardised. We will also provide more funding to increase access and improve the quality of services at children's homes and ECD centres. Attention will also be given to fund the anti-rape strategy.

3.3 Social welfare service improvements

Under this priority area, the plan is to improve the capacity of NGOs to undertake service delivery on behalf of government as well as implementing norms and standards for the funding of welfare services, Home and Community Based Care expansion.

3.4 **Implement the occupation-specific dispensation** for all categories of social welfare workforce, which includes social workers, social auxiliary workers, probation officers, assistant probation officers, community development practitioners, as well as child and youth care workers.

Non-Social Services

1. Infrastructure Delivery Improvement Programme

Madam Speaker, Honourable Members, we acknowledge that our Province is still facing challenges with regard to the provision of infrastructure. We have therefore continued to identify infrastructure delivery as a priority area, with the aim to:

- reduce the backlogs in infrastructure and improve the capacity of provincial departments to deliver on their infrastructure targets;

- build capacity in the province for planning and managing infrastructure projects;
- Increase capital budgets to include increased maintenance budgets;
- Introduce Public Private Partnerships (PPPs) as a co-funding arrangement for increasing costs on specific projects like the Hospital Revitalisation project.

REVENUE

Madam Speaker, Honourable Members, the total Revenue to be allocated in the 2008/09 Financial Year amounts to **R 19, 007 billion:**

- **Provincial Equitable Share**

The Provincial Equitable Share has been increased from **R14, 140 Billion** in 2007/2008 to **R16, 436 Billion** in 2008/09, representing an increase of 16.2 percent.

- **Conditional Grants**

Conditional Grants have increased from **R1, 683 Billion** in 2007/2008 to **R2, 113 Billion** in 2008/2009, an increase of 25.5 percent. The growth in conditional grants in mainly is the School Nutrition Grant, the Comprehensive Agricultural Support Programme, the Comprehensive HIV and AIDS grant, Hospital Revitalisation Programme, Mass Participation in Sport as well as the Community Services grant.

A new grant, the Devolution of Property Rates Grant, has been introduced to cater for payments of rates on the government properties that were previously administered by the National Department of Public Works.

During the period under review, the Further Education and Training College sector recapitalisation grant is being phased out. Equitable share will be made available from 2009/2010 and 2010/2011 onwards.

ALLOCATIONS PER VOTE (DEPARTMENT)

Madam Speaker, Honourable Members, a significant growth in funding is seen in the Social Services component of the Department of Health and Social Services, the Provincial Legislature, Department of Finances of Finance, Public Works, Safety and Security as well as in the Department of Culture, Sport and Recreation.

VOTE 1: Office of the Premier

The Office of the Premier is allocated an amount of **R182. 765 million** to continue with amongst others, the governance co-ordination role and management of international relations.

VOTE 2: Mpumalanga Provincial Legislature

The Provincial Legislature is allocated an amount of **R97. 223 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 **R201. 062 million**. The Department is responsible for, among others, ensuring compliance with the MFMA by delegated municipalities, and compliance with the PFMA by provincial Departments. Additional funding in the baseline of the Department is made available to provide for ever increasing SITA payments among others.

VOTE 4: Department of Local Government and Housing

An amount of **R982. 049 million** is allocated to the Department of Local Government and Housing. The Department has registered a request for additional funding for vacant critical posts on the new organogram for the splitting of the Department into two votes.

The amounts requested over the MTEF period, are **R27. 265 million** for 2008/2009, **R57. 257 million** for 2009/2010 and **R90. 112 million** 2010/2011. The Budget and Finance Committee has recommended that the funding is made available during April 2008 from excess collection on own revenue.

VOTE 5: Department of Agriculture and Land Administration

The Department of Agriculture is allocated an amount of **R741. 576 million**.
Additional funds are made available for the department to step up its agricultural starter-pack program, to expand Masibuyel'emasimin' project and its assistance to farmers.

VOTE 6: Department of Economic Development and Planning

The Department of Economic Development and Planning is allocated an amount of **R442. 654 million.** Additional funds are made available to the department to improve the baselines of its parastatals and also to pay for the first tranche of the growth fund seed capital.

VOTE 7: Department of Education

An amount of **R8. 934 Billion** is allocated to the Department of Education. This represents 47,7 per cent of the total provincial envelope. Additional funds are made available to the Department to increase the number of feeding days (NSNP) to 198 days; to increase no-fee schools to 1440, to increase the number of children who access the Grade R program from 42 729 to 52 000, and recruit 28 000 learners for ABET.

VOTE 8: Department of Public Works

The Department of Public Works is allocated an amount of **R429. 572 million.** Additional funds are made available for the appointment of additional personnel in the technical division as well as the purchase of stand-by generators and to provide for alternative energy devices.

VOTE 9: Department of Safety and Security

An amount of **R 68, 132 million** is allocated to the Department of Safety and Security to amongst others, transform Community Policing Forums into Community Safety Forums, Tourism and School Safety.

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

The Health component of the Department of Health and Social Services is allocated an amount of **R4. 241 billion**. Additional funding for the department is to address health infrastructure, challenges improve on health services, and to requisite skills including scarce skills.

VOTE 11: Department of Roads and Transport

An amount of **R1, 547 billion** is allocated to the Department of Roads and Transport.

VOTE 12: Department of Culture, Sport and Recreation

The Department of Culture, Sport and Recreation is allocated an amount of **R208. 933 million.** Additional funds are provided to cater for the 2010 activities. There is also a huge increase in the Community Libraries Grant.

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

An amount of **R662. 332 million** is allocated to the Social Services Component of the Department of Health and Social Services. Additional funds are provided for secure care facilities for children in conflict with the law; the alignment of stipends within the health sector; and to train home and community based caregivers,

the appointment of social workers as well as for the appointment of social auxiliary workers.

The total amount to be appropriated for departmental priorities amounts to **R18. 739 billion.** However, there are other provincial priorities which need to be addressed rather urgently. An additional amount of **R268 million, arising from Provincial surplus** is to be appropriated to fund amongst others, the following priorities:

- **R48 million** as the provincial contribution towards the completion of the Mbombela Stadium;
- **R30 million** is set aside to increase the initial tranche of the Provincial Growth Fund.
- **R40 million** for the Water-for-All Flagship Project. This amount will be the first tranche of waste water & sewer treatment plants in various municipalities.
- **R100 million** is allocated for the five Flagship Projects.

Madam Speaker, Honourable Members, the total amount proposed to be appropriated for the 2008/2009 financial year, for the requirements of the Province as per Chapter 4, Section 26 and 27 of the Public Finance Management Act, Act 1 0f 1999, as amended by Act 29 of 1999, is **R 19.007 billion**.

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

- The 2008 Policy and Budget Speech;
- The Appropriation Bill for the 2008/2009 financial year;
- The Estimates of Provincial Expenditure for the 2008/2009 financial year; and;
- The 2008 Budget Made-Easy booklet

CONCLUSION

In concluding Madam Speaker, Honourable Members, there is no doubt that we are on the right track – the right track to deliver on our promises, that we will move every mountain before us, in our quest to better the lives of our people. We will continue with the "pioneering spirit" – the spirit that each day is an opportunity for a new innovation to make all our peoples lives better.

Madam Speaker, a budget is normally used as a tool or instrument by citizens to measure government's performance. It is also an instrument to assess the extent at which our own political strategic objectives and administrative goals are being implemented.

I want to challenge the implementers of government's programmes on whether they understand the ideals and aspirations of this government, and whether in their assessment of their work, they feels it's a job well done, or fairly done or if it's dismally done.

In the same vein those who are tasked to play an oversight role on the government, use the budget as an instrument to measure the output and outcomes of the government's plans. I equally want to challenge them in asking whether the type of oversight role they play ensures equitable distribution of resources, and optimal realisation of plans.

It is only through such assessments that we'll know where we're coming from as a country, where we are and where we want to be. It is only through vigorous engagements with issues, by those in authority, and self-assessment by those tasked with implementing, that we might realise the people's wishes and aspirations. It is only after this assessment that we will know and understand what "BUSINESS UNUSUAL" means. We realise that business unusual will need added effort, more energy and stamina, hence we saw it fit to present each member with a Yoga Kit so as to ensure that members keep up and run with the spirit of business unusual.

Madam Speaker, we will in 4 days time celebrate International Women's day, in just three years time, in the year 2011, we will be celebrating International Women's Day (IWD's) centenary – 100 years of women's united action for global equality and change. As South African women, coming from a history of triple oppression, though we have not yet reached our destination, it is very much important for us to shape the progress we have made, in an effort to expand our course, we must think globally and act locally!!

Finally, allow me to pass my greatest gratitude to the Honourable Premier, Mr TSP Makwetla and the colleagues in the executive council for continuing to support the work we do and giving guidance at all times. Many thanks goes to the members of the Portfolio Committee responsible for Finance headed by Mrs N Mtsweni and her predecessors, the members in the Provincial Legislature, for their oversight role and continued guidance. To the members of the Budget and Finance Committee, your contribution and support is highly appreciated. To the Head of Department of Finance, Ntate Tshukudu and your team, continue with the good job that you are doing, as hope is the pillar of Africa, you continue to be the pillar of our successes as a Department of Finance.

To my mother, my husband and to my family at large, you continue to be my strength and the corner stone of my exertion. Thank you for allowing me to work for the people of Mpumalanga. To our honoured guests, ladies and gentlemen, the people of Mpumalanga, thank you for being part of this event.

Madam Speaker in closing, allow me to salute all women by reading a Poem by Latorial Faison, titled: **We are Mothers** which reads:

We come in all
Creeds and colors
And we are special
Because we are mothers

We labor long
And free of charge
Mothering
It lives within our hearts

Our jobs are many
So we multitask
To find the answers
To every question asked

It's the hardest thing
In life to do
Raising children
Without a clue

No guides, no maps
No magic wand
Just instinct and God
Leading us on.

Everyday in motherland
Is brand new
And good ole' advice
Just comes to you

We wipe their tears
We ease their pain
As they confront confusion
We make it plain

There's nothing else
We'd rather see
Than our kids grow up
With stability

And in the end
We will recall
The joy we've had
Answering this call

Giving life
Nurturing and being there
Protecting our young
With wisdom and care

by Latorial Faison

Kea leboga.