



SPEECH PRESENTED TO THE FOURTH MPUMALANGA PROVINCIAL LEGISLATURE BY THE MEC FOR FINANCE, MRS Y.N PHOSA, MPL, ON THE OCCASSION OF THE INTRODUCTION AND TABLING OF THE MPUMALANGA APPROPRIATION BILL, 2010

Tuesday, 02 March 2010

Honourable Speaker, Mr S.W Lubisi;

Honourable Premier, Mr D.D Mabuza;

Honourable Deputy Speaker, Ms V.S Siwela;

Chief Whip of the ruling party, Mr M.S.A Masango;

My predecessor and Leader of Government Business, Mr J.L Mahlangu;

Colleagues in the Executive Council;

Honourable Members of the Provincial Legislature;

Members of the House of Traditional Leaders;

Director General, Mr J.M Rabodila;

Head of the Department of Finance, Mr M Mazibuko;

Other Heads of Departments;

Religious leaders, representatives of business, labour, media and civil society;

Distinguished Guests;

Comrades and friends;

Ladies and Gentlemen;

Honourable Speaker, it is prudent that on this august occasion, the introduction and tabling of the Mpumalanga Appropriation Bill, 2010, we pause and remember the instructive words of our icon iSithwalandwe/ Seaparankoe Dr Nelson Mandela on the 20th Anniversary of his release from the repressive apartheid jail when he said;

"I have walked that long road to freedom. I have tried not to falter; I have made missteps along the way. But I have discovered the secret that after climbing a great hill, one only finds that there are many more hills to climb. I have taken a moment here to rest, to steal a view of the



glorious vista that surrounds me, to look back on the distance I have come. But I can only rest for a moment, for with freedom come responsibilities, and I dare not linger, for my long walk is not ended."

Indeed it would be sheer denial not to acknowledge that we have traversed a long road and registered major achievements in our quest to build a new society characterized by unity, non-racialism, non-sexism, prosperity and democracy. This in essence meant eradicating the legacy of apartheid in all spheres of our people's lives. However, Honourable Members, it would be equally fool hardy not to recognise that much more still needs to be done to bridge/redress the high inequality (gap) that afflict our society. As we have acknowledged in our Elections Manifesto;

"We have achieved much in the last 15 years, but we are committed to do more".

We are of course conscious Honourable Speaker, that as Madiba has directed us;

"For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others."

OUTLOOK FOR THE SOUTH AFRICAN ECONOMY

Honourable Speaker, let me commence on a positive note by stating that the global economy is indeed, has emerged from the worldwide recession that lasted several months. Countries in Asia took the lead with their rapid economic growth, whilst Europe and the United States are now entering a period of growth. The global economic upturn has broadened as the recovery seems to have taken hold, and healing in the financial sector is continuing.

The International Monetary Fund (IMF) expects a global growth rate of 3.9 percent in 2010. There's however a warning from the IMF about the risks of the global recovery that is faster and stronger than expected. The IMF Managing Director, Dominique Strauss-Kahn, recently said the following in this regard:

"We have to be very cautious because the recovery remains very fragile. If you exit too late, you waste resources. If you exit too early, you have a risk of going back into a recession".

Honourable Speaker, we are optimistic about the prospects of the South African economy this year, because following three consecutive quarters of contraction, South Africa's real gross domestic product (GDP) resumed positive growth in the third and fourth quarter of 2009. The good news is therefore that our country has entered a stage of economic recovery. The rebound in real GDP growth over the last two quarters of 2009 that culminated in growth of 0.9 and 3.2 per cent respectively was more pronounced than expected and bodes well for economic growth prospects over 2010. In fact, the economic recovery was broad-based, since eight of the ten industries posted positive quarterly output growth in the fourth quarter of 2009 – most notably manufacturing at 10.1 per cent.

In general, economists expect a further modest acceleration in GDP growth in 2010, with support from net exports and also strong government consumption expenditure and robust public sector investment spending. South Africa's GDP could therefore increase by approximately 2.5 per cent this year, while the government's three-year R846 billion infrastructure spending should be one of the main drivers of our country's economic recovery. The Soccer World Cup should also stimulate South Africa's economic growth this year. In this regard, National Treasury indicated that it could account for half a percentage point of GDP growth this year.

Headline consumer price inflation has remained above the 6 percent inflation target level for 30 months up to September 2009. However, in October and November 2009 it re-entered the target range as it moderated to 5.9 and 5.8 per cent respectively. The consumer price index (CPI) unfortunately started to increase again in December 2009 to a level of 6.3 per cent. The January 2010 CPI dropped slightly by 0.1 of a percentage point to 6.2 per cent, which is still outside the inflation target range. It is expected that inflation will struggle to remain within the 6 per cent target during 2010. It is also possible to witness some temporary upside pressure on inflation during the World Cup months. Electricity price increases unfortunately remain the single biggest risk to our country's inflation outlook.

It is unfortunate, Honourable Speaker, that the South African economy has shed 870 000 jobs during 2009. According to Statistics South Africa's Quarterly Labour Force Survey (QLFS), South Africa's employment decreased by 959 000 in the first three quarters of 2009 due to the impact of the recession. Employment increased however by 89 000 in the fourth quarter of 2009. Official unemployment decreased slightly from 24.5 per cent in the third quarter to 24.3 per cent in the fourth quarter of 2009. It is a concern that the number of discouraged job seekers soared by more than 500 000 last year to a level of almost 1.7 million people. This meant that the expanded jobless rate (including discouraged workers) moved from 29.3 per cent in the final quarter of 2008 to 34.2 per cent in the fourth quarter of 2009.

I believe that the government's job creation initiatives will contribute to more jobs for our people this year. The Honourable Minister of Finance, Mr Pravin Gordan, in his Budget Speech on 17 February 2010, unveiled a wage subsidy scheme to encourage companies to hire jobless youth. He also announced that an estimated total of R52 billion is available for various expanded public works projects over the next three years. Over the 2009-2014 period, the second phase of the expanded public works programme aims to create 4.5 million short-term job opportunities. We agree with the

Honourable Minister of Trade and Industry, Dr Rob Davies that “it is now the time to place the economy on a more labour absorbing growth path.”

ECONOMIC PROSPECTS OF THE PROVINCE

Honourable Speaker, the economic crisis and recession had a negative impact on the Mpumalanga economy during 2009. The impact was evident in the negative economic growth rate of 2.6 per cent and official job losses of 53 000 we experienced. The good news is that the economic and growth prospects for our province are looking much more promising this year. The challenge is not only to increase our provincial economic growth rate but also to ensure a quality and better life for all. Let’s take note of the wise words of the former Harvard professor and author David Korten who said:

“We can also take the radical view that the test of an economy has to do with the extent to which it is providing everybody with a decent means of living”.

As a provincial government in collaboration with our social partners, we must therefore continue to minimize the impact of this economic downturn especially on those most vulnerable.

Expectations are that the provincial economy will recover this year with a positive growth rate of approximately 2.4 per cent. It is also expected that Gert Sibande and Nkangala districts will lead the recovery in the provincial economy in 2010 with an average GDP growth of 2.5 per cent, followed by Ehlanzeni district with a growth rate of 2.1 per cent. The real gross value added (GVA) growth forecasts for the main economic sectors of Mpumalanga for 2010, indicate positive growth rates in excess of 1 per cent for all the sectors of the provincial economy. In all probability, the leading sectors should be construction (6.3 per cent), mining (3.9 per cent), transport (2.7 per

cent) and agriculture (2.4 per cent), with electricity (1.1 per cent), manufacturing (1.6 per cent) and trade (1.7 per cent) the lagging sectors, albeit still positive.

Honourable Speaker, it is regrettable that 53 000 people lost their jobs during 2009 because of the economic crisis. According to Statistics South Africa's QLFS, provincial employment increased by 2 000 in the first quarter of 2009 but then decreased by 55 000 in the next two quarters of 2009. Fortunately there were no official job losses in the fourth quarter of 2009. The official provincial unemployment rate increased from 23.1 per cent in the fourth quarter of 2008 to 26.6 per cent in the fourth quarter of 2009. It is a great concern that there were 319 000 unemployed people plus 126 000 discouraged workers in the province in the fourth quarter of 2009. The expanded jobless rate is therefore unfortunately at a high rate of 39 percent.

What is also of concern, is the fact that the inflation rate of Mpumalanga is consistently higher than the national inflation rate. The average annual provincial inflation rate of 8.2 per cent in 2009 was much higher than the national inflation rate of 7.1 per cent. Mpumalanga's CPI inflation rate was also the highest among the nine provinces during 2009. It appears that housing and utilities (including water and electricity) and also miscellaneous good and services (including insurance and personal care) are some of the main drivers of this relatively high provincial inflation rate. Another driver identified in the recent past, food and non-alcoholic beverages, fortunately lost momentum over the last two quarters of 2009. The average annual CPI percentage change for Witbank and Nelspruit was 8.4 per cent in 2009, which was not only higher than the provincial figure, but it was also the highest inflation rate for any urban area in South Africa.

Honourable Speaker, collaboration between government, business, labour and civil society is critical to face the challenges of Mpumalanga's fragile economic recovery. We must commit ourselves to plans that will eventually contribute to a better life for all our citizens. In this context, we are inspired by the words of our Honourable

Premier, Mr DD Mabuza who in his State of the Province Address on 19 February 2010 highlighted that:

“Working together, we can do more in making this province a better place to live in”.

As Mpumalanga Provincial Government, we remain committed to increase the provincial economic growth rate and to convert growth into sustainable and decent jobs and employment. We also commit ourselves to improve the education and skills profile of our province, and increasing the employability of our people and integrate them into the economic mainstream. Once again the Honourable Premier articulated government’s commitments well when he stated that:

“Our commitment continues to be unwavering with respect to dealing with challenges affecting our rural masses on a daily basis. Yes, we remain committed towards ensuring that the challenges relating to creation of decent work, education, health, fighting crime and corruption do not escape from our radar screen”.

Honourable Speaker, central to a budget, are limited resources and unlimited needs. We, as a provincial government, have a limited budget and the challenge is the extent to which we satisfy the needs of our people. In our quest to make a difference in the lives of all our citizens, we need to embark on prudent public spending. Honourable Speaker, we are indeed making a difference! An economic research study by my Department during 2009 indicated that the Mpumalanga Provincial Government contributes significantly to the eradication of unemployment and poverty in the province.

It was estimated that the unemployment rate in Mpumalanga might have reached 32.3 per cent in 2008, compared with the actual average of 21.4 per cent, had it not been for

the provincial government expenditure. In the same year, unemployment could have reached levels exceeding 430 000, as observed to the actual figure of 289 000, had it not been for the direct, indirect and induced impact associated with Mpumalanga government expenditure.

The study also showed that in 2008 the poverty rate was recorded at 46.5 per cent as opposed to 52.5 per cent that might have prevailed, had provincial government expenditure not occurred. The Department of Finance will continue to conduct economic research studies like these to determine the economic impact of the provincial government's expenditure to contribute towards the quality and effectiveness of our expenditure.

Let us clear the socio-economic hurdles of our province together. We need to be positive and hopeful, and yet brave and idealistic. Perhaps the words of the United States liberal democrat politician, Paul Wellstone, can give us guidance in this regard:

"Life without idealism is empty indeed. We must hope or starve to death".

REVIEW OF THE 2009/10 PERFORMANCE

Honourable Speaker, when we commenced with this journey we were faced with the clearing of accruals and commitments emanating from 2008/09 financial year to the value of R2.4 billion.

As a province we had two options namely:

a) ***Doing more with less.***

Provincial Government's financial contribution to pro-poor programmes remains the same, but outputs and outcomes improve. Current budget growth remains unchanged, but provides a better platform for improved future provincial service

delivery performance. This would provide for sustained provincial financial stability.

b) *Cut non-priority spending.*

Through a reprioritization process, departments funded their own wage increases and also contributed R139 million towards pressures in the Department of Education.

Accruals and outstanding creditors

Departments have managed to pay all outstanding accruals by 31 August 2009 as committed by the Honourable Premier in his 2009 State of the Province Address. This was a **great achievement** considering the magnitude of the problem. This could not have been achieved without the dedication and diligence of the collective leadership (political and administration) of the departments. The effective management of this matter has reduced future risks to provincial budgets significantly.

We were able to achieve all this as a result of the guidance and support of both the Political Task Team chaired by the MEC for Finance, Honourable YN Phosa as well as the Budget and Finance Committee under the Stewardship of the Premier of the province, Hon Mr DD Mabuza.

Collectively, departments have redirected funding from various non-core spending areas in 2009/10 to core spending areas, particularly education and health to offset accruals from the previous financial year. In addition, departments are progressing in ensuring that their payments are made on time in compliance with Treasury Regulation 6.2.3.

Provincial bank balances

With the current economic climate and the limited cash resources that departments experienced during the 2009/10 financial year, it has become increasingly important to monitor provincial bank balances and to forge a stronger link between the in-year monitoring system (IYM) and cash management.

Cost Containment and tight fiscal control

As a result of cost containment measures and tighter fiscal control, the Budget and Finance Committee has managed to, within reason, significantly improve the projected provincial financial outlook as compared to the same period in the previous financial year.

PROVINCIAL PRIORITIES

Honourable speaker, there are directives that could not be implemented during 2009/10 financial year.

The function shift on scholar transport from the Department of Education to the Department of Public Works, Roads and Transport could not be implemented due to budget pressures on this programme. The House will recall that during the adjustment budgets, R77.400 million was added to the baseline of the Department of Education to address some of the shortfalls. A further R265 million that was registered by the Department could not be funded. The Public Finance Management Act states that funds must follow functions and this could not be achieved during 2009/10.

The function of Environment Affairs could not be implemented during 2009/10 financial year due to budget pressures on compensation of employees. Again in this case, funds could not follow the function to the Department of Economic

Development, Environment and Tourism. The budgets that are being tabled here provide funding for the shifting of the function.

I can confirm Honourable Speaker that the functions shift and the accompanying budget has now been implemented.

STREAMLINING OF FLAGSHIP PROJECTS FOR BETTER ALIGNMENT AND IMPACT

The flagship projects have been fully integrated and institutionalized in the areas of work where they are correctly aligned with the mandates of the respective departments.

The streamlining of flagship projects, meant amongst others, shifting of functions to the relevant provincial departments. This area of work commenced during the adjustments estimates period, whereby the flagship projects budgets were shifted to the respective departments and have been concluded during February 2010 reporting period.

It can be confirmed that the 2010/11 budgets have now accommodated the function shifts on scholar transport from Department of Education to Department of Public Works, Roads and Transport.

The new budgets have also accommodated the function shift on environmental affairs from the Department of Agriculture, Rural Development and Land Administration to the Department of Economic Development, Environment and Tourism.

The function shifts on the House of Traditional Leaders, Flagship projects were already dealt with during the adjustments budgets and the new MTEF budgets have been allocated in their new departments.

MERGER OF ENTITIES

One of the provincial priorities announced previously has been the merger of the provincial state owned enterprises. The aim, amongst other things, was to create institutional capacity in supporting the mandate of government of promoting economic development. These budgets have responded to this call and subsequently merged the Mpumalanga Agricultural Development Corporation (MADC), Mpumalanga Housing Finance Company (MHFCO) with Mpumalanga Economic Growth Agency (MEGA).

REPRIORITIZATION OF GOODS AND SERVICES BUDGET

Infrastructure delivery has been prioritized and a special funding to the value of R500 million has been made available from goods and services from non-core spending items.

This funding has been directed to the Department of Education and the Department of Health to fund medicines and infrastructure amongst others in both Departments.

GOVERNMENT'S POLICY PRIORITIES FOR THE 2010 MTEF

Government's major budget priorities over the MTEF include:

- Support job creation, moving resources towards labour intensive sectors and the expanded public works programme.

- Enhance the quality of education and skills development, focusing on improving foundation phase literacy and numeracy, and on increasing the number of learners that passes grade 12 mathematics and science.
- Improve the provision of quality health care, with particular emphasis on reducing infant, child and maternal mortality rates, and broadening access to antiretroviral- and tuberculosis treatment.
- Carry out comprehensive rural development linked to land and agrarian reform
- Intensify the fight against crime and corruption.

Government will continue to invest in the built environment and infrastructure over the next three years to promote access to basic services, to expand public transport and to build more schools and hospitals. These investments will support the economy's ability to grow more rapidly in future.

The division of revenue for the 2010 MTEF is supportive of pro-poor policy programmes, and in the light of the prevailing economic climate, all spheres of government are required to seek efficiency gains and shift their funding towards core government priorities. Additional resources are allocated to provinces to ensure better service conditions for teachers, doctors and therapists so as to retain skilled and experienced practitioners in these sectors. Changes are made to baselines allocated to HIV and Aids treatment to ensure the announcements made by the President on World Aids Day during December 2009 are adequately funded.

2010 BUDGET PROPOSALS

Following extensive intergovernmental consultations at cluster meetings, joint MTEC hearings, Ministers Committee on Budget (MinComBud) and Cabinet, the Budget

Council meeting of 12 October 2009 endorsed a preliminary division of revenue for the period 2010/11 to 2012/13. Extended Cabinet on 14 October 2009 approved the 2010 Division of Revenue, which was published in the 2009 Medium Term Budget Policy Statement (MTBPS) on 27 October 2009.

The 2010 Budget is set against an uncertain global and domestic environment. All spheres of Government, including provinces, are expected to reassess their baseline budgets and conduct a thorough reprioritization exercise in order to provide funding for new priorities. All spheres will have to reprioritize spending to address pressures in their budgets.

In addition, departments will be expected to be more prudent with their spending and cut expenditure on non-essential items like catering, accommodation, venues and facilities as well as travelling. It is worth highlighting that the additional allocations to the provincial equitable share provide for specific personnel related expenditures and policy adjustments.

TECHNICAL ADJUSTMENTS

EQUITABLE SHARE ALLOCATIONS

Revisions to the equitable share formula

Revisions to the Equitable Share this year are informed by the data from the 2009 Mid-year Population Estimates, 2009 Education Snap Survey, 2008 General Household Survey, the 2007 Gross Domestic Product (GDP) and the 2005 Income and Expenditure Survey. The adjustments will be phased in over three years. However, the adjustment for the re-alignment of provincial boundaries is to be implemented immediately.

Inflation assumptions

Revised inflation projections (CPIX) published in the 2009 *Medium Term Budget Policy Statement* are 6.4 per cent in 2010/11, 5.9 per cent in 2011/12, and 5.7 per cent in 2012/13.

Personnel adjustments and policy priorities

This year's fiscal framework is tight and proposed adjustments made are mainly to accommodate increased personnel costs and implement cost cutting measures. Departments are requested to note that these changes relate to non-discretionary obligations and must be adequately provided for in the respective budgets. Care should be taken to ensure that budgets provide for the full implication of personnel-related costs, including general salary adjustments, and Occupation Specific Dispensation (OSD) for all qualifying educators, doctors, and health professionals.

The Mpumalanga share of inflationary adjustments (wage settlements) amount to **R442.547 million in 2010/11, R490.269 million in 2011/12, and R537.701 million in 2012/13.**

Personnel inflation related adjustments

In preparing budgets for the 2010 MTEF, departments have been advised to budget for:

Salary increases of **5.3 per cent in 2010/11, 5.5 per cent in 2011/12 and 5 per cent in 2012/13.** Sufficient provision should be made for carry-through costs, including for the 11.5 per cent increase for 2009/10, notch and pay progressions, increased employment, and OSD.

Non-personnel policy priorities for the 2010 Budget

R1 billion is set aside for each of the years in the 2010 MTEF (or R3 billion over the MTEF) as a general equitable share adjustment. Mpumalanga share reflects as following to **R81.953 million in 2010/11, R R81.712 million in 2011/12 and R R81.470 million in 2012/13**. These amounts have been earmarked for priorities in education and health and have been shared between the Department of Education and Department of Health only. The National Treasury guideline, on how each of the priorities is to be sequenced over the next three years has been employed.

NOTES ON CONDITIONAL GRANT ALLOCATIONS

New conditional grants introduced

Four new conditional grants were introduced in the 2010 MTEF, namely the Dinaledi Schools Grant, Technical Secondary Schools Recapitalization Grant, the Further Education and Training College Sector Grant, and Expanded Public Works Programme Grant for the Social Sector.

The FET College sector is a priority in terms of skills development. It is therefore crucial that compensation packages are competitive enough to attract highly skilled personnel, especially in key areas like engineering and information technology. To this end the available money will be ring fenced in the grant to pay for personnel.

R56.6 million is allocated in 2010/11 to the Expanded Public Works Programme Grant for the Social Sector. This is a new grant introduced during 2010/11. The purpose of the grant is to subsidize non-profit organizations working in Home Community Based Care programmes for the Departments of Social Development and Health to ensure volunteers that currently do not receive a stipend get a minimum form of

remuneration. **Mpumalanga share of the Expanded Public Works Programme Grant for the Social Sector amounts to R9.240 million in 2010/11.**

On the **Expanded Public Works Incentive Grant for the Infrastructure Sector**, **Mpumalanga share is R18.074 million in 2010/11, and this allocation** is shared between the Department of Public Works, Roads and Transport and the Department of Agriculture, Rural Development and Land Administration. This translates to **R17.900 million and R0.174 million respectively.**

Infrastructure grant to provinces (IGP)

Given that this grant is a Schedule 4 grant and augments infrastructure budgets (for, amongst others, the education, health, roads and agriculture sectors) allocations are provided early enough in order to allow for budgeting and planning purposes.

The Infrastructure grant to provinces receives R262 million with respect to real growth in school infrastructure in the outer year of the MTEF. This is to support schools to upgrade infrastructure, secure facilities, install libraries and laboratories, and increase maintenance. **Mpumalanga share is R21.387 million in 2012/13.**

Honourable Speaker, the Department of Finance has worked with each of the departments in sequencing these priorities.

The State of the Province address continues to provide us with guidelines for the year ahead. The Provincial Treasury's responsibility is that of ensuring that the provincial priorities find expression on these budgets that are being tabled here today.

NAME CHANGES TO VOTES

The House will recall that the adjustment process dealt with the merger of two votes namely the former department of Public Works (Vote 8) and the former Department of Roads and Transport (Vote 10). The merger has necessitated the changes in vote numbers.

The Provincial Administration has 13 votes as opposed to 14 votes in the previous financial year. The House is requested to note the new vote numbers as I will be calling them out.

ALLOCATIONS PER VOTE (DEPARTMENT)

Honourable Speaker, as mandated by **Chapter 13 of the Constitution of the Republic of South Africa**; and **Chapter 4, Sections 26 and 27 of the Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999**: I now have the honour to table the proposed budget for the 2010/2011 financial year to this House.

VOTE 1: Office of the Premier

The Office of the Premier continues to provide strategic leadership through effective co-ordination of government programmes, integrated planning, monitoring and evaluation and institutional development.

In order for the Office to carry out its mandate, it is proposed that the Office of the Premier receive a total amount of **R158.728 million** to amongst others, fund the 2010 FIFA World Cup co-ordination Office, Commissions of Enquiry, Branding and Marketing, Premier's Service Excellence Awards as well as Disability Awards.

VOTE 2: Mpumalanga Provincial Legislature

The Provincial Legislature is proposed to receive a total amount of **R169.655 million** to amongst others, cater for Political Parties funding support, rolling out of the Integrated Enterprise Resource system planning in phases, amongst others.

VOTE 3: Department of Finance

The Department continues to allocate resources consistent with Provincial Government strategic objectives and priorities through effective monitoring of resources utilization, prudent financial management, advice and support for enhanced service delivery.

The Department of Finance will receive a budget totalling **R232.773 million**. Included in this allocation is an amount of R5 million that has been allocated to each of the nine Provincial Treasuries as national government's contribution to enable Provincial Treasuries to strengthen their **MFMA support units**.

Provincial Treasury has also obtained the cooperation from the National Treasury to embark on a departmental wide improvement strategy. The development of this strategy is funded by the European Union, and the objectives are: to a) improve the execution of our mandate in terms of our oversight role and b) our support function to our client departments, public entities and municipalities. The further aim of this strategy is to support Project Clean Audit, and improve responsibility, financial accounting and financial reporting over the whole of the province.

VOTE 4: Co-operative Governance and Traditional Affairs

The Department continues to facilitate and co-ordinate Intergovernmental structures and Developmental Agencies for sustainable integrated service delivery through public participation and traditional system of governance.

The Department of Co-operative Governance and Traditional Affairs will receive the proposed amount totalling **R404.093 million** to amongst others, fund, facilitate integrated and responsive governance in a developmental state, strengthen accountability and clean government, accelerate service delivery and support the vulnerable, improve the development capacity of the institution of Traditional Leadership, fostering the developmental partnership, cohesion and community mobilisation, amongst others.

VOTE 5: Agriculture, Rural Development and Land Administration

This department is charged with a mandate to contribute towards sustainable development and poverty reduction through:

- Building an internationally competitive and sustainable agricultural sector
- Contributing towards sustainable natural resources management
- Contributing to household and provincial food security; and
- Effectively leading and co-ordinating provincial rural development.

The department administers the following conditional grants:

The department receives a portion of the *infrastructure grant to provinces which is aimed at* augmenting provincial funding to accelerate construction, maintenance and rehabilitation of new and existing infrastructure in education, roads, health and agriculture, and also contributes to rural development. The grant also focuses on the application of labour-intensive methods in delivery to maximize job creation and skills

development. **This grant is allocated R59.869 million in 2010/11, R63.806 million in 2011/12 and R75.709 million in 2012/13.**

The department also receives **R0.174 million** as an incentive from the Expanded Public Works Incentive grant for the creation of jobs in the infrastructure sector.

The *comprehensive agricultural support programme* aims at providing support for newly established and emerging farmers. Included in this grant is the extension recovery programme, which focuses on improving extension services through training programmes and providing equipment for extension officers.

The grant also targets farm infrastructure and provides support for dipping, fencing, and rehabilitation of irrigation schemes where these could be viable. **This grant is allocated R81.947 million in 2010/11, R95.691 million in 2011/12, and R100.475 million in 2012/13.**

The *land care programme grant: poverty relief and infrastructure development* aims at optimizing productivity and sustainable use of natural resources. Provinces may use this grant to create jobs through the expanded public works programme. **This grant is allocated R4.904 million in 2010/11, R5.198 million in 2011/12, and R5.458 million in 2012/13.**

The *Ilima/Letsema projects grant* is intended to boost food production. The grant is aimed at assisting previously disadvantaged South African farming communities to achieve an increase in agricultural production and receives **R20 million in 2010/11, R40 million in 2011/12, and R42 million in 2012/13.**

The department's contribution towards the Comprehensive Rural Development Programme amounts to R107 million.

Amongst the priorities that are funded is Masibuyele Emasimini programme which is funded from the equitable share as well as the Ilima Letsema projects grant at R96 million. It is proposed that the Department of Agriculture Rural Development and Land Administration receives a total amount of **R737.936 million in order to fund the priorities that are indicated above.**

VOTE 6: Economic Development, Environment and Tourism

The Department is charged with a mandate of positioning Mpumalanga Province to be a leader in the creation of equitable economic growth, quality jobs and sustainable environment, and to be the ultimate tourism destination.

One of the provincial priorities announced previously has been the merger of the provincial state owned enterprises, to create institutional capacity in supporting the mandate of government towards economic development. These budgets have responded to this call and finalised the function shift from the Mpumalanga Agricultural Development Corporation (MADC), Mpumalanga Housing Finance Company (MHFCO) to Mpumalanga Economic Growth Agency (MEGA). Once the legislation is passed, the role of the Provincial Treasury would be to apply for the de-listing of the two entities from the National Treasury in line with section

The Department of Economic Development, Environment and Tourism will receive the proposed total amount of **R643 million.**

VOTE 7: Education

Education has clearly been a government priority during the past 15 years. However the educational outcomes have not matched the investment. This is illustrated by learner performance which has been measured in various national, regional

evaluations that include matric exams, systemic evaluation which looks at learner performance and literacy, management capacity amongst others.

The areas that need particular attention and that are funded in this budget are: expansion of ECD and Grade R, skills development, with the FET colleges being the primary site for essential skills as well as schools infrastructure.

With respect to the establishment and funding of *a university in Mpumalanga* the necessary discussion will be pursued by the Provincial Treasury at a National level as the mandate rests with the National Department of Higher learning in line with the National Education Act of 1997.

Education personnel

The proposed revisions to the provincial fiscal framework seek to ensure further access, improved quality and greater equity and focus on:

Personnel costs and OSD for educators. The Education Labour Relations Council (ELRC) collective agreement No. 4 of 2009 dealt with the finalization of the OSD, including recognition of experience of educators, salary progression, grade progression and improvement of conditions of service for educators on required equivalent qualification.

An additional R3 billion was added for each year of the 2010 MTEF to cover for the implications of these resolutions. **Mpumalanga share: R245.860 million in 2010/11, R245.135 million in 2011/12, and R244.410 million in 2012/13** is set aside for OSD for educators.

The Department administers the following conditional grants:

The *National School Nutrition Programme* seeks to improve nutrition of poor school children, enhance active learning capacity and improve attendance in schools. The grant is allocated **R354.341 million in 2010/11, R440.923 million in 2011/12 and R474.560 million in 2012/13** in order to protect its real value and respond to higher food prices.

The *technical secondary schools recapitalisation grant* comes into effect during the 2010 MTEF. The following amounts of **R5.869 million in 2010/11, R14.672 million in 2011/12 and R15.406 million in 2012/13** are allocated to the Technical Secondary Schools Recapitalization Grant to improve conditions of technical schools and modernize them to meet teaching requirements.

The *Dinaledi schools grant* provides support to Dinaledi schools to enhance the quality of maths and science grade 12 passes in these schools by providing additional resources, including laboratories, laboratory equipment, textbooks and additional teacher training. This grant will start in 2011/12.

R285.563 million in 2010/11, R303.207 million in 2011/12 and R318.258 million in 2012/13 is allocated to the Further Education and Training College Sector Grant to commence planning for the eventual shift of the FET Colleges function to the newly established Department of Higher Education and Training.

An additional **R29.071 million in 2010/11, R31.251 million in 2011/12 and R32.704 million in 2012/13** is added to the **FET Colleges Sector** grant over the MTEF as a ring-fenced additional allocation for compensation of employees within the grant. This addition is required because FET college lecturers were not included in the cost of living adjustment of 11.5 percent instituted on 1 July 2009 as they were made employees of the College Councils on 1 January 2008.

The *HIV and Aids (life skills) programme grant* provides for life skills training, sexuality and HIV and Aids education in primary and secondary schools and is fully integrated into the school system, with learner and teacher support material provided for grades 1 to 9. **This grant is allocated R15.392 million in 2010/11, R16.388 million in 2011/12, and R17.486 million in 2012/13.**

The allocation to the Department of Education also caters for amongst others, provision of Learner Teacher Support Material (Workbooks, provision of Stationery as well as the replenishing of textbooks), Early Childhood development, Expansion of Grade R, Social Support staff funding, Strengthening of special schools (Infrastructure development), Quality Upliftment Improvement Development Programme (QUIDS UP), Teacher Support and Development, Systemic evaluation. School nutrition programme as well as the eradication of all schools in mud and shack structures, including farm schools. Alongside this, is the building of boarding facilities for learners currently attending farm schools.

The amount totaling **R11.530 billion** is proposed to be allocated to the Department of Education

VOTE 8: Public Works, Roads and Transport

Honourable Speaker, transport infrastructure plays a critical role in sustaining economic growth in an economy by facilitating the movement of people and goods. The quality of road network plays an important role, not only in the mobility of people and goods but also in the promotion of regional trade. Over the past few years, government has been responding to the need to improve the country's road infrastructure through increased expenditure. Roads construction and maintenance thus continue to be a priority in the period ahead. Over the MTEF period, spending on provincial road infrastructure will increasingly be targeted at maintenance in order to ensure that the quality of the existing network is sustained and improved.

The Department administers the following grants:

The *overload control grant* funds initiatives to ensure the preservation of road infrastructure through the reduction of overloading practices and receives **R5.519 million in 2010/11**.

The *public transport operations grant* subsidizes commuter bus services. The payment of bus subsidies to operators was previously funded on an agency arrangement between national and provincial government and this grant enables government to take greater responsibility in ensuring that the contractual obligations are met. This grant is allocated **R397.003 million in 2010/11, R420.099 million in 2011/12, and R436.626 million in 2012/13**.

The **devolution of property rate funds grant** was introduced in 2008/09 to ensure that provinces take over the responsibility of paying property rates and municipal charges on properties that were administered by national government on their behalf. This grant is allocated **R44.374 million in 2010/11, R47.036 million in 2011/12, and R49.388 million in 2012/13**.

The **expanded public works programme incentive grant to provinces for the infrastructure sector** provides incentives to provinces and municipalities to increase spending on labour-intensive programmes. It is awarded to provinces on a performance basis measured on the number of work opportunities they create through specific programmes. **The Department receives R17.900 million on this grant.**

It is proposed that the Department of Public Works, Roads and Transport receive a total amount of **R3.330 billion** to amongst others, fund the function shift on scholar transport amounting to **R354 million**, Coal Haulage amounting to **R100 million** and the purchase of government buildings amounting to **R158 million**.

VOTE 9: Safety, Security and Liaison

In order to improve safety of communities through mass participation, oversee the performance of the police and the provision of security services, the Department of Safety, Security and Liaison will receive the proposed total amount of **R111.438 million** to amongst others, cater for victim empowerment programmes, community mobilisation, reduction of contact crime, monitoring and evaluation of the South African Police stations as well as appointment of tourism safety monitors.

VOTE 10: Health

The Department is charged with a mandate to improve the quality of health and the well being of all the people of Mpumalanga by providing needs based people centred, equitable health care delivery system through an integrated network of health care services.

Health personnel

The revisions to allocations proposed, seek to further strengthen the sector to ensure that public health service continues to meet the health needs of society. These bids are generally an expansion of currently funded priorities and include:

Personnel costs and OSD for doctors and health professionals: Although additional funds were allocated to provincial health departments to phase-in occupation specific dispensations for three categories of health workers (nurses, doctors, specialists and other related professionals), the proposals for the latter categories (doctors and health professionals), which were only finalized earlier this year, are more expensive than originally budgeted for.

The addition is intended to deal with the higher costs related to the implementation of OSD for doctors and health professionals. The 2009 MTEF baselines for the OSD for health have been adjusted to reflect the actuarial costs/shares.

R500 million is set aside for each of the years in the 2010 MTEF period (or R1.5 billion over the MTEF) to address the doctors OSD personnel shortfalls. **Mpumalanga shares: R25.325 million in 2010/11, R R25.325 million in 2011/12, and R R25.325 million in 2012/13.**

Another addition to the provincial fiscal framework are funds for OSD for Doctors. **In addition to the adjustments announced in the Medium Term Budget Policy Statement (MTBPS), another R17.293 million is added in 2010/11, R18.328 million in 2011/12, and R19.412 million in 2012/13.**

At the meeting of the Budget Council on 12 October 2009, the Budget Council agreed to use actuarial costing to share the OSD for Doctors added to the provincial equitable share to cover the cost of OSD for doctors and therapists. This is consistent with the principle that the most recent and verified data should be used when calculating provincial shares of national revenue

R430 million is set aside for each of the years in the 2010 MTEF (or R1.3 billion over the MTEF) to address the health professionals OSD personnel shortfalls. . **Mpumalanga shares R21.779 million in 2010/11, R R21.779 million in 2011/12, and R R21.779 million in 2012/13.**

Health grants

The *National Tertiary Services Grant* aims to provide strategic funding to enable provinces to plan, modernize and transform the tertiary hospital service delivery

platform in line with national policy objectives. This grant is allocated **R91.879 million in 2010/11, R96.858 million in 2011/12 and R101.700 million in 2012/13.**

The *Hospital Revitalization Programme* plays a key role in transforming and modernizing infrastructure and equipment in hospitals. The grant also includes a component aimed at improving systems for medical equipment, and to support management development initiatives, including personnel, procurement delegations and financial management capacity. This grant is allocated **R331.657 million in 2010/11, R360.557 million in 2011/12 and R381.419 million in 2012/13.**

The *Health Professions Training and Development Grant* funds the costs associated with the training of health professionals, and the development and recruitment of medical specialists. It enables the shifting of teaching activities from central to regional and district hospitals. This grant is allocated **R76.149 million in 2010/11, R80.718 million in 2011/12, and R85.208 million in 2012/13.**

The *Comprehensive HIV and Aids Grant* enables the health sector to develop a specific response to HIV and Aids. In addition to HIV and Aids prevention programmes, the grant supports specific interventions that include voluntary counseling and testing, prevention of mother-to-child transmission, post-exposure prophylaxis and home-based care. This includes starting Aids treatment at an earlier stage for patients with TB and pregnant women and giving triple therapy for all infected infants. **This grant is allocated R383.646 million in 2010/11, R484.439 million in 2011/12, and R578.384 million in 2012/13.**

The *forensic pathology services grant* assists with the transfer of medico-legal mortuaries from the South African Police Service to the health sector and to provide comprehensive forensic pathology services for the criminal justice system. **This grant is allocated R50.107 million in 2010/11, R53.114 million in 2011/12, and R55.769 million in 2012/13.**

The 2010 Budget introduces a new grant the **Expanded Public Works Programme grant for the social sector**. This grant receives **R6.384 million in 2010/11** to subsidize non-profit organizations working in the home- and community-based care sector. This grant will be paid to non-profit organizations that have been using the services of unpaid volunteers so that these volunteers can receive some form of remuneration. During 2010, a comprehensive funding model for a programme that will incentivize labour-intensive employment in this sector and inform grant allocations for 2011/12 and 2012/13 will be developed at a National Government level.

The priorities of the department that are funded in this budget include, amongst others, improving quality health care , strengthening of human resource, Health Professionals Remuneration review, additional posts for additional posts for Health professionals, improve management of communicable and non communicable diseases, strengthening of physical infrastructure, OSD for nurses, Tuberculosis (MDR and XDR), e-Health and Waste Management.

With respect to the establishment and funding of the new Tertiary Hospital, necessary discussions is taking place between the Provincial Treasury and the National Treasury as a dedicated funding thereof will be required for a project of this magnitude.

The amount totalling **R6.420 billion** is proposed to be allocated to the Department of Health to cater for amongst others, the reduction of infant and child mortality rates; funding for teams to track TB treatment defaulters; and to improve and support the rendering of primary health care services as well as provision of the anti-retrovirals.

VOTE 11: Culture, Sport and Recreation

The Department continues to develop, support and promote cultural, sporting and excellence by providing support to all communities through the creation of

opportunities in capacity building, infrastructure development, information dissemination and stakeholder participation.

The allocation includes the Community Libraries grant with an allocation of **R62.733 million in 2010/11, R66 497 million in 2011/12 and R69 822 million in 2012/13.**

The allocation is aimed at ensuring amongst others the purchase of Library materials, improvement of the Library Information and Communication Technology (ICT) infrastructure, provision of enabling services for the visually impaired at community libraries.

The allocation also includes the Mass Sport and Recreation Participation Programme grant with an allocation of **R31.663 million in 2010/11, R33 563 million in 2011/12 and R35 241 million in 2012/13**

The allocation is aimed at promoting mass participation within communities and schools through selected sport and recreation activities, empowerment of communities and schools in conjunction with stakeholders and development of communities through sport.

The Department of Culture, Sport and Recreation is proposed to be allocated a total amount of **R282.253 million.**

VOTE 12: Social Development

The Department of Social Development is proposed to receive a total amount of **R881.447 million** to fund children in children's homes, Monitoring and Evaluation, Early childhood development, Infrastructure development, Masupatsela, children in conflict with law, anti poverty strategy, Home Community based care and disability amongst others.

The 2010 Budget introduces a new grant called the expanded public works programme grant for the social sector. This grant receives **R2.856 million in 2010/11** to subsidize non-profit organizations working in the home- and community-based care sector. This grant will be paid to non-profit organizations that have been using the services of unpaid volunteers so that these volunteers can receive some form of remuneration. During 2010, a comprehensive funding model for a programme that will incentivize labour-intensive employment in this sector and inform grant allocations for 2011/12 and 2012/13 will be developed at a National Government level.

VOTE 13: Human Settlements

In order to facilitate the creation of integrated sustainable Human Settlements, the amount totalling **R1.197 494 billion** is proposed to be allocated to the Department of Human Settlements.

The Department administers one grant.

The *Human Settlements Development Grant* facilitates the establishment of habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities.

The programme targets eradication or formalization of informal settlements in phases up to 2014. **This grant is allocated R975.863 million in 2010/11, R1.118 billion in 2011/12, and R1.250 billion in 2012/13 in order to ensure accelerated housing delivery.**

TOTAL PROPOSED BUDGET: 2010-2011

The total budget proposed to be appropriated by this House for the 2010-2011 financial-year, to fund the requirements of the Province is **R26 Billion, 100 Million, 585 thousand.**

INTRODUCTION OF THE BILL AND THE OTHER BUDGET DOCUMENTATION

Honourable Speaker, I now have the honour to introduce the Mpumalanga Appropriation Bill – 2010; the 2010 Estimates of Provincial Expenditure; the 2010 Provincial Budget Speech; and the 2010 Budget Made-Easy booklet in terms of **Chapter 4, Section 27, sub-Section 3 of the PFMA, Act 1 of 1999, as amended by Act 29 of 1999.**

CONCLUSION

As I conclude, I want to remind the House that Mpumalanga is a beautiful province, with wonderful people, blessed with abundance of all of creation, from the lay of the land to the wildlife, the richness of the earth in terms of minerals, to the diversity of our people. Mpumalanga, land of the rising sun – the province with A Pioneering Spirit, may our combined efforts in managing the public funds entrusted to us responsibly and diligently, make Mpumalanga prosper, and become even more beautiful. Let it truly be the land where the sun rises, for our children, the poor and the destitute amongst us.

Honourable Speaker, I wish once again to extend my gratefulness to the ruling African National Congress and the Honourable Premier for entrusting me with the responsibility to lead this Department. My gratitude is also extended to my colleagues in the Executive Council for their support and cooperation. I also wish to record my appreciation to the Honourable Members of the Provincial Legislature and in

particular Members of the Portfolio Committee on Premier's Office; Finance; Community Safety, Security and Liaison and the Auditor General for their guidance.

My appreciation further goes to the staff of the Department, in general, for their ongoing support.

In delivering the State of the Province Address, the Honourable Premier reminded us that;

"We have chosen a life path that binds our lives to contribute in the creation of a humane society and the world. Burdens and challenges cannot bend us".

As a department, we are committed to this path. There is no doubt that the path that leads to a human society also includes overcoming poverty. In this regard, Dr Nelson Mandela reminds us that:

"Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. You can be that great generation. Let your greatness blossom."

May God bless and protect this budget.

I thank you!