



MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA

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27 March 2012

Ref. M3/16/6 (1051/12)

Private Secretary to
Mrs YN Phosa, MPL
MEC for Finance
Mpumalanga Provincial Government
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Fax: 013 766 4625

Dear colleague

COPY OF THE MPUMALANGA PROVINCIAL BUDGET SPEECH

On behalf of Mr P J Gordhan, Minister of Finance I hereby acknowledge receipt of the MEC's correspondence dated 20 March 2012 received by this office on the 26th March 2012 with regard to the above-mentioned matter.

The correspondence will be forwarded to the Minister for his attention.

Yours sincerely

Copy

Joanne Scott
Office of the Minister

- ▶ **Kenneth Brown**
DDG: Intergovernmental relations
For your attention

- ▶ **Lungisa Fuzile**
DG: National Treasury
For your information

- ▶ **Nhlanhla Nene**
Deputy Minister of Finance
For your information

MPUMALANGA PROVINCIAL GOVERNMENT

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Department of Finance *Office of the MEC*

Litiko LeteTimali

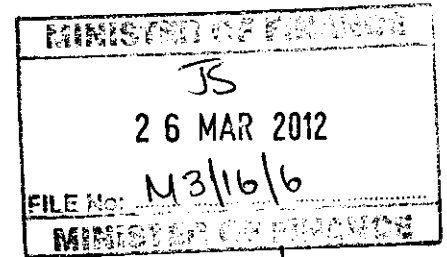
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Departement van Finansies

Kgoro ya Matlotlo

Enq: Mr Pogisho Pasha
Tel: 013 766 4221

The Minister of Finance
Private Bag X115
Pretoria
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Dear Hon. Minister P. Gordhan

COPY OF THE MPUMALANGA PROVINCIAL BUDGET SPEECH

The above subject bears reference.

Please find attached a copy of the Mpumalanga Provincial Budget Speech as tabled in the Provincial Legislature on the 13th of March 2012.

The support of the Honourable Minister is always appreciated.

Yours sincerely,

MRS YN PHOSA, (MPL)
MEC FOR FINANCE
DATE: 20/3/2012



finance

Department
Finance

MPUMALANGA PROVINCIAL GOVERNMENT

Provincial Budget

Speech

MEC for Finance, Mrs YN Phosa

Riverside Park, Ext 2

Nelspruit

13 March 2012



MPUMALANGA
A Pioneering Spirit

ADDRESS BY MEC FOR FINANCE, MRS YN PHOSA DURING THE
OCCASION OF TABLING OF THE PROVINCIAL BUDGET AND ANNUAL
APPROPRIATION BILL FOR 2012/13, NELSPRUIT

13 MARCH 2012

Honourable Speaker,
Honourable Premier, Mr DD Mabuza
Deputy Speaker, Honourable VS Siwela
Chief Whip of the majority party, ANC, Honourable BT Shongwe
Members of the Executive Council
Honourable Members of the Provincial Legislature
Provincial Secretary of the 100 Years-old Movement - ANC, Mr Lucky Ndinisa
Leaders of political parties represented in the legislature
Representatives of the House of Traditional Leaders, Inkosi Mahlangu and
Kgosikgadi Mohlala
Executive Mayors, Leadership of SALGA, Councillors and Members of the Mayoral
Committees for Finance
Public Service Commissioner, Mr DS Mkhwanazi
Director General, Mr JM Rabodila
Acting Head of Department of Finance, Mr JB Mbatha and other Heads of
Departments
Chairpersons and Members of Audit committees
Religious leaders, representatives of labour, business and civil society organisations
The People of Mpumalanga
Newly appointed regional manager of SABC, Mr Quinton Lenyai and members of
the media
Distinguished guests
Ladies and gentlemen

I stand on this rostrum, with extreme humility, to table the provincial budget for the 2012/13 financial year on behalf of the Honourable Premier, the Members of Executive Council and the People of Mpumalanga.

This budget seeks to concretize our path towards building a 'future society' that the Honourable Premier spoke about in his State of the Province Address three weeks ago.

It is premised on the conviction that, as the people of this land, we stand at the confluence of immense opportunities to continue to change the course of history, today.

As we necessarily celebrate our movement's centenary, we reminisce with pride and humility that our fore bearers neither gave up the noble struggle nor grew weary dreaming about a future society.

Here we are today, living under different circumstances, in a free and democratic country and a government that is on course to deliver a **better life for all** notwithstanding the concomitant challenges. ... **We are indeed a new society!**

As we cast our eyes into the future of the next centenary, we are reminded by the former President, Dr Nelson Rolihlahla Mandela that:

*"Our blemishes speak of what all humanity should not do;
Our glory point to the height of what human genius can
achieve;
Our road to the glorious future lies through collective work to
accomplish the objective of creating a people-centred society."*

In this year in which we celebrate the centenary of the African National Congress, we can rise with confidence and proclaim on progress that we have made. The lives of many South Africans are better now than what they were before the first democratic elections of 1994.

Our economic policies, budget allocations and service delivery shifts over the past 17 years attest to this fact.

Social spending and focused attention on the plight of the poor majority, as reflected in the budget, is now higher than before.

As government we are proud about the achievements made under the watch of the glorious movement of the people. As we celebrate these achievements, we are conscious of the everyday struggles that our people are going through and we shall never stop to work harder and gradually do more to help them overcome their situations.

Economic Outlook

While we continue to implement the programmes that are aimed at improving the quality of life of the poor majority, we are cognizant of the challenging economic and financial situation in the Eurozone.

The global economic growth prospects, have been adjusted downward from the initial 4 per cent to 3.3 per cent for 2012.

It is now generally accepted that the Eurozone is likely to experience a recession this year, but its extent and duration is still uncertain.

The ongoing difficulties especially in Europe, present significant downside risks to the national and provincial economic outlook.

We are affected because we constitute an integral part of this interconnected challenge of the global world.

Mpumalanga's economy is expected to grow at a rate of 2.8 per cent in 2012, which is in line with consensus national growth expectations. The Provincial GDP (gross domestic product) is expected to grow at a rate of 3.7 per cent in 2013 and 4.2 per cent in 2014.

Gert Sibande District is expected to record an annual GDP growth of 3.9 per cent in the 2010 to 2015 period. A growth rate of 3.5 per cent is anticipated for both Ehlanzeni and Nkangala Districts during the same period.

The fastest growing industries, at 4 per cent and higher, in terms of real gross value added (GVA) growth in the same period, should be transport, trade, construction and utilities.

Labour Market

There was a welcome recovery in job creation during 2011 on national and provincial levels. Unfortunately, employment has not yet returned to the pre-recession peak of 2008. While the rate of unemployment decreased last year, the South African and Mpumalanga unemployment rate remain high at 23.9 and 27.7 per cent, respectively.

According to the Quarterly Labour Force Survey of Statistics South Africa, the South African economy created 365 000 jobs during 2011. Mpumalanga recorded 47 000 job gains, which represent a 13 per cent share of the national job gains last year. Mining, private households and transport were the main contributors in this regard.

Our province's 5.4 per cent employment growth during 2011, was not only higher than the national average of 4 per cent, but also the highest among the nine provinces.

Honourable Speaker, we did not experience jobless growth in Mpumalanga last year. **This is a clear indication that together we can do more!** The challenge is to keep the momentum so that we can achieve our provincial target of 70 000 new jobs per annum.

Inflation

The national and provincial inflation outlook has deteriorated in the last few months.

South Africa and Mpumalanga's inflation rates increased to levels of 6.3 and 6.7 per cent respectively, in January 2012. Both these consumer price index (CPI) figures were higher than the 6 per cent upper band of the inflation target zone of the South African Reserve Bank.

Inflation is expected to remain outside the upper end of the target range for the whole of 2012, to peak in the second quarter of 2012, before declining gradually and returning to within the target range of 3 to 6 per cent in the first quarter of 2013.

It appears that two of the four main determinants of our provincial inflation, that is, food and non-alcoholic beverages (especially meat, bread and cereals) as well as housing and utilities (especially higher electricity and water prices), provide strong upward pressure on the average level of prices in the province. Rising food, electricity, oil and fuel prices, represent the main risks to the national and provincial inflation outlook.

Levers of change and budget principles

The Honourable Minister of Finance, Mr. Pravin Gordhan indicated in the National Budget Speech on the 22nd February 2012:

"If we are to succeed putting our economy on a more rapid and inclusive path, we need to effectively direct and manage levers of change - levers that activate both public and private sector energies and capabilities".

Honourable Speaker, our levers of change underpinned by the Mpumalanga Economic Growth and Development Path implementation include the following:

- improving the quality of education and skills development. The implementation of our Provincial Human Resource Development Strategy can be highlighted in this regard;
- delivering of quality health care and improving the health profile of our citizens;
- creating decent work and expanding employment-creating programmes;
- rural and agricultural development with the Comprehensive Rural Development Programme as the main driver of our strategic interventions, and
- expansion of public infrastructure investment programmes.

These are the kinds of levers of change that will ensure that the budget that we are tabling today contributes towards **bringing a better life for all** and transforming our province.

The macro economic realities dictate that the provinces should fund any shortfall that may arise from within their provincial baselines.

Given the economic outlook over the period ahead, growth in spending has to moderate as set out in the 2012 Medium Term Budget Policy.

The Honourable Premier, Mr David Mabuza, in his State of the Province Address advised that:

“Long-term sustainability depends also on shifting the composition of government spending from consumption to investment.

The aim is to strengthen infrastructure investment and maintenance, because this is a key contribution to the underlying growth potential of the economy.

This means that there must be a moderation in the growth of the wage bill and spending on goods and services over the MTEF period ahead”.

The Executive Council has directed that all organizational structures of Mpumalanga departments should contribute towards service delivery and not a bloated wage bill.

To achieve human resources efficiencies, government is working with the Department of Public Service and Administration (DPSA) to ensure effective implementation of this policy position.

We are also exploring a systemic tool that will assist departments to determine the numbers of personnel and provide accurate estimates for personnel budgets.

The guidance provided by the Budget and Finance Committee did not only assist in redirecting budgets away from non-core spending but also established new expenditure rules for our province. These include:

- shifting of allocations for bursaries to the Department of Education in line with the Mpumalanga Human Resource Development Strategy;
- centralizing of security budgets in the Department of Safety, Security and Liaison, and
- centralizing the funds for youth development in various trades to Mpumalanga Regional Training Trust.

The composition of the expenditure needs to shift towards spending on infrastructure over the 2012 MTEF period. For that reason, efforts should be made to

find savings and channeling these towards government's priorities, especially in health, education and other programmes that contribute towards job creation.

There is a need for greater emphasis on economic and effective use of resources and reprioritization of budget to support service delivery and economic growth in the province.

Accordingly, departments should make necessary adjustments to function effectively and efficiently while striving to attain the main service delivery objectives of our government.

These are imperative for a people-centred government to ensure that we improve quality of life of all citizens and free the potential of all as envisaged in our democratic Constitution. ... **More must certainly be achieved with less!**

Infrastructure development

Given the strategic focus of government to shifting the composition of expenditure towards investments in infrastructure, the province has allocated a total amount of **R2 billion 805 million 461 thousand** for development and maintenance of infrastructure during the 2012/13 financial year. This investment will be an important driver toward economic growth and job creation in the province.

Improving financial management and accounting

We have demonstrated our ability to manage a development-oriented budget on behalf of the people of Mpumalanga.

There are indications of improvements in transparency and financial accounting in the province. This is illustrated by three votes and one public entity obtaining clean audit reports, nine votes receiving unqualified audit opinions and reduction in audit outcomes with matters of emphasis.

We can confidently report an improvement in the management of provincial finances. These can be attributed to compliance with prescribed legislation and adherence to good governance.

The government is planning to establish workgroups constituted by the Provincial Treasury, Chief Financial Officers and departmental Planners as an intervention strategy to improve on financial and performance information management. This action will further enhance our ability to deliver the required levels of quality services within the fiscal means.

In times of need, there will always be constraints that will prevent us from meeting our high service delivery standards, but this will not stop us from working even harder to attain those levels of service excellence.

Provincial Fiscal Framework

The provincial fiscal framework makes available a total of **R31 billion 164 million 791 thousand**. However only **R30 billion 967 million 931 thousand** is tabled to fund the provincial priorities for the 2012/13 financial year.

We will later table the Finance Bill in order to clear departments' books of accounts on amounts condoned by the Select Committee on Public Accounts (SCOPA). An amount of **R156 million 946 thousand** is set aside for this purpose. Another amount of **R39 million 914 thousand** will be tabled during adjustments when the validation process on jobs reported is completed.

The province receives an equitable share of **R24 billion 874 million 453 thousand** and a total of **R5 billion 620 million 663 thousand** which comes as Conditional Grants from the National Revenue Fund to enable implementation of government's infrastructure programmes.

The province's own revenue contributes **R669 million 675 thousand** to fund the projected expenditure for the year ahead.

Honourable Speaker allow, me now to outline the budget allocations for the thirteen votes.

Vote 1: Office of the Premier

The Office of the Premier is allocated a total budget of **R158 million 103 thousand** to provide strategic leadership on the implementation of government programme of action, anchored on the twelve national outcomes.

Vote 2: Provincial Legislature

A total budget of **R213 million 600 thousand** is allocated to the Provincial Legislature for members to discharge their responsibility to hold the executive and other state organs accountable through intensified oversight, enhanced public education and participation and law-making.

Vote 3: Department of Finance

The Department of Finance is allocated a total budget of **R255 million 340 thousand** to ensure equitable allocation of budget, monitoring of utilization of provincial resources, capacitate and give support to both provincial departments public entities and municipalities.

Included in this budget, are special allocations to enhance the implementation of the Public Finance Management Act in provincial administrations amounting to **R3 million** as well as **R5 million** for support and capacity building to municipalities.

A further **R7 million 673 thousand** has been allocated to support the Department of Education in improving governance issues in schools, as well as Departments of Social Development and Health in dealing with non compliance issues within its Non Profit Institutions and Non Governmental Organizations stakeholders.

Vote 4: Co-operative Governance and Traditional Affairs

The Department of Co-operative Governance and Traditional Affairs is allocated a total budget of **R 337 million 424 thousand** in order to facilitate and co-ordinate inter-governmental structures and developmental agencies to provide sustainable integrated service delivery and also to support the traditional system of governance in the province. A special allocation of **R9.2 million** is also provided for the construction of Bloemendal pipeline.

Vote 5: Agriculture, Rural Development and Land Administration

The total allocation to the Department of Agriculture, Rural Development and Land Administration is **R980 million 476 thousand**. The allocation of **R35 million** is provided for procurement of land and establishment of fresh produce market and **R15 million 53 thousand** for renovations in Marapyane College amongst others.

Vote 6: Economic Development, Environment and Tourism

The total budget of the department increases to **R770 million 191 thousand** for implementation of the Mpumalanga Growth and Development Path, with specific focus given to job creation, SMMEs support, cooperatives development, promotion of tourism and implementation of air quality management plan.

The allocation is also intended to enable the Mpumalanga Economic Growth Agency (MEGA) and the Mpumalanga Tourism and Parks Agency (MTPA) to drive strategic economic and tourism objectives.

Mpumalanga Tourism and Parks Agency

A special allocation of **R50 million 606 thousand** is made available to Mpumalanga Tourism and Parks Agency. **R44 million** of this allocation is for revitalisation of the first four priority nature reserves, namely:

- Blyde River Canyon Nature Reserve;
- Songimvelo Nature Reserve;
- Manyeleti Nature Reserve, and
- Loskop Dam Nature Reserve.

The remaining **R6 million 606 thousand** will cover the programme costs related to implementation of both tourism and conservation mandate.

Mpumalanga Economic Growth Agency

A special allocation of **R20 million** is provided to MEGA to set up a special purpose vehicle for implementation of bulk water and sanitation infrastructure project as announced in the State of the Province Address. **R40 million** is also allocated to the Agency in order to service the loan with the Development Bank of South Africa.

Vote 7: Education

We would like to add our voice in congratulating the Department of Education for improved matric results and breaking years of qualified audit opinions on financial matters.

The Department has been allocated a total budget of **R13 billion 983 million 862 thousand** to:

- improve access to and quality of early childhood development programmes;
- improve literacy and numeracy competence amongst learners;
- improve the participation and performance in mathematics, science and technology subjects, and
- improve the Grade 12 results.

There are two function shifts that have affected the Department of Education namely centralization of bursaries as well as youth skills development in the province.

Bursaries

The department is given the responsibility to disburse both internal and external bursaries in line with the Mpumalanga Human Resource Development Strategy.

Youth skills development

The new mandate of Mpumalanga Regional Training Trust (MRTT) is to train, accredit and place the youth in the job market.

Vote 8: Public Works, Roads and Transport

The Department of Public Works, Roads and Transport is allocated a total budget amounting to **R3 billion 510 million and 977 thousand** to effectively implement all mandates relating to:

- maintenance of government buildings and road infrastructure;
- provision of wood and Coal for hospital boilers;
- integrated Transport Infrastructure , and
- provision of Scholar Transport.

Vote 9: Safety, Security and Liaison

The Department of Safety, Security and Liaison is allocated a total budget of **R803 million 704 thousand** in order to improve the safety of communities and the coordination of security services.

Vote 10: Health

The Department of Health is allocated a total budget of **R7 billion 544 million 189 thousand**.

Included in this allocation is **R108 million 500 thousand** allocated to the department to recruit and retain medical professionals to address the high vacancy rate and bring the staff complement to 60%.

New Conditional grants

The fiscal envelope makes provision for two new conditional grants for health sector. These are the Nursing Colleges and Schools and National Health Insurance Grants.

Nursing Colleges and Schools Grant

R9 million 740 thousand is provided in the baseline of the Nursing Colleges and Schools Grant for the refurbishment and upgrading of nursing colleges in the 2012/13 financial year.

National Health Insurance Grant

The province will receive a share of the National Health Insurance Grant totaling **R11 million 500 thousand** in 2012/13. This allocation is provided to fund National Health Insurance (NHI) pilot project in the province.

The forensic pathology grant will be shifted into Provincial Equitable Share (PES) during 2012/13 financial year. An allocation of **R49 million 875 thousand** in 2012/13 and **R52 million 116 thousand** in 2013/14 is provided.

Vote 11: Culture, Sport and Recreation

The priorities of the department in the next financial year include hosting the international gold panning championship; providing funding and support to arts and culture organisations, councils and sport institutions; construction of a Sports Academy, libraries, provision of Information Communication Technology (ICT) services to public libraries as well as provision of school sports.

R3 million 500 hundred thousand is added to the baseline of the department to implement the heritage programme. A further allocation of **R24 million** is provided for acquisition of land and project packaging for the Cultural Hub.

The department receives a total budget of **R324 million 817 thousand** during the 2012/13 financial year.

Vote 12: Social Development

The Department of Social Development is allocated a total amount of **R920 million 299 thousand** in order to provide equitable, integrated, quality and sustainable social development services. Included in this allocation are the following priority areas:

- Implementation of anti drug master plan;
- Implementation of *Isibindi* Model of Care for Vulnerable Children and Youth, and
- Construction of branch offices.

Vote 13: Human Settlements

In order to facilitate the creation of integrated sustainable human settlements, the Department of Human Settlement is allocated a total budget of R1 **billion 164 million 949 thousand**.

The Comprehensive Rural Development Programme will be supported by the People's Housing Programme with a target of 5 300 units.

The provincial share of the Human Settlements Development Grant to the amount of **R589 thousand** is provided for the repair of storm-damaged infrastructure.

As I conclude,

I would like to emphasise that the effectiveness of this spending plan lies in strong and delivery-inclined partnership between government, civil society, workers and business community. We are indeed partners in the great enterprise of transforming our country with people in mind.

We are committed to fostering effective financial oversight, monitoring and quality reporting to enable timely interventions in favour of societal development.

We have a budget that speaks to programme interventions that seeks to enhance the integrity of the state..... **We must therefore make every cent count.**

We must all commit to closing the gaps that create wasteful, irregular and fruitless expenditure.

Now is the time to make this budget work even better for the people of Mpumalanga.

Honourable Speaker, let me take this opportunity to extend my gratitude to the African National Congress and the Honourable Premier for entrusting us with the responsibility of managing the provincial fiscus.

I would also like to thank my colleagues in the Executive Council for supporting this budget proposal and its envisaged outcomes.

A word of appreciation also goes to the members of the Budget and Finance Committee for their unflinching support throughout the process of producing this budget. I thank the Portfolio Committee on Legislature Oversight, Premier's office and Finance for contributing immensely to the successful execution of our mandate.

The Auditor General's office, Internal Auditors, Members of the Audit committees in various departments and the Audit Forum for their skillful and diligent advices.

To the Acting Head of Department and Team Finance, thank you very much for your continued quality work. Remember the *Sky Is The Limit*.

Many thanks to my husband, Dr NM Phosa and children for their outstanding support during the execution of the important public service task bestowed upon me.

As I sum up, let me share this inspiring advice by former Minister of Finance, Mr. Trevor Manuel who once said:

*"The legacy we leave must not be told in numbers.
It must be born out of the values that characterize our time."*

Honourable Speaker

I now have the honour to introduce the Mpumalanga Appropriation Bill 2012, Estimates of Provincial Revenue and Expenditure for 2012/13 for consideration by this august House.

I pray for God's divine favour upon this budget, and guidance for its implementation in accordance with the vision and mandates that inform its appropriation.

I thank you

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