2013 Provincial Budget Speech

Honourable MB Masuku (MPL)

MEC for Finance

19 March 2013

Mpumalanga Provincial Legislature

Working together we can do more

finance
Department:
Finance
MPUMALANGA PROVINCIAL GOVERNMENT

MPUMALANGA
A Pioneering Spirit

SPEECH BY MEC FOR FINANCE, MR MB MASUKU (MPL) DURING THE OCCASION OF TABLING OF MPUMALANGA PROVINCIAL BUDGET FOR 2013/14 TO THE PROVINCIAL LEGISLATURE

March 2013

Honourable Speaker and Deputy Speaker
Honourable Premier, Mr DD Mabuza
Honourable Members of the Executive Council
Honourable Members of the Provincial Legislature
Executive Mayors and Councillors
Chairperson of the House of Traditional Leaders, Kgosi ML Mokoena and other members of the House
National and Provincial Public Service Commissioners here present today
Representative of Auditor General's Office
Statistics South Africa Provincial Executive Manager: Ms Margaret Africa
Director General, Head of Department of Finance and Heads of other Departments
Leadership of the Alliance and other political parties
Representatives of Labour, Business, Religious, Civil Society and the Media
Distinguished Guests
Ladies and Gentlemen
Beloved citizens of Mpumalanga Province,

It is an honour to introduce the Provincial Budget for the 2013/14 financial year to this august House today.

The budget spending plan we are presenting recognises the urgency of implementing the service delivery programmes in the interest of the people of Mpumalanga.

Our understanding of the people's mandate has always been clear – to confront the socio-economic challenges that were brought by long period of repressive laws as well as the effects of the recent and current world economic pressures and Eurozone fiscal challenges.

The Honourable Premier has made our work easy by providing an analysis of the state of the province. He indicated which areas the government is doing well and in which ones we still need to improve. Ours was to determine the required effort and resources to balance performance without slowing down the momentum where we are doing well.

We started the third term of the democratic government in 2009 with a collective commitment to work together, sparing neither effort nor energy as a people towards improved quality of life for all.

And today, we still stand firm on this commitment.

We have made great strides in responding to the mandate of our people, which is anchored on the five priorities, to list but few:

- The annual matric results indicate the capacity of the Province to raise the bar on **education** outcomes;
- Our investment in social and economic infrastructure is beginning to show the difference of living in a democratic State;
- The CRDP is beginning to make lasting impact in **rural areas;**
- The Census 2011 report tells a story of progress on the provision of basic services, such as water and electricity in the Province, and
- The latest crime Statistics also show that the war against **crime and corruption** can be won.

Even with these achievements, we acknowledge that more still needs to be done on the above-mentioned performance areas.

The Honourable Premier indicated some areas in which we are not doing well. He committed the Provincial Government to overhaul the situation, with some of the work anticipated to be done in the first 100 days of the financial year.
His balanced and self-critical State of the Province Address, which was overwhelmingly welcomed, has assisted us in the development of a formula for the distribution of resources whilst maintaining the tight fiscal discipline given the current global economic environment.

We have attached at the end of this speech a Poem by **Charles Mungoshi,** titled ***"A Letter to a Son"***

When we were preparing this Provincial Budget Speech, I got reminded of this Poem. It is a letter from the mother writing to her Son who left home sometimes ago.

She is telling him to return home to take over the duties of managing the family' small holding which has been generating income for all the needs of the family.

Her husband, who has been fending for them, ensuring that land, is tilled and the livestock attended was ill. Everything was OK on the farm, but production had gone down, because of the father's ailing health.

This had caused lots of challenges to the family, as she could only take the young ones to a day-school, but they could no longer afford to take the elder sister to a secondary school, since the back pain of the father has escalated. She closes by saying to him:

"Don't think I am asking for money- although we had to borrow a little from those who have it to get your father to a hospital and you know how he hates having to borrow!
That is all I wanted to tell you…
I hope this letter finds you at the old address.
It is the only address we know"

YOUR MOTHER

This is what it felt like when we were going through this budget process.

- We did not ask for the money from those who had it, but we borrowed so that children may be able to access ECD centres and their brothers and sisters go to secondary schools and parents would have access to clinics and go to decent hospitals when they are ill.

- We borrowed because we wanted to provide seeds so that there may be more pumpkins, vegetables and mealies cobs in the households of our people in Bushbuckridge, Nkomazi, Dr Albert Luthuli.

- We borrowed from you; so that we can provide bulls and that more cows may produce milk for residents in Mkhondo, Thembisile Hani and Dr JS Moroka municipalities.

- We borrowed so that there is water for everyone and access roads in our ailing municipalities.

- We borrowed so that there should be housing, comfort, peace and security in our communities.

- We did this knowing we will not be able to return the money nor individual favours and benefits to you in our current ailing situation.

- But know that what we do today is intended to expand the dividends for the future, so that our children may return to this small holding proud that our parents left us with nothing but a rich small holding that we may use to better our lives.

Economic Outlook

Honorable Speaker, our budget is informed by a number of aspects that defines the terrain in which we operate, and mainly captured by the economic landscape.

It is framed in the context of the National Development Plan which recognises that "achieving and maintaining the balance requires the confluence of several factors, not all of which are under government's control." Most appropriately, it underscore the assertion by the Honourable President of the Republic of South Africa, Mr. JG Zuma in the State of the Nation Address that:

> *"No single force acting individually can achieve the objectives we have set for ourselves"*

The Premier has eloquently indicated that our economic and fiscal environment remains challenging and uncertain.

The Minister of Finance, Mr. Pravin Gordhan in his budget speech on the 27 February 2013 said we must *"actively pursue different trajectory if we are to address the challenges ahead"*.

The global economic growth outlook remains challenging. The downside risks to the growth outlook persist as the structural problems in many countries and in the Eurozone in particular, are still unresolved.

The global growth prospects are expected to improve only marginally, from 3.2 per cent in 2012 to 3.5 per cent this year.

While, we have found new emerging markets in China and India, they will however, continue to lead global growth at lower rates than before.

Growth in Africa is expected to be sustained only at rates in excess of 5 per cent. Domestic economic growth remains fragile and below potential.

All these can be good if they are able to bring us up to our needed 6 per cent growth in our Gross Domestic Product (GDP), which is anticipated by the National Development Plan to make meaningful contribution in the creation of jobs and socio-economic development in general.

This situation causes so much strain to the public purse and socio-economic development of the society. They tend to slow down our pace of delivering a better life for all our citizens, as little resources and employment opportunities are generated.

The global demand for our products does not help either. It has dropped, as many countries grapple with their own economic crisis.

Our country's exports grew by a mere 1.1 per cent, while the imports grew by 7.2 per cent in 2012. Simply stated, we sell fewer products than we buy from other nations. The Minister of Finance indicated that we were spending R190 billion more buying from outside nations than us selling them products.

No wonder the country's government debt that is expected to stabilize at 40 per cent of our GDP with a deficit of 5.2 percent of GDP in 2012/13.

This mirrors the situation in Mpumalanga. Mpumalanga contribution to the Country's GDP was 7 per cent in 2011, while out of the total equitable share allocation to Provinces, our province receive between 8.1 to 8.2 per cent.

Mpumalanga's economic growth rate has been revised downward and is now expected to grow at a rate of 2.9 per cent this year, slightly lower than earlier projections of 3.1 per cent. We expect a recovery to a GDP growth rate of more than 4 per cent for our province only from 2015.

This has to happen if we are to realize the needed growth rate of 5 to 7 percent necessary to meet our target of 719 000 jobs by the year 2020.

The global situation has also put pressures in households. This has created a spillover effect to municipal incomes. To date the debt owed to municipalities for periods longer than 90 days is more than 85% of total debt owed.

The situation is dire in municipalities in our province. As we speak five (5) municipalities are threatened with a shut down before the end of this month, because electricity they ordered and distributed on behalf of the community, they cannot repay, because communities are defaulting in their payments for services.

This does not only affect electricity, but other services such as water and sewer. The leakages caused by ageing infrastructure and theft of services by some in our communities do not help the situation.

These services have a direct bearing on the development of SMMEs and promotion of investment for the creation of jobs and broadening of the local income and tax base of the municipalities. The shortage and absence of these services add on a disease burden that cost the state and society millions of rands.

All these factors shared with the House above have an impact on the amount of budget available for allocation and how it is allocated.

In order to achieve higher internally-generated growth, we should individually and as collective commit to implementing a range of structural reforms and making some trade-offs as outlined in the National Development Plan (NDP).

In the meantime Minister Pravin Gordhan warned that 2013 was a budget presented in trying time and a budget "with limited room for expansion, yet there are opportunities for change."

These opportunities included the signs of improvement in a world economy that still remains troubled; the country's continued growth, the brand new unanimously accepted and appreciated National Development Plan; reduction of spending through reprioritization that has resulted in excess resource released for additional development programmes; the commitment by government to infrastructure focused spending, amongst others.

We also, as a province, appreciate the grant of **R7 billion** tax relief on personal income that has been announced by the Minister. We believe that it will provide some extra cash to working people to reduce their cost pressure as a result of the inflation that is expected to average 5.8 per cent in 2013 and 5.2 per cent in 2014.

The review of the tax policy framework in relation to the role it plays in supporting inclusive growth, employment, development and fiscal stability, should also be welcomed. We think this review is going to allow a space to deal with a number of issues the private sector and especially the SMME's believe that they hinder development and innovation.

We also appreciate the proposed new local government equitable share formula, which is envisaged to provide a subsidy for free basic services to at least 59 percent of households. It will go a long way to alleviate the burden of cost of services to communities and reduce the debt burden of municipalities as a result of payment default by individual households in municipalities.

In the same breath, we should welcome the allocation of 8.9 per cent from the national fiscal framework towards catering for basic services for households with low incomes.

The increases in old age, disability grant, foster care grant and child support grant as announced by the Minister of Finance should be equally appreciated.

The tax incentives for sharing cost of employing youth and the simplification of tax treatment for retirement funds and phasing out of electricity levies should be highly welcomed. Even a President of a country that is the heart of capitalism, J.F Kennedy had this to say:

> *"To those people in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required – not because the communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich"*

We are also persuading the house to accept that we do the same in the Province, because we think it is the right thing to do. Through this budget let's pledge the best effort towards helping the poor, so even the rich can be saved.

Provincial expenditure outcomes

The past trends in expenditure show that wage bill and litigation has become the fastest cost drivers of the Provincial budget. There is consensus on a need to shift the composition of spending towards investment in infrastructure. There should also be a consensus on a need to ensure effective management and accountability for the budget at the relevant service delivery level.

The Executive in the past four years has managed to release extra money for development by cutting frills in the departmental budgets. We have realised lots of savings though the stabilisation of compensation of employees and suppression of unnecessary growth in organisational structures.

We have seen the impact this has made in improving the functioning and the performance of the Department of Education.

In this year we will continue to do the same.

We have contained the growth of our personnel cost to a national acceptable rate, and saved about **R300 million** which has now been channelled to critical community needs such as the basic services and health care programmes.

Principles of Provincial Budget

Preparing this budget required us to be modest with our wishes, realistic in our expectation of what can be done but still be compliant with the people's mandate.

We agreed that we need to:

- show a shift of expenditure from consumption to investments and service delivery;
- encourage reprioritisation within the baselines of departments in order to respond to the immediate needs of the people;
- grow the provincial revenue stream to enable the government to continue to improve the service delivery output, and
- respond to the needs of the public entities through targeted funding.

2013 Provincial Fiscal Framework

The Provincial Government Income

The 2013/14 fiscal year provincial total receipt amounting **R33.7 billion** is drawn from the following sources:

- The Provincial Revenue for the 2013/14 fiscal year amounts to **R702.3 million.**
- Provincial equitable share of **R27.2 billion**;
- Conditional Grants to the amount of **R5.7 billion** and,

These figures underscore the importance of improving the Provincial Revenue streams to enable the Provincial Government to continue delivering services on time, at the levels required by our standards and that which meet societal expectations.

Provincial Budget 2013/14

Honourable Speaker, Premier and Members in preparing this budget I had to seek advice from those whose future we are building i.e. our children.

I have given them the whole allocation and State of the Province Address to use to guide me on how I can respond today to the construction of their future. They had to construct an income and expenditure statement. Some said I must put the whole amount to education, some said basic services and some said health, some said fighting crime, while others thought economy and jobs. However, these classes that are present here today came closer to the solution. They were able to use the SOPA to respond to all the priority areas.

The budgets and expenditure of Mpumalanga Provincial Government must respond to the socio-economic challenges of our province.

We believe that budget is after all a tool for growth and development! We must therefore use Provincial government expenditure to contribute to the reduction of the relatively high inequality, poverty and unemployment of our province.

We acknowledge that dealing with this triple challenges afflicting society, partnership with the private sector is critical.

The Honourable Premier, DD Mabuza, in his State of the Province Address (SOPA) recently urged us:

> *"……….continue forging partnership with the private sector and other stakeholders to promote growth and development, particularly job creation……….."*

Honourable Speaker

After an intensive consultation with line departments and the Provincial Legislature, we found that the stress that is in our individual households is duplicated in these institutions.
There are many societal challenges that these institutions need to respond to, even multiple fold times more than the available resources and time can carry. After assessing the preparatory work on the ground and readiness to deliver, we propose that the budget for fiscal year 2013/4 be prioritised as follows:

- **2.5 per cent** towards fighting crime, which will focus on reducing contact crime; expanding social crime prevention initiatives on rural safety and roll out a 365 days programme on violence against women and children. Joachim Chissano, former President of Mozambique and currently the Chairman of the Africa Forum in his article "Democracy key to Africa's growth" in the Sunday Independent of 17 March 2013 said:

"The concept of security should be redefined to encompass not merely the security of state, but the security of the people. Security goes beyond the threat of violence. It includes economic and social concerns such as welfare, access to land, employment, education, health and equitable distribution of national wealth…also encompass human rights, good governance and ensuring that each individual has opportunities and choices to fulfil his or her own potential".

We cannot agree more with President Chissano's view.

- **43.9 per cent** on improving quality of education, which include supporting schools that performed below 50%; improve learner performance in Mathematics, Physical Science and Technology; improving performance of learners in Annual National Assessment; provision of ECD infrastructure; developing norms and standards; development of highly sought skills for our socio-economic development; as well as reducing infrastructure backlogs in schools.

- **27.3 per cent** towards improving our health profile and social wellbeing, which will include amongst others: development and implementation of health improvement plans that will see management of hospitals jacked up, critical infrastructure renovated and repaired, technology improved, and 8 hospitals demolished and new ones built, hospital cleanliness improved, fight against HIV and Aids stepped up, spread of STI and TB brought under control with special focus on the Gert Sibande national pilot district; taking care of our children, the aged and people with disabilities through various programmes, as well as providing much needed counselling and therapy to our people in this stressful global environment.

- **11.6 per cent** to expand basic services to communities and road networks, seeing that the current global pressures create an extended limitation to the local capacity to meet the mandates in full. **R122 million** of this budget is meant to ensure that all people have access to water through increasing storage capacity, expanding bulk supply, expanding and increasing capacity of water sources in eight municipalities, as well as improving access roads and connecting communities through bridges, as the Honourable Premier announced in the State of the Province Address.

- **5.6 per cent** towards facilitation of decent work and sustainable livelihood, which should include implementation of the Mpumalanga Economic Growth and Development Path; intensifying the support for cooperatives and SMMEs; growing tourism; building strong partnerships with the Private sector; promotion of investment; investment infrastructure as well scaling up the Comprehensive Rural Development Programme (CRPD) through sustenance participation of Cooperatives and guaranteed markets from government.

- **4 per cent** in the creation of integrated Human Settlements, which includes completing the unfinished houses in the first 100 days of the financial year; finalising the outstanding work on integrated human settlements planned for the 3rd term of democratic government; finalising the remaining PHPs in all CRDP municipalities and conducting township establishment in the four major towns as part of enhancing the process of eliminating informal settlements.

- **1 per cent** towards building social cohesion and nation building through cultural heritage exchange and sports and recreation. The budget will cover also for the provision of infrastructure such as cultural hub and high altitude training centre

- **1per cent** towards building strong, efficient and developmental local government and support for traditional leaders and their communities. This will include monitoring performance and intensification of support to municipality in order to enhance accountability and service delivery. It will also capacitate community development workers in monitoring, fostering accountability and timeous feedback to government on and affected communities on progress of development projects.

- **1.4 per cent** towards building the capacity of the state and fostering accountability. This entails strengthening of monitoring and evaluation systems to track and respond to service delivery issues; improve efficiencies in our supply chain and management process, including adherence to payments in 30 days; improve infrastructure delivery; intensify Operation Clean Audit 2014 campaign. The budget includes intensification of systems to curb and act on corruption. Honourable Premier your resolve to fight crime is to us a very profound and a brave choice.

- **0.7 per cent** is allocated towards enhancing oversight and deepening democracy through strengthened public participation and enhanced constituency work.

The first president of a democratic government of the Republic of South Africa, Utata Nelson Rolihlahla Mandela said in 1993:

> *"Accountability of leaders to the rank and file and the accountability members to the structures to which they are affiliated is the flip side of the coin of democracy. Such a relationship must also extend to the relations between us and our people"*

This allocation attempts to do just that.

ALLOCATIONS PER VOTE

The above priorities have been incorporated in the various Departments and allocated with resources to continue with programmes started already, as well as cater for operational, remunerative and other administrative costs.

Office of the Premier

The Office of the Premier is allocated **R200.4 million** to fund amongst others; establishment of dedicated unit to coordinate and foster youth development and Rapid Implementation Unit as part of the effort to speed up delivery in the Province.

Provincial Legislature

The Budget for the Provincial Legislature amount **R243.4 million** to enhance oversight of departments, deepen democracy through constituency work. The amount include **R17.5 million** that has been earmarked for, amongst others, enhancing democracy by deepen democracy through increased contact with constituencies to provide more service and clarity to voters in these trying times.

Department of Finance

The total amount of **R266.8 million** is allocated to Department of Finance to implement various financial management and governance improvement programmes.

Co-operative Governance and Traditional Affairs

The Department of Co-operative Governance and Traditional Affairs is allocated a total budget of **R425.9 million** to facilitate and co-ordinate inter-governmental structures; provide sustainable integrated service delivery and to support the traditional system of governance in the Province. The allocation includes **R61.4 million** to fund water infrastructure and **R5 million** for the appointment of 127 Community Development Workers (CDWs) who have already undergone training.

Agriculture, Rural Development and Land Administration

The Department of Agriculture, Rural Development and Land Administration receives **R1.05 billion** to amongst others, continue the roll out of CRDP and initiate the processes of establishing the Fresh Produce Market.

Economic Development, Environment and Tourism

The Department Economic Development, Environment and Tourism is allocated **R821.5 million** for amongst others to promote economic development through investment promotion, SMMEs and the cooperatives development, well as promoting tourism, environmental management and heritage preservation programmes.

The budget includes **R121.8 million** as a baseline improvement towards the Public Entities to enable the Mpumalanga Economic Growth Agency (MEGA) and the Mpumalanga Tourism and Parks Agency (MTPA) to drive strategic economic, tourism, biodiversity as well as regulation of Gambling activities in the Province. **R6.6 million** is also allocated for operationalization of the Mpumalanga Liquor Authority Act to allow for greater regulatory control and the suppression of over proliferation of Liquor Outlets and social dilemmas related to alcohol abuse.

Education

Total spending on Education will amount to **R14.8 billion** in 2013/14. The budget makes provision for implementation of various strategic interventions to increase access to and improve the education outcomes from grade R to Matric level. Mpumalanga Regional Training Trust is allocated **R98 million** to increase training and skills development opportunities for young people in the Province.

Public Works, Roads and Transport

Expenditure on Public Works, Roads and Transport will be **R3.9 billion** for implementation of the province's infrastructure improvement. The budget includes an amount of **R61 million** dedicated to improvement of roads and street access in selected rural municipalities and **R808 million** for the rehabilitation of the Coal Haulage. The department also receives **R111.8 million** for the Devolution of Property Rates which now forms part of the Equitable Share allocation funding.

Community Safety, Security and Liaison

The Department of Community Safety, Security and Liaison is allocated **R841.7 million** to expand integrated social crime prevention initiatives on rural safety, including mobilising communities towards a safer Mpumalanga. The budget includes funding for the construction of Traffic College.

Health

The Department of Health receives **R8.084 billion** for improvement of health profile of the province as outlined in the priorities. A special allocation of **R27.5 million** over the MTEF is contained in the allocation for the rollout of quicker and more accurate diagnostic tests for tuberculosis.

Culture, Sport and Recreation

R351.8 million is allocated to the Department of Culture, Sports and Recreation to promote inclusive sport, enhance social cohesion and promote the rich heritage of the Province. This budget provides for the construction of Cultural Hub and High Altitude Training Centre.

Social Development

The allocation to the Department of Social Development is **R1.1 billion**. A special allocation of **R9.7 million** has been made to this Department to absorb an increased number of social work graduates funded through the social work scholarship programme. The budget also includes an amount of **R8.09 million** to support the NGO sector that is currently experiencing financial challenges.

Human Settlements

Human Settlement is allocated **R1.3 billion** towards development of integrated Human Settlements, deal with informal settlements and complete PHPs in CRDP municipalities.

Finally

As we put this budget for consideration by the House, we want to indicate that:

This is widely canvassed budget based on the set of guidance that the house gave us through the acceptance of the State of the Province Address presented by the Premier on the 1st of March 2013.

Effective governance is characterised by effective public participation. It is consensus oriented and requires accountability, transparency and responsiveness to the people. This is what we think this budget is.

Last week the Auditor-General released the National and Provincial Report on the audit outcomes. The report paints a contrasting picture about the state of financial management and governance in the Country and the Province. It highlights amongst others:

- Regression and stagnation by the departments and public entities on audit outcomes which overshadowed the four clean audits that the Province achieved in the last financial year, and

- A history of decline in both the number and the amount of unauthorised expenditure in the Province since 2009.

At the local government level, there was an improvement with 91% of municipalities tabling their annual reports in respective councils as required by the Municipal Finance Management Act (MFMA). These improvement augers well for the programme of assisting municipalities to move to the expected level of financial accountability.

We have to do more to move from the current position to a stage of clean administration, which is characterised by complete adherence to supply chain management prescripts, timely and accurate prognosis of governance challenges and reporting and accounting for every rand.

As part of measures to move the Province to a state of effective reporting and accounting on financial resources:-

- Municipalities will be required to submit financial statements on a quarterly basis to the Provincial Treasury;
- The organisations that receive grants from the government will be required to table their audited financial statements to the relevant grant department, and

- All Departments, public entities and municipalities must implement all remedial actions to address issues raised by the Auditor-General in the last audit outcomes.
- The Departments of Finance and Cooperative Governance and Traditional Affairs have both deployed financial specialists and provide continuous assistance to municipalities in a bid to secure credibility of financial management and accountability reports.

We have put in place measures to ensure sustained monitoring, accountability and adherence to financial management legislation in the Province and to ensuring that Departments' plans adhere to these commitments.

In addition to the measures such as forbidding public servants from doing business with government and introducing Price Standardisation Committee as announced by the Premier; the Department of Finance is also investing resources to enhance the integrity of our financial systems.

Honourable Speaker

We have set ourselves clear targets in relation to the five government priorities that form the basis of our social contract with the people.

We remain steadfast in our determination to get the best education for all our children; improving health profile of all citizens; creating jobs that change the socio economic standing of all targeted groups, including youth; improving the living conditions in rural areas, and protecting the government and all people against crime and corruption.

I now on behalf of the Executive Council collective table the Estimates of Provincial Revenue and Expenditure for 2013/14 and Appropriation Bill for 2013/14 for consideration by this eminent House.

Conclusion

Honourable Speaker, allow me to extend my gratitude to the Honourable Premier for entrusting me with this responsibility;

Many thanks to all Members of the Budget and Finance Committee for shaping this budget to respond to popular demands;

To my colleagues in the Executive Council, many thanks for supporting the work of Team Finance;

I would like to acknowledge Chairperson and Members of the Portfolio Committee on Legislature Oversight, Premier's Office and Finance, for advices and timely guidance to the Department.

To the Office of the Auditor-General, Chairpersons and members of the Audit Committees, thank you for providing governance oversight on the budgets that we table annually;

A word of thanks to the Head of the Department and the former Acting Head of Department on whose watches the budget was prepared, not forgetting all officials in the Department of Finance who made this day possible.

To my extended family and my closely knitted four girls and a boy for keeping up with my somewhat crazy schedule.

Honourable Speaker, Jawaharlal Nehru, first Prime Minister after India independence in 1947 to 1964. On ascendance to power, said;

"Freedom and power bring responsibility. Before birth of freedom we have endured all pains of labour and our hearts are heavy with the memory of this sorrow. Some of those pains continue even now. Nevertheless, the past is over and it is the future that beckons to us now… But, as long as there are tears and suffering, So long our work will not be over"

Utata Nelson Mandela once said:

"the purpose of freedom is to create it for others"

Let freedom reign to all!

Alluta! Continua!

The struggle for Better Life goes on.

I Thank You

ATTACHMENT 1

EXPLPANATORY NOTES TO THE 2013 BUDGETS

1. REVISIONS TO PROVINCIAL EQUITABLE SHARE

1.1. Function shift of Schools of Industry

Included in this budget is the function shift of schools of Industry Reformatory schools) from the Department of Education to the Department of Social Development.

Phasing of the Devolution of Property Rate Funds Grant into the provincial equitable share

The Devolution of Property Rate Funds Grant has been phased into the provincial equitable share funding.

The purpose of the grant was to enable provinces to take over the responsibility of paying property rates and municipal charges on properties that were administered by national government on their behalf.

The province will continue to receive the same amounts that would have been received from the grant, but these will be transferred as part of the equitable share and not as a separate conditional grant. The current conditional grant shares, factoring in current grant performance (spending) of each province, will accordingly be included as "add-ons" over the next three years and thereafter (2016/17) the formula will be applied in line with current practice.

2. REVISIONS TO PROVINCIAL CONDITIONAL GRANTS

The discussion below highlights the changes made to conditional grants over the 2013 MTEF. These include the introduction of a new conditional grant; reforms to existing grants; revisions to baselines of certain conditional grants; and revisions to the allocation criteria/data used to determine allocations to individual provinces.

2.1. Introduction of a new conditional grant

2014 African Nations Championship: Health and Medical Services Grant

A **new indirect conditional grant** for the provision of health and medical services during the 2014 African Nations Championship will be introduced as a once-off indirect grant in 2013/14 to support provinces hosting the 2014 African Nations Championship. This grant will be spent by the national Department of Health in support of provinces providing medical services in support of the tournament.

2.2. Reforms to existing conditional grants

Changes to the health infrastructure and NHI grant systems post 2012 MTBPS (for implementation from 2013/14)

There are two main amendments that have been made to the conditional grant system, funding the provision of health infrastructure and the National Health Insurance (NHI) pilots. Firstly, all conditional grants in the health sector with a focus on infrastructure have been consolidated into one grant with separate grant components.

Secondly, a new indirect (grant-in-kind) grant has been created by dividing the consolidated health infrastructure grant and NHI grant into direct and indirect components. Additional clauses have been included in the 2013 Division of Revenue Bill to cater for these reforms. The conditional grant framework linked to the newly established indirect grant will be designed in such a manner to ensure that the constitutional mandate of provinces with respect to the primary health care function is respected.

2.3. Consolidation of health infrastructure grants

The **health facilities revitalisation grant** funds the construction and maintenance of health infrastructure. This grant has been created through the merger of three previous grants: **the health infrastructure grant, the hospital revitalisation grant and the nursing colleges and schools grant**, which are now three grant components within the merged grant. The combination gives greater flexibility to the Department of Health to shift funds between the three grant components, with the approval of the National Treasury, so that they can avoid under- or over-spending in any one area of health infrastructure. This grant is supported by the (indirect) National Health Grant (Health Facility Revitalisation component).

2.4. Creation of a health indirect grant

The national health grant is a **new indirect grant** introduced in 2013/14 that will be spent by the Department of Health on behalf of provinces. The grant has two grant components, one to support infrastructure projects and the second to support the national health insurance scheme pilot sites.

2.5. Revisions to conditional grant baselines

2.5.1. Additions to the community library services grant

The funding has adjusted slightly upwards. A portion was shifted to national for the management and co-ordination of the grant from a national level as well as professional support from the National Library of South Africa to community libraries in respect of establishing book clubs; provision of ICT, promotion of marketing and communication strategies, production of public libraries directory and braille support.

2.5.2. Revisions to education infrastructure grant

Given the current constrained domestic outlook, National Cabinet on 5 February 2013 agreed to savings to specific provincial conditional grants. Due to slow spending, the Education Infrastructure Grant has been reduced.

2.5.3. Revisions to schools infrastructure backlogs grant

Spending on the Schools Infrastructure Backlogs Grant remains slow and Cabinet approved that this grant be reduced. This is a grant in kind that is available to provinces that can demonstrate capacity to absorb the funds.

2.5.4. Revisions to health infrastructure conditional grants

Despite improvements in health infrastructure conditional grant spending, major inefficiencies persist as improved spending on grants has not resulted in significant improvements in infrastructure delivery. Cabinet approved that these grants (now consolidated into the Health Facility Revitalisation Grant – direct component) be reduced over the 2013 MTEF.

2.6. Revisions to allocations to individual provinces

2.6.1. Revisions to the national tertiary services grant allocations

The National Tertiary Services Grant (NTSG) preliminary allocations communicated to provinces in December 2012 have been revised downwards. The original baseline allocations for the grant have been retained whilst the national Department of Health task team completes its work on the costing of the NTSG and the Health Professions and Training Development grant. The task team is expected to complete its work by May 2013 and the outcomes will inform the provincial breakdown allocations going forward.

2.6.2. Revisions to the provincial roads maintenance grant allocations

A new allocation formula has been developed for Provincial Roads Maintenance grant (PRMG) from 2013 MTEF onwards. The new formula results in significant reductions to the allocations of four provinces (Eastern Cape, Gauteng, Limpopo and North West). Increased allocations through the new formula are allocated to Free State, followed by Northern Cape and KwaZulu-Natal. Mpumalanga's allocation increases slightly in the first year of the MTEF and declines in the two indicative years.

2.6.3. Updates to human settlements development grant with data from 2011 Census

At the time that the allocations provided in the initial allocation letter to provinces was calculated, not all of the components of the human settlements development (HSDG) formula had been updated with data from the 2011 Census. The final allocations will be based on a fully updated HSDG formula. The 2011 Census results have shown large shifts in the need for housing towards larger urban centres. The current formula for HSDG does not necessarily sufficiently respond to these shifts which will necessitate a review of the formula. The full amount will be allocated in 2013/14, and half the allocations will be allocated to provinces in 2014/15 and 2015/16 (the remainder of the allocations for the two outer-years will remain unallocated in the interim).

2.6.4. Reforms to promote improvements in infrastructure delivery

Infrastructure conditional grants are being reformed and incentives will be introduced in existing grant structures to complement capacity support and to promote good Infrastructure Delivery Management System (IDMS) practices.

These incentives will aim to address infrastructure planning and procurement failures in the delivery of infrastructure. Provincial Treasuries are encouraged to ensure that sufficient funds are provided to fund the organisational structures necessary for the infrastructure units within Provincial Treasuries and Department of Public Works, Roads and Transport.

From 2015/16 provinces will only be eligible to receive allocations for the Health Infrastructure grant and Education Infrastructure grant if they have complied with qualification criteria that require them to meet certain planning criteria. Provinces will be required to bid for their infrastructure grant allocations two years in advance (i.e. during 2013/14 provinces will bid for their 2015/16 allocations). There are a set of pre-requisites for bidding and criteria will be used to evaluate bids. Unsuccessful bids will not be funded and those allocations will be pooled in an unallocated fund, which provinces with successful bids can apply for.

Pre – requisites

Provinces will only be entitled to bid for funds if they have the following in place:
An agreed framework that outlines the roles and responsibilities within a provincial Infrastructure Delivery Management System (IDMS) which has been adopted and signed off by the Provincial Cabinet. This framework must also be supported by the appropriate capacity.

Long term infrastructure plans (i.e. User Asset Management Plan) for each sector aligning a department's strategic objectives and infrastructure needs. Appropriate monitoring systems and contract management systems that enable filing, record keeping and tracking project expenditure.

Approval Processes

After the pre-requisites have been met, there will be two approval processes. At the first approval process, provinces will be required to bid for their allocations using a signed off Infrastructure Programme Management Plan (IPMP) and supporting Construction Procurement Strategy (CPS). Departments that are successful will then be given the go-ahead to prepare the documents required for the second approval process. For this stage provinces will have to prepare and define the project/programme packages that are to be implemented. These will be assessed to confirm each province's allocation (confirmed by an allocation letter from National Treasury). The province will be instructed to go ahead with tender procedures. These two approval processes will be finalized during the two years, before projects/packages are implemented.

After the second approval, the process is closed and the application process for the year is complete but there will still be a possibility that allocations will be withdrawn if there is noncompliance, irregularities or material deviation from original submissions.

Funds that remain unallocated at the end of this approval process can be allocated to provinces that are ready to implement additional projects. These projects will be selected by bringing forward projects that provinces have committed to implementing in subsequent years (i.e. these projects will also have been through the approval process).

During the year in which funds are spent, measures will be put in place to ensure that if a province is not spending at the rate planned for, they do not receive further transfers until they have spent the funds already transferred. Options will also be explored to shift unspent funds to projects where they can be spent during the year.

Provinces have been advised to be mindful that they will need to meet certain of these criteria during 2013/14 in order to be eligible to receive transfers for these grants in 2015/16.

End

ATTACHMENT 2

Charles Mungoshi (1947-)

A Letter to a Son

Now the pumpkin is ripe.
We are only a few days
from the year's first mealie cob.
The cows are giving us lots of milk.
Taken in the round it isn't a bad year at all -
if it weren't for your father.
Your father's back is back again
and all the work has fallen on my shoulders.
Your little brothers and sisters
are doing fine at the day-school.
Only Rindai is becoming a problem.
You will remember we wrote to you -
did you get our letter? - you didn't answer.
You see, since your father's back started
we haven't been able to raise enough money
to send your sister Rindai to secondary school.
She spends most of her time crying by the well.
It is mainly because of her
that I am writing this letter.
I had thought you would be with us last Christmas;
then I thought maybe you were too busy
and you would make it at Easter -
it was then your father nearly left us, son.
Then I thought I would come to you some time
before the cold season settled in - you know
how I simply hate that time of the year -
but then your father went down again
and this time worse than any other time before.

We were beginning to think he would never see
another sowing season.
I asked your sister Rindai to write you
but your father would have none of it -
you know how stubborn he can get
when he has to lie in bed all day or gets
one of those queer notions of his
that everybody is deserting him!
Now, Tambu, don't think I am asking for money -
although we had to borrow a little from
those who have it to get your father to hospital -
and you know how he hates having to borrow!
That is all I wanted to tell you.
I do hope that you will be with us this July.
It's so long ago now since we last heard from you -
I hope this letter finds you still at the old address.
It is the only address we know.
YOUR MOTHER