



ADJUSTMENT BUDGET 2009/2010

Presented by:

**THE MEC FOR FINANCE, MRS YN PHOSA, MPL
TUESDAY, 17 NOVEMBER 2009**

Honourable Speaker, Mr SW Lubisi
Honourable Premier, Mr DD Mabuza;
Honourable Deputy Speaker, Ms V.S Siwela;
Chief Whip of the ruling party, Mr M.S.A Masango;
My predecessor, Mr J.L Mahlangu;
Colleagues in the Executive Council;
Honourable Members of the Provincial Legislature;
Members of the House of Traditional Leaders;
The Acting Director General, Mr J.S Mgidi;
The Head of the Department of Finance, Mr R.S Tshukudu;
Other Heads of Departments;
Religious Leaders and representatives of Business Media and civil society;
Distinguished Guests;
Comrades and friends;
Ladies and Gentlemen;

Honourable Speaker, Honourable Members, ladies and gentlemen. It is an honour for me to be given this opportunity to present the Adjustment Budget for the province for 2009. On the 30th June of this year we re-introduced the Provincial Budget amounting to R22 billion, 586 million and 551 thousand. We stand here today to indicate to this Honourable House as to whether or not the budget we presented is sufficient, and therefore needs adjusting either upwards, or downwards.

However, before proceeding with my presentation, allow me, Honourable Speaker, to congratulate President Jacob Zuma for being honoured with the award of best African President by Africa Consciousness Media. Indeed under his stewardship, the country is in good hands no wonder, this prestigious recognition.

It is worth remembering, Honourable Speaker, that in the current global economic turmoil, there are variables we can change, and there are those that we cannot.

However, in the words of George Kettering:

“The world hates change, yet it is the only thing that has brought progress”

What it means is that we should embrace change and find opportunities within the challenges we currently face.

Once again President Zuma has practically demonstrated this in his approval of the adjustment of remuneration of public office bearers, absolutely conscious of the pressing economic conditions and consistent with his call in the State of the Nation Address where he urged us “to tighten our belt”, his approval was 1 per cent lower than the 8 per cent the Independent Commission for the Remuneration of Public Office Bearers recommended.

OUTLOOK FOR THE SOUTH AFRICAN ECONOMY

Honourable Speaker, let me start on a positive note with the encouraging words of the Minister of Finance in his Medium Term Budget Policy Statement;

“This is indeed a difficult time - for most of the world and for South Africa. But it is also a time of opportunity - a time to face down adversity and proclaim that we overcome its challenges. We will adapt to the new circumstances. We will not hesitate to do things differently and to act boldly!”

Indeed, the global financial and economic crisis has wreaked havoc across the world and no country has been spared. The good news is that the world’s biggest economies were expected to or already have emerged from the recession in the third quarter of 2009. Aggressive fiscal and monetary policy globally, have reduced the risks of a deeper economic contraction and set the foundation for the stabilization and recovery of the global economy. However, many expect that the economic recovery will be relatively weak and there is a concern about its sustainability.

The very well known economist, John Maynard Keynes, was right in the 1930s when he said that markets do not have any automatic mechanism to self correct, and that government intervention is necessary to revive the economy. The effects of a global economic recovery will take some time to filter through to the South African economy, which tends to lag behind world markets. Our national economic recovery may therefore take a little longer, and be somewhat less pronounced.

The South African economy is technically still in a recession after experiencing three successive quarters of negative growth. The good news is that the economic slowdown has itself began to slow down. It is expected that the national economy will experience a positive economic growth rate in the fourth quarter of this year. There’s market

consensus that South Africa will eventually experience a negative growth rate of 2 per cent this year and a positive rate of 1.5 to 2 per cent in our World Cup year, 2010.

While private sector investment continues to falter, the sustained push on public sector investment has been critical in mitigating what would otherwise have been a significantly larger recession. A word of thanks and congratulations to policy-makers at national level for all the initiatives and efforts to minimize the impact of the recession on South Africans. Economists argue that South Africa's economic performance could have been worse if it was not for the quick action of our policy-makers.

It is, however unfortunate Honourable Members that thousands more people join the jobless ranks every month because of the impact of the recession. The South African economy shed 962 000 jobs in the first three quarters of this year, far more than expected. Official unemployment (excluding discouraged workers) increased from 23.6 per cent in the second quarter to 24.5 per cent in the third quarter of 2009 and according to the expanded definition (including 1.6 million discouraged workers), the unemployment rate in this same period jumped from 32.5 per cent to 34.4 per cent.

As indicated in June 2009, inflation is expected to be on a downward trend. The Consumer Price Index (CPI) inflation declined from a peak of 8.6 per cent in February 2009 to 6.1 per cent in September 2009. The South African Reserve Bank's former Governor, Mr Tito Mboweni, indicated at the October 2009 Monetary Policy Committee (MPC) meeting, that prospects for inflation returning to its target range (3-6 per cent) by the second quarter of 2010, remain promising. He warned however, that the substantial electricity tariff increases requested by Eskom, are seen to be the main longer-term threat to our country's inflation outlook.

I would also like to take this opportunity to thank and congratulate Mr Mboweni for a decade of excellent leadership, dedicated service and stewardship to the nation and steering our economy. We would also like to congratulate and welcome Ms Gill Marcus, our new Governor of the Reserve Bank. Congratulations also to the Bank for cutting interest rates with five percentage points the last couple of months, despite stubborn price pressures. This more flexible monetary policy will contribute to our country's economic recovery.

ECONOMIC PROSPECTS OF THE PROVINCE

The impact of the recession on Mpumalanga is evident in the negative economic growth rate, increasing job losses, unemployment and liquidations during 2009. The challenge is to minimize the impact of this economic downturn on those most vulnerable. The words of Aung San Suu Kyi, Nobel Peace Laureate of Burma (Myanmar), are relevant in this regard,

“When we think about the state of the economy, we are not thinking in terms of money flow. We are thinking in terms of the effect on everyday lives of people”.

Expectations are that the provincial economy will contract by 2.9 per cent this year followed by a recovery in 2010 with a growth rate of 2.1 per cent. The recession is also evident in the growth figures of the Districts with Gert Sibande expected to weather the storm the best. Gert Sibande District will lead the recovery in the provincial economy with a Gross Domestic Product (GDP) growth of 2.3 per cent in 2010, followed by Nkangala District at an estimated 2.2 per cent and Ehlanzeni District at an estimated 1.8 per cent.

The real Gross Value Added (GVA) growth forecasts for the main economic sectors of Mpumalanga for 2009, indicate negative growth rates for all the sectors with the exception of the agriculture sector (0.9 per cent) and construction sector (10.7 per cent).

Looking further than the current economic recession, the forecasted growth rates of all sectors are likely to be positive next year. In all probability, the leading sectors in 2010 should be construction (6.0 per cent) mining (3.6 per cent), transport (2.5 per cent) with electricity (0.8 per cent), manufacturing (1.3 per cent) and trade (1.4 per cent) the lagging sectors, albeit still positive.

Honourable Speaker, unfortunately the economic crisis is also reflected in the unemployment figures and job losses of our province. The official unemployment rate increased from 23.2 per cent in the third quarter of 2008 to 25.7 per cent in the third quarter of 2009.

The provincial economy shed 54 000 jobs in the first three quarters of this year. It is a great concern that there are 304 000 unemployed people plus 123 000 discouraged workers in the province. The provincial unemployment rate according to the expanded definition of unemployment, increased from 38.1 per cent in the second quarter to 39.3 per cent in the third quarter of 2009.

Another concern is the inflation rate of Mpumalanga which was consistently higher than the national inflation rate over the period January to September 2009. The provincial inflation rate of 7.2 per cent, as measured in September 2009, was the highest among the nine provinces and the only province exceeding 7 per cent. The contributing cost drivers in this regard included housing and utilities. The annual CPI percentage change in September 2009 for Witbank and Nelspruit was 7.4 per cent. Not only was it higher than the provincial figure, but it was also the highest inflation rate for any urban area in South Africa as well as being the only urban area, nationally, in excess of 7 per cent.

As indicated in June 2009, the challenge for our province is to mitigate the negative impact of the economic downturn and for us as provincial government, to collaborate with our social partners in Mpumalanga to ensure the economic crisis doesn't damage the fabric of our society. Representatives of government, business, labour and civil society therefore joined forces on 15 and 16 October 2009 at the Mpumalanga Economic Summit, in the words of our Honourable Premier, Mr DD Mabuza:

“To deliberate on the economic challenges that our province faces and to develop appropriate and far reaching responses in line with our commitment to a better life for all our people”.

Congratulations also to the Department of Economic Development, Environment and Tourism, for organizing a very successful Economic Summit.

Honourable Members, I would like to point out some of the commitments by all the stakeholders in the Summit declaration to give us guidance for the future of our province:

- Further explore and facilitate the implementation of a set of strategic projects that will capture the imagination of the people of Mpumalanga with far reaching consequences for jobs and development in the province, specifically including the Mpumalanga University, upgrading of major hospitals and establishment of a tertiary hospital and maintenance and upgrading of the coal haulage.
- Support the government in its rollout of its infrastructure projects in all corners of the province, especially in the rural areas, through various models such as Public-Private-Partnerships (PPPs).
- Promoting the protection and creation of jobs through training and retraining of employees.
- Facilitating fast-response for companies in distress through fast-tracking of financial support to SMMEs affected by the economic downturn.
- Establish emergency food relief programmes and addressing food security deficits and also increased agricultural production in the province.
- Support government, including a special role for business and in particular organized agriculture, towards rural development programmes and emerging farmers.
- Finalize and implement the provincial co-operatives development strategy.

Listening to the Minister of Finance's Medium Term Budget on 27 October 2009, it is clear that the economic crisis had a very negative impact on public finances. In total, tax revenue is expected to be some **R70 billion** less than the February 2009 budget projection. It is not "business as usual" and we need to spend public funds wisely also in our province. Indeed, we have a couple of socio-economic hurdles to clear in Mpumalanga. Let's work together to face these challenges and let's not undermine our fragile economic recovery.

Perhaps we must take note of the wise words of the actor and activist for people with disabilities, Christopher Reeve, who said:

"Once you choose hope, anything is possible".

Honourable Speaker, when we presented the Provincial Budget in June 2009 to this Honourable House, we indicated that some departments had been merged, for example Public Works has been merged with Roads and Transport, to create the new Department of Public Works, Roads and Transport, while the Department of Local Government was re-named Cooperative Governance and Traditional Affairs.

We wish to indicate that these changes were gazetted in July 2009, and the Adjustment Appropriation Bill 2009 will indicate these changes.

The question to be asked, Honourable Speaker, is, what informs this adjustment we are proposing?

Firstly, allow me to deal with adjustments to the Equitable Share:

In terms of the wage agreement (Resolution 5 of 2009 of the Public Service Coordinating Bargaining Council), the wage increase for 2009/10 was on average 11.5 per cent. This is 5.5 per cent higher than what provinces planned for when they tabled their 2009 budgets.

National Treasury has made available an amount of **R373.718 million**. The Department of Education has registered a pressure of **R233.930 million**, Public Works, Roads and Transport **R8.7 million**, and Health **R159.758 million**. The pressures amount to **R402.388 million**; resulting in a shortfall of **R28.670 million**, before taking into account the pressure of the Department of Agriculture, Rural Development and Land Administration amounting to **R8.437 million**, which is dealt with separately.

The shortfall of **R28.670 million** is to be funded from other fiscal envelopes that have become available in the Provincial Fiscal Framework.

Similarly, shortfalls have arisen in the implementation of the Occupation Specific Dispensation (OSD) for Educators. In addition, the agreement reached in the Public Health and Social Development Sectoral Bargaining Council on 7 August 2009 gave

effect to the introduction of an Occupation Specific Dispensation (OSD) for doctors, dentists, medical and dental specialists, and other health professionals. The process to prepare for implementation has already commenced, which is centrally managed, to ensure that provinces adhere to the correct translation methodology.

The National Treasury has made available an amount of **R323.781 million** to fund the Occupation Specific Dispensation (OSD) for Educators. The entire amount of **R247.932 million** required by the Department of Education is to be allocated from this fund, thus leaving **R75.849 million** for further re-allocation during the 2010/11 financial year.

National Treasury has made available a net amount of **R15.560 million** for the Occupation Specific Dispensation (OSD) in Health. In addition, an amount of **R41.097 million** which has been ring-fenced in the Provincial Revenue Fund for this purpose, is now available, thus resulting in a total of **R56.657 million** being available. However, the Department of Health has registered a pressure of **R103.598 million**, thus resulting in a short-fall of **R 46.941 million**. The shortfall of **R46.941 million** is to be funded from other fiscal envelopes that have become available in the Provincial Fiscal Framework.

Another important reason why the budget has to be adjusted is the continued focus by the Provincial Government on reprioritized service delivery strategies to improve the lives of our people. There is therefore a concerted drive to enhance government activities in the development of our rural areas. We should also mention Honourable Speaker, that not all adjustments to the equitable share of departments are to be funded from National transfers, but will also be funded from the Provincial Revenue Fund.

It is also necessary to fund the final preparations for the 2010 FIFA World Cup, in order to ensure that the health facilities in our stadia conform to international standards. In addition, there are shortfalls in the Property Rates Grant devolved to provinces, and, as these were unforeseen, the shortfalls have to be provided for.

NATIONAL GRANTS:

- **Expanded Public Works Programme (EPWP) Incentive Grant R522 thousand**

An amount of **R522 thousand** is to be allocated to the Department of Agriculture, Rural Development and Land Administration as Expanded Public Works Programme (EPWP) Incentive for creating jobs in the Comprehensive Agricultural Support Programme (CASP) during 2008/09.



- **Devolution of Property Rates Fund** **R12. 445 million**

The Property Rates Fund Grant is to be adjusted by **R12. 445 million** to address shortfalls in the fund.

- **Comprehensive HIV and AIDS Grant:** **R96.204 million**

Additional funding amounting to **R96.204 million** has been received from National Treasury and will be added to the baseline of the HIV and AIDS programme to meet the greater demands that arise due to the faster ARV take-up rate. The Department has currently 33 accredited facilities with 59 515 patients receiving treatment. The Department will continue to service the existing sites.

- **2010 World Cup Health Preparation Strategy Grant:** **R4.345 million**

This is a new Conditional Grant for the Department of Health, aimed at funding the final FIFA 2010 World Cup preparation strategies. The conditional grant will be utilised to acquire protective clothing, stadia resources, an all terrain vehicle, a golf cart, tent, and other health services.

- **Roll-over: Hospital Revitalisation Grant**

Schedule 5 conditional grants, by nature are exclusively allocated from a National Fiscus in order to deal with agreed upon government priorities and programmes at a provincial level, such as hospital revitalisation and HIV and AIDS. National Government is responsible for funding the various programmes and setting up conditions and provinces are responsible for implementation of such programmes.

At the end of a financial year, any unspent conditional grant funding, provincial departments must surrender these funds and if committed request approval from their respective Treasuries. The Provincial Treasury would then assess the validity of the commitments and further request a roll over on behalf of the province from the National Department of Health.

In the previous financial years, the province has not performed well on this area of work which has resulted in the withholding of funding during the 2007/08 and 2008/09 financial years.

Due to slow spending, the Hospital Revitalisation Grant amounting to **R153.500 million** was withheld by the National Department of Health. This amount is made up of **R53.500 million** of the 2007/08 allocation, withheld during the



2008/09 financial year. In addition, an amount of **R100 million** of the 2008/09 allocation was also withheld due to slow spending.

The entire **R153.500 million** is now released by the National Treasury, back to the Provincial Revenue Fund for allocation to the Mpumalanga Department of Health.

Honourable Speaker, what is then critical is that the spending improves so that the funds are not withheld again by the National Department of Health as well the National Treasury. The support of the Portfolio Committee on Health and Social Development on this area of spending will be appreciated.

Furthermore, unspent committed funds for the 2008/09 financial year to the amount of **R40.218 million** will be rolled-over for the Hospital Revitalisation Grant which, when added to the **R153.500 million** amounts to **R193.718 million**.

Honourable Speaker, the allocation for 2009/10 financial year amounts to **R304.441 million**. When the roll-over is added as well as the released funds, in total **R498.159 million** is available for Hospital Revitalisation to service the Revitalisation sites of the Province.

The Province has three hospitals that are under the Revitalization Programme, which are Rob Ferreira, Ermelo and Themba Hospitals.

Honourable Speaker, there were challenges at Themba Hospital site. In order for the wards to be renovated, there were challenges in the provision of mobile structures wherein patients could be moved. The work has commenced, albeit late.

The Department of Health must improve its payment to contractors in order to avoid a situation where contractors threaten to move from sites. This is a matter that currently the Provincial Treasury is assisting the department to deal with. The issue of value for money cannot be over-emphasised.

Allow me at this juncture, Honourable Speaker, to indicate the Adjustments to the Provincial Fiscal Framework.

ADJUSTMENT BUDGET ALLOCATION (2009-2010)

Honourable Speaker, on 30 June 2009 a budget of **R22 billion, 586 million and 551 thousand** was re-introduced as indicated earlier. This amount included a ring-fenced allocation of **R41.097 million** for OSD for doctors and other health professionals. The budget allocated to the baselines of Departments amounted to **R22 billion, 545 million and 454 thousand**, and will increase by **R1 billion, 310 million and 590 thousand** to **R23 billion, 856 million and 44 thousand**.

The proposed adjusted budget per vote is as follows:

- **Vote 1: Office of the Premier**

The budget of the Office of the Premier decreases by **R17.670 million**, from **R196.689 million** to **R179.019 million**, the net decrease arises from the function shift with respect to Flagships, to the Departments of Economic Development, Environment and Tourism, Human Settlement and Education.

The House of Traditional Leaders is transferred from the Office of the Premier to the Department of Co-operative Governance and Traditional Affairs. Any additional funding for the House of Traditional Leaders has been adjusted to the baseline of the Department of Co-operative Governance and Traditional Affairs. The Office receives a roll-over of **R5.595 million** in order to fund the previous year's commitments and **R500 thousand** to fund the costs for the Commissions of Inquiry established by the Office of the Premier.

An amount of **R1.5 million** is earmarked from the Department of Health budget for a turn-around strategy in both the Departments of Health and Education in order to address financial management challenges.

- **Vote 2: Provincial Legislature**

The budget of the Provincial Legislature increases by the roll-over on unspent voted funds during the 2008/09 financial year amounting to **R11.277 million**, plus the own revenue amount generated during the same financial year amounting to **R1.667 million**, totaling **R12.944 million**, from **R158.838 million** to **R171.782 million**. The additional funding is earmarked for the purchase of information technology equipment, purchase of computers and printers for

officials as well as members, Enterprise Resource Planning (ERP) system related costs, as well as security equipment amongst others.

- **Vote 3: Finance**

The budget of the Department of Finance decreases by the surrendered amount of **R15 million**, from **R236.397 million** to **R221.397 million**. The Department, after implementing cost curtailment measures and undergoing a process of re-prioritization, has been able to contribute R15 million towards the budget shortfall in the Department of Education.

- **Vote 4: Co-operative Governance and Traditional Affairs**

The budget of the department decreases by **R10 million** surrendered towards the budget shortfall in the Department of Education. The budget of the Department increases by a special allocation of **R4 million** to the House of Traditional Leaders, a roll-over of **R4.2 million** for the Disaster Management Centre and **R10.081 million** from the Office of the Premier on the House of Traditional Leaders' function shift, thus increasing the budget from **R414.775 million** to **R423.056 million**.

- **Vote 5: Agriculture, Rural Development and Land Administration**

The budget of the Department increases by **R69.005 million**, from **R799.635 million** to **R868.640 million**.

The additional funding will cater for the wage increase of **R8.437 million**, the roll-over of two conditional grants namely: Disaster Management Grant amounting to **R10.548 million** as well as **R11.241 million** for Infrastructure Grant to provinces.

The two grants will be funded by the reduction of the Equitable Share of the Department by **R18.883 million** as funds were not surrendered by the Department during the 2008/09 financial year. The baseline of the two grants will be corrected.

The funding previously withheld in the Provincial Revenue Fund with respect to the Disaster Management Grant during 2008/09 amounting to **R13.914 million** is also released as the capacity in the Department of Agriculture, Rural Development and Land Administration to absorb the additional funding has improved.

The Department will also receive **R522 thousand** on the Expanded Public Works Incentive Grant for contributing towards the creation of jobs in the Comprehensive Agricultural Support Programme as well as **R43.226 million** for Comprehensive Rural Development at Mkhondo municipality.

- **Vote 6: Economic Development, Environment and Tourism**

The budget of the Department decreases by **R30 million**, being the contribution made by the Department towards the budget shortfall in the Department of Education.

The budget of the Department increases by **R1.842 million** from a function shift, and increases by **R57.840 million** roll-over from unspent voted funds allocated to the Maputo Development Corridor (**R41.859 million**), Heritage Greening and Tourism (**R15.481 million**) Flagship Projects during 2008/09 and additional funds for the creation of SMMEs for water bottling opportunities in Mkhondo municipality (**R500 thousand**).

The Department also receives a roll-over amounting to **R1.652 million** for the construction of a purification pipe at Zithabiseni resort. This results in an increase from **R490.443 million** to **R521.777 million**.

- **Vote 7: Education**

The budget of the Department increases from **R10 billion, 73 million and 199 thousand** by roll-overs of **R23.305 million** on the National School Nutrition grant and HIV and Aids (**R22.949 million and R356 thousand** respectively). The roll over on the Infrastructure grant of **R14.187 million** is funded by the reduction on the equitable share.

The baseline of the Department will be reduced by **R59.901 million** in order to correct the baselines of three conditional grants namely National School Nutrition grant and HIV and Aids Life Skills Education grant as well as Infrastructure grant to provinces.

The Department receives additional funding from the Office of the Premier due to a function shift amounting to **R10.921 million** for the Accelerated Capacity Development Flagship Programme. The Department receives **R247.932 million** for Phase 2 of the Occupation Specific Dispensation (OSD) for Educators and **R233.930 million** for wage increases.

The Department receives **R1.220 million** from the special allocation on Comprehensive Rural Development Programme for the construction of 4 class

rooms, 6 toilets and fencing at Twyfelhoek school. The Department will construct 2 classrooms, 4 toilets and fencing at the Bazenzele school.

R139 million surrendered by other departments has been allocated to the Department to fund the pressures, namely Learner Teacher Support Material to the value of **R61 million, R600 thousand** towards examination budget shortfall and **R77.400 million** towards the shortfall in the scholar transport programme.

The budget therefore increases by **R610.594 million** from **R10 billion, 73 million and 199 thousand** to **R10 billion, 683 million and 793 thousand**.

- **Vote 8: Public Works, Roads and Transport**

In terms of the revised government structure announced by the Premier during the State of the Province address, the Department of Roads and Transport is merged with the former Department of Public Works. Although the proclamation came into effect much earlier, the budgets could only be shifted during an adjustment appropriation process.

Unspent committed funds from 2008/09 allocation amounting to **R3.659 million** on the Overload Control Grant will be rolled over to the Department. The roll over will be funded by the reduction of equitable share in order to correct an irregular utilization of the grant during 2008/09 financial year.

Unspent funds from 2008/09 allocation on the Overload Control Grant amounting to **R4.292 million** will be reduced from the equitable share of the Department as these funds were forfeited into the National Revenue Fund.

The Department has made a contribution of **R50 million** towards the shortfall in the Department of Education.

R522 thousand for the Expanded Public Works Incentive Grant is transferred to the Department of Agriculture, Rural Development and Land Administration for contributing towards the creation of jobs in the Comprehensive Agricultural Support Programme (CASAP) during the 2008/09 financial year.

The Department receives a roll-over on Devolution of Property Rates grant amounting to **R7.552 million** and **R12.445 million** as additional funding in order to address the shortfall in funding. A roll-over will be received by the Department for the acquisition of land to the value of **R8.755 million**.

On wage increases, the Department receives **R8.7 million**.



In order to deal with a function shift, the Department's baseline has been reduced by **R5.223 million** for the creation of the office of the Executing Authority in the Department of Human Settlements.

The Department under the Expanded Public Works Programme receives **R14.758 million** on the National Youth Service programme as well as **R10.900 million** for the provision of coal in the provincial hospitals.

The Department receives **R5.034 million** on the Comprehensive Rural Development in Mkhondo municipality for infrastructure related expenditure as well as purchase of bicycles on the Shovakalula programme.

The baseline of the Overload Control grant is corrected by the reduction of the equitable share funding.

The budget therefore increases by **R2 billion, 150 million and 712 thousand** from **R476.899 million** to **R2 billion, 627 million and 611 thousand**.

- **Vote 9: Safety, Security and Liaison**

The budget of the Department remains at **R90.415 million**.

- **Vote 10: Health**

The budget of the Department increases by roll-overs of **R40.857 million** made up of **R639 thousand** on the Forensic Pathology grant and **R40.218 million** on the Hospital Revitalization grant.

The Hospital Revitalisation Grant amounting to **R153.500 million**, that was withheld by the National Department of Health is now released by the National Treasury, back to the Provincial Revenue Fund for allocation to the Mpumalanga Department of Health.

The Department receives **R15.560 million** for Occupation Specific Dispensation (OSD) for doctors. An earlier allocation amounting to **R41.097 million**, which was previously ring-fenced in the Provincial Treasury, is added to the baseline of the Department in order to fund the Occupation Specific Dispensation (OSD) for doctors. The remaining amount of **R46.941 million** is then funded from other fiscal envelopes.

In order to implement the wage increases, the Department receives **R159.758 million**.



A special allocation of **R60 million** was made on 9 October 2009 in order to deal with the shortfall on the funding of key cost drivers and other related expenditure. The adjustment appropriation formalizes this transaction as an addition to the baseline of the Department.

On unforeseen and unavoidable expenditures, the Department receives **R96.204 million** on the HIV and AIDS grant in order to deal with the faster uptake of ARVs.

The Department also receives a new conditional grant, the 2010 FIFA World Cup Preparations Grant to the value of **R4.345 million**. The grant is aimed at funding the final FIFA 2010 World Cup preparation strategies. The conditional grant will be utilised to acquire protective clothing, stadia resources, an all terrain vehicle, a golf cart, 2 tents, and the remainder will be spent on health services.

The budget therefore increases by **R618.262 million** from **R5 billion, 429 million and 452 thousand**, to **R6 billion, 47 million and 714 thousand**.

- **Vote 11: Roads and Transport**

In terms of the Proclamation signed by the President on the revised Department, the functions and the budget have been shifted from Vote 11 to Vote 8 which is now known as the Department of Public Works, Roads and Transport.

- **Vote 12: Culture, Sport and Recreation**

The budget of the department increases by **R4.482 million**, from **R278.696 million** to **R283.178 million** mainly due to roll over on the Community Libraries grant amounting to **R9.466 million**. However, the baseline of the Department will be reduced by **R5.004 million** in order to correct the baseline of the Community Library services grant. The Department had failed to surrender unspent funds on the grant amounting to R5.004 million.

On the Comprehensive Rural Development Programme at Mkhondo municipality, the Department receives **R20 thousand** for the provision of sporting equipment.

- **Vote 13: Social Development**

The budget of the Department decreases by the surrendered amount of **R24 million**, from **R792.343 million** to **R768.343 million**. After a process of re-

prioritization, the Department has made a contribution of R24 million towards the budget shortfall in the Department of Education.

- **Vote 14: Human Settlements**

The budget of the Department decreases by **R10.152 million** which is a contribution of **R10 million** towards the budget shortfall in the Department of Education and the remainder of **R152 thousand** towards other provincial pressures.

On the other hand, the additional funding received by the Department amounting to **R6,144 million** is with respect to the function shift from the Department of Public Works, Roads and Transport for the creation of an office for the Executing Authority (**R5.223 million**) and a function shift on the Water for All Flagship project from the Office of the Premier (**R921 thousand**). Unspent committed funds to the amount of **R 625 thousand** on the Water for All flagship for the 2008/09 financial year will be allocated to the Department and additional funding of **R3.975 million** for the leases of new office space. The budget therefore increases from **R968.727 million to R969.319 million**.

CONCLUSION

As I conclude Honourable Speaker, it is prudent that we remind ourselves of the wise words of our stalward and icon, the first President of Democratic Republic of South Africa, the Honourable Nelson Mandela who in his inaugural address said;

"The time to build is upon us.... We have, at last, achieved our political emancipation. We pledge ourselves to liberate all our people from the continuing bondage of poverty, deprivation, suffering, gender and other discrimination. We have triumphed in the effort to implant hope in the breasts of the millions of our people. We enter into a covenant that we shall build the society in which all South Africans, both black and white, will be able to walk tall, without any fear in their hearts, assured of their inalienable right to human dignity--a rainbow nation at peace with itself and the world."

These words resonate to this day as we strive to honour the covenant with our people and create conditions favourable to our people and effectively use the state as an instrument to improve our people's lives and ensure that as directed by the Freedom Charter;

".. industry and trade" are "controlled to assist the wellbeing of the people"

In this context decisive action must be taken against wastage of public funds, corruption, inefficiencies and deliberate failure to comply with the cost curtailment measures imposed by government. Accounting officers and Chief Financial Officers of

departments, municipalities and public entities play a vital role in maintaining fiscal discipline and applying prudent financial management practices.

Honourable Speaker, as guided by the Framework for South Africa's Response to the International Economic Crisis, we will achieve that only when we act in;

“Social solidarity between all South Africans to ensure that the crisis does not damage the fabric of our society. Those with greater means have a responsibility to those without such means. Our collective responsibility is to work together to withstand the crisis and ensure that the poor and the most vulnerable are protected as far as possible from its impact. We must also ensure that the economy is ready to take advantage of the next upturn and that the benefits of such growth are shared by all our people.”

I wish to thank the Honourable Premier, Mr DD Mabuza, for his visionary leadership and guidance, my colleagues in the Executive Council for their continued support. I also wish to extend my appreciation to the Portfolio Committee on the Premier's Office, Finance, Community Safety, Security and Liaison for their valuable oversight role and the Budget and Finance Committee as well as the Political Task Team for their guidance.

My appreciation also goes to the management and staff of the department, may you continue with the good work.

Lastly, I wish to thank my family for the support and encouragement to continue serving the people of Mpumalanga.

Honourable Speaker, I hereby table the 2009/2010 Financial Year Adjustment Budget Bill, in terms of section 31 of the PFMA, Act 1 of 1999 **(as Amended by Act 29 of 1999)**

May God bless this budget.

I thank You