



ADJUSTMENT BUDGET SPEECH

MRS YN PHOSA
MEC FOR FINANCE

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2012



finance

Department:
Finance

MPUMALANGA PROVINCIAL GOVERNMENT



MPUMALANGA
A Pioneering Spirit

**SPEECH BY MEC FOR FINANCE, MRS YN PHOSA DURING THE OCCASION
OF TABLING OF THE MPUMALANGA ADJUSTMENT BUDGET 2012 TO THE
PROVINCIAL LEGISLATURE**

27 November 2012

Honourable Speaker, Mr SW Lubisi

Honourable Premier, Mr DD Mabuza

Honourable Deputy Speaker, Ms VS Siwela

Chief Whip of the Ruling Party, Hon BT Shongwe

Honourable Members of the Executive Council

Honourable Members of the Provincial Legislature

Executive Mayors and Members of Mayoral committees for Finance from our municipalities

Chairperson of the House of Traditional Leaders, Kgosi ML Mokoena and other members of the House

Director General, Dr N Mkhize

Acting Head of Department of Finance, Mr JB Mbatha

Other Heads of Departments present

Religious Leaders

Representatives of Labour, Business, Civil Society and the Media

Distinguished Guests

Ladies and Gentlemen



It is a distinct honour for me to present the fourth Adjustment Budget for this Administration under the stewardship of the Honourable Premier, Mr DD Mabuza to this House.

The Adjustment Budget reflects continuity in the implementation of government programmes that the Honourable Premier outlined in this august House on the 24th of February 2012.

It is a budget that takes into account the priorities that the Executive Council considered as critical to improving the performance of the Provincial Government during the current financial year.

In particular, this budget responds to the commitments made in the State of the Province Address that we will seek ways of controlling expenditure in order to free resources for service delivery; and will improve efficiencies in supply chain management and also promote financial governance in the Provincial Government.

Progress in implementing 2012 budget commitments

Honourable Speaker, the Provincial Government has, during the last seven months, taken the necessary steps to progressively make the commitment of a better life for all a reality for our people.

We have made sterling progress in implementing the budget commitments made in March 2012. Amongst these;

- The Mpumalanga Finance Bill 2012 has been developed to clear unauthorised expenditure that was condoned by the Select Committee on Public Accounts (SCOPA) for the period 2003/04 to 2009/10;
- We have established the workgroups on conditional grants to improve spending on the targeted areas as stipulated in the grant framework and make an impact on service delivery. The workgroups included Grant



Managers who assist with early detection of challenges in spending and allow the group to intervene in preventing underspending;

- The province has spent **R2 million** to kick-start the project of improving financial governance amongst the Non-Profit organisations that receive funding from the Departments of Social Development and Education;
- The four priority provincial nature reserves that were earmarked for revitalisation are receiving the necessary attention;
- We have also finalised the targeted procurement policy to support the implementation of the Comprehensive Rural Development Programme (CRDP). This policy provides for a greater local content to ensure that local enterprises and cooperatives contribute in the development at all CRDP sites;
- The process of finalising the Provincial Preferential Procurement Policy Framework is being fast-tracked, and
- We also focused on the moderation of the wage bill and clearing of accruals as per the directive pronounced in the State of Province Address.

Honourable Speaker, the articulated progress was achieved in the course of one of the most challenging economic climates since the advent of democracy in South Africa in 1994.

Turning to the economic outlook

The 2012/13 Provincial Adjustment Budget has been prepared and is tabled in an environment of continued economic uncertainty. Economic growth has slowed in both developed and developing economies, and recent domestic events have underlined the urgent need to accelerate our country's socio-economic transformation.

The Honourable Minister of Finance, Mr Pravin Gordhan, indicated in the Medium Term Budget Policy Statement on the 25th of October 2012, that real GDP (gross domestic product) growth is projected at 2.5 per cent this year – slightly lower than the 2.7 per cent forecast in the 2012 National Budget speech in February this year. A



national growth rate of 3 per cent is expected next year, rising to more than 4 per cent in 2015.

The 2012 provincial economic growth rate has also been revised downward from 2.8 to 2.3 per cent. For the period ahead, Mpumalanga's growth rate is expected to be very much in line with national growth expectations.

We are also concerned about the job creation figures at the provincial level. According to the latest Quarterly Labour Force Survey (QLFS) of Statistics South Africa, the national labour market gained 327 000 jobs last year. Our Province however, had a job creation of only 17 000 jobs on an annual basis and experience job losses of 25 000 in the third quarter of 2012

Unemployment, poverty and inequality constitute the central challenges of our country and also of our Province. We must therefore work together, with private sector; to create more jobs so as to achieve the target of 70 000 new jobs annually, in tandem with the Mpumalanga Economic Growth and Development Path (MEGDP).

The Department of Finance conducted an economic research study to investigate the impact of Mpumalanga Government's expenditure on the lives of the people of the Province. The study confirmed that the Provincial Government is making a direct impact with its expenditure of more than R30 billion per annum - in terms of building the economy and creating jobs in the process.

For the 2010/11 period, the associated GDP (gross domestic product) multiplier for Mpumalanga Government expenditure was estimated at 1.51. In other words, for every R1 we have spent in this period, an additional 51 cents of economic activity was potentially stimulated. It was also estimated that 157 000 employment opportunities could be associated with the procurement choices that Mpumalanga Government made regarding allocation of expenditure in the same period.



We must continue to utilize our Provincial Government budget as an instrument for making a difference in the lives of the more than 4 million Mpumalanga citizens.

Revenue Streams

We acknowledge that the fiscal space is tight. It is for this reason that we need all citizens, business, and government to play a constructive role in securing the future of the current and future generations.

The revenue target on the national level has been revised marginally downwards by R5 billion to R821.4 billion for 2012/13, due to slower than expected growth. The associated effect of reduced tax revenue is an increase in budget borrowing and with that, comes the risks of unfavourable sovereign debt ratings.

We need to contribute and continue to improve the revenue streams of Government so that the promise of a better life for all can be realised sooner.

Provincial expenditure outcomes

The Province has spent 57.7 per cent or **R17.9 billion** of the **R30.9 billion** provincial annual budget as at the 31st October 2012. This shows that the expenditure percentage share against the provincial annual budget, increased slightly from 56.5 per cent during the same period in 2011/12 to 57.7 per cent for the current financial year and is therefore an indicator that we are well on our way to meet the service delivery commitments made earlier this year at the time of presenting the Provincial Budget to this House.

Provincial Adjustment Budget

Honourable Speaker,

Our path towards higher growth, economic and social stability requires concerted efforts from all stakeholders. It requires Government to provide an enabling economic framework for business to create jobs; learners to raise the bar on education outcomes, health centres to implement the programmes that will ensure



healthy citizens and our rural communities to experience development where they live.

The Minister of Finance advised that we must improve the impact of spending, including shifting the balance of resource allocation towards investment in infrastructure.

We must therefore ensure that expenditure grows at a moderate pace while balancing the need to sustain the current level of our social and economic commitment to the people and job-creating sectors.

In his State of the Province Address to this House in February 2012, the Honourable Premier said:

“More must be achieved with less as the culture of belt tightening continues to be instilled and financial management is strengthened.”

In line with this commitment, the Executive Council has adopted various measures to continue to deliver the necessary services and honour our social contract with the people of our province.

Provincial Equitable Share

Mpumalanga receives **R328 million 390 thousand** from the total adjustments to the Provincial Equitable Share of **R3 billion 958 million** for higher than anticipated wage agreements, The additional funding covers the full cost of the Improved Conditions of Service (ICS) shortfall but does not make provision for growth in personnel numbers in the different sectors, with the exception to education and health sectors that may need to fill critical posts.



Conditional Grants

- **Further Education and Training College**

The Further Education and Training (FET) Colleges Grant is adjusted by **R87 million 336 thousand** to cover the costs of above inflation increases to Improved Conditions of Service, Mpumalanga's share amounts to **R2 million 589 thousand**.

- **2013 Africa Cup of Nations: Medical Services Grant**

The Province receives **R3 million** to fund the provision of medical services at the 2013 Africa Cup of Nations (AFCON) tournament scheduled for 18 January to 10 February 2013.

2012 Adjusted Fiscal Framework

The total adjustment from both National and Provincial Revenue Fund is **R585 million 368 thousand**, thus increasing the budget that was allocated in March 2012 from **R30 billion 967 million 931 thousand** to **R31 billion 553 million 299 thousand** for the current financial year.

Allocation per vote

Vote 1: Office of the Premier

The budget for the Office of the Premier increases by **R6 million 823 thousand** to fund international relations programme; support to Presidential event on International Day for People with Disability amongst others. The total budget is adjusted from **R158 million 103 thousand** to **R164 million 926 thousand**.

Vote 2: Provincial Legislature

The Budget for the Provincial Legislature increases by **R18 million 731 thousand** from **R213 million 600 thousand** to **R232 million 331 thousand**. This adjustment includes **R1 million** that the Provincial Legislature received from the European Union–Legislature Support Services (EU-LSS).



Additionally, the revenue generated by the Provincial Legislature amounting to **R986 thousand** as well as unspent voted funds at the end of 2011/12 financial year amounting to **R16 million 745 thousand**, will revert to the Legislature.

Vote 3: Finance

The Budget for the Department of Finance increases by **R525 thousand** from **R255 million 340 thousand** to **R255 million 865 thousand**.

The increase relates to amongst others, donations received for the Mandela Day activities amounting to R102 thousand.

Vote 4: Cooperative Governance and Traditional Affairs

R3 million 485 thousand is added to the baseline of the Department of Cooperative Governance and Traditional Affairs to fund Waste Management Projects targeting the youth in various municipalities. The Department also receives additional funding amounting to **R6 million R500 thousand** to support the Institutions of Traditional Leaders and other departmental commitments.

The budget for the Department will increase by **R9 million 985 thousand** from **R337 million 424 thousand** to **R347 million 409 thousand**.

Vote 5: Agriculture, Rural Development and Land Administration

The Department of Agriculture, Rural Development and Land Administration receives **R3 million 569 thousand** from the Expanded Public Works Programme (EPWP). This funding is an incentive for the jobs created by the infrastructure sector. The Department contributed R1 million 712 thousand towards the centralisation of security services.

The budget for the Department increases by **R1 million 857 thousand** from **R980 million 476 thousand** to **R982 million 333 thousand**.



Vote 6: Economic Development, Environment and Tourism

The budget for the Department increases by **R22 million 449 thousand** from **R770 million 191 thousand** to **R792 million 640 thousand**.

This adjustment includes allocation for renovations at Amsterdam environmental centre, EPWP grant incentive of R1 million for jobs created in the infrastructure sector and a special allocation of **R20 million** to the Mpumalanga Tourism and Parks Agency for implementation of its biodiversity programme and other commitments.

Vote 7: Education

The Department of Education receives **R199 million 500 thousand** for improvement in conditions of service.

A further amount of **R3 million 789 thousand** is allocated towards additional cost of the 2012 wage agreements for Further Education and Training Colleges.

The Department will also benefit from the approved rollovers on conditional grants as follows:

- National School Nutrition grant to the tune of **R32 million 1 thousand**;
- HIV and Aids Life Skills grant amounting to **R480 thousand**, and
- Dinaledi schools grant totalling **R630 thousand**.

The Department further receives **R15 million 613 thousand** from the Expanded Public Works Incentive Programme Grant which is made up of **R12 million 613 thousand** generated from the social sector as well as **R3 million** from the infrastructure sector.

R8 million is provided to augment the stipend allocation for the youth who are being trained at the Mpumalanga Regional Training Trust.



This adjustment makes provision for an additional **R18 million 400 thousand** as well as **R40 million** towards the shortfall on examinations as well as a top up on textbooks in line with the Curriculum and Assessment Policy Statement respectively.

The Department of Education also receives a net amount of **R1 million 157 thousand** from various departments in order to top up the Provincial Bursary Fund.

The Department contributed R18 million 438 thousand towards the centralisation of security services.

The budget for the Department increases by **R301 million 132 thousand** from **R13 billion 983 million 862 thousand** to **R14 billion 284 million 994 thousand**.

Vote 8: Public Works, Roads and Transport

The Department receives **R16 million 617 thousand** as an incentive allocation from the Expanded Public Works Incentive Programme Grant for jobs created in the infrastructure sector. A roll over amount of **R2 million 311 thousand** from the previous financial year is also made available to fund the Integrated Rural Mobility Access (IRMA) projects at Entombe and Boschfontein.

The Department contributed R2 million 424 thousand towards the Provincial Bursary Fund in the Department of Education.

The total budget for the Department increases by **R16 million 504 thousand** from **R3 billion 510 million 977 thousand** to **R3 billion 527 million 481 thousand**.

Vote 9: Community Safety, Security and Liaison

The Department receives additional funding amounting to **R45 million 670 thousand** towards the centralised security services, of which R44 million 135 thousand is from other departments. The amount rolled over from the previous financial year amounting to **R5 million 85 thousand** is approved for the payment of the computerised complaints system. The department also receives **R522 thousand** as incentive from the Expanded Public Works Programme in the social sector.



The budget for the Department increases by **R51 million 277 thousand** from **R803 million 704 thousand** to **R854 million 981 thousand**.

Vote 10: Health

The Department of Health receives roll-overs on Schedule 5 conditional grants amounting to **R78 million 837 thousand**, for the Forensic Pathology; Comprehensive HIV and AIDS; Health Infrastructure; Health Professions Training and Development and Hospital Revitalisation programmes. A further roll over has been approved amounting to **R2 million 695 thousand** to fund medical supplies and vehicles for family health teams.

R10 million is allocated to the Department to enhance security measures at the three prioritised hospitals, that is, Middelburg, Witbank and Barberton.

R12 million is allocated to complete the project of stabilizing building structure at Shongwe Hospital as well as provision of a dedicated electricity line. A further amount of **R5 million 5 thousand** is allocated towards procurement of linen in various provincial hospitals, whilst **R10 million** is allocated to improve basic functionality of mortuaries in Delmas and Shongwe hospitals.

The Department also receives some incentives for the jobs created in the infrastructure sector amounting to **R1 million 69 thousand**.

The Department contributed **R18 million** towards the centralisation of security services.

The adjusted budget for the Department increases by **R105 million 101 thousand** from **R7 billion 544 million 189 thousand** to **R7 billion 649 million 290 thousand**.

Vote 11: Culture, Sport and Recreation

The Department receives a rollover of **R3 million 883 thousand** from the Community Library Services Grant and incentives amounting to **R1 million** and **R524 thousand** from the Expanded Public Works Programme Grant for infrastructure and social sectors respectively.



The Department of Culture, Sport and Recreation will be allocated **R22 million** to fund the budget shortfall in the construction of the archive building.

The Provincial contribution towards the hosting of the Africa Cup of Nations (AFCON) amounts to **R5 million**. The Department contributed **R180 thousand** towards the Provincial Bursary Fund.

The budget for the Department will therefore increase by **R32 million 227 thousand** from **R324 million 817 thousand** to **R357 million 44 thousand**.

Vote 12: Social Development

The Department receives **R562 thousand** as well as **R4 million** as a roll over for the procurement of machinery and equipment in the new branch offices in Marapyane and KaMaqhekeza, and the maintenance and rental of buildings in Emalahleni and Mkhondo municipalities.

The additional funding of **R6 million** is allocated to fund phase 2 and part of phase 3 of the households profiling project. This additional funding will enable the Department to reach an estimated number of 700 000 households by 31 March 2013. The Department contributed **R6 million 600 thousand** towards the centralisation of security services.

The budget for the Department increases by **R3 million 962 thousand** from **R920 million 299 thousand** to **R924 million 261 thousand**.

Vote 13: Human Settlements

The Department has received funding towards immediate disaster relief amounting to **R15 million 136 thousand**. The funds were appropriated from the National Disaster Fund for the purchase and erection of Temporary Housing structures to households where houses were completely destroyed by the storms.



The Department contributed a net amount of **R341 thousand** towards the centralisation of security services.

The budget for the Department of Human Settlements will increase by **R14 million 795 thousand** from **R1 billion 164 million 949 thousand** to **R1 billion 179 million 744 thousand**.

Conclusion

Honourable Speaker, the pillar of a truly democratic society is the full participation of all people in building a shared value system for the country.

It is about recognising the importance of the role that each one of us can play in ensuring that the government achieves the vision of a better life for all. There is therefore neither person nor role which is inferior in the greater enterprise of building a truly democratic country and a Province that is a reflection of this ideal.

The South African Reserve Bank launched the new bank notes in October 2012, to mark the coming of age of the South African society. The new bank notes seek to enjoin the South African society to value and practice the principles that make a great nation – humility, respect for human rights and caring for each other.

These are attributes that the nation must embody in order to emulate the greatness of Tata Mandela.

Honourable Speaker, I now have the honour to table the Adjusted Estimates of Provincial Revenue and Expenditure for 2012/13 and Adjustment Appropriation Bill for consideration by this eminent House.

In allocating this money, we have one collective wish – to improve service delivery and ultimately the quality of the lives of our people.

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 finances of the Province.



I would like to thank all the Members of the Budget and Finance Committee for their unwavering support during the preparation of this Adjustment Budget.

Many thanks to my colleagues in the Executive Council for supporting the work of Team Finance.

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

I would like to acknowledge the Office of the Auditor-General, Chairpersons and members of the Audit Committees for commitment to their profession and sound advice to the Executive Authorities on financial governance matters.

To the Acting Head of the Department and all officials in the Department of Finance, thank you very much for your commitment and enthusiasm you displayed in performing your work.

I would also like to thank all stakeholders who are here with us for continuous support of our programmes.

Above all, the greatest honour goes to our Lord for giving us the strength, the spirit of wisdom and revelation in the knowledge of Him, that the eyes of our understanding be enlightened when we execute our responsibilities on a daily basis.

I Thank You





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