



finance

Department:
Finance
MPUMALANGA PROVINCIAL GOVERNMENT

"Working together we can do more"

Provincial Adjustment Budget 2011/12



Speech by MEC of Finance
Mrs YN Phosa



25 November 2011

SPEECH BY MEC OF FINANCE, MRS YN PHOSA ON THE OCCASION OF THE TABLING OF THE ADJUSTMENT BUDGET STATEMENT FOR 2011/12 TO THE PROVINCIAL LEGISLATURE IN NELSPRUIT

25 November 2011

Honourable Speaker and Deputy Speaker
Honourable Premier, Mr D.D Mabuza
Chief Whip of the ruling party
Colleagues in the Executive Council
Honourable Members of the Provincial Legislature
Director General and Heads of Departments
Chairpersons and members of Audit committees
Representatives of labour, business, civil society and media
Comrades and friends
Ladies and gentlemen

We strive for a self sustaining economy, which is able to accommodate all the needs of our people. This envisioned path has challenges but more importantly has endless possibilities.

The possibilities of continued improvement in the quality of life of the people of Mpumalanga, which are propelled by the insightful determination of the service delivery priorities spear headed by the governing party, African National Congress, are always seeking our collective commitment and responsibility to do more for our people.

Economic Outlook

The interlinked nature of the debt crisis and concerns about the banking sector in Europe, coupled with the inability of the advanced economies to generate sustained growth, continue to weigh negatively on the global and domestic economic outlook.

The Minister of Finance, Honourable Pravin Gordhan in his Medium Term Budget Policy Statement in October 2011 indicated that the real gross domestic product (GDP) growth in 2011 is now expected to average 3.1 per cent. This is somewhat below projections made in the National Budget Speech in February 2011.

The provincial economic growth prospects for this year appear to be in line with the national growth expectations, and also our forecast of 3.1 per cent in the Provincial Budget Speech on 24 March 2011. For the period ahead, Mpumalanga's economic growth rate is expected to average 3 per cent next year and rising to 3.6 per cent in 2013.

The challenge for our province is to increase the economic growth rate to at least 5 per cent per annum, in order to create enough jobs and to significantly reduce the high unemployment. The provincial unemployment rate dropped with 1.3 percentage points to 29.1 per cent in the third quarter of 2011.

We are however, cautiously optimistic about job creation in Mpumalanga after a net gain of 7 000 jobs in the second quarter and 27 000 jobs in the third quarter of 2011, according to the Quarterly Labour Force Survey (QLFS) of Statistics South Africa.

Our province recorded the third highest job gains after Limpopo and the Free State in the third quarter. The mining, construction and trade sectors were the main contributors to this positive growth in employment.

The national and provincial inflation rates jumped to levels of 6.0 and 6.1 per cent respectively in October 2011. Inflation is expected to resume its upward trend in the coming months, before declining again in the second quarter of 2012. Increasing food, electricity and oil prices represent the main risks to the inflation outlook.

This situation requires an extraordinary commitment to prudence in utilization of the limited resources, and collective loyalty to the objective of a better life for all. In other words, we need:

- a total commitment of the public officials to the work that they do for the benefit of the people of Mpumalanga;
- all the stakeholders in the chain of service provision to adhere to the rules governing demand and acquisition of services, goods and work;
- Service providers and contractors that are committed to delivering first time quality service, and
- above all, South Africans, corporate and individual citizens, to honour their tax obligation, for this help the government to meet its service delivery needs.

Financial Performance on Infrastructure Delivery

The Province has spent on infrastructure a total of R 1.4 billion or 52 per cent of the total allocated budget of R 2.7 billion for 2011/12 financial year as at 31 October 2011.

The expenditure trends on infrastructure vary from department to department with the highest being the Department of Education at 80 per cent as at 31 October 2011.

Honourable Speaker

We will, working together with all relevant stakeholders, provide support to infrastructure departments in order to fast track the planning for 2012/2013 MTEF and improve reporting on infrastructure delivery programme.

We will engage the service of the Infrastructure Delivery Improvement Plan Technical Assistants to support the provincial departments on improvement of infrastructure planning, budgeting, maintenance programme management as well as procurement systems and practices.

The Members of the Executive Council are committed to provide intensified monitoring and reporting on progress made on infrastructure delivery programme.

Key Considerations for the Adjustment Budget

Improvement in Conditions of Service

The total adjustment to the provincial equitable shares include **R283 million 491 thousand** meant to cater for the higher than anticipated wage agreements.

We are required to prioritise health and education personnel and use surplus funds to the wage requirements constructively. Accordingly, excess funds should not be used to increase staff establishments, but rather be directed towards addressing budget pressures, including accruals.

R1 million 462 thousand is also added to the Further Education and Training Colleges (FET) Sector Grant to cover the full costs of above inflation increases for Improving Conditions of Service at the FET colleges.

Funding for Flood Damages

The floods in January and February 2011 caused damage to houses, roads and schools in the province. **R3 million 960 thousand** has been added with respect to disaster funding to provide for repair work to infrastructure damaged by floods during the mentioned period.

The province receives an additional **R3 million 600 thousand** through the Education Infrastructure Grant and **R360 thousand** through the Housing Disaster Relief Grant in the 2011/12 adjustments.

Provincial Fiscal Framework

Honourable Speaker

The amounts proposed in the Bill will adjust the Provincial Fiscal Framework by **R769 million 247** from **R29 billion 197 million 955 thousand** to **R29 billion 967 million 202 thousand**.

Vote 1: Office of the Premier

The Budget of the Office of the Premier increases by **R7 million 239 thousand** from **R141 million 464 thousand** to **R148 million 703 thousand**, of this amount, **R239 thousand** is allocated for payment of bursaries for students at institutions of higher learning and a further **R7 million** is for budget pressures which include litigation claims and investigations amongst others.

Vote: 2 Provincial Legislature

The Provincial Legislature will receive **R2 million 400 thousand** and **R3 million 200 thousand** towards an expanded programme of *Taking the Legislature to the People* to Mkhondo municipality and the State of the Province Address, respectively.

R2 million 343 thousand as well as **R1 million 689 thousand** in revenue generated by the Provincial Legislature during the 2010/11 financial year will automatically go back to the Provincial Legislature in line with section 22(1) (5) of the Public Finance Management Act.

The Provincial Legislature has received **R3 million 837 thousand** from the European Union in order to deepen and entrench people-centred democracy, strengthen law-making and oversight capacity.

The Budget of the Provincial Legislature increases by **R13 million 469 thousand** from **R193 million 974 thousand** to **R207 million 443 thousand**.

Vote 3: Department of Finance

The Department of Finance receives **R4 million 280 thousand** from roll over and **R7 million 700 thousand** in order to cater for fluctuations in exchange rates. **R23 thousand** is also added

to the baseline of the Department in order to account for the balance of the donation received in the previous financial year.

The Budget of the Department increases by **R12 million 3 thousand** from **R216 million 573 thousand** to **R228 million 576 thousand**.

Vote 4: Co-operative Governance and Traditional Affairs

The Department receives **R24 million 900 thousand** to support municipalities in the areas on technical services such as waste management, procurement of graders, fuel, repairs to graders.

R10 million is provided for any disasters that can occur and a roll-over of **R20 million 565 thousand** in order to cover the costs of ICT equipment in Disaster Management centre, Municipal Infrastructure Grant assessments as well as transfer to Delmas plant.

The Department also receives **R7 million** for funding of critical posts, **R100 million** to give effect to function shift from the Department of Human Settlements and **R536 thousand** from the Expanded Public Works Incentive Programme Grant for work performed in the infrastructure sector.

The budget of the Department increases by **R163 million 1 thousand** from **R325 million 643 thousand** to **R488 million 644 thousand**.

Vote 5: Agriculture, Rural Development and Land Administration

The Department receives **R1 million 855 thousand** from the Expanded Public Works Incentive Programme Grant for the Infrastructure sector.

A contribution of **R1 million 64 thousand** has been made towards the Comprehensive Rural Development Programme by the National Department of Rural Development and Land Reform.

The budget of the Department increases by **R2 million 919 thousand** from **R969 million 111 thousand** to **R972 million 30 thousand**.

Vote 6: Economic Development, Environment and Tourism

The budget of the Department increases by **R47 million 721 thousand** from **R647 million 741 thousand** to **R695 million 462 thousand** in order to address budget shortfall for the Mpumalanga Tourism and Parks Agency. Amongst other things, additional funding will cover standby and housing allowances, long outstanding trade payables and tourism promotion initiatives.

Vote 7: Education

The Department of Education receives **R109 million** for improvement in conditions of service. A further amount of **R1 million 462 thousand** is allocated towards additional cost of the 2011 wage agreements for the employee in Further Education and Training Colleges.

This adjustment makes provision for additional **R3 million 600 thousand** from the national fiscus towards the rehabilitation of those schools that were damaged by storms in January and February 2011.

Further allocation of **R113 million 703 thousand** Infrastructure Grant and **R3 million 386 thousand** in Technical Secondary Schools Recapitalisation Grant is made available in this adjustment budget.

The Department also benefit from Schedule 5 conditional Grants roll over approvals in the following conditional Grants: National School Nutrition Grant to the tune of **R7 million 50 thousand**; HIV and Aids Life Skills Grant amounting to **R123 thousand** as well as Technical Secondary Schools Recapitalisation Grant totalling **R316 thousand**.

Job creation effort is incentivised through allocation of **R10 million 437 thousand** from the Expanded Public Works Incentive Programme Grant which is made up of **R9 million 901 thousand** generated from the social sector as well as **R536 thousand** from the infrastructure sector.

The budget of the Department increases by **R249 million 77 thousand** from **R12 billion 951 million 753 thousand** to **R13 billion 200 million 830 thousand**.

Vote 8: Public Works Roads and Transport

The baseline of the Department is adjusted downwards by **R330 million 649 thousand** in order to cater for the function shift of Traffic Management.

Honourable Members will recall that **R30 million** was allocated to the Department of Public Works Roads and Transport as earmarked funds for storm damages in the province. The funds have been reallocated to the Department of Health and are accounted for later in this address.

The Department receives a portion of the Infrastructure Grant to Provinces amounting to **R173 million 834 thousand** that was previously withheld due to slow spending in 2010/11 financial year.

We are encouraged by the improvements in the spending trends for the current financial year in the Department.

The Department receives an allocation from the Expanded Public Works Incentive Programme Grant to the amount of **R1 million 70 thousand** and **R6 million 808 thousand** from jobs created in Public Works the Roads Sector respectively.

Honourable Speaker

When roll over approvals are Granted on conditional Grants, the equitable share funding of departments that did not surrender unspent conditional Grant funding is reduced in order to reimburse the conditional Grant. This amount becomes a first charge on the budget of the respective department.

The budget of the Department is reduced by **R3 million 879 thousand** as a first charge to reimburse two conditional Grants namely the Public Transport Operations Grant and Overload Control Grant amounting to **R3 million 548 thousand** and **R331 thousand**, respectively.

The Budget of the Department decreases by **R182 million 816 thousand** from **R3 billion 776 million 25 thousand** to **R3 billion 593 million 209 thousand**.

Vote 9: Safety, Security and Liaison

The baseline of the Department of Safety, Security and Liaison is adjusted upwards by **R330 million 649 thousand** in order to cater for the function shift of Traffic Management.

By virtue of the function shift, the Department receives the Overload Grant amounting to **R331 thousand** which is a roll over from 2010/11 financial year. The Department receives some incentives for the jobs created in the social sector amounting to **R196 thousand** from the Expanded Public Works Incentive Programme.

The budget of the Department of Safety, Security and Liaison increases by **R331 million 176 thousand** from **R122 million 553 thousand** to **R453 million 729 thousand**.

Vote 10: Health

An adjustment amounting to **R46 million** is made available to the Department of Health in order to provide for the 1.3 per cent difference between the 6.8 per cent increase and 5.5 per cent on Improvement of Conditions of Service (ICS).

An amount of **R100 million** is added to the baseline of the department to augment the line item of compensation of employees.

Roll-overs have also been approved at a national level on **Schedule 5** conditional Grants amounting to **R6 million 344 thousand**. This is made up of **R2 million 493 thousand** from the Forensic Pathology Grant and **R3 million 851 thousand** from National Tertiary Services Grant.

The Department receives **R3 million 310 thousand** in incentives for the jobs created in the social sector.

R18 million 500 thousand is allocated for stabilization of building structure at Shongwe Hospital as well as provision of a dedicated electricity line.

A further amount of **R8 million 620 thousand** is allocated to the department to enhance security measures at the following 10 prioritized hospitals: Middleburg; Witbank; Embhuleni; KwaMhlanga; Mmametlake; Shongwe; Barberton; Rob Ferreira, Themba and Piet Retief.

The budget of the department increases by **R182 million 774 thousand** from **R7 billion 365 million 135 thousand** to **R7 billion 547 million 909 thousand**.

Vote 11: Culture, Sport and Recreation

Approximately **R500 thousand** of the funds previously allocated for construction of two community libraries will be utilised to purchase a site for a library in Klarinet. The remainder of the funds will be used to purchase books to support secondary school education.

The department will receive **R36 million** to fund the budget shortfall in the construction of the archive building.

The budget of the department will therefore increase by **R36 million** from **R337 million 102 thousand** to **R373 million 102 thousand**.

Vote 12: Social Development

The Department receives **R4 million 462 thousand and R572 thousand** in order to fund the absorption of 71 bursary holders, of which 46 are Social Workers and 25 Community Development Practitioners and other registered pressures respectively.

The budget of the department increases by **R5 million 34 thousand** from **R956 million 57 thousand** to **R961million 91 thousand**.

Vote 13 Human Settlements

The Department of Human Settlements receives **R360 thousand** through the Housing Disaster Relief Grant for the rehabilitation of houses that were damaged by storms during January and February 2011.

The Department receives **R1 million** for electrification of housing units in Nkomazi Municipality and **R290 thousand** for the payment of retention fees after the completion of the project in Mbombela at Phumlani village.

The **R100 million** earmarked for water provision is shifted from the baseline of this vote to the Department of Cooperative Governance and Traditional Affairs.

The budget of the department decreases by **R98 million 350 thousand** from **R1 billion 194 million 824 thousand** to **R1 billion 96million 474 thousand**.

The Honourable Premier in his State of the Province address earlier this year said:

“...for these good intentions to see the day of light, proper planning and tight monitoring of the implementation plans is extremely crucial.”

We would like to add that continued fiscal discipline and effective monitoring of expenditure are also critical to ensure that the government continues to provide for the needs of all the people.

Honourable Speaker

We are committed to a programme of cultivating an environment which will eliminate corrupt and ill conceived practices in the public service.

Accordingly, the provincial government has adopted and communicated a policy framework with the objective of restricting public officials from doing business with the government.

The awarded tenders that are within the policy threshold are now published on the website of the Department of Finance. We will also continue to enforce the vetting and rotation of staff in the procurement environment.

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

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

A word of thanks also goes to the members of the Budget and Finance Committee for their undivided support throughout the process of producing this budget. The Portfolio

Committee on Legislature, Premier's office and Finance for contributing immensely to the successful execution of our mandate.

The Auditor General, the Chairpersons and members of the Audit committees in the various departments for their skilful and diligent advices.

To the Acting Head of Department and Team Finance in general, thank you very much for your continued commitment and support.

Honourable Speaker,

We are confident that the adjustment budget that we table today represents the wishes of the majority for continued improvement in their quality of life.

We firmly believe that there is no better place to demonstrate our commitment to meet their aspirations and wishes than in the adjustment appropriation that we are proposing today.

I now have the honour to introduce Mpumalanga Adjustment Appropriation Bill 2011 and Estimates of Provincial Revenue and Expenditure for 2011/12 for consideration by the House.

May God Almighty bless the noble deeds that this adjustment budget is meant to fulfil.

I thank you.

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