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PROVINCIAL TREASURY CIRCULAR NO. 1 OF 2025

TO:

**ACTING DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA
SECRETARY OF THE MPUMALANGA LEGISLATURE
HEADS OF DEPARTMENTS
CHIEF EXECUTIVE OFFICERS OF PUBLIC ENTITIES**

**CHIEF FINANCIAL OFFICERS OF DEPARTMENTS
CHIEF FINANCIAL OFFICERS OF PUBLIC ENTITIES**

**SUBJECT: DIRECTIVE ON THE NEW PROVINCIAL PROJECTS / PROGRAMS
(INFRASTRUCTURE AND NON-INFRASTRUCTURE) FUNDING APPLICATIONS**

1. INTRODUCTION

The Mpumalanga government continues to face several challenges during and after the construction of infrastructure projects and implementation of sustainable projects / programs. These include budget constraints, corruption and mismanagement, community resistance and land claims, technical and engineering challenges, vandalism and theft due to infrastructure site left without security or non-functional 'white elephant' completed infrastructure, maintenance and upkeep due to inadequate funding and environmental impact.

These challenges significantly impact the effectiveness and sustainability of infrastructure projects and social programs in the province, hindering economic development and social progress and to address these challenges, there is a need for Mpumalanga government to adopt a comprehensive approach that includes transparent and accountable governance, community engagement and participation, sustainable financing mechanisms, integrating environmental considerations into project planning and, operationalization and maintenance program.

2. PURPOSE

This circular outline the guidelines and procedures that must be followed by all provincial departments and public entities before implementing new projects or programs including State of the Province Address (SOPA) pronouncements.

3. SCOPE

This Directive is applicable to all provincial departments and public entities.

All departments and public entities are expected to have addressed the following key considerations before commencing with the procurement processes and implementation of programs:

- **Detailed Cost Analysis:** A thorough breakdown of estimated construction costs, including materials, labor, equipment, permits, and potential contingencies.
- **Funding Sources:** Identifying and securing reliable funding sources, whether through government allocations, grants, or potential partnerships. Each institution must indicate how much it has set aside from within its baseline towards the project and what engagements it has embarked on with other stakeholders such as the National Lottery, national councils, other entities, SETAs, etc to get funding assistance.
- **Value Engineering:** Exploring cost-effective alternatives and design choices without compromising essential functionality or safety.
- **Life-Cycle Costing:** Analyzing long-term costs, including maintenance, energy consumption, and potential renovations, to ensure overall economic viability.

The Provincial Treasury also learnt from past projects that the facility operationalization plan must be considered, before construction of a facility for several critical reasons such as:

- **Functionality:** The operational plan should outline how the facility will be used, identifying key workflows, equipment needs, and space requirements. This information directly influences the design and construction process, ensuring the building is fit for its intended purpose.
- **Efficiency:** By understanding operational needs upfront, inefficiencies can be proactively addressed in the design phase, leading to a more efficient and cost-effective facility.
- **Equipment Costs:** The operational plan should detail the necessary equipment and technology, allowing for accurate budgeting of procurement costs.
- **Operational Expenses:** Providing an understanding of staffing needs, maintenance requirements, and utility consumption helps in estimating ongoing operational expenses, ensuring the project remains financially sustainable.
- **Risk Mitigation - Operational Challenges:** By identifying potential operational challenges early on allows for proactive mitigation strategies to be incorporated into the design and construction process.
- **Change / Variation Orders:** A well-defined operational plan minimizes the need for costly change orders during construction, as design decisions are based on a clear understanding of operational requirements.
- **Successful Transition - Smooth Handover:** The operational plan guides the transition from construction to full operation, ensuring a smooth and efficient handover process.
- **Staff Training:** The plan can be used to develop staff training programs, ensuring employees are prepared to effectively utilize the facility.
- **Enhanced Productivity:** A well-designed and operationalized facility can significantly improve productivity, efficiency, and overall performance.

- *Reduced Costs*: By addressing operational needs upfront, the facility is more likely to operate efficiently, leading to reduced long-term costs.

By considering the facility operationalization plan before construction, the provincial government can make informed decisions, ensure budget accuracy, mitigate risks, and ultimately create a facility that meets the provincial government specific needs and supports long-term goals. This will also ensure that the total project funding in its entirety is available before construction commencement.

Thus, all institutions are advised to NOT commence with any procurement and/or implementation processes including advertising for any project or program without budget confirmation from the Provincial Treasury if funds are to be sourced from the Provincial Revenue Fund.

4. PROCEDURE

If funds are sourced from the Provincial Revenue Fund, the following guidelines and procedures must be followed by all provincial departments and public entities for submitting new projects or programs funding applications to the Provincial Treasury:

1. Project Funding Eligibility

All Projects / programs to be implemented must align with the organization's strategic goals and objectives, demonstrate a clear and measurable impact on organizational performance, have a well-defined budget and timeline and must be supported by a comprehensive project plan, including:

- Project objectives
- Scope of work
- Work breakdown structure
- Risk assessment
- Resource allocation
- Communication plan
- Evaluation plan
- Operationalization plan

2. Application Process

All project funding applications must be submitted in writing to the Provincial Treasury before 31 October of each year for funding consideration in the following MTEF year.

Department and Public Entity Heads are responsible for reviewing and approving all project funding applications within their departments / entities before submission.

3. Funding Approval Process

The Provincial Treasury will evaluate and assess all project funding applications based on the following criteria:

- Alignment with strategic goals
- Feasibility and practicality
- Budget justification
- Project team's expertise
- Potential impact and return on investment

Funding decisions will be communicated to all departments/entities in writing.

4. Project Monitoring and Evaluation

- Project progress will be monitored regularly by the Provincial Treasury.
- Project managers are responsible for submitting regular project updates and financial reports.
- A final project evaluation will be conducted to assess the project's outcomes and impact.

5. Non-Compliance

- Failure to comply with these guidelines may result in the rejection of funding applications.
- Departments / Entities may be subject to disciplinary action for non-compliance.

5. POWERS AND RESPONSIBILITIES

If the funds are NOT available within the institution's baseline adherence to the following legislations is of utmost importance:

- Section 38(2) of the PFMA which states: *"Accounting officer may not commit a department, trading entity or constitutional institutions to any liability for which money has not been appropriated."* And
- Treasury Regulations Chapter 8.2.2 which states *"Before approving expenditure or incurring a commitment to spend, the delegated or authorised official must ensure compliance with any limitations or conditions attached to the delegation or authorisation."*

However, if the institution has the funds available within its MTEF baseline or has secured the entire funding from other sources, then the institution can proceed with its program or project implementation plans and ensure adherence to procurement processes as outlined in the PFMA.

6. COMMENCEMENT

This Directive is effective immediately.



MS. M.J.F. BEZUIDENHOUT
GENERAL MANAGER: FINANCIAL GOVERNANCE
DATE: 15-01-2025