

Mpumalanga Provincial Budget Speech



05 March 2019

Mr Sikhumbuzo Eric Kholwane (MPL)
MEC for Finance, Economic Development and Tourism,

Together We Move Mpumalanga forward



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



**SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM,
MR. SIKHUMBUZO ERIC KHOLWANE (MPL) DURING THE OCCASSION OF THE
INTRODUCTION AND TBLING OF THE PROVINCIAL BUDGET FOR THE 2019/20
FINANCIAL YEAR AT THE MPUMALANGA PROVINCIAL LEGISLATURE IN THE CITY
OF MBOMBELA
05 MARCH 2019**

Honourable Speaker and Deputy Speaker;
Acting Premier Honourable Gillion Mashego;
Colleagues in the Executive Council;
Honourable Members of the Provincial Legislature;
Members of Mayoral Committees from all our municipalities;
Chairperson of the House of Traditional Leaders iNkosi Ngomane, and other esteemed members present;
Acting Director-General, Dr Saveera Mohangi;
Acting Head of the Provincial Treasury, Ms. Gugu Mashiteng and other Heads of Departments;
Chairpersons of Boards and Chief Executive Officers of our Public Entities;
Business Executive of the Office of Auditor-General in Mpumalanga;
Chairpersons of Audit Committees and Risk Committees;
Representatives of Labour, Business, Civil Society and the Media;
Members of the communities from Mashishing and Matsulu who are in attendance;
Ladies and gentlemen;

I am truly humbled by the honour and trust bestowed upon me to have been able to table provincial budgets for the last five (5) years at the behest of both the ruling party and this esteemed house.

Madam Speaker,

Before I proceed, with your indulgence, may I take this opportunity to wish Ms Nombedesho Nkamba, the former Head Official of Provincial Treasury strength and a speedy recovery after a horrific car accident which happened over the weekend.

Our thoughts and prayers are with her and the family during this difficult time.

In exactly 63 days, South Africans will be heading to the polls to elect their representatives in the national and provincial government as the Country's 6th National democratic elections to usher in a new administration.

We want to take this opportunity to congratulate all who registered especially the youth and first time voters, who by so doing honoured the martyrs who fought for democratic sovereignty and the victory of humanity over unjust policies of the past.

This being the last Provincial budget of the current administration, I feel duty bound to start from the beginning of my maiden budget speech and recall the words of one of the great thinkers and a revolutionary of the twentieth century Amilcar Cabral in his analysis of Theory and Practice:

“Always bear in mind that the people are not fighting for ideas, or for the things in anyone’s head. They are fighting to win material advantage, to live better and in peace, to see their lives go forward [and], to guarantee the future of their children.”

These words of wisdom are in synch with the ruling party’s political perspective that *“No political democracy can survive if the masses of our people remain in poverty, without land, and without tangible prospects for a better life.”*

Madam Speaker, this is what this provincial budget is about, amidst the fact that it is pro-poor and consciously so, it however also seeks to achieve a noble goal of a better life for all.

As advised by Amilcar Cabral, the masses of our people are not worried by narrow political party egos and those that are trying to claim easy victories.

All that people want is an inclusive economy that can create more jobs, reliable and consistent provision of basic services, good health care and quality education to guarantee the future of our children.

To this end, the 2019 State of the Nation address enjoins us to intensify and invest more on social and economic infrastructure to fast track the delivery of quality basic services to the people.

It is therefore our considered view that government’s budgetary process is arguably one of the most important instruments the ANC led administration has utilised to change the lives of our people in the last 25 years against the 342 years of subjugation.

The achievements in the first phase of the transition are phenomenal by any measure, however there are still many more hills to climb in the second phase of the transition underlined by the inspiring vision of our forbearers at the Congress of the people in 1955:

“The National wealth of our country, the heritage of South Africans, shall be restored to the people, and the mineral wealth beneath the soil, shall be transferred to the ownership of the people as a whole.”

The role of Treasury as an epi-centre of a developmental and capable state, is not only about resource allocation but also to redress inequalities in income and wealth distribution premised, on inclusive growth, job-creation, Environmental Sustainability etc., to enable those who were historically disadvantaged to gain a deserving material advantage as well.

Madam Speaker, at all material times we have always been guided by the budget principles of transparency, participation, accountability, equity and equality and thus we are not in denial that the economic and fiscal outlook defined by the hard facts and figures presents to us the greatest hill to climb.

In the words of the Minister of Finance, Mr Tito Mboweni, we are at crossroads, and that we could go either to heaven or the other way. South Africa is indeed a small open economy, and we are impacted by events in the global economy.

ECONOMIC LANDSCAPE

According to the 2019 Global Risks Report of the World Economic Forum, geo-political and geo-economic tensions have risen among the world's powers, resulting in urgent global risks.

Madam Speaker,

As a result, there are concerns that growth in emerging and developing economies will start to lose momentum, thus impacting negatively on commodity exports due to price volatility.

It is true that this budget is tabled in an economic environment which is not a rosy one at all and where unemployment, poverty and inequality remain high.

But, it is also true that South Africans are optimistic about our future. As the Minister of Finance, Mr Tito Mboweni indicated in the National Budget Speech, *"It is time for us to sow the seed of renewal and growth."*

Let me share with the House some of the economic realities we are facing as a country and province at present.

Whilst the South African economy recovered from a technical recession in the first half of last year, growth remains subdued as a result of weak levels of consumer and business confidence.

South Africa recorded a low economic growth rate of only 0.8% last year, following a growth rate of 1.4% in 2017.

National Treasury expects a national growth rate of 1.5 percent this year, increasing to 1.7 percent next year and 2.1 percent in 2021.

Honourable Speaker, looking at Mpumalanga, the average annual GDP growth for the Province was 2.3 percent since 1995, achieving almost half of the growth target of 5 percent per annum.

After achieving a growth rate of 2.0% in 2017, Mpumalanga recorded a growth rate of 0.2% in 2018. The forecasted Provincial growth rate for the 2017-2022 period is low at 1.4 percent per annum.

The relatively high economic growth rates in the fourth quarter of 2018 in key industries such as agriculture and manufacturing as well as transport, was however a sprinkle of some good news for the Province.

There is however a concern about the negative growth rates in the same period in industries such as mining and construction.

Honourable Speaker, the low economic activities in the Province had a negative impact on the provincial job creation and unemployment situation.

The Province recorded only 40% of the provincial job creation target annually the last 4 years, under difficult economic circumstances.

The provincial unemployment rate remains a concern, despite a decline with 0.5 percentage points in Q4 of 2018 to 32.0 per cent, it is still the third highest of the 9 Provinces.

Youth unemployment

It be noted that Mpumalanga is a youthful province, of the 4.5 million people living here, 67.9% are young people below the age of 35 years.

The youth constitute a critical pillar in the renewal of our country, however, it is a deep concern that of the 587 038 thousand unemployed in the province, two thirds are young people.

The unemployment rate of youth of working age (15-34 years) in Mpumalanga is 43.5% at the moment which must be treated as a top priority by all social partners.

It should be a fit for purpose strategy that responds to the demands of the youth of today including technologically enhanced solutions such as mechanisation in the agricultural sector which is a niche sector within our province.

As Amilcar Cabral says, the youth are our future and we must therefore guarantee their futures.

Our collective response to these macro-economic challenges requires massive investment far beyond what has been achieved in recent years and a great deal of sacrifice and patriotism to set the economy on a path of recovery, and over the Medium Term Expenditure Framework, the Provincial budget sought to contribute to achieving this noble national goal.

BUDGET OUTCOMES

Madam Speaker,

Over the past five years, Government has increasingly shifted a significant component of the Provincial budget from consumption to investment in social and economic infrastructure.

Since 2014, a total budget amounting to R212.168 852 billion was appropriated to departments and average spending was 93.5% (R198.445 366 billion).

One of the key commitments of the 2014 election manifesto of the ruling party to move South Africa forward was the roll-out of massive socio-economic infrastructure programmes to guarantee the future from one generation to another.

In line with this electoral injunction, over the last five (5) years there were significant budget increases in the Department of Education, claiming 43% (R91.934 576) share from the R212 billion plus, followed by the Department of Health with 26% (R55.152 421) and Public Works, Roads and Transport getting 11% (R23.215 366) share for the period under review.

Invariably the lives of our people have vastly improved and we are proud that Mpumalanga is a much better place than it was before 2014.

During the 5th administration, we ensured that the resource allocation strategy equitably covers the Government's apex programme of social change and responded to the consequences of growth of communities, particularly within the townships and most rural areas.

We are certain that we are getting value for money from these investments, ours is to mobilise civil society to take ownership by protecting and defending these assets against damage and vandalism in order to guarantee the future of our children and restore dignity of our elderly.

PUBLIC PROCUREMENT

Let me remind this August House of the seminal study on the economic impact of the Provincial Government expenditure that we undertook in the 2015/16 financial year, which revealed that our spending resulted in an expenditure multiplier of 1.39, which means that for every R1 spent, the Provincial economy gained an additional 39 cents.

It is important that the Provincial Government continues to commission a follow up study as a contribution to knowledge-based decision making processes on budget and expenditure, and to enhance the quality of financial information for public accounting in the Province.

The Government will continue to use all public procurement policies to redress the skewed distributive patterns of economic opportunities in the Province.

During this term, we progressively shifted composition of expenditure to the previously disadvantaged communities, thus ensuring that small businesses and cooperatives, especially those owned by women, youth and people with disabilities benefit from public sector opportunities.

The amended Preferential Procurement Policy Framework Act (PPPF) which was introduced in 2017 has started to yield results. We hereby call upon all departments and entities to use this instrument to effect the envisaged change in line with our constitutional imperative.

As at the end of December 2018, the Provincial Government spent R10.1 billion to procure goods and services of which R5.98 billion was paid out to Black owned companies which translate to 59 percent of the overall spending. Of this amount, and in furtherance of the Preferential Procurement Policy,

- R2 billion was spent on companies owned by black women;
- R1.3 billion was paid to black youth;
- R33 million on People with Disabilities, and
- R67 million was spent on Military veterans.

We have further brought many cooperatives to the realm of growth possibilities through the introduction of the social enterprise development programme two years ago.

This programme has not only assisted us to accelerate delivery of quality infrastructure but has meant that a significant amount of budget is spent on local enterprises. R88.1 million worth of material was sourced from local enterprises during the inception year (2017) of the programme, which has since increased to R321 million to date.

Honourable Speaker,

Government's Nutrition Programme which is aimed at promoting the sourcing of fresh and dry goods from small scale farmers and SMME's respectively remains a catalyst towards the creation of sustainable jobs in this sector.

To this end, government will continue to deal decisively with the teething challenges experienced in order to ensure its accrued success.

We will continue to build on the positives arising from implementation of these programme, including the Provincial transversal term contracts to ensure that government spending is biased towards local suppliers.

Honourable Speaker

Amongst other procurement reforms that government introduced were the Central Supplier Database (CSD), the eTender and also the Call centre for suppliers to report invoices that are not paid within 30 days.

The lessons learnt during the introductory phase of these systems will be used to further improve this vital support service to suppliers who are key to service delivery.

I would like to take this opportunity to remind all suppliers of the government system closure for invoices on the 15th March 2019 in order to finalise 2018/19 year end processes.

PROVINCIAL FISCAL FRAMEWORK FOR 2019/20

Receipts

The budget that we table today amounts to R50.981 105 billion, and is made up of R41.412 076 billion from Equitable Share; and R8.244 754 billion in conditional grants. The projected provincial own revenue for this budget is R1.324 275 billion.

It be noted that at the beginning of the term, the Provincial Government was collecting on average less than R800 million per annum, which was hardly enough in view of the ever increasing demands on the fiscus.

We took a bold step to adjust the revenue target to R1 billion a year, and I can proudly report to the House that this new revenue target has been exceeded.

We are optimistic that revenue enhancement measures currently being implemented will assist in sustaining and increasing collection rates within the Province.

PROVINCIAL BUDGET OUTCOMES AND 2019/20 SPENDING PRIORITIES

I will now outline the spending priorities for the 2019/20 financial year as endorsed by the Executive council and further amplified in the 2019 State of the Province Address by our Premier, Hon. Refilwe Mtshweni.

SOCIAL CLUSTER

Social Transformation must result in a more equal, more just and more humane society where all citizens can live freely and prosper.

Accordingly, the social cluster is allocated R40.124 311 billion which translates to 78.7 percent of the total provincial budget to provide essential services to the poor through targeted interventions such as social relief, public education, provision of public health care, social infrastructure, social cohesion and advancement of nation building.

Education

One of the best ways of dealing with inequality is to ensure that enough resources are allocated towards education of the poor and marginalised, and a deliberate effort is made to close the gap between private and public sector education through provision of quality teaching and learning resources.

Over the past five years R91.934 576 billion was allocated to the Department of Education to ensure that the teaching and learning needs in our Province are taken care of.

There are visible signs that Government's investment in basic education is not in vain, as the Honourable Premier indicated in her State of the Province Address that

Grade 12 learner performance has improved from 74.8% in 2017 to 79% in 2018, and

The percentage of learners that obtained bachelor passes increased from 23.4% in 2017 to 29, 6% in 2018;

Boarding Schools have been built to ensure that learners from farm areas are not unjustly deprived of getting quality education. We have also provided funds for the construction of a new boarding school in Mkhondo this year.

The President was emphatic on this point when he said "*Education is the most powerful weapon which you use to change the world.*" But it also means a guarantee to a better life and opportunities.

In the current financial year, R21.862 325 billion, which equates to 42, 9 percent of the total budget is allocated to the Department of education to give further impetus to the pronouncements made during the State of the Nation Address as well as the 2019 State of the Province Address which include but are not limited to the following:

- Learner Teacher Support Material;
- School nutrition;

- Teacher development;
- School governance and management;
- Transfers to schools;
- Infrastructure Development in order to create a conducive learning environment;

Health

Madam Speaker

Our people in Mpumalanga must be able to access quality health care based on the need, not on their ability to pay or their overall socio-economic status. Access to quality health care remains our priority because it guarantees us that we will still have a nation tomorrow.

The 2019 State of the Province Address has aptly highlighted some of the budget investment outcomes which includes construction and upgrading of hospitals such as Sabie, Bethal, Mmamethlake, Mapulaneng and Middelburg hospitals.

R70 million is allocated towards the operationalization of Mmamethlake and Bethal Hospitals.

An additional allocation of R120 million is made to the baseline of the department for medicines, blood and Laboratory services.

In our quest to continue providing universal quality health care and contributing to the general wellbeing of the citizens, 14.386 809 billion is allocated to the Department of Health.

Social Development

The Department of Social Development receives R1.656 599 billion to deliver social relief benefits to needy families in our communities, amongst others.

Included in this budget is an allocation of R15.984 million for the rollout of the Sanitary Dignity programme.

Culture, Sport and Recreation

Madam Speaker,

Culture, Sports and Recreation are powerful instruments for social cohesion and to promote positive national values and we are pleased that a lot of work has been done in this area of work.

To this end, the Department of Culture, Sport and Recreation is allocated R544.439 million to advance social cohesion, promote culture and heritage, and maintain community libraries amongst others.

Human Settlements

The Department of Human Settlements advances one of the key pillars of the Freedom Charter - *There shall be houses, security and comfort*. To this end, R1.674 139 billion is allocated for the creation of integrated and sustainable human settlements in our Province.

Included in this allocation is R49 million to address the Bulk Infrastructure for the construction of the Parliamentary Village.

ECONOMY, INVESTMENT AND EMPLOYMENT

Honourable Speaker

President Cyril Ramaphosa in his State of the Nation Address said one of the five *tasks that will underpin everything that we do this year is to accelerate inclusive growth and create jobs*.

To support government initiatives and various sectors to realise this cardinal point of state intervention, the Economy, Investment and Employment cluster is allocated R7.939 575 billion, which is 15,5 percent of the provincial budget this year.

Economic Development and Tourism

The mandate of the government in the last four years hinged on the task of growing the economy and creating decent employment to address the triple challenges of unemployment, poverty, and inequality.

For the 2019/20 financial year the Department of Economic Development and Tourism is allocated R1.260 938 billion to drive and coordinate the provincial economic growth and development, and kick start industrialisation programmes which includes the establishment of the Nkomazi SEZ and the launch of the Makhonjwa World Heritage Site.

Public entities

In the past four years, the provincial government focused on strengthening and consolidating public entities to be self-sufficient and to serve the public better.

Despite some challenges, we have succeeded in orienting the entities to be the anchors of our developmental programmes.

We must however, address some of the structural weaknesses of the Public Entities including improving governance and performance.

Agriculture, Rural Development, Land and Environmental Affairs

Honourable Speaker,

In line with the objective of supporting emerging farmers and key provincial developmental initiatives in the agricultural sector, the Department of Agriculture, Rural Development, Land and Environmental Affairs will receive R1.222 473 billion.

The budget funds amongst others the Fortune 40 Young Farmer Incubator Programme, and provision of agricultural infrastructure, training and technical advice to small scale farmers.

Public Works, Roads and Transport

The Department of Public Works, Roads and Transport is allocated R5.456 164 billion to provide integrated transport systems and infrastructure that promotes socio-economic development.

Integrated Rural Mobility and Access projects will be prioritised to ensure that rural communities have access to social and economic amenities. The budget also provides for scholar transport support for qualifying learners throughout the Province.

GOVERNANCE AND ADMINISTRATION

The Governance and Administration cluster, which comprises of Co-operative Governance and Traditional Affairs; Community Safety, Security and Liaison, Office of the Premier and Provincial Treasury share the remaining R2.542 336 billion or 5 percent of the 2019/20 budget.

Co-operative Governance and Traditional Affairs

The Department of Co-operative Governance and Traditional Affairs is allocated R526.014 million to strengthen the esteemed institution of the Traditional leadership and supporting the municipalities in provision of services to communities.

Community Safety, Security and Liaison

Madam Speaker,

The National Development Plan envisions a society where women are free to walk in the streets freely and without fear of assault, where children can enjoy their childhood without being exposed to crime and where all people have a peace of mind.

In this regard, the allocation to the Department totalling R1.354 331 billion is intended to support the implementation of enabling policies for safe and secure roads and neighbourhoods.

Included in this allocation is an amount of R43.702 million to capitalise the department for taking over the licensing function from City of Mbombela, Nkomazi and Victor Khanye Local Municipalities.

Provincial Treasury

The Provincial Treasury will receive R365.692 million to support public sector institutions on financial resource management, to ensure equitable allocation, optimal utilization and improve accounting on public funds.

Included in the allocation is R9.642 million to ensure that Provincial Treasury is able to support and monitor implementation of municipal intervention programmes, such as the development of Financial Recovery Plans for distressed municipalities.

R25 million is also allocated to Provincial Treasury to investigate and introduce various automated systems in order to ensure legislative requirements such payment of suppliers within 30 days are met and thereby supporting the liquidity position of SMME's at all times.

Office of the Premier

The Office of the Premier is allocated R296.299 million to coordinate, monitor and provide enhanced support to the work of the Provincial Government.

Provincial Legislature

The Provincial Legislature will receive R374.883 million to be a bastion of the popular mandate and aspirations of the people of Mpumalanga.

An amount of R20 million is included in this allocation for the smooth transition from the 5th to the 6th administration.

Good Governance

Good governance is an enabler of a stable administration, a safeguard of public confidence and a precondition to create a conducive environment for economic growth. This therefore remains a key focus area for government, and as we distribute these resources, we are cognisant of the fact that our internal controls, systems of governance, efficient and effective management will be key in maintaining the credibility of this budget.

CONCLUSION

Honourable Speaker

We have attempted, within our best abilities to ensure sustainability of the public service mandate and left room for policy decisions that will further enhance the people's mandate.

Let me take this opportunity and thank the Premier Hon. Refilwe Mtshweni for always supporting the work that we continue to do on behalf of the people of Mpumalanga.

My colleagues in the Budget and Finance Committee and the Executive Council thank you very much for supporting the work that we do on behalf of the people of Mpumalanga.

To the Chairperson, Hon Fidel Mlombo and all Members of the Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism, as well as Members of the

Provincial Legislature thank you for your frank engagements with us on provincial budget matters.

I would like to thank the administrative leadership provided by the Acting Director-General, Mr. Kgopana Mohlasedi and all Heads of Departments during the processes of preparing this Budget.

To the Acting Head of Provincial Treasury, Ms. Gugu Mashiteng, Staff in the Office of the MEC and all officials who participated in the process of preparing this Provincial Budget, thank you very much for your patience and unwavering professional support.

I would also like to thank my wife and family for the compromises they have had to make and to allow me space to execute the responsibilities vested on me by the African National Congress.

A special word of appreciation must be given to the leading liberation movement – the African National Congress, for allowing us to be the anchors of economic policy in the fifth administration and most importantly for leading the dream of African people to a democratic state for more than 100 years.


Honourable Speaker, I hereby, on behalf of the Executive Council, table the following Budget documents for consideration by the esteemed Legislature:


- *Provincial Budget speech for 2019/20;*
- *Appropriation Bill for 2019/20;*
- *Estimates of Provincial Revenue and Expenditure for 2019/20, and*
- *Budget summary for 2019/20*

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