

BUDGET VOTE *Speech*

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MEC for Finance

6 AUGUST 2024

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PROVINCIAL TREASURY BUDGET VOTE SPEECH FOR THE 2024/25 FINANCIAL YEAR BY THE MEC FOR FINANCE, HONOURABLE BA MAJUBA, MPL TO THE MPUMALANGA PROVINCIAL LEGISLATURE

6 August 2023

- Honourable Speaker and Deputy Speaker
- Honourable Premier Mandla Ndlovu
- Colleagues in the Executive Council
- Honourable Members of the Provincial Legislature
- Chairperson and Members of the House of the Traditional and Khoi San Leadership
- Executive Mayors and Members of Mayoral Committees on Finance
- Acting Director General
- Head Official and all Heads of Department
- Leadership of Governing Party and Alliance
- Leadership of business
- Esteemed guests
- Ladies and gentlemen



INTRODUCTION AND MANDATE

I am honoured to deliver my first Policy and Budget speech for Vote three (3), Provincial Treasury, to this esteemed assembly.

In preparing this Budget Vote, we are guided by Section 18 of the Public Finance Management Act (PFMA) and Section 5 of the Municipal Finance Management Act (MFMA), which outline the functions and responsibilities of a treasury in a province.

These two legislative provisions mandate the Department to oversee the provincial fiscus on behalf of the citizens of Mpumalanga, whose lives and well-being are directly impacted by our decisions. We dare not fail them. The same provisions also require us to:

1. to establish effective transversal financial systems,
2. to facilitate efficient administration and management of state assets and
3. to promote accountability and compliance with financial norms and standards across the province.

There is, therefore, no greater responsibility than the one entrusted to the 300-plus employees of the Provincial Treasury at this pivotal juncture. The significance of our work is immense, marked by the high expectations expressed by the electorate just over two months ago. We must work with a sense of urgency and dedication to meet these expectations.



PROVINCIAL BUDGET AND EXPENDITURE

One of the most important roles of the Provincial Treasury is to prepare a credible budget that meets the basic needs of society and advances the economic aspirations of the province. We are expected to ensure that public finance ignites investment in the economy, impacts job creation, and enables social change in our province.

The 2024/25 Provincial Appropriations Bill tabled in this august house in March 2024 does precisely that. It allocates R61.6 billion to provincial departments and legislature:

1. To build an inclusive economy that leaves no one behind;
2. To invest in social and economic infrastructure;
3. To support and enable local government to deliver on its mandate;
4. To address social ills and tackle Gender-Based Violence and Femicide;
5. To invest in quality education and universal health care;
6. To build sustainable human settlements;
7. To ensure that our people are and feel safe within communities and on our roads, and
8. To build a capable, ethical and developmental state.

My other colleagues have elaborated on some of these priorities in their respective policy and budget speeches, and others will still do so in the next two days. The Provincial Treasury will probe expenditure trends to gain insight into government expenditure on these priorities and inform the fiscal strategy of the seventh administration. We will also support departments in conducting expenditure reviews to enable better decision-making about resource allocation.



INFRASTRUCTURE DELIVERY AND SUPPORT

The current provincial budget provides an opportunity for departments to complete numerous infrastructure programmes, such as the New Middelburg Hospital, Mpumalanga International Fresh Produce Market and Mkhondo Boarding School.

Honourable Members, the fiscus can neither accommodate delays in infrastructure delivery caused by the construction interest groups nor inefficiencies in the planning and execution of projects. Completing these projects will make it possible for us to start other new infrastructure initiatives that will ensure continued social benefits and change the socio-economic landscape of our province.

To this end, we expect all sector departments to have Infrastructure Cost Norms to establish expenditure ceilings on projects. This is important to ensure informed financial planning and effective management of the cost of infrastructure delivery in the Province.



We call upon the business sector to partner with the government in delivering quality infrastructure. We also appeal to all departments to ensure that infrastructure projects are delivered within the approved timeframe, scope, and budget.

The Provincial Treasury will enhance its monitoring system and support departments to qualify for infrastructure performance incentives.



PUBLIC PROCUREMENT POLICY SUPPORT

The World Bank posits that a country's economic development significantly depends on the effectiveness of its public expenditure and the performance of its public procurement system. Reflecting on its expanding role in the context of African development, World Bank's Elmas Arisoy says, ***“Public procurement plays a critical role in economic development and in influencing its broader socioeconomic environment.”***

We must, therefore, use the government's procurement spend to influence the growth trajectory of the provincial economy and build sustainable businesses with a specific focus on women, youth and People with Disabilities.

The signing of the public procurement bill into law by President Cyril Ramaphosa on 23 July 2024 adds impetus to this transformative policy posture.

We will monitor and report quarterly on the empowerment of designated groups by departments and public entities in line with the spirit of this legislation.

We are currently in discussion with the National Treasury about developing a rollout plan to raise awareness and foster compliance with the procurement legislation in the province.

To further support the development of an enabling environment for the implementation of Public procurement legislation and related policies in the Province, we will facilitate training for all SCM practitioners on:

1. Demand management,
2. Strategic sourcing, and
3. Contract management and
4. Overall supply chain management, amongst others



INFORMATION TECHNOLOGY AND FINANCIAL SYSTEMS

The Provincial Treasury is responsible for network infrastructure, end-user support and the overall implementation of the provincial Information Communication and Technology (ICT) strategy.

The Information Technology (IT) programme is therefore allocated R106.8 million to harmonise the implementation of the provincial IT Governance Framework and optimise the ICT environment for a better-performing provincial administration,

To enhance service delivery through innovation, the department will upscale its business processes automation programme to improve government services to citizens.

This year, we are rolling out the electronic submission tool to modernise administration processes. The tool, which is already being piloted in the Office of the Premier and Provincial Treasury, automates administrative submissions, tasks and resolutions that support service delivery, subsistence and travel claims and processing of Legislature questions submitted to departments for responses.



MUNICIPAL FINANCE SUPPORT SERVICE

Honourable Speaker

The issue of unfunded municipal budgets requires careful consideration and resolve to turn around the situation. Spending on non-priority items needs to be reduced, and municipalities must explore innovative solutions and identify opportunities for sustainable revenue generation.

Our focus in the medium term will be on assisting our municipalities in developing strategies to bridge funding gaps and institutionalise sustainable controls for better financial management.

Notable contributors to the financial challenges in municipalities include the ability to develop viable revenue streams, properly bill consumers of municipal services, collect due revenue, appropriate such revenue to essential spending items and manage the implementation of these budgets within the applicable legislative framework. Although this has manifested itself mainly in huge Eskom debt, it has also affected other expenditure line items in municipalities.

To mitigate the growing Eskom debt in particular, the national government intervened in the form of the debt relief package last year. The Eskom Debt Relief Programme seeks to alleviate some financial burdens that may hinder municipalities from providing services to communities. We want to remind municipalities that this Debt Relief is conditional, and therefore they must:

1. Table and adopt funded budgets,
2. Ensure completeness of revenue baselines,



3. Ensure that tariffs are cost-reflective,
4. Keep updated indigent registers, and
5. improve control over electricity by converting conventional meters to prepaid vending.

The province has developed strategies within the scope of the integrated municipal support plan to monitor, support and guide municipalities toward meeting this and other obligations.

We appeal to municipalities to maximise the benefits of the debt relief programme and use it as a stepping stone towards fiscal resilience. I would also like to urge my colleagues in the Councils to embark on payment campaigns for services and encourage qualifying consumers to register annually on the indigent registers.

Honourable Speaker

Since 2019, the province has had five municipalities placed under mandatory Financial Recovery Plans in terms of Section 139 of the MFMA. Given the persistent challenges and limited impact achieved during the implementation of these FRPs, we have commenced with their reviews. This process is anticipated to be concluded in the fourth quarter.

Honourable Speaker

Improving the current state of financial viability in our municipalities will require local government to improve efficiencies and “do more with less”. It is also critical that Executive Authorities:

- address governance failures and implement sustainable long-term Local Economic Development strategies for municipalities.
- Improve the level of oversight by Councils and all assurance providers, and
- Deal with political challenges in the realm of financial administration in the local sphere.

To this end, I will be convening regular Finance MuniMEC and stakeholder engagements to discuss financial viability and support for all municipalities. These engagements will focus on the implementation of the Local Government financial reform agenda to ensure:

- Financial sustainability through improved fiscal discipline and funded budgets.
- Improved management across the revenue value chain; and
- Financial and business reform through the mSCOA, amongst others.



FINANCIAL GOVERNANCE

Audit outcomes

The Provincial Treasury is working closely with Departments and Public Entities, and various support initiatives are being undertaken to improve audit outcomes in the Province.



I am happy to report that the Provincial Treasury has led for the front and maintained a clean audit for the year ended 31 March 2024.

Our plan for 2024/25 is to

1. To capacitate officials on the Generally Recognised Accounting Practices, including the Modified Cash Standards,
2. To assist institutions with reviews of the Annual Financial statements and provide support on basic internal controls in relation to budgets, revenue collection, expenditure and cash flow management. We have already issued clear guidelines for the compilation of interim financial statements, as it is essential for maintaining financial discipline, ensuring transparency, enhancing accountability, and supporting effective financial management, and
3. To follow up on the implementation of audit action plans and report to the relevant bodies every quarter.

Honourable Speaker

Governance structures such as the Audit Committees play a vital role in ensuring accountability, transparency and good governance in the public sector. These Committees help to maintain trust in the Public Sector by ensuring that public funds are appropriately managed and the institutions adhere to high standards of governance and accountability.

The Provincial Treasury will continue to monitor the effectiveness of these oversight structures to ensure that they fulfil their mandate in Departments, Public Entities and Municipalities. We will assist institutions in instilling good governance and accountability through capacity-building initiatives and hands-on support.

The Office of the Auditor General plays a vital role in ensuring accountability and upholding strong financial governance. It is a crucial partner in our mission to achieve clean governance in the public sector. As the Provincial Treasury, we will actively engage the Auditor General as part of our efforts to set high standards and lead the provincial government towards improved financial transparency and accountability in line with the goals of the seventh administration.

Risk Management

Risk management is one of the most crucial management functions that has serious consequences for public policy objectives, public safety, and the effective use of financial resources.



The Provincial Treasury has assisted all Provincial Departments, Public Entities and Municipalities to establish Risk Management functions and Committees to add value to public resource management. We have also embarked on an initiative to expand the risk management processes beyond compliance.

We will prioritise the assessment of Risk Management Maturity Levels to identify gaps and develop a road map toward improved risk management practices in departments, public entities, and municipalities this financial year.

The COVID-19 pandemic has taught us many valuable lessons in terms of Business Continuity Plans. As part of preparing the provincial government for future disruptions and building resilience in the system, the Provincial Treasury will assist public sector institutions in developing their Business Continuity Plans.



BUDGET ALLOCATION

The total budget to implement all these priorities programmes is **R560 million 178 thousand**, and it is allocated to programmes as follows:

- Programme 1: Administration receives **R148.2 million**.
- Programme 2: Sustainable Resource Management is allocated **R82.8 million**.
- Programme 3: Assets and Liabilities Management gets **R295.8 million**, and
- Programme 4: Financial Governance's share is **R33.2 million**.

CONCLUSION

As the governing party, the ANC has set itself a task of transforming this country. It is through the Budget Vote that this task is set in motion. With consequential budgeting and fiscal management, we can achieve the noble goals of a working and developing province.

At this moment, I recall the words of our leader and martyr, Thembisile Chris Hani, when he spoke about the concept of socialism and said, ***"It is about decent shelter for the homeless; it is about water for those who have no safe drinking water, it is about healthcare, it is about a life of dignity for the old, it is about overcoming the huge divide between urban and rural, and it is about decent education for our people"***.

I wish to assure the members and the citizens of this wonderful province that we are committed to playing our part in ensuring that the government works for all and that policy priorities outlined in this Budget vote are implemented.



As the legislation demands from us, we will scrutinise *every cent and carefully consider every expenditure decision, for it is within the realm of budgeting where the power to shape the development and progress* that the people of Mpumalanga yearn for lies.

Let me convey my appreciation to the **Honourable Premier** Mandla Ndlovu for his leadership, my colleagues in the **Executive Council** for their support, and the Honourable Chairperson and Members of the **Portfolio Committee on Finance** for constructive engagement on policy priorities and treasury programme.

Lastly, I would like to call on the **management and staff** ably led by the Head Official, Ms Gugu Mashiteng, to work with us as we seek to inculcate fiscal discipline; the **Chief Financial Officers and budget officers** in all our institutions to sharpen the financial management capacity, stretch the value of each rand and ensure value for public expenditure, and the **Members of Mayoral Committee on Finance** in all our municipalities to heighten oversight for qualitative service delivery and transparent and accountable local government.

I am here to work with you.

Thank you.





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