

PROVINCIAL BUDGET SPEECH



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MEC for Finance, Economic Development & Tourism
Mpumalanga Provincial Legislature
8 March 2022

Let's Grow Mpumalanga Together



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



ADDRESS BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR PV MKHATSHWA, MPL, ON THE OCCASION OF TABLING OF THE PROVINCIAL BUDGET FOR THE 2022/23 FINANCIAL YEAR AT THE MPUMALANGA PROVINCIAL LEGISLATURE

08 MARCH 2022

- Honourable Speaker and Deputy Speaker
- Honourable Premier Refilwe Mtshweni-Tsipane
- Chief Whip of the Majority Party and leaders of the opposition
- Colleagues in the Executive Council and Honourable Members of the Provincial Legislature
- Executive Mayors and Members of the Mayoral Committees on Finance
- Director-General, Head Official and Heads of Department
- Chairperson of the House of the Traditional Leadership and all members
- The leadership of Business, Organized Labour, Faith-Based Organizations and Civil Society
- Citizens of Mpumalanga

It is an honour and privilege to stand before this August house and table this much anticipated Provincial Budget for the 2022/23 financial year.

The function of this Budget is to reinforce the tacit commitments made by the Honourable Premier Refilwe Mtshweni-Tsipane in the State of the Province Address (SOPA) on 25 February 2022.

Her Address was not obfuscated.

The 2022 SOPA presented a strategic framework to facilitate the delivery of services to the citizens of Mpumalanga, plug the economy on the trajectory of recovery, and create a conducive environment for the small business sector to rise and thrive.

ECONOMIC LANDSCAPE AND OUTLOOK

The Provincial Budget is tabled today in a slightly better economic environment than at the same time last year.

We recorded a National and Provincial economic growth rate of close to 5 per cent last year, after a contraction of 6.4 per cent for the South African economy in 2020 due to the negative impact of COVID-19.

But, as the Honourable Minister of Finance, Enoch Godongwana, warned in his National Budget Speech on 23 February 2022, load-shedding, rising oil prices, weak rand, relatively high inflation and, more recently, geopolitical tensions are amongst the risks to the economy.

Moreover, the conflict between Russia and Ukraine is likely to pose a serious threat to global trade flows with a resultant impact on our economic recovery.

Given these developments, a national growth rate of 2.1 per cent is expected this year and not much higher in the next couple of years. The reality is we need higher growth that positively impacts the labour market, poverty, and inequality.

In her State of the Province Address (SOPA), the Honourable Premier reminded us to confront the “elephant in the room” which is the persistently increasing numbers of unemployed people in the Province.

The Third Quarter (2021) employment level was still many jobs short of the number of people employed in the First Quarter (2020) before COVID-19.

The Province had a net loss of 62 052 jobs in the Third Quarter (2021) in basically all the industries, except for mining and finance.

The Government has developed several plans, including the Mpumalanga Economic Reconstruction and Recovery Plan (MERRP), to re-ignite the economy and place our Province on a growth trajectory again.

A number of initiatives have been and continue to be implemented to address the high unemployment, especially amongst young people. These include enabling interventions to support industries to retain jobs and public investment in a mass employment programme such as the Presidential Youth Employment Initiative; Mpumalanga Youth Development Fund, and continued expansion of the Expanded Public Works Programme.

We will continue to work with all our social partners to find a lasting solution to the unemployment challenge in our Province.

INFRASTRUCTURE DELIVERY

Honourable Speaker

Infrastructure delivery is one of the critical pathways for our economic recovery.

The growth of a nation requires the development of infrastructure and, most importantly, the proactive and timely maintenance of Infrastructure.

The importance of Infrastructure Maintenance has also been highlighted in the past through grants like Provincial Roads Maintenance Grant. This emphasis continues into the 2022 MTEF.

Of the overall **R14.1 billion allocation** for new Infrastructure over the MTEF, **R9.01 billion** is earmarked for Infrastructure Maintenance.

The allocation for infrastructure is expected to **reduce by -2 per cent**, and the maintenance portion grows by **16 per cent** over the MTEF.

This is a clear indication that the Province is increasingly focusing on the maintenance of existing infrastructure assets. We are taking care of our prized assets.

We are also rolling up our sleeves, joining forces with our social partners, to address the deep-rooted socio-economic challenges faced by our communities through many interventions, which were highlighted by the Honourable Premier in the 2022 State of the Province Address.

FINANCIAL MANAGEMENT

Honourable Speaker, the uncertainties brought about by the pandemic and lower than anticipated economic growth still require the government to cut the frills, tighten the belt and make every cent count.

The Province must continue to implement comprehensive cost-cutting strategies on non-essentials and redirect savings to critical service delivery programmes. All our budget must focus on service delivery.

Departments must refrain from locking funds in the Compensation of Employee budgets and prioritise such to provide the needed services to our people.

We expect all Departments, Municipalities and Entities to look for ways to achieve more efficiency gains.

In this regard, the Provincial Treasury conduct detailed expenditure reviews across all departments to provide insight into budget allocation and spending choices.

We will do this, Honourable Speaker, because we want to focus on service delivery, nothing else.

PUBLIC PROCUREMENT

Honourable Speaker,

On Wednesday, 16 February 2022, the Constitutional Court handed down judgement in the application for leave to appeal a judgement and order of the Supreme Court of Appeal (SCA) regarding the validity of the Preferential Procurement Regulations, 2017.

The Constitutional Court dismissed the appeal against the SCA judgment.

In this regard, the National Treasury has on an urgent basis, started the process to seek confirmation from the Constitutional Court on whether the invalidity of the Preferential Procurement Regulations, 2017 has been and continues to be suspended for a period of 12 months.

The National Treasury is also preparing new draft regulations in terms of the Preferential Procurement Policy Framework Act, 2000 to be published for comments during the week of 7 March 2022.

Until the new regulations take effect or the Constitutional Court's clarity on the suspension of the invalidity of the 2017 regulations is provided, whichever comes first, organs of the state may in terms of section 3(c) of the Act, request an exemption from the provisions of the Act for a specific procurement or category of procurement requirements.

The Provincial Treasury stands ready to support the Provincial institutions in this regard.

Procurement planning

Honourable Speaker, a Government budget like the one we table today is a tool for growth and development.

All departments, public entities and municipalities must therefore empower local businesses and particular designated groups such as Women, Youth and Persons with Disabilities through procurement opportunities.

This government's priority must be embedded in all procurement plans, and importantly, all public sector institutions in the Province must fully comply with legislation to prevent unwanted expenditure and ensure value for money.

2022 MEDIUM-TERM EXPENDITURE FRAMEWORK

Honourable Speaker

The 2022 Budget framework increases allocations to the Provincial Government to alleviate some pressures and ensure the continuity of administration, social, and economic development programmes.

Sources of Budget for 2022/23

The total Budget to be appropriated to Votes in the 2022/23 financial year is **R56 billion 442 million**. Of this amount, **81** per cent are transfer receipts from the provincial equitable share, **16.1** per cent from conditional grants and **2.9** per cent from own revenue and other receipts.

SPENDING PRIORITIES FOR 2022/23 FINANCIAL YEAR

I will now turn to allocations to Votes, starting with the social sector departments.

Social Services Cluster

Education is the basic right for every child and young people in society.

Investment in public education is necessary to build the national capabilities required to transform the social and economic well-being of our society.

Consistent with the importance attached to this sector, **R 24 billion 273 million**, which equates to 43 per cent of the total provincial budget for 2022/23, is allocated to the Department of Education to fund, amongst others priorities,

- Qualitative teaching and learning
- School Infrastructure;
- Learner Teacher Support Material;
- School furniture and relevant equipment, and
- continue implementation of the Presidential Youth Employment Initiative.

We reiterate our call to educators to be at schools, on time, teaching and learners to be at schools, on time, learning.

I am pleased to confirm that the Department of Education is ready to welcome the Early Childhood Development function, which will be shifted from the Department of Social Development from 1 April 2022.

Honourable Speaker

There is no doubt that a well-resourced Health system will contribute to the productivity and resourcefulness of the citizens who in turn will positively contribute to the economy of the Province.

In the course of the 2021/22 financial year, changes were made to the Health component of the Equitable Share, and following the adjustment to the risk index, **R110 million** was added to the provincial baseline.

R606 million will be added to the baseline of the Department to cushion the budget pressure in 2022/23 and **R1 billion 276 million** over the MTEF (period).

To this end, the second-largest component of the budget, at **R16 billion 824 million**, is allocated to the Department of Health to strengthen primary health care, provide medicine and medical supplies, laboratory services, and procure adequate Personal Protective Equipment to continue rolling out the vaccination programme.

We want to call on all our people to vaccinate to limit the surge of the virus so that we can reclaim our lives from the devastation of this pandemic.

Honourable Speaker

The Department of Social Development is one of the leading institutions in providing essential services to the most vulnerable members of society through various targeted interventions.

A total amount of **R1 billion 616 million** is allocated to the Department to provide psycho-social services and social relief benefits to needy families in the Province, amongst others. This baseline includes a special allocation for NGO's welfare to the tune of **R16 million**; **R7.4 million** for food relief programmes, and **R20.8 million** for the provision of dignity packs to girl children from poor communities.

The Department of Culture, Sport and Recreation is allocated **R604 million** to drive social cohesion and nation-building programmes, preserve our cultural heritage in collaboration with Traditional Authorities and provide support to the creative industries in the Province.

Of this allocation, **R30 million** is provided to safeguard our investment and account for the inventory in our libraries, and **R87 million** is for continuing work of the High Altitude Centre in eMakhazeni. Our intention is to deliver this provincial facility in collaboration with the private sector. We will go all out with MEGA and DCSR to solicit support from the business.

Honourable Speaker

We have a Constitutional responsibility to provide poor and vulnerable households with decent shelter and long term security of land tenure. In this regard, the **Department of Human Settlements** receives **R1 billion 506 million** to:

- lead planning in conjunction with municipalities;
- coordinate and facilitate the creation of integrated human settlements, and
- restore the dignity of our people by issuing title deeds to deserving households.

Economy, Investment and Employment

In his book titled, **One Economics, Many Recipes: Globalisation, Institutions and Economic Growth** (2007), Dani Rodrik makes an apt observation that *'historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom.'*

The **Department of Economic Development and Tourism** is allocated **R1 billion 743 million** to drive and coordinate the provincial economic growth programmes. This allocation includes transfers to Provincial Public Entities to fulfil their economic and developmental mandates.

A special allocation of **R70 million** overall is provided to the Department of Economic Development and Tourism overall to revive tourism and drive trade and investment in the province. This programme will be led by the Department together with its entities.

Of particular significance is

- **R50 million** for increased tourism attraction programme and upgrading of Provincial Nature Reserves;
- **R20 million** for Makhonjwa Mountain World Heritage Site and related programmes, and

- **R596 million** towards the Mpumalanga International Fresh Produce Market (MIFPM).

We call on this Department and its entities to rise to the occasion and attract the much-needed investors as it is clear the magnitude of the work require private investment.

Honourable Speaker

R1 billion 289 million is allocated to the **Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA)** to expand the agrarian reform programmes; promote agricultural cooperative throughout the value chain, and facilitate an effective regulatory framework for agricultural produce and export, amongst other others.

The allocation to DARDLEA includes **R30 million** for the commencement of a Cannabis project which is expected to increase economic activities and create jobs. A further **R7 million** is added for the Greening Mpumalanga programme.

The **Department of Public Works, Roads and Transport** is allocated **R4 billion 993 million** to ensure the delivery of a balanced and quality road infrastructure programme while also maintaining the road network throughout the Province.

The allocation to the Department includes **R140 million** to complete the construction of Mkhondo Boarding School; **R40 million** to complete the maintenance and renovations at KwaMhlanga Government Complex, and **R120 million** for continuing work at the parliamentary village, amongst other priorities.

I want to use this opportunity to appeal to communities to work together with the government to speed up the delivery of these infrastructure projects.

Governance and Administration

The **Department of Co-operative Governance and Traditional Affairs** is allocated **R690 million** to coordinate and optimally support the Local Government sphere. COGTA has a primary responsibility to support the Traditional Authorities.

In this regard, **R20 million** is set aside for reconstitution of the Traditional Council as per the amended Traditional Leadership and Governance Framework Act, while **R55 million** is allocated towards infrastructure upgrades for Traditional Council facilities in the Province.

A further **R80 million** is provided to the Department to implement effective and efficient systems in municipalities thereby allow municipalities to focus on actual service delivery.

We have already deployed financial experts in Nkomazi, Chief Albert Luthuli, Dr Pixley ka Isaka Seme and Mkhondo Local Municipalities to boost capacity and strengthen financial management, accountability and reporting until March 2024.

We will work closely with municipalities to improve standard operating procedures in SCM Asset Management and Contract Management; revenue management, and ensure that budgets meet the legislative requirements.

Honourable Speaker

We stand a good chance of overcoming crime when communities work with law enforcement agencies.

The **Department of Community Safety, Security and Liaison** will receive **R1 billion 584 million** to exercise oversight on policing, coordinate security services, and implement road safety programmes.

The Department has been allocated funds to continue with programmes at the Mpumalanga Traffic Training College; provide amenities for law enforcement and continue the provision of security services in our public facilities.

Honourable Speaker

We are proposing **R377 million 826 thousand** for the **Office of the Premier** to provide Executive and Administrative leadership, coordinate sectoral strategies and programmes, monitor and evaluate state institutions' performance and continue implementing the Mpumalanga Youth Fund. The Office of the Premier will be receiving the function of the Office of the Rights of Persons with Disabilities from 1 April 2022.

The **Provincial Legislature** will receive **R371 million 838 thousand** to execute its mandate of law-making and enhance oversight on the implementation of the Provincial Budget, amongst others.

Lastly, we propose **R566 million** for **Provincial Treasury** to enhance fiscal discipline, manage assets and liabilities, and promote sound financial governance in the Province.

In our previous budget speech, we committed to digitalising various business processes to improve efficiencies in the Provincial Administration.

I can report that we have successfully implemented an Electronic Leave Management System, Automation of financial statements, Electronic Document Delivery and Invoice Tracking System for suppliers.

In order to continue with the business process automation project, **R100 million** is allocated mainly to support the Departments of Education and Health in implementing new technologies such as e-submission and electronic health record management system, respectively. The latter is crucial to our efforts of reducing the high legal claims which are caused by lack of accessible, relevant, complete and real time records of patients for management, amongst others.

FINANCIAL GOVERNANCE

Honourable Speaker

We must insulate the Budget from all forms of unwanted practices.

The Provincial Administration must deal decisively with all expenditures incurred in contravention of prescripts, such as irregular, fruitless, and wasteful spending.

Accounting Officers and Accounting Authorities have been provided with all necessary Guidelines and support to finalise the investigations as required by law to deal with this kind of expenditure. The recommendations emanating from investigations must be implemented to strengthen the systems of internal control.

Consequence management must be applied, where necessary, in a fair and transparent manner to curb incidences of non-compliance to legislation and prevent unwanted expenditure.

The management and oversight structures of all our public institutions must be actively involved in ensuring that effective systems of internal controls are implemented, maintained and regularly reviewed. This is a necessary condition to improve audit outcomes.

The Provincial Treasury will continue to provide targeted support to the assurance and governance structures to execute their legislated mandates in the Province.

CONCLUSION

As I conclude, I take this opportunity to thank the Premier, Honourable Refilwe Mtshweni-Tsipane, for your leadership throughout the process of preparing this spending plan.

Many thanks to my colleagues in the Budget and Finance Committee and the Executive Council for your support.

To the Chairperson and Members of the Portfolio Committee on the Premier's Office, Finance, Economic Development and Tourism, thank you for your constant guidance.

My appreciation also goes to the Director-General for his administrative leadership. The Head of the Provincial Treasury, Ms Gugu Mashiteng, together with her team to ensure that we table a credible budget for the people of Mpumalanga.

Lastly but not least, I would like to thank the African National Congress for entrusting us with this responsibility to steer the Treasury mandate on behalf of the people of Mpumalanga.

I have the honour of tabling the following budget documents for consideration:

- *Provincial Budget Speech for 2022/23;*
- *Appropriation Bill for 2022/23,*
- *Estimates of Provincial Revenue and Expenditure for 2022/23.*

I thank you.