



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

MPUMALANGA PROVINCIAL BUDGET SPEECH 2016/17

08 March 2016



Together We Move South Africa Forward



SPEECH BY THE HONOURABLE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, HON. SE KHOLWANE (MPL) DURING THE OCCASION OF THE TABLING OF THE PROVINCIAL BUDGET FOR THE 2016/17 FINANCIAL YEAR AT EHLANZENI DISTRICT MUNICIPAL CHAMBER, MBOMBELA

08 March 2016

- **Honourable Speaker and Deputy Speaker;**
- **Honourable Premier, Mr DD Mabuza;**
- **Honourable Members of the Executive Council;**
- **Honourable Members of the Provincial Legislature;**
- **Executive Mayors and Members of the Mayoral Committees for Finance and Local Economic Development;**
- **Chairperson of the House of Traditional Leaders, Kgoshi ML Mokoena;**
- **Director-General, Mr Thulani Mdakane;**
- **Head Official of the Provincial Treasury, Ms Nombedesho Nkamba and other Heads of Departments;**
- **Chairpersons of Boards and Chief Executive Officers of Public Entities;**
- **Business Executive of the Office of the Auditor-General in Mpumalanga, Ms Sibongile Lubambo;**
- **Representatives of Labour, Business, Civil Society and the Media;**
- **My guest students from the Tshwane University of Technology;**
- **Esteemed guests;**
- **Ladies and gentlemen;**
- **The people of Mpumalanga listening on various radio stations across the Province;**

POLITICAL CONTEXT OF BUDGET

1. Honourable Speaker, the country is fresh from the voter registration weekend.

2. As the ruling party we welcome and congratulate the people of South Africa for making this a successful voter registration weekend countrywide.
3. We are particularly pleased about the improvement in the number of young people who have registered in fulfilment of our collective duty to consolidate and deepen our young democracy.
4. We understand our responsibility to practically respond to the wishes of all our people, particularly the poor and downtrodden masses.
5. Their social and economic pains have always been and should continue to be at the centre of any self-respecting government's budget ideology.
6. The 2016 State of the Nation, State of the Province Address, and National Budget Speech have all pointed in one direction and one direction only, namely:
 - Creation of more jobs and thriving businesses to reduce the levels of poverty which continue to compromise our hard won freedom and democracy.

Madam Speaker, economic freedom has always been one of the central pillars of the national liberation struggle, long before it became fashionable to shout empty slogans and rhetoric's about it.

As a matter of fact, economic freedom is the political spine of the second phase of the transition.

- These over-arching marching orders including the State of the Province Address by the Honourable Premier Mr DD Mabuza, have guided this budget to respond to central questions of how do we improve our education and health systems, provide integrated human settlements and sanitation,

and prioritise social security and basic services as well as investment in the economy.

7. The 2016 provincial budget has a conscious intention to focus on these priorities underpinned by an effective and capable developmental state as firmly expressed in the National Development Plan.
8. Furthermore, in drafting this budget, we drew our mandate from both the Mpumalanga Economic Growth and Development Path (MEGDP) and the Provincial Industrial Development Plan which seek to address the structural defects of the provincial economy.
9. The implications of these instructive policy frameworks is that we must move away from day to day consumption and take a long-term view of facilitating re-industrialization of the provincial economy by responding to depressed conditions faced by key productive sectors of the provincial economy namely, mining; manufacturing and agro-processing, agriculture, including key labour intensive industries such as construction, tourism and cultural industries.
10. Madam Speaker, this budget has made provision for relevant departments to give details of the requisite interventions in order to minimise the negative impact of the global economic depression.
11. The Minister of Finance, Mr Pravin Gordhan when delivering his 2016 budget speech on the 24th February 2016 emphasised and I quote:

“We are conscious of the difficulties we face, our resilience as a nation black and white can propel us to a better future if we make the right choices.”

12. Honourable Members, notwithstanding the global, national and provincial economic binding constraints, we know that together we are strong enough,

resilient enough, and creative enough to manage and overcome our economic challenges.

13. I can't agree more with the Finance Minister that the solution to our challenges lies within our collective ability to make the right decisions and the right investment choices to mitigate the impact of the global economic crisis.
14. Honourable Speaker, the 2016 Budget is tabled in the context of a constrained domestic economic environment and an uncertain global economic outlook, as seen through the slowing down by the Chinese economy amongst others.

ECONOMIC LANDSCAPE

Global and South African Economic Outlook

15. Global growth declined from 3.4 per cent in 2014 to 3.1 per cent in 2015.
16. These developments in the global economy continue to impact negatively on the domestic economy.
17. As a result, the South African Reserve Bank and National Treasury revised their growth projections for South Africa downward to 0.9 per cent for 2016, after a growth rate of 1.5 per cent in 2014 and 1.3 per cent in 2015.
18. Private sector investment is also contracting and the prospects for formal sector employment growth remains relatively bleak.
19. The inflation outlook deteriorated, interest rates are rising, the rand has depreciated considerably and the impact of the drought on food prices is becoming increasingly evident.

20. The lower economic growth projection is in part a consequence of the global economic slowdown, but it also reflects the structural weaknesses in the national economy.

Provincial Economic Outlook

21. Given this difficult economic environment, the provincial economy is expected to grow in line with the national growth expectations of less than 1 per cent this year.
22. We are concerned about the weak performance and challenges facing some key economic industries of the provincial economy such as agriculture, mining and manufacturing.
23. According to the official GDP figures on national level, these industries experienced negative growth rates in all or many of the quarters during 2015. This is having a negative impact in eMalahleni, our largest economy in the Province.
24. The provincial economic growth between 2014 and 2019 is projected to average less than 2 per cent annually. This is well below the National Development Plan (NDP) and the Vision 2030 target of 5 per cent growth annually.

Provincial Job Creation and Unemployment

25. Despite a constrained economic environment, Mpumalanga recorded a 4.7 per cent annual employment growth last year.
26. According to the latest Quarterly Labour Force Survey of Statistics South Africa, Mpumalanga registered net job creation of **53 thousand 2 hundred and 20 jobs** in 2015.

27. This means that in 2015 the Province achieved two-thirds of its annual job creation target of approximately **80 000** jobs - not a bad performance given the difficult economic climate.
28. We are however, concerned about the job losses last year in the mining and trade (wholesale & retail) industries of **15 000** and **12 000** respectively.
29. The provincial unemployment rate has declined slightly to 25.7 per cent in the fourth quarter of 2015.
30. We remain concerned about the high unemployment amongst our youth, hence our call for all stakeholders to respond to this challenge.

Government response to economic environment

31. Honourable Speaker, we are making good progress in Mpumalanga from a socio-economic point of view.
32. The Premier Honourable DD Mabuza, explained this by means of facts and figures on poverty reduction, inequality, unemployment, education and basic service delivery recorded in his State of the Province Address on 26 February 2016.
33. Despite our successes, we are still faced with economic challenges.
34. The Honourable Premier said, and I quote
“As Government, we are called upon to address the pressing needs of our most vulnerable citizens, whilst at the same time applying policies and resources strategically in order to ensure a more positive economic outlook in the medium and long term”.

35. Honourable Members, in a challenging period like this, we have to be brave and strong. Together we are capable of overcoming these challenges.
36. We will radically pursue our pro-poor socio-economic agenda to make a difference and impact on the lives of all citizens of Mpumalanga.
37. We will intensify our provincial growth and job creation initiatives as Government working together with business, labour and civil society.
38. We will spend the budget in the right areas to stimulate economic growth, contribute to job creation and improve the standard of living of our people. We will do all this in line with our mandate and as expected by our people.
39. We have a working plan to tackle our developmental challenges head-on. We have a National Development Plan and Mpumalanga Vision 2030 to make our Province great.

PROVINCIAL BUDGET OUTCOMES

40. Honourable Speaker, despite the growing demands on the fiscus and shrinking pool of available resources, we continued on our chosen path of delivering the much needed services; we have put the budget appropriated by this House to good use; and we took a great leap forward to the realization of the National Development Plan and Mpumalanga's Vision 2030.
41. We can therefore boldly report that the budget of 2015/16:
 - 41.1 Has provided a brand new boarding school to the learners who live in Nkangala;

- 41.2** Has funded 99 additional young people to study medicine in Cuba. This is in addition to the 730 bursaries that were awarded to young people who completed Grade 12 in 2015 and some who are already at the institutions of higher education;
- 41.3** It sets in motion the Mpumalanga Fortune 40 Young Farmer Incubator Programme which is poised to make a contribution to increased agricultural production;
- 41.4** This budget enabled the construction and maintenance of roads in rural and urban localities of Mpumalanga,
- 41.5** It funded the operationalization of four new Public Health Clinics (PHCs) at Ntunda, Sinqobile, Naas and Wakkerstroom; and,
- 41.6** It has also provided 17 000 new housing units to date something that gives us confidence that the target of 44 000 units over the Medium-Term Strategic Framework period will be reached.

42. Working together we can do more.

Budget Reprioritisation and fiscal consolidation

- 43.** Honourable Speaker, it is a known fact that two rounds of budget cuts have been applied from the 2016/17 financial year to the 2018/19 financial year.
- 44.** We had no choice as a country but to reprioritise the budget due to weaker than expected economic performance, rising debt costs and falling revenue projections, and the need to fund new national policy priorities while restoring fiscal sustainability.

- 45.** The Minister of Finance has already highlighted a joint action plan between ourselves and national government to address the expenditure management and service delivery improvement challenges, which includes:
- 45.1** containment of administrative personnel expenditure while protecting education and health services staff;
 - 45.2** improving revenue collection;
 - 45.3** rationalization and closure of redundant and underperforming programmes and entities, and
 - 45.4** intensification of cost containment measures.
- 46.** To this end, we will introduce or strengthen various measures to improve efficiencies, secure value for money and prevent leakages of resources in the Provincial Government.
- 47.** Honourable Speaker, in responding to the joint action plan as highlighted by the Minister, as the Province we have already taken a bold step to increase the allocation for service delivery by **1 billion 664 million rand**.
- 48.** Of this amount, **1 billion 526 million rand** or equivalent of 3.1 per cent was reduced from the equitable share allocation of all Departments whilst **138 million rand** is from own Provincial Revenue.

Containment of administrative personnel expenditure and rationalization

- 49.** Compensation of employees constitutes the highest budget item amount in the provincial budget and that is where the main cost containment measures are directed.

50. During the 2015/16 financial year **233 million Rand** savings were generated from freezing of vacant funded posts.
51. Building from 2015/16 we will continue with the moratorium as part of the measures to reduce the wage bill on administrative personnel expenditure while protecting the education and health service staff.
52. This period, Honourable Speaker, also offers an opportunity to re-arrange the manner in which departments are configured.
53. Working together with the Office of the Premier we will review the model of regional offices with a view of identifying and eliminating overlaps, wastage and duplication of functions thereby releasing resources for service delivery.
54. The fit-for-purpose exercise will also be intensified to ensure that each employee within the public service is gainfully employed.
55. This process will happen across the provincial administration which includes our public entities. We will engage the organized labour in order for us to jointly take this necessary process forward.

Efficiency measures on transfers and subsidies

56. Furthermore, we remain committed to ensure value for money in the institutions that receive funding from the provincial government.
57. To this end, the transfers and subsidies to the various spending agencies will be subjected to targeted controls.

58. An expenditure review will be conducted on the transfers to Public Entities, NGOs, NPOs and NPIs as well as on transfers done through the Human Settlements Development Grant.

Intensification of cost containment measures

59. As part of the measures to reduce non-core spending on items such as traveling and accommodation, the Provincial Treasury will commission a video conferencing facility before the end of this financial year. This service will be extended to the districts and local municipalities.
60. Honourable Speaker, in order to ensure efficiencies in public entities, we are reducing the operational allocation to MTPA by **3 million rand** from **306 million 898 thousand rand** to **303 million 897 thousand rand** and MEGA is reduced by **3.1 million rand** from **158 million 056 thousand rand** to **154 million 910 thousand rand**.
61. In addition, we will request the Department of Economic Development and Tourism to commission a study for a possible merger of the Mpumalanga Gambling Board and Mpumalanga Liquor Authority.
62. All public entities are required to align their procurement policies, and publish their tenders on the *eTender* portal and Provincial Treasury's tender bulletin. To this end, from the 1st of April 2016 no public entity will be allowed to advertise tenders in any form of paid media.
63. To further prevent financial leakages and ensure value for money, all Accounting Officers must ensure that contract management and supply chain management processes are strengthened within their institutions.

Improved revenue collection

64. Honourable Speaker, we have over the years neglected revenue collection which resulted in minimal growth of our own revenue generation.
65. To address this challenge, we have set ourselves a target of **4.2 billion rand** revenue collection in the medium-term, this will require improved collection capacity of our departments and public entities; improved debt recovery, exploration of new revenue streams as well as the introduction of new reforms such as possible revenue retention by departments that exceed set targets.

Reduction of cost of doing business

66. Honourable Members, the introduction of the Central Supplier Database is one of the measures to reduce the cost of doing business with government. Through the system the suppliers can register once online, saving them time and money.
67. Honourable Speaker, with effect from the 1st of April 2016 the system will be applicable to all departments and public entities, while the 1 July for municipalities.
68. During the Adjustment Budget last year, we reported that **892 companies** have registered on the Central Supplier Database portal.
69. As at 31 January 2016, this number has increased to **2759 Companies**.
70. We invite all prospective service providers who wish to partner with government in delivering the services to our people to register on www.csd.gov.za.

Access to business opportunities

71. Honourable Speaker, to ensure equal access to business opportunities, all departments will use the electronic system for procurements of goods and services from 1 April 2016.
72. This electronic system will ensure that the departments rotate suppliers whenever they procure goods and services, unlike the current manual process which is open to abuse.
73. All public entities and municipalities must ensure that they rotate the suppliers in line with the Constitutional principle of fairness.

Payment of suppliers

74. Mr. Jim Mjimaro on Facebook asked me “*why suppliers are not paid on time?*”. In relation to this question, the Executive Council remains committed to ensuring that service providers are paid on time for work done on behalf of the provincial government.
75. The current challenge is that we rely on the officials' responses on reasons for late or non-payment of suppliers.
76. To close the information gap and ensure reliable reporting to the Executive Council, the Provincial Treasury will establish a *Help Desk* to follow up on invoices not paid on time on behalf of the suppliers.
77. The Help Desk will be fully operational on or before 1 July 2016.

PROVINCIAL SPENDING PRIORITIES

78. In his State of the Province Address on Friday, 26 February 2016, Premier Honourable DD Mabuza presented our plan to reinvigorate the economy; industrialize the Province, and improve operational efficiencies.
79. We drew from the same plan in preparing a budget that demonstrates the willingness of all stakeholders to share the burden of the challenging fiscal capacity so that the core mandates and people-centred delivery outcomes are achieved.
80. I will now highlight some of the spending priorities for the 2016/17 financial year:

Job creation

81. Honourable Speaker, the Nine Point Plan requires the government to unlock the potential of SMMEs, cooperative and township enterprises. To this end, we increased the loan book for MEGA from **5 million rand** to **80 million rand** to fund small enterprises and co-operatives.
82. **50 million rand** has also been provided to pilot the Township Retail Warehouse programme aimed at resuscitating local owned retail businesses within townships and rural areas.
83. To build on the success of the agricultural production, **80 million rand** is added to the Fortune Forty Young Farmer incubator Programme.
84. For revitalization of agriculture and agro processing value chain, **65 million rand** has been set aside for the Mpumalanga International Fresh Produce Market and Agri Parks.

85. The Expanded Public Works Programme grant allocation, which is an incentive for job creation, has increased from **66 million rand** in 2015/16 to **102 million rand** in the 2016/17 financial year.
86. This growth can be attributed to the job opportunities created mainly in the following sector departments, namely Education, Social Development and Public Works, Road and Transport.
87. Honourable Speaker, I would like to underscore that in these and **all** our job creation initiatives, the youth should and will remain our top priority.

Infrastructure delivery

88. The Infrastructure delivery programme provides an opportunity to improve the living conditions, attract or retain investment in our communities and create jobs for our people.
89. As the Honourable Premier indicated in the State of the Province Address we will spend **4 billion rand** on infrastructure delivery in the 2016/17 financial year.
90. This budget includes amongst others **119 million 436 thousand rand** reprioritized towards six Early Childhood Development (ECD) infrastructure projects in Standerton; Siyabuswa; Tweefontein; Ermelo; Ogies, and Mbuzini; construction of two youth centres in KaMsogwaba and Daantjie as well as the Nkangala Treatment Centre to deal with the challenge of substance abuse.

Opening doors of learning

91. The provincial budget takes into account our shared responsibility to improve the educational experience and outcomes.

92. To this end, **25 million rand** is provided to address the current gaps in Mathematics, Science and Technology learning areas.
93. **10 million 9 hundred thousand rand** has been prioritized to fund training of 1000 Early Childhood Development (ECD) practitioners on NQF level 1 and enrolment of 800 practitioners on NQF level 4 course.
94. **210 million rand** is provided to the Department of Education to increase access to post school funding in critical and scarce skills, and **130 million rand** is maintained as per the initial 2014/15 MTEF allocation to fully fund artisan development.
95. The Department has also been allocated **499 million 975 thousand rand** to ensure that all schools meet minimum sanitation standards by December 2016.
96. We have also made budget provision for the planning and construction of a new School in Pienaar.

Health care for all

97. One of our priorities in the health sector is to improve access and modernise the health care experience in the public sector.
98. We have allocated a combined amount of **412 million 231 thousand rand** for the implementation of the Electronic Patient Record Management system and for the commencement of construction of new hospitals in Middelburg, Mapulaneng and Bethal amongst others.

Safety and security for all

- 99.** The 2016/17 budget funds programmes to take the fight against crime and corruption to those who undermine the societal right for a safe and secure neighborhood.
- 100.** To this end, **389 million rand** is appropriated for installation of cameras in various towns and solar high mask lights in Nkomazi, Bushbuckridge, Chief Albert Luthuli and Pienaar in Mbombela, this will also include ensuring safety and security at boarding schools and all public facilities in the Province.

Houses, security and comfort

- 101.** A Conditional Grant amounting to **1 billion 314 million rand** is allocated to accelerate the provisioning of human settlements and bulk infrastructure for households in line with the Human Settlements Master Plan.
- 102.** An amount of **261 million rand** has been set aside for water and sanitation in eMalahleni; Bushbuckridge and Dr. Pixley Ka Isaka Seme Municipalities, and the site development in Dipaleseng Municipality.

Social cohesion

- 103.** Mpumalanga is a stronghold of multi-cultural activism. This is what makes us a unique province. We understand that our diversity is not a threat but an opportunity to live up to our Constitutional values.
- 104.** For this reason, **14 million 5 hundred thousand rand** is set aside to support the Innibos festival and to launch the Provincial Cultural Festival in the 2016/17 financial year.

- 105.** Honourable Speaker, sports must be an integral part of the life of all learners in our public schools to build their mental strength and enhance social cohesion. To this end, **18 million 399 thousand rand** is allocated in this budget for commencement of the school sports league.

Local government and traditional leadership

- 106.** In line with the SOPA commitment to support municipalities, **30 million rand** is allocated for the monitoring of implementation of the Integrated Municipal Support Plan (IMSP); to improve the financial viability of our municipalities and to assist 9 municipalities, 3 public entities and 3 departments to improve their audit outcomes.
- 107.** **34 million 452 thousand rand** is provided for the construction of two Traditional Council Offices; the renovation of four additional Traditional Council Offices and Dipaleseng Municipal Offices as well as refurbishment of two Kings' Palaces in the Nkangala District.
- 108.** An additional amount of **1 million 8 hundred thousand rand** is added to the current Administrative Grant to Traditional Councils from **120 thousand rand** to **150 thousand rand**

2016/17 PROVINCIAL BUDGET

- 109.** Spending over the 2016 Medium-Term Expenditure Framework period remains within the levels set in the 2014 Budget.
- 110.** Most of the new spending has been funded through reprioritisation and identification of savings from the budget of the departments.
- 111.** The Executive Council has approved the Provincial Budget amounting to **41 billion 3 hundred and 1 million 337 thousand rand** for the 2016/17 financial year.

112. This budget is made up of the Equitable Share of **33 billion 449 million 947 thousand rand**; Conditional Grants amounting to **6 billion 986 million 592 thousand rand** and **864 million 798 thousand rand** from Provincial Own Revenue.

PROVINCIAL OWN REVENUE

113. The provincial own revenue is projected to grow by 5 per cent from **824 million 463 thousand rand** in the 2015/16 to **8 hundred and 64 million 7 hundred and 98 thousand rand** in the 2016/17 financial year.

114. This is hardly enough to respond to the pressing need of quality service delivery, especially given the reductions in the national receipts.

2016/17 ALLOCATION TO VOTES

I will now turn to the allocation per votes:

115. The largest share of the budget at **17 billion 916 million 783 thousand rand** or **43.3 per cent** of the total provincial budget is allocated to **education**.

116. **Department of Social Development** will receive **1 billion 454 million 716 thousand rand** which represents 3.5 percent of our budget.

117. **Department of Health** is allocated **10 billion 642 million 144 thousand rand** which is 25.8 percent of the overall budget.

The following non social services departments share 27.3 percent of the total allocation for 2016/17.

118. **Office of the Premier** receives **245 million and 71 thousand rand**.
119. **Provincial Legislature** is allocated **298 million 360 thousand rand**.
120. **Provincial Treasury** is allocated **287 million 466 thousand rand**.
121. **498 million 106 thousand rand** is set aside for the **Department of Co-operative Governance and Traditional Affairs**.
122. **Department of Agriculture, Rural Development, Land and Environmental Affairs** is allocated **974 million 133 thousand rand**.
123. **Department of Economic Development and Tourism** gets **994 million 142 thousand rand**.
124. **Department of Public Works, Roads and Transport** receives **4 billion 647 million 031 thousand rand**.
125. **1 billion and 69 million 370 thousand rand** is allocated to the **Department of Community Safety, Security and Liaison**.
126. **451 million 907 thousand rand** is provided to the **Department of Culture, Sport and Recreation**.
127. An allocation of **1 billion 822 million 108 thousand rand** is allocated to the **Department of Human Settlements**.
128. As I conclude, let me borrow Maya Angelou's wise words, when she said, and I quote

**You may encounter many defeats, but you must not be defeated. In fact, it may be necessary to encounter the defeats, so you can know who you are, what you can rise from, how you can still come out of it.” –
Close quote**

129. The answer to our challenges, Honourable Members lies in our ability to convert plans and budgets into action in pursuit of our shared vision of sustainable livelihoods for all.

Honourable Speaker,

130. Let me extend my humble appreciation to the Honourable Premier for ably leading through this difficult time imposed on us by the global and domestic economic challenges. Thank you Honourable Premier for your immense support and guidance.

131. I owe my gratitude to the invaluable inputs of my colleagues in the Budget and Finance Committee and the Executive Council who have, at all material time, been steadfast in their resolve to advance people’s power through honest engagements on the services-oriented spending plan for the Province.

132. Many thanks to the Chairperson and Members of the Portfolio Committee on the Premier’s Office, Finance, Economic Development and Tourism for your continued support.

133. I would like to thank the administrative leadership provided by the Director-General and appreciate the support of the Heads of Department during the process of preparing this Budget.

134. To the Head Official and all officials in Provincial Treasury who participated in the process of preparing this Provincial Budget, thank you for a work well done.

- 135.** Lastly but not least, I would like to thank my family and children for standing by me.
- 136.** Honourable Speaker, I hereby, on behalf of the Honourable Premier and the Executive Council, table the following budget documents for consideration by the Honourable Members of Legislature:
- 136.1** Budget speech for 2016/17;
 - 136.2** Appropriation Bill for 2016/17;
 - 136.3** Estimates of Provincial Revenue and Expenditure for 2016/17; and
 - 136.4** Budget made easy for 2016/17.
- 137.** Indeed when the *sun rises* it signals a better, brighter future for all people of Mpumalanga. Together *We Move the Place of the Rising Sun Forward, through the people's budget.*

Siyathokoza

Ngiyabonga

Prospective Suppliers must register
their business before 31 March 2016
www.csd.gov.za

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