



Mpumalanga Provincial Budget Speech

Mr. PS Ngomane, MPL

MEC for Finance, Economic Development & Tourism

10 March 2020

Let's Grow Mpumalanga Together



provincial treasury

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



**PROVINCIAL BUDGET SPEECH BY THE MEC FOR FINANCE, ECONOMIC
DEVELOPMENT AND TOURISM, MR. PS NGOMANE (MPL), TO
THE MPUMALANGA PROVINCIAL LEGISLATURE IN THE CITY OF MBOMBELA**

Tuesday, 10 March 2020

- Honourable Speaker; Ms. B.P. Shiba;
- Honourable Deputy Speaker; Mr. P.V. Mkhathshwa;
- Honourable Premier; Mrs. Refilwe Mtshweni-Tsipane;
- Honourable Members of the Provincial Executive Council;
- Honourable Members of the Provincial Legislature;
- Acting Chairperson of the ANC in Mpumalanga; Mr. Mandla Ndlovu
- Executive Mayors and Councillors;
- Chairperson of the House of Traditional Leaders, iNkosi Ngomane;
- Provincial Director-General, Ms. Sindisiwe Xulu;
- Heads of Departments, CEOs of State-Owned Entities, and Municipal Managers;
- Business Executive in the Office of Auditor-General;
- Representatives of Organised Labour, Business, Civil Society and the Media;
- Ladies and gentlemen.

It is my distinct honour and a privilege to address this august House on the 2020 Medium Term Expenditure Framework and Provincial Appropriations for the 2020/21 financial year.

We present this Provincial Budget during a month of celebrating the restoration of our Human Rights, as enshrined in our Constitution.

This is also a focus month of recognises the significant role of women in society, for the International Women's Day was celebrated only two days ago, on 8 March.

This day (8 March) is used to highlight the plight of women in all aspects of life and, most importantly, to heighten the advocacy on the protection of women's rights and respect for their dignity.

Perhaps, we should proudly underline the point of women's role in Leadership, because our Province counts amongst the leading institutions that exemplify the value women create when they are entrusted with leadership responsibilities.

Let me remind the House of a few women leaders that we celebrate amongst ourselves, namely:

- Honourable Speaker Shiba;
- Honourable Premier Mtshweni-Tsipane;
- Honourable MECs Tshabalala; Shongwe; Ntshalintshali; Manzini and Mahlangu.

We want to particularly congratulate you Honourable Premier for having ensured that, of the four newly appointed Accounting Officers, three are Women, led by a seasoned and capable administrator, Director General, Ms. Sindisiwe Xulu.

The month of March is also important for us because it presents an opportunity to reflect on our country's sordid past, in particular the one that was further blighted by the Sharpeville Massacre on 21 March 1960.

We mark our Human Rights Day on 21 March every year, precisely to remind ourselves, and teach the young people, about where we come from as a nation - and where we should never dare return.

Even more profoundly, 21 March is one significant day in our calendar, because it reminds us that, indeed, our Freedom and Democracy were not free.

Our freedom was a culmination of untold sacrifices of many fallen and broadly unsung heroes and heroines.

One of our celebrated and brave heroines of all time, the late former President of the ANC Women's League, uMama Winnie Mandela, said this in 1976:

“If you are to free yourselves you must break the chains of oppression yourselves. Only then can we express our dignity. Only when we have liberated ourselves can we co-operate with other groups. Any acceptance of humiliation, indignity or insult is acceptance of inferiority.”

We should always be mindful of Mama Winnie Mandela's counsel, and use these commemorations to build national consciousness about the importance of freedom, Human Rights and nation-building.

We must leverage these platforms to galvanise all citizens, young and old, around the historic task of striving for ***“a united, non-racial, non-sexist, and democratic South Africa in which the people as a whole shall govern and shall enjoy equal rights”***.

On our part, as Provincial Treasury, we will continue to consciously leverage the Provincial Budget as an instrument to catalyse economic development, sustain growth, as well as foster socio-political and cultural transformation, as envisaged in the Freedom Charter.

ECONOMIC LANDSCAPE

Honourable Speaker,

The 2020/21 Provincial Budget is tabled in a very challenging local and global economic, geopolitical and social environment.

From the outset, I wish to caution Honourable Members, against a sense of general despair when we are faced with challenges, because they are not insurmountable.

The current socio-economic challenges require our collective effort, as different sectors across society, to work steadfastly towards overcoming the difficulties on our path of building a prosperous future for our nation.

I share the view that a nation that defeated apartheid possesses enough willpower to overcome the economic challenges we face, as proclaimed by President OR Tambo.

Honourable Speaker

Our economies are globally connected, hence they are exposed to risks, including health pandemics such as occasioned by the Coronavirus (COVID-19) outbreak, trade wars, political and cybersecurity challenges elsewhere in the world.

These pre-eminent risks are building on long-existing global concerns and domestic challenges, such as we continue to confront, which are the triple challenges of unemployment, poverty and inequality.

The global economic growth slowed down to less than 3.0% in 2019, with China - the world's second-largest economy - recording its lowest growth rate since 1990.

There are already projections that China's economic growth could worsen, and slide to less than 5% in 2020, as many factories in China have recorded declined production; transport is restricted, and travelling in and out of China is being curtailed following the outbreak of this virus.

We are likely to be exposed to the global economic decline, mainly because of challenges faced by China, which is an important trade partner of South Africa.

It is inevitable that, given these global concerns, the global, regional and domestic economies will also suffer and experience an economic decline.

Honourable Speaker,

The latest Gross Domestic Product (GDP) figures released by Statistics South Africa last week indicates that the South African economy has entered a technical recession.

Prior to the release of GDP figures, Minister of Finance, Mr. Tito Mboweni, in his Budget Speech, highlighted that a low national economic growth rate of 0.9% is expected this year.

We also expect a low provincial growth rate of around 0.4% this year, with an average annual growth rate of about 1% projected for the next couple of years up to 2023.

Our challenges are more pronounced in especially the weak performance of the primary and secondary sectors, particularly in key industries such as agriculture, mining, manufacturing, electricity and construction.

But the overall picture is not all doom and gloom, Honourable Speaker.

Despite the weak and challenging economic environment, our Province recorded more than **7 000 job gains in 2019 in the mining industry.**

This is encouraging because mining (and more specifically coal mining) is our key industry, with a contribution of 25% to the provincial economy.

According to the latest Quarterly Labour Force Survey (QLFS) of Statistics South Africa, unemployment rate (using the strict definition) in the Province decreased slightly in the 4th quarter of 2019 to a level of 33.6%. ***This was the third-highest unemployment rate of the nine provinces.***

However, the youth unemployment rate, at 46.8% in the fourth quarter of 2019, remains a huge concern. For this reason, the Premier outlined specific interventionist programmes to address the unemployment situation, such as:

- Promoting Youth Entrepreneurship through the establishment of the Mpumalanga Youth Fund;
- Growing the Youth Skills Base through the PhDs bursary programme and
- Increasing Youth involvement in labour-intensive sectors of our economy through the Fortune Forty Agricultural Programme.

As I have indicated, the challenging economic environment requires collective engagement and effort of all stakeholders working cohesively with all sectors of the economy to bring to life pragmatic interventions and solutions to turn the tide.

Honourable Speaker,

Let me now turn to the fiscal framework that underpins the spending priorities for the 2020 MTEF and 2020 /21 financial year.

NATIONAL AND PROVINCIAL FISCAL FRAMEWORK

National expenditure framework

Honourable Speaker

The 2020 Budget Review points to some fiscal risks which include:

- the public sector remuneration budgets;
- bailouts to State-Owned Entities, and

- reduced tax collections base.

These have a ripple effect on the provinces as significant amount of our funding comes from the National fiscus.

Consequently, the provincial baseline for the 2020/21 financial year has been reduced by R369 million, mainly due to:

- Adjustments to the Provincial Equitable Share formula,
- 2020 fiscal consolidation and
- Adjustments to employment cost in line with inflationary projections.

Provincial expenditure framework

The Provincial Budget is therefore expected to increase with an average of **6%** in the 2020/21 MTEF, from **R54 billion** this year, to **R56.4 billion** in 2021/22 and **R59.2 billion** in the 2022/23, respectively.

Over the 2020 MTEF, the Province will receive a total budget allocation of **R169.6 billion**.

It is worth noting that of our **R54 billion** Provincial Budget for 2020/21, almost **82%** will be transfer receipts from the National Equitable Share, **15%** from Conditional Grants and **3%** from Own Revenue and other receipts.

More than ever before, it is now acutely urgent that as a Province, we must begin to seriously explore all possibilities and opportunities to generate new revenue, and enhance existing revenue collections streams.

Honourable Speaker

In the lead up to this budget, I asked the public to share their views on revenue enhancement and ways to improve spending efficiencies.

@Elona_Opulence on Twitter suggested that the Province *look at the procurement policies to deal with the pricing* of commodities; while *Phiwinhlanhla Nkosi* on Facebook said *fruitless and wasteful expenditure needs to be controlled*.

These useful suggestions are already under consideration.

In fact, the Executive Council has mandated the Provincial Treasury and Department of Public Works, Roads and Transport to look at the cost of infrastructure delivery with the intention to set own ceiling on infrastructure spending.

The Province is also taking a zero-tolerance approach to fruitless and wasteful; irregular and unauthorized expenditure.

Public procurement

Honourable Speaker

Public procurement is a key enabler to stimulate economic activity, contribute to economic growth, economic transformation and job creation.

Government has enacted numerous legislation that advances the values of openness, transparency, value for money and equality of opportunities for all, including for small businesses and cooperatives.

Despite the unfortunate narrative about its supposedly restrictive scope, the Preferential Procurement Framework and its Regulations have been framed with empowerment objectives to advance the course of the previously disadvantaged sectors of our society.

It simply cannot be right that many people, especially women are or feel excluded from the system.

For example, @Vumbhoni Nkuna wrote to me on Twitter and said:

"...can you at least recognise young women in business in the villages of Mpumalanga..."

Honourable Speaker, with your permission I would like to acknowledge the presence of Ms. Nkuna who is here with us in this Chamber – May I please ask you to rise.

Ms. Nkuna is a young entrepreneur from Hazyview who defied the odds and grab opportunity to enter the tourism industry.

Like many new entrants, the odds are often stuck against her, largely because the industry is dominated by a few, large operators, leaving the small operators to scramble for extremely small market opportunities.

We call upon all Departments, Public entities and Municipalities to give effect to empowerment policies so that Vumbhoni Nkuna and many others can experience the recognition that they deserve from their Government and indeed from all businesses within the Province.

Payment of suppliers within 30 days is also non-negotiable. We will be introducing a viable management system in the next financial year through which we will ensure compliance, and departments will be held accountable for any failures in this regard.

In the same vein, I want to urge the people of Mpumalanga, especially small businesses and cooperatives, to contribute to shaping the Public Procurement Bill, which is currently open for public comments.

PROVINCIAL EXPENDITURE PRIORITIES

I will now reflect on how this Budget will be spent in the 2020/21 financial year.

ECONOMY, INVESTMENT AND EMPLOYMENT CLUSTER SPENDING

Honourable Speaker,

A sustainable increase in employment requires a faster growing economy characterised by a higher labour-absorption rate.

The Economy, Investment and Employment cluster is therefore allocated **R7.7 billion** to lay a foundation for an inclusive economic growth by strengthening partnerships with all economic sectors; consolidate the Government's economic transformation programmes and increase infrastructure investment. *These are all necessary ingredients for the creation of a conducive environment for economic growth and employment creation.*

Agriculture, Rural Development, Land and Environmental Affairs

In order to grow the Provincial economy, we must capitalise on our competitive advantages, and the agricultural sector presents us with that opportunity.

The Department of Agriculture, Rural Development, Land and Environmental Affairs is allocated **R1.2 billion** to build an efficient and competitive agricultural sector; and to support emerging diverse structures of production with the intention to increase the number of successful smallholder farming enterprises, while also supporting established farming entities.

Economic Development and Tourism

Honourable Speaker

The Sixth Administration has set out seven priorities for the Government, the second being economic transformation and job creation.

The Department of Economic Development and Tourism is central in ensuring that the Province achieves its targets as outlined in the Mpumalanga Economic Growth and Development Path (MEGDP) and Mpumalanga Vision 2030.

The Department is allocated **R1.3 billion**, of which **R748 million** is transfers to the three public entities – Mpumalanga Economic Regulator (**MER**); Mpumalanga Tourism and Parks Agency (**MTPA**) and Mpumalanga Economic Growth Agency (**MEGA**).

Included in this allocation is **R35 million** to operationalise the Nkomazi Special Economic Zone (SEZ), and **R357.1 million** to continue with the construction of the Mpumalanga

International Fresh Produce Market (MIFPM) while the process of securing investors continues.

As pronounced by the Honourable Premier, the Department will work with all Municipalities to strengthen the capacity of the LED Units to drive local economic growth and development.

Public Works, Roads and Transport

The Department of Public Works, Roads and Transport is key in ensuring delivery of quality infrastructure which is a prerequisite for sustainable economic growth. **R5 billion** is allocated to the Department for this purpose.

We must hasten to indicate that, at the current economic climate, the fiscus will not be able to sufficiently fund new infrastructure projects that are critical to our growth strategy.

The challenging economic environment requires us to apply financial prudence and to effect a strict regime of cost-benefit analysis-driven allocation of scarce funds to projects with a demonstrable economic stimulus.

We need more private sector investment into our economic infrastructure development. To this end, we will be working on an aggressive strategy to attract private sector investment into our Province.

As an immediate task, EXCO has mandated the DPWRT to lead the planning, coordination and packaging of catalytic projects for presentation to potential private sector partners; investment community; funding institutions such as the Development Bank of SA (DBSA) and other international development agencies with whom South Africa and the Province has relations.

It is the interest of both Government and the private sector to work together to encourage and realise investment in critical social and economic infrastructure, because of its strategic importance to economic growth and the enhancement of the wellbeing of society as a whole.

SOCIAL SECTOR SPENDING

Honourable Speaker

Education

Education is the only pathway to the social and economic prosperity of any nation committed to self-sustenance of its citizens.

Our Department of Education continues to soar higher and higher in the quest for educational excellence of our children and ultimately to break the cord of poverty, inequality and under-development in the Province.

Key enablers to sustain such good academic performance include the

- provision of adequate Learner Teacher Support Material (LTSM),
- availability of qualified educators who will be in the classroom on time and teaching,
- the implementation of effective curriculum enrichment programmes, and
- a safe and healthy environment conducive for teaching and learning from grade R right through to Grade 12, amongst others.

To this end, we will invest **R23.4 billion** to the education sector to improve quality education delivery in the Province.

Health

R15.5 billion is allocated to the Department of Health to provide quality health care systems that are preventative, curative and rehabilitative to the people of Mpumalanga.

The Department's infrastructure programme will focus on accelerating construction of the High Tech Hospitals while also ensuring effective maintenance of primary health care facilities in the Province.

Ensuring adequate provisioning for the non-negotiables of the Health sector remains a key priority of this administration

Social Development

Honourable Speaker

The Department of Social Development receives **R1.8 billion** to support and protect vulnerable communities towards the realisation of a socially-inclusive society.

A key feature in the Department's Budget will be a focused programme to deal with Gender-Based violence by educating our communities on this scourge with the intention to eliminate it completely. The Department will also be appointing additional social workers to upscale visibility of Government's interventions.

Culture, Sport and Recreation

To support social cohesion and promote human rights, reconciliation, cultural diversity and nation-building, the Department of Culture, Sport and Recreation is allocated **R577.1 million**.

The Executive Council has specifically mandated the Department together with Human Settlements to commence with bulk works towards the construction of the **High Altitude Training Centre**, a site for which was already secured in Emakhazeni Local Municipality in previous years.

We must hasten to indicate that implementation of a project of this magnitude requires massive capital injection and partnership with the private sector, nationally and internationally is necessary.

We, therefore, call upon the Sporting fraternity in particular and Investment community, in general, to partner with us on the construction of this facility.

Human Settlements

We are allocating **R1.5 billion** to the Department of Human Settlements to accelerate quality housing delivery and upgrade informal settlements so that our people can live in dignity.

Included in this Budget is a special allocation to address sewer spillages in Ermelo extension 32, 33, and 34; water reticulation in Amersfoort; and sewer spillages in Leandra and Embalenhle.

We commend Msukaligwa Local Municipality for partnering with Provincial Government to address the sewer challenges in that area.

We call upon all other municipalities to do the same. We can only achieve maximum impact if we truly foster the spirit of cooperative governance between the three spheres of Government in addressing the socio-economic challenges within our communities.

In aggregate the social cluster is allocated **R43 billion** to continue expanding primary healthcare; providing quality education, providing a safety net to vulnerable sectors of our society, providing shelter to the needy citizens and inculcating human rights and social cohesion.

Provincial Legislature

As an anchor of Constitutionalism in the Province, the Legislature gives a voice to people of Mpumalanga on various legislation, including this Provincial Appropriations Bill.

To support the work of the Legislature, **R395.2 million** is allocated in 2020/21 financial year to strengthen oversight, public participation and democracy.

GOVERNANCE AND CRIMINAL JUSTICE CLUSTER

Office of the Premier

An allocation of **R359.6 million** has been made for the Office of the Premier to coordinate the Provincial Government's work and enhance service delivery machinery in the Province.

For the first year of the 2020 MTEF, the Office of the Premier receives R50 million towards increasing Youth Entrepreneurship through the Mpumalanga Youth Fund. This is a critical intervention that attests to our Province's practical steps towards enabling youth economic empowerment.

Provincial Treasury

In order to enhance fiscal discipline, accountability and effective governance in provincial departments, entities and municipalities, the Provincial Treasury has been allocated **R440.5 million**.

In our quest to build a capable and efficient government, the Provincial Treasury will lead processes towards modernisation of our financial systems and enhancement of our business processes.

Community Safety, Security and Liaison

Honourable Speaker,

The public safety, on the roads, in schools, and our health facilities is paramount for peaceful co-existence and prosperity of communities.

Accordingly, **R1.5 billion** is allocated to the Department of Community Safety, Security and Liaison in 2020/21 financial year. We call upon the Department and municipalities to ensure maximum utilisation of the Mpumalanga Traffic Training College.

The Department is further advised to strengthen its systems and operations to increase revenue for the Province, and to foster strong working relations with Municipalities for us to realise this needed growth.

Cooperative Governance and Traditional Affairs

In his State of the Nation Address, President Cyril Ramaphosa said

National and Provincial Government will re-double their efforts to support and strengthen the capacity of municipalities as required by Section 154 of the Constitution which provide for the monitoring and support of Municipalities.

To this end, **R568.3 million** is allocated the Department of Cooperative Governance and Traditional Affairs for building a strong and resilient local government system, anchored on the principles of transparency and accountability to local communities.

Included in the allocation is **R10 million** to support municipalities to improve internal controls, financial reporting and asset management.

FINANCIAL GOVERNANCE

We urge departments and entities to use these minimal resources for the intention for which they are being appropriated.

We must do so jealously, stretch the value of the Rand to derive maximum service delivery benefit from the goods and services we will be acquiring.

Departments should strictly adhere to Supply Chain Management regulations and prescripts, especially on Capital items procurement and day to day operations.

The control environment in our institutions must be strengthened. We must safeguard the assets and investments we are making through this Budget. This is exactly what Section 38 of the PFMA expects of us.

We also call upon MECs, HODs and CFOs to lead by example, they must set the 'tone at the top', and they must be an embodiment of sound and ethical Leadership.

CONCLUSION

Honourable Speaker, and Members, I have outlined the challenges, some critical interventions and investments we are making to sustain our economies during this difficult period.

We are all called upon to rise to the challenge and contribute to building a thriving Provincial economy. It is in times like these that we have to seek inspiration from those who came before us, so we can continue to build hope among our people.

One of the founding fathers of our movement, the ANC, Dr. Pixley ka Isaka Seme, while a student at Columbia University in the US, penned the seminal essay titled, "The Regeneration of Africa," delivered on 5 April 1906, and I borrow a passage:

"The African already recognises his anomalous position and desires a change. The brighter day is rising upon Africa.

Already, I seem to see her chains dissolved, her desert plains red with harvest, her Abyssinia and her Zululand the seats of science and religion, reflecting the glory of the rising sun from the spires of their churches and universities.

Her Congo and her Gambia whitened with commerce, her crowded cities sending forth the hum of business, and all her sons (and daughters) employed in advancing the victories of peace - greater and more abiding than the spoils of war.

Yes, the regeneration of Africa belongs to this new and powerful period!”

Honourable Members

Questions will abound on what Dr. Seme tried to explain by “regeneration”.

He meant “the entrance into a new life, embracing the diverse phases of a higher, complex existence”.

This is the new, multi-phased and complex existence we now face.

As I conclude, I would like to thank the Premier, Honourable Refilwe Mtshweni-Tsipane for your Leadership during the constructive deliberations that are a critical part of preparing for this Budget, and part of our grappling with the new existence.

I also wish to extend my sincere gratitude to my colleagues in the Budget and Finance Committee and the Executive Council, the Chairperson and Members of the Portfolio Committee on the Premier's Office, Finance, Economic Development and Tourism.

I thank the Head of the Provincial Treasury, Ms. Gugu Mashiteng, and her youthful, energetic and committed Treasury team for their continued dedication and professional support they display when preparing this Provincial Budget. A special word of gratitude to the staff in the office of the MEC as well.

Lastly but not least, I would like to thank my family for standing by me, and the African National Congress for believing in me, always.

Honourable Speaker, I hereby, on behalf of the Executive Council, table the following budget documents for consideration:

- *Provincial Budget Speech for 2020/21;*
- *Appropriation Bill for 2020/21,*
- *Estimates of Provincial Revenue and Expenditure for 2020 MTEF.*

I thank you.


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