

SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR SIKHUMBUZO KHOLWANE (MPL) DURING THE OCCASION OF THE TABLING OF THE PROVINCIAL BUDGET FOR 2017/18 AT THEMBA SENAMELA STADIUM, STEVE TSHWETE LOCAL MUNICIPALITY

14 March 2017

- **Honourable Speaker and Deputy Speaker;**
- **Honourable Premier, Mr DD Mabuza;**
- **Honourable Members of the Executive Council;**
- **Honourable Members of the Provincial Legislature;**
- **Executive Mayor of Nkangala District Municipality, Cllr LM Malatjie;**
- **Executive Mayor of Steve Tshwete Local Municipality Cllr MA Masina;**
- **Other Executive Mayors and Councillors in our midst;**
- **Chairperson of the House of Traditional Leaders, Kgoshi ML Mokoena;**
- **Director-General, Mr Thulani Mdakane**
- **Head Official of the Provincial Treasury, Ms Nombedesho Nkamba, Heads of Departments and Municipal Managers**
- **Chairpersons of Boards and Chief Executive Officers of our Public Entities;**
- **Business Executive of the Office of the Auditor-General in Mpumalanga;**
- **Representatives of Labour, Business, Civil Society and the Media;**
- **Fellow citizens**

Lotjhani! Sanibonani! Dumelang! Molweni!

1. Somlomo Wendlu Yesishaya Mthetho.
2. Kuyinjabulo enkulu ukuthula inkulumo yokwabiwa kwezimali esifunda sase Mpumalanga Onyakeni Wezimali 2017/18.

3. Abaningi bethu bavukelwa ugqozi, ngoba siyazi sonke ukuthi i-Steve Tshwete Local Municipality yenye yezindawo ezinomlandu ojulile womzabalazo wenkululeko yethu.
4. Amaqabane amaningi walapha ekhaya abenenhlanhla ngoba wathola ithuba lokuceshwa ngu-Oliver Reginald Tambo uqobo lwakhe.
5. Their contribution to the liberation struggle can neither be ignored nor forgotten.
6. Ngingabala ngithini, Cde Che Masilela after whom the Provincial House of the ANC has been named – May his soul rest in eternal peace - was one of the finest revolutionaries of our glorious movement who together with “amanye amadela kufa” from the same municipality, Ka Shabangu, Tsietsi Tolo, Ben Mokoena, Garth Mngomezulu and many more took a decisive revolutionary stance and joined the People’s Army “Umkhonto Wesizwe” to fight for our freedom.
7. It is because of their noble sacrifices that we are standing here today, in the heart of Mhluzi, as the ANC Government to table the Provincial Budget, which is pro-poor and responsive to the dire situation confronting our people.
8. As we march with the unity of purpose to a vision of a better life for all, with your permission Madam Speaker, I wish to take a bow to these distinguished cadres and the masses of our people in this community.
9. Our Premier, Hon DD Mabuza presented an inspirational State of the Province Address on the 24th February 2017 filled with hope and practical interventions to advance radical economic transformation in our lifetime.
10. The Provincial Budget will thus outline a high-level summary on how we intend to deploy state resources to implement SOPA priorities.

11. We expect that each department will thereafter do the point-to-point hard wiring, with clear timelines when they table their Policy and Budget Statements that amplifies the new story of hope embedded in the State of the Province Address.
12. We are acutely aware that the structure of the economy underpinned by skewed patterns of ownership is at the heart of the societal challenges.

Monopoly capital is not a political rhetoric, it is the real elephant in the room.
13. You can sample and prove this statement of fact by enquiring from anyone, the question is: Who owns the top ten companies in our municipalities? We are not talking about fronting which is by the way now punishable by law.
14. Implementation of the revised mining charter to date remains inadequate and hopelessly slow in terms of transformation, with mining companies spending millions of rand in courts trying to stop meaningful empowerment and participation of our people in the sector.
15. Radical economic transformation as envisaged by OR Tambo *must* and *will* happen in our lifetime.
16. We therefore have a collective responsibility to ensure that management and deployment of provincial resources responds to the current social and economic development fundamentals.

ECONOMIC LANDSCAPE

Economic Realities

Honourable Speaker,

17. Let me point out some economic realities which are straining the Provincial fiscus:

- 17.1** We are facing an uncertain and complex global economic and domestic financial environment.
 - 17.2** Economic growth is very low and most economic industries are in distress;
 - 17.3** Unemployment is high and job creation is far below the job creation targets;
 - 17.4** Youth unemployment and especially female youth unemployment, is disappointingly high in the province in particular and countrywide in general;
 - 17.5** As outlined in the 2017 SOPA, most of the poverty and inequality indicators improved in recent years, but remain within unacceptable levels, and
 - 17.6** The government social grants cover almost 1.43 million people in Mpumalanga, which means a third of the population of the Province is socially and economically incapacitated.
- 18.** This is untenable and the status quo cannot be sustained.

Economic Environment

Honourable Speaker,

- 19.** The global economic environment has been unusually difficult more especially to developing nations such as ours.
- 20.** There are however signs that a more sustainable economic recovery might be under way.

21. Global growth is projected to improve from 3.1 percent in 2016 to 3.4 percent in 2017.
22. A moderate GDP growth recovery is predicted for South Africa, where the growth rate of 0.3 percent in 2016, is expected to increase to 1.3 percent this year.
23. There are concerns about the relatively high inflation rate, weak business confidence and challenges in some of the key economic sectors such as agriculture, mining and manufacturing, all which recorded a negative growth rate in the fourth quarter of 2016 according to the latest GDP figures.
24. There is, however some good news, which includes higher commodity prices, an improved exchange rate, dissipating drought conditions as well as stable electricity supply.
25. The average annual growth rate for our Province for the period 2015 - 2020 remains relatively low at less than 2 percent.
26. The provincial economy is expected to grow in line with the national growth prospects, at a rate of more or less 1 percent in 2017.
27. Bearing this in mind, the economic growth prospects of the Province will be heavily influenced by the performance of the mining industry, which contributes more than 25 percent to the provincial economy.

Job Creation and Unemployment

Honourable Speaker,

28. Slow economic growth had a significant impact on employment during 2016.

29. The high job losses especially in trade, construction, finance and agriculture industries are particularly worrying as they negate our efforts of addressing poverty and unemployment in our Province.
30. We are however grateful that some major corporations through strategic partnerships are making a concerted effort to assist in job creation as highlighted in the State of the Province Address.
31. Given the fact that a significant number of the unemployed are young people, it goes without saying that our developmental programmes should focus on addressing this challenge.

ECONOMIC POLICY FRAMEWORK AND RESPONSE

Honourable Speaker,

32. Growing the provincial economy and addressing the triple challenges should remain a top priority for the Mpumalanga Provincial Government.
33. We will accelerate action and implement our economic plans to change the lives of all our people, specifically targeting youth, women and People with Disabilities.
34. We will consolidate the implementation of the Nine Point Plan with the aim to “attract investment, accelerate service delivery and drive economic growth and transformation”. In this regard, we will:
 - 34.1 Accelerate the development of the Green Economy to unlock the potential for economic growth, job creation and ensure environmental sustainability;
 - 34.2 Revitalise agriculture and agro-processing which will include the International Fresh Produce Market and Agri-Parks to stimulate increased agricultural production;

- 34.3** Roll-out the Mpumalanga Industrial Development Plan (MIDP), given that industrialization is central to the radical economic transformation agenda;
- 34.4** We will fast-track the implementation of the Social Enterprise Development Model to unlock opportunities for community-based SMMEs and Cooperatives to manufacture and supply construction material for government infrastructure projects, while exploring opportunities for the extension of the supply to the private sector.
- 34.5** Drive revitalisation of the township and rural economies, using the SME Fund and partnership with Standard Bank to enhance our capacity to fund the development and growth of the SMMEs in these areas;
- 34.6** Unlock tourism potential, diversify the tourism product offerings and improve tourism infrastructure in the Province;
- 34.7** Forge strategic partnerships with the private sector to attract investment to the Province as guided by the Provincial Trade and Investment Strategy, and
- 35.** We will do all these, Honourable Speaker to *bring hope, restore faith and demonstrate the government's commitment to fighting unemployment, poverty and inequality.*
- 36.** We believe what seems to be ordinary economic interventions can eventually create extraordinary outcomes.

PROVINCIAL BUDGET OUTCOMES

Honourable Speaker,

- 37.** Allow me therefore to briefly report on progress and outcomes of some of the key budget priorities for the current year ending 31 March 2017.

- 38.** When we tabled the provincial budget last year (2016), we committed that growing the provincial economy and creating decent employment will remain core to the government programme of action for the foreseeable future.

Budget reprioritisation and fiscal consolidation

- 39.** Despite the prevailing fiscal constraints, the provincial government continued to play its role in assisting our country to secure fiscal sustainability and improve financial management.
- 40.** The cost containment measures, will continue including rationalisation in order to increase resources for service delivery programmes.

Rationalization of programmes and entities

- 41.** As part of enhancing our regulatory oversight the process of merging of Mpumalanga Gambling Board (MGB) and Mpumalanga Liquor Authority (MLA) as well as commercialization of Zithabiseni Conference Resort is still in progress.
- 42.** The allocation of operational budgets to the public entities, Mpumalanga Tourism and Parks Agency (MTPA) and Mpumalanga Economic Growth Agency (MEGA), have also been reduced by R12 million and R34 million respectively to enforce efficiency measures and strengthen own revenue generation to optimise investment in other service delivery priorities.

Improving revenue collection

- 43.** With regard to revenue generation, we have collected R983 million at the end of February 2017, thus exceeding our annual target of R864 million which will increase our revenue base to fund key government priorities.

44. We are on track to achieve our revised target of R4.2 billion over the 2017 MTEF period, however this means that the annualised targets for 2018/19 and 2019/20 need to be revised upwards by R200 million each year.

PROVINCIAL SPENDING PRIORITIES FOR 2017/18

Honourable Speaker,

45. The inspirational State of the Province Address provided certainty on the direction that government will take to transform the economy, invest in infrastructure and cultivate a conducive environment for all our people to enjoy the gains of democracy.

Job creation and economic transformation

46. Similarly, addressing this strategic orientation of radical economic transformation, the Minister of Finance in his National Budget Speech on 22 February 2017 said, and I quote:

“Our growth challenge is intertwined with our transformation imperative. We need to transform to grow, we need to grow in order to transform. Without transformation, growth will reinforce inequality; without growth, transformation will be distorted by patronage”.

47. The picture of the economic environment that I painted earlier in this Address is not only a call for inclusive growth, but also a strong case for radical economic transformation in our Province (Mpumalanga).

48. We are mindful of the fact that inclusive economic growth and development is our shared responsibility and we will continue to forge strategic partnerships through intergovernmental relations, state owned entities, development finance institutions and the private sector.

Infrastructure delivery

Honourable Speaker,

- 49.** In the context of a developing country such as ours, Infrastructure investment has the propensity to transform the provincial economic landscape, and unlock economic opportunities whilst simultaneously creating a number of new jobs and strengthening the delivery of basic services.
- 50.** To this end, the current provincial administration under the leadership of Hon DD Mabuza has taken a conscious decision to increase investment in social and economic infrastructure development.
- 51.** This budget provides funding to infrastructure projects that are ready for implementation in line with the infrastructure delivery management system.
- 52.** Infrastructure projects must be aligned to government priorities, Municipal Integrated Development Plans (IDPs) and budgets underpinned by the National Development Plan (NDP).
- 53.** These improvement measures will help to ensure that infrastructure projects are planned and delivered on time, at the right quality, within budgets.

Economic Infrastructure

- 54.** In keeping with SOPA commitments to focus on agriculture as one of the key sectors to drive industrial development and job creation, R307 million is set aside for the completion of all civil works for the International Fresh Produce Market during 2017/18 financial year; and
- 55.** A further R5.2 million has been set aside to conduct feasibility studies and township establishment for various Industrial Technology Parks. The

refurbishment of industrial parks will be expedited to provide affordable infrastructure for SMMEs and cooperatives to build competitive businesses.

- 56. R1 826 686 is set aside for road infrastructure upgrades, rehabilitation and maintenance.
- 57. Included in this allocation is R200 million provided by the Province and R482 million contributed by National Government for rehabilitation of Coal haulage routes.

Social infrastructure

- 58. Provision of social infrastructure is key in order to restore dignity and uphold constitutional rights of access to basic services.

Education

- 59. In our quest to eradicate farm schools, and to mitigate the challenges associated with multi-grade classrooms and the long distances our learners have to walk to schools, R200 million is allocated to start construction of a new boarding school in Thaba Chweu in 2017/18.
- 60. A further R963 184 is also provided to the Department of Education as a supplement to fund the provision of infrastructure for public schools.

Health

- 61. In this financial year, we will continue to provide the resources to expand opportunities for our people to access quality health care, where they live.
- 62. The total infrastructure related budget for the health sector including maintenance amounts to R1 377 511.

- 63.** Included in this allocation is R378 million towards the completion of phase one of the construction of Mmamethake hospital in Dr JS Moroka Local Municipality as well as Bethal hospital in Govan Mbeki Local Municipality.
- 64.** A further allocation of R394 million is provided to continue construction of Mapulaneng hospital in Bushbuckridge Local Municipality and Middelburg hospital here in Steve Tshwete Local Municipality.

Madam Speaker,

With the indulgence of this August House, I hope that at some point in consultation with all stakeholders, Middelburg Hospital will be renamed after one of the revolutionary icons shaped and nurtured by the flora and fauna of the Greater Middelburg.

I am sure that my counterparts in the Departments of Health and Culture, Sport and Recreation will welcome such a progressive conversation.

Social development

- 65.** The Department of Social Development will receive R94 205, for the funding of Infrastructure delivery programmes, including but not limited to Early Childhood Development Centres, Youth Development Centres, and Restorative Service Centres.

Houses, security and comfort

Honourable Speaker,

- 66.** R1 395 774 is allocated for the creation of sustainable and integrated human settlements as envisaged in the Freedom Charter that the state will honour the right for all to have houses, security and comfort of living in a free South Africa.

Social cohesion

- 67.** We have walked away from our terrible past, which was engineered by the apartheid regime.
- 68.** We have marched peacefully, despite our painful experiences, to the new era ushered by through the sacrifices of many freedom-loving martyrs.
- 69.** This is why the recent reports about attacks on foreign nationals as well as racial and divisive messages by some on social media platforms remain an insult to our constitutional democracy.
- 70.** We must continue to work together to build a socially cohesive society that can withstand social injustices and unite in the noble fight against economic inequality in our communities.
- 71.** In this regard, R19.6 million is provided in the budget for the implementation of our social cohesion programmes and to celebrate our diverse heritage and cultures and uphold the gains of democracy.

LOCAL GOVERNMENT AND TRADITIONAL LEADERSHIP

Madam Speaker,

- 72.** Oliver Tambo had an extraordinary respect for the institution of traditional leadership. It is therefore not surprising that his approach to leadership was heavily influenced by the age old adage that “*iNkosi yinkosi ngabantu*” as correctly paraphrased from the biography: *Oliver Tambo: Beyond the Engeli Mountain*.
- 73.** To this end, a special allocation of R61 million has been made to further enhance the participation of Traditional Leaders in our Constitutional Democracy.

PUBLIC PROCUREMENT AND TRANSFORMATION

- 74.** The provincial government has implemented various initiatives as part of modernization of the public procurement systems and processes.
- 75.** Our commitment to leverage state procurement power to ensure radical socio-economic transformation will be enhanced by the introduction of the amended Preferential Procurement Regulations and Provincial transversal contracts from the 1st of April 2017.
- 76.** It is my considered view that a significant amount of the State expenditure should be biased to local communities, people with disabilities, youth, and women owned enterprises since they constitute about 70 percent and 53 percent of the population of the Province respectively.
- 77.** Our unwavering commitment to payment of suppliers within 30 days after receipt of a legitimate invoice remains of utmost importance.

MUNICIPAL FINANCE

- 78.** In order to improve public confidence and transparency in municipal budgeting and reporting, the Municipal Standard Chart of Accounts will be implemented by all municipalities with effect from 1 July 2017.
- 79.** The introduction of this common reporting system will ensure consistency in financial information disseminated for public consumption, making it easier for communities to hold all spheres of government accountable for spending of public funds.

FINANCIAL GOVERNANCE

- 80.** Honourable Speaker, Good governance cannot be treated as an afterthought if we want to improve the quality of services and public accountability.

81. Ultimately, a clean administration lies in the heart of the State capacity to deliver reliable basic services to our people.
82. It is in this context that we welcome the observation of the Auditor General of South Africa, Mr Kimi Makwetu in the 2014/15 General Report that the audit outcomes of municipalities in Mpumalanga were amongst other provinces that have shown momentum in the right direction.
83. To build on this progress, we will support other municipalities to reach the levels of Ehlanzeni and Nkangala Districts, as well as Steve Tshwete municipality, which remain shining examples when it comes to clean audit outcomes.

2017 PROVINCIAL FISCAL FRAMEWORK

84. Honourable Speaker, the total Provincial Budget for the 2017/18 financial year amounts to R44 536 875.
85. This budget is made up of Equitable Share of R36 081 680; Conditional Grants amounting to R7 182 540, as well as Provincial Own Revenue of R1 272 655.
86. In line with the electoral mandate of the ruling party and government social security policy framework, this allocation will cater for some unemployed social worker graduates in the province.
87. To this end, R48 587 from the new Social Worker Employment Grant is allocated over the MTEF period.
88. To progressively meet our obligations as contained in the Convention on the Rights of Persons with Disabilities, the Learner with Profound Intellectual Disabilities Grant amounting to R81 490 has been provided to the Department of Education over the MTEF.

2017/18 BUDGET ALLOCATIONS

89. We will prioritise social protection; seek to ensure a healthy citizenry, and contribute to the building of a skilled, cohesive and prosperous society. More importantly, the provincial budget signals a transformative shift towards all-encompassing economic development and empowerment of our people for sustainable livelihoods.

90. Guided by the electoral mandate, I will now turn to the total budget allocation per Department:

- R19 322 742 or 43.4 percent of the total provincial budget is allocated to the Department of Education.
- R1 456 009 which represents 3.3 percent of the budget is allocated to the Department of Social Development.
- Department of Health will receive R12 020 037 which is 27 percent of the budget.
- Office of the Premier is allocated R289 769.
- Provincial Legislature will receive R317 291.
- Allocation to the Provincial Treasury amounts to R289 945.
- R510 044 is provided to the Department of Co-operative Governance and Traditional Affairs.
- Department of Agriculture, Rural Development, Land and Environmental Affairs will receive R1 124 801.
- Department of Economic Development and Tourism is allocated R1 130 077.

- Department of Public Works, Roads and Transport gets R4 765 747.
- Department of Community Safety, Security and Liaison is allocated R1 153 099.
- R511 232 is provided to the Department of Culture, Sport and Recreation, included in this allocation is R143 942 for building of libraries amongst other infrastructure projects.
- And last but not least, the Department of Human Settlements receives an allocation amounting to R1 646 082.

SUMMARY OF THE EXPENDITURE BREAKDOWN

Budget Breakdown by Cluster

- 91.** Honourable Speaker, I will now outline the budget allocated to implement cluster programmes
- 92.** Social Cluster departments share R34 956 102
- 93.** Departments in the Economy Investment and Employment Cluster gets R7 020 625 ;
- 94.** Allocation to the Governance Cluster amounts to R2 242 857 ;
- 95.** The remainder of the budget is allocated to the Provincial Legislature.
- In terms of economic classification, R27 073 799 goes towards Compensation of Employees (COE);
 - R7 985 456 will be used to procure Goods and Services;
 - Payment for Capital Assets (Infrastructure) amounts to R6 306 463 ,

- Transfers and Subsidies item, which incorporates funding to NGOs, public and private schools and bursaries amongst others, is budgeted at R3 171 157.

96. What this budget communicates is a significant shift in the composition of government spending from consumption to investment.

Honourable Speaker,

97. Our resolute determination is to use the Provincial Budget as a tool to close the gap between the rich and the poor; to broaden participation of youth, women and people with disabilities in the economy and ensure that our systems and processes support job creation efforts.

98. We will not be deterred by the sluggish economic growth in pursuing the programme of building an inclusive society founded on the principles of fairness and equality for all.

99. We will utilise the strategic levers that are available to the state to give effect to the new chapter of radical socio-economic transformation as alluded by President Jacob Zuma in his State of the Nation Address.

100. As I conclude 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.

An unknown Author once said:

“If your actions inspire others to dream more, learn more, do more and become more, you are a leader.”

Thank you Honourable Premier for your immense support and guidance, your leadership inspires us on a daily basis to do more for the people of our beautiful province.

- 101.** I also 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 times, been steadfast in their resolve to advance people’s power through honest engagements on the service-oriented spending plan for the Province.
- 102.** Many thanks to the Chairperson, Hon Fidel Mlombo and Members of the Portfolio Committee on the Premier’s Office, Finance, Economic Development and Tourism for your continued support.
- 103.** I would like to thank the administrative leadership provided by the Director-General, Mr Thulani Mdakane and appreciate the support of the Heads of Departments during the processes in preparation of this Budget.
- 104.** To the Head Official and all officials in Provincial Treasury who participated in the process of preparing this Provincial Budget, thank you for work well done.
- 105.** Lastly but not least, I would like to thank my family and children for all their unwavering support. Thank you for the sacrifices and compromises to allow me space to execute my mandate – I trust that this sacrifice will prove to be the greatest investment we have ever made when the plans bear fruit.
- 106.** Honourable Speaker, I hereby, on behalf of the Executive Council, table the following budget documents for consideration by the Honourable Members of Legislature:
- Budget speech for 2017/18;
 - Appropriation Bill for 2017/18;
 - Estimates of Provincial Revenue and Expenditure for 2017/18;
- and

Siyathokoza
Ngiyabonga