



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



Mpumalanga Provincial Second Adjustments Budget Speech for 2017/18

By

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MEC for Finance, Economic
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02 March 2018

#MPBUDGET2017

SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR. SE KHOLWANE (MPL) DURING THE OCCASSION OF THE INTRODUCTION AND TABLING OF THE SECOND PROVINCIAL ADJUSTMENTS BUDGET FOR THE 2017/18 FINANCIAL YEAR AT THE MPUMALANGA PROVINCIAL LEGISLATURE, CITY OF MBOMBELA

02 March 2018

Honourable Speaker and Deputy Speaker;

Acting Premier, Honourable Refilwe Mtshweni;

Colleagues in the Executive Council;

Honourable Members of the Provincial Legislature;

Esteemed guests;

Ladies and gentlemen;

Thank you *Honourable Speaker* for this opportunity to table the second Adjustments Appropriation for the year ending 31 March 2018.

This special Adjustments Budget is presented under a different context, propelled by the jovial mood engulfing our nation following the successful transition in both the governing party and the state last month (February 2018).

Allow me, at the onset, to congratulate the former Premier of the Province, Honourable DD Mabuza on his ascension to the second highest office in the land.

His impressive rise to the position of Deputy President of the Republic of South Africa will certainly be good for the Province and the Country, due to the inspiring leadership during his tenure as the Premier of Mpumalanga in the past nine and a half (9½) years.

On the same breath, I would also like to congratulate the former MEC for Education, Honourable Reginah Mhaule, on her appointment as a Deputy Minister of International Relations, as well as the new Minister and Deputy Minister of Finance, Mr Nene and Mr Gungubele respectively, on their appointments to the National Executive.

We have the utmost confidence in the leadership collective, under the stewardship of President Cyril Ramaphosa to steer the country towards an era of prosperity, unity and jobs.

Honourable Speaker

No matter how effective we can be in our planning, the reality is that no one can prevent change.

In a developmental state such as ours, there must be room for change, plans must be adjusted to suit the prevailing discourse and steps taken to minimise disruption to the course of writing a new chapter of hope and prosperity.

The Public Finance Management legislation is alive to this dynamism in the budget process. Writing in his book titled, *Government Budgeting and Expenditure Controls*, the former Assistant Director at the International Monetary Fund, Premchand reminds us about the necessity of adapting budgets to respond to the realities of the moment when he said, and I quote:

“Expenditure planning, whether undertaken as part of a developmental plan or as a separate but integral part of the budget process is concerned with the purpose of expenditure, the appropriate rate of growth or decline in expenditure, the implication for the economy and for resource mobilisation, and allocation to the sectors that are in need or, alternatively, reduction in expenditure to sectors that can continue with reduced allocation”.

Honourable Speaker

Since the tabling of the Adjustments Appropriation on the 21st of November 2017, the operational context for the budget has changed.

- The view of the rating agencies on our fiscal consolidation programme has somehow moderated towards positive assessment of our economic outlook;
- Departments have carried through the commitment to activate accelerated plans for the prioritized programmes;
- The National Government reallocated additional funds which needed to be appropriated to give effect to the commitment of accelerating service delivery in the Province;
- Alongside these developments, there were external factors that could not be anticipated at the time which necessitate the adjustments to the allocation of some departments.

I will reflect briefly on some of these developments and their implications to the 2017/18 Provincial Adjustments Budget.

Human Settlements Development Grant

Honourable Speaker

The government is committed to providing an ideal human settlement pattern that advances social and economic inclusion in the Province.

We have made great strides in improving the delivery of decent and affordable homes for many of our people, but more still needs to be done to ensure that we completely eradicate backlogs so that all our people can enjoy the comfort of living in a better place, a better Mpumalanga.

We are happy to announce that the National Department of Human Settlements has re-allocated **R100 million** to our Province from the Human Settlements Development Grant (HSDG) for building low cost houses for targeted beneficiaries.

This allocation was gazetted on 26 January 2018 by the Minister of Finance in accordance with Sections 19 and 20 of the Division of Revenue Act, 2017.

These funds will assist us to accelerate the provision of decent houses as envisaged in the Freedom Charter.

Mpumalanga Economic Regulator

Honourable Speaker

In terms of strengthening and realigning the developmental mandate of our Public Entities, we have concluded the merger of Mpumalanga Gambling Board and Mpumalanga Liquor Authority, culminating into the establishment of the new Mpumalanga Economic Regulator (MER) with effect from 16 October 2017.

This process also led to both entities taking advantage of shared resources and streamlined operations to achieve effectiveness and efficiency of the regulatory mandate.

As required, in terms of PFMA prescripts, the new entity has developed and submitted a consolidated Strategic Plan with budget for the remainder of the 2017/18 financial year.

The budget of the new entity, which is a consolidation of the remaining budgets of the two former entities, is **R50 241 780**.

We are hopeful that the new Minister will assist us to conclude the listing of the new entity to enable the MER to present a single annual report for the auditing process in this financial year.

CHANGES IN BUDGET ALLOCATION PER VOTE

Honourable Speaker,

I will now turn to the changes in the allocations as proposed in the Second Adjustments Appropriation Bill for 2017/18.

After consideration of performance and review of the in-year budget pressures, the Executive Council has endorsed the changes to baseline allocations of Votes as follows:

Office of the Premier

The budget of the Office of the Premier is increased from **R306.650 million** to **R311.235 million** to defray unforeseen expenditure on litigation.

Provincial Legislature

The allocation to the Provincial Legislature increases from **R333.593 million** to **R335.093 million** to defray costs incurred during the Common Wealth Parliament Association.

Economic Development and Tourism

The Department of Economic Development and Tourism's budget will decrease from **R1.130 billion** to **R1.125 billion** following the shifting of **R4.585 million** to the Provincial Revenue Fund.

Education

The budget of the Department of Education decreases by **R90 million** from **R19.587 billion** to **R19.497 billion**, funds which will be shifted to the Department of Health for public health infrastructure delivery.

Social Development

The budget of the Department of Social Development will also decrease from **R1.509 billion** to **R1.484 billion**, after the amount of **R25 million** is shifted towards public health infrastructure.

Health

The effect of the above budget decisions is that the allocation of the Department of Health increases from **R12.045 billion** to **R12.160 billion**.

It is worth mentioning that the transfer of these budgets amounting to **R115 million** stays within the Social, Health and Education (SHE) sector, and the approved infrastructure delivery programme for the current financial year.

Human Settlements

The Department of Human Settlements receives **R100 million** as alluded earlier, which will increase the budget from **R1.739 billion** to **R1.839 billion**.

Budgets of other Votes

The following departments will do internal virements to contain budget pressures, namely Provincial Treasury; Co-operative Governance and Traditional Affairs and Agriculture, Rural Development, Land and Environmental Affairs.

Honourable Speaker

Our fiscal policy compels us to adhere to the principles of a sustainable budget structure to realise the full value and societal impact of public finances.

To this end, we will continue to implement the measures that are aimed at improving the planning and protecting the integrity of the Provincial budget and related processes.

As I conclude, allow me Honourable Speaker to convey my sincere appreciation to the former Premier, the members of the Budget and Finance Committee, and Colleagues in the Executive Council for their support during the preparation of this Adjustments budget.

I am grateful to you, the Chairperson and all Members of the Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism for your policy guidance whenever we engage on the budget processes and outcomes.

Many thanks to the Director General and Head of the Provincial Treasury for their dedication and professionalism leading to the tabling of this Second Adjustments Appropriation.

I have the honour to table:

- Second Adjustments Appropriation Bill which adjusts the 2017 Provincial Fiscal Framework by **R101.500 million** from **R45.8 billion** to **R45.110 billion**, and
- Second Adjustments Appropriation Speech for your kind consideration,

Together We Move Mpumalanga Forward.

I thank you.

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