



PROVINCIAL BUDGET SPEECH

Mr PV Mkhathshwa
**MEC for Finance, Economic
Development & Tourism**

16 March 2021

#MPBudget2021

Let's Grow Mpumalanga together



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



**ADDRESS BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND
TOURISM, MR PV MKHATSHWA, MPL, ON THE OCCASION OF TABLING OF
THE MAIN APPROPRIATION FOR 2021/22 FINANCIAL YEAR AT THE
MPUMALANGA PROVINCIAL LEGISLATURE
16 MARCH 2021**

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

Amilcar Cabral once made a profound statement that, *always remember that the people are not fighting for ideas, nor for what is in men's minds. The people fight and accept the sacrifices demanded by the struggle in order to gain material advantages, to live better and in peace, to benefit from progress, and for the better future of their children.*

He further stated that national liberation, the struggle against colonialism, the construction of peace, progress and independence are hollow words devoid of any significance unless they can be translated into a real improvement of living conditions.

The statement posited by Cabral is in sync with the overall thinking of the Provincial Government, that the programmes we are rolling out ought to talk to the real improvement of the living conditions of the citizens of Mpumalanga.

COVID 19 had a devastating effect on life as we know it, it has disrupted the norm and we have found ourselves having to adapt quickly as a people.

We must commend the stewardship of the democratic Government under President Ramaphosa for the decisive policy responses designed to mitigate the impact of the virus.

Accordingly, during the Great Lockdown, the Government introduced a package of policy interventions aimed at insulating the mostly hit by the crisis through discretionary policies like tax rebates and the release of social and economic relief measures to mitigate the impact of the lockdowns.

In the context of Mpumalanga, the Honourable Premier Mtshweni-Tsipane led the Provincial Command Council with decisiveness in ensuring that the social relief programmes cushion the vulnerable communities against the Covid-19 shock.

The measures became more pronounced when they included the underwriting of bank loans from commercial banks to businesses, rejigging or readjusting the 2020 Budget

to shift money to healthcare, increasing social grants and providing food vouchers and packages.

We are tabling a Budget aimed at dealing with fiscal pressures faced by the Government and contribute to fiscal consolidation measures announced by Minister Mboweni in his Budget Speech of February 2021.

Economic Landscape and Outlook

Madam Speaker, let me briefly address some key aspects of the economic landscape and outlook to guide us moving forward.

We are tabling the 2021 MTEF Main Appropriation following the devastating health and economic crisis caused by COVID-19 Worldwide.

Significant economic impact has already occurred across the globe due to reduced productivity, loss of life, business closures, trade disruption and decimation of the tourism industry, to mention but a few.

The huge impact is illustrated in the South African economic landscape, which contracted by 7 per cent last year, which was the worst figure for the country in almost 100 years.

COVID-19 and the lockdown have particularly affected our Provincial Economy on many fronts. The following can be highlighted:

Disastrous impact on the tourism industry

Global tourism suffered its worst year on record in 2020, with international arrivals dropping by 74 per cent, according to the latest data from the United Nations World Tourism Organization (UNWTO).

Data collected by the Department of Home Affairs up to December 2020 shows that foreign arrivals into South Africa declined by 71 per cent in 2020 compared with 2019.

Mpumalanga's loss in foreign arrivals for 2020 is estimated at approximately 73 per cent. The loss in total tourism spend in the Province for 2020 is estimated at 81.2 per cent of the 2019 value, and the loss in bednights for 2020 is estimated at 62 percent

Negative impact on SMMEs, including the informal sector

Many of the job losses in Mpumalanga came from the SMME and informal economy sector. It is estimated that the informal sector's share of provincial job losses in 2020 was almost 30% of the total number of jobs lost in the Province.

Huge job losses in most industries, especially construction

The latest Quarterly Labour Force Survey of Stats SA shows that our Province recorded net job losses of 96 382 last year. The job losses in construction alone were

more than 30 000. Mpumalanga's expanded unemployment rate increased to 46.4 per cent at the end of Q4 2020, which was the third-highest among the nine provinces.

Honourable Speaker, the above is not a good picture at all. But there's always hope.

According to the Global Economic Prospects World Bank Report released in January 2021, the Global Economy appears to be recovering from one of its deepest recessions and beginning a subdued recovery.

Minister Mboweni indicated that global growth is expected to rebound to 5.5 per cent this year. Sub-Saharan Africa is forecast to grow by 3.2 per cent and South Africa by 3.3 per cent.

We are expecting a provincial growth rate of more than 3 percent this year. Key industries such as mining, manufacturing, trade and tourism, transport and communication, as well as finance can even experience growth rates of more than 3 percent in 2021.

This is undoubtedly good news for our Province. Higher growth normally means job opportunities which will impact positively on poverty and inequality in our Province.

Government, households and industry all need to embrace a changed economic landscape while protecting the most vulnerable.

We will need to implement policies that allow capital, labour, skills and innovation to shift to new purposes to build a greener and stronger post-COVID 19 economic environment.

Change is especially critical now when our fiscal position is severely stretched by the pandemic, and other drivers of long term growth have weakened.

2021 MEDIUM TERM EXPENDITURE FRAMEWORK

It is worth reminding ourselves also about the state of the economy and the fiscus as outlined by the Minister of Finance on 24 February 2021.

Over the next three years, the spending framework for the Province includes expenditure reductions of **R16.4 billion** due to equitable share and conditional grants reductions in the main.

The Provincial Budget is expected to decrease by **R3 802 billion** or 6.2 per cent in 2021/22; **R7 074 billion** in 2022/23, and R5 374 billion in the 2023/24 fiscal year. This was done as a response to the fiscal consolidation programme. Most of the cuts are on the Compensation of Employees.

Sources of Budget for 2021/22

The total allocated Budget for 2021/22 is **R53 576 427**. Almost 80 per cent of this Budget is transfer receipts from the provincial equitable share, 16.5 per cent from conditional grants and 3.5 per cent from own revenue and other receipts.

Collection efficiency has never been as important as it is now, as it will cushion the budget reductions. Own Revenue collection was greatly affected by COVID-19. The Province's Own Revenue target was revised down by **R209 million** in November 2020 because of the negative impact of COVID-19.

The Province projects to collect **R1.7 billion** for the 2021/2022 financial year, which is hardly enough to offset the impact of budget cuts.

SPENDING PRIORITIES FOR 2021/22

I will now highlight some of the spending priorities as endorsed by the Executive Council.

SOCIAL CLUSTER

The Social Cluster is allocated **R 42 560 billion**, which translates to 80 per cent of the total Provincial Budget.

The social sector departments provide essential services to the poor through targeted interventions such as social protection, public education and health care; and advance the social cohesion and unity of all our people around the common Constitutional directive of protection of human rights.

Education

Education has an influence of immense proportions in our efforts to fight the triple challenges of poverty, unemployment and inequality, particularly in improving the literacy, skills and employability of our people.

To this end, **R22 336 billion** is allocated to the Department of Education to fund, amongst other priorities:

- collaborative efforts within the social cluster to focus on early childhood development;
- Curriculum enrichment programme to ensure that our learners stay in school and are in class on time learning, and
- School Infrastructure to broaden access to education and to improve the learning environment.

Included in this amount is a special allocation of **R 206.9 million** to gradually and entrench e-learning throughout the system.

Social Development

The Department of Social Development is one of the leading Departments in dealing with the social impact of COVID-19 within our communities.

The Department receives **R1 840 billion** to provide alternative care and support to vulnerable children and the elderly, GBVF victim support, implement social relief of distressed programmes and increase capacity in the form of additional social workers.

Amongst others, a special allocation of **R20.2 million** is included in the baseline of the Department for the provision of dignity packs to needy learners in our schools.

Included in the allocation is **R11 million** to operationalize the Swartfontein Treatment Centre and one more Youth Development Centre in Mbombela.

Health

The health of society determines the level of productivity and resourcefulness of the citizens to positively contribute to economic growth.

To this end, the second-largest component of the Budget **R16 204 billion** is allocated to the Department of Health for

- Coordinating services across the care continuum and reorienting the system towards primary health;
- Enhancing leadership and governance in the health sector to improve the quality of care, and
- Improving the quality of health services in public facilities.

Of this Budget, **R150 million** is rescheduled from the 2020/21 financial year towards the continuing construction of health infrastructure, particularly in Mapulaneng and Middelburg hospitals and the completion of the Bethal Hospital.

Culture, Sport and Recreation

R622 million is allocated to the Department of Culture, Sport and Recreation to

- Promote cultural diversity and enhance cultural tourism through the support of community-based initiatives
- Coordinate marketing platforms for creative industry products to create jobs, and
- Empower learners and communities with knowledge through the supply of new library material in public libraries.

Included in this Budget is **R18 million** to finalize the projects of Library Information Management systems, and **R50 million** which was rescheduled from the previous financial year towards the High Altitude Centre.

Human Settlements

The Department of Human Settlements receives **R1 557 billion** to plan, coordinate and facilitate the creation of integrated and sustainable human settlements in our Province.

In addition to this Human Settlements mandate, the Department is funded to provide schools and community boreholes and related infrastructure. **R95 million** is rescheduled from the 2020/21 financial year to that effect. **R25 million** is allocated to continue with the work of bulk infrastructure at the Parliamentary Village.

ECONOMY, INVESTMENT AND EMPLOYMENT

The share of the Economy, Investment and Employment Cluster is **R7 542 billion**, which is **14** per cent of the Provincial Budget this year.

Economic Development and Tourism

The Department of Economic Development and Tourism is allocated a total budget of **R1 354 billion** to finalize and coordinate the Mpumalanga Economic Reconstruction and Recovery plan implementation by all Stakeholders.

This Budget includes **R763 098 million** which will be transferred to Provincial Public Entities, namely, Mpumalanga Economic Growth Agency (MEGA), Mpumalanga Tourism and Parks Agency (MTPA) and Mpumalanga Economic Regulator (MER) to fulfil their economic and developmental mandate.

- **R341 million** is allocated for the continuing work on the Mpumalanga International Fresh Produce Market (MIFPM)
- **R10 million** to collaborate with other stakeholders to unlock the potential of the Green Economy,
- **R20 million** is to tighten economic regulation and improve revenue generation
- **R20 million** is allocated to Nkomazi Special Economic Zone (SEZ) for finalizing the State-Owned Company's Corporate Strategy, the appointment of a Governance structure and daily operational work of the entity.

Agriculture, Rural Development, Land and Environmental Affairs

Agriculture plays an important role in the economy, as seen with its performance during the devastating times of COVID-19 and lockdown.

The Department of Agriculture, Rural Development, Land and Environmental Affairs will receive **R1 234 billion** to continue to support emerging farmers and key provincial developmental initiatives in the agricultural sector, e.g. Fortune 40 programmes and *Zonda Indlala*, amongst others.

Public Works, Roads and Transport

The budgeted allocation to the Department of Public Works, Roads and Transport is **R4 952 billion**. Included in this Budget are funds to deal with the effects of the recent heavy rains brought about by the tropical storm Eloise. The Department is also allocated **R16 million** to procure specialized vehicles to repair potholes and other road works.

A special allocation of **R50 million** is allocated to the Department for the maintenance and renovations at KwaMhlanga Government Complex. **R50 million** towards the Parliamentary village that was rescheduled from the previous financial year is also added to the baseline of the Department.

GOVERNANCE AND ADMINISTRATION

The remaining six (6) per cent of the Budget, which translates to **R3 473 billion**, is shared by the Departments in the Governance and Administration cluster.

Co-operative Governance and Traditional Affairs

The Department of Co-operative Governance and Traditional Affairs is allocated **R731 million** to better coordinate Local Government and Traditional affairs work. Included in the Budget is **R200 million** to collaborate with other National and Provincial Departments such as the Department of Correctional Services, Department of Defence and Military Veterans, Public Works, Roads and Transport to repair infrastructural damages caused by recent heavy rains in the Province. A special allocation of **R5.6 million** has also been made towards Traditional Authorities grant.

Community Safety, Security and Liaison

The Department of Community Safety, Security and Liaison will be allocated **R1 500 billion** to implement key deliverables that enable the safety and security of the citizens and road users in the Province. Much is expected from this Department in terms of fighting the scourge of crime which manifests itself in many ways, especially focusing on Gender-Based Violence and Femicide.

Provincial Treasury

The Provincial Treasury will receive **R481 million** largely for general oversight of all departments, municipalities and public entities, internal audit, supply chain management, as well as support for transversal financial systems. Working together with National Treasury, COGTA and other financial institutions, more hands-on support has been given to all public sector institutions in the past financial year and we will continue to do so over the 2021 MTEF.

The key focus areas include improved audit outcomes across the province, as well as on-budget spending, and for the province to remain cash positive and grow reserves even though economic conditions remain very harsh.

Office of the Premier

R383 million is allocated to the Office of the Premier to provide leadership to the Provincial administration, including monitoring and evaluation of the performance of state institutions.

R90 million is allocated for the implementation of the Youth Fund, noting that the Office of the Premier has taken much time to do thorough planning in this regard. This is an urgent priority of the Government and should assist with alleviating challenges faced by young people. We call on all sectors to support this program qualitatively and quantitatively.

Provincial Legislature

Provincial Legislature is allocated **R376 million** to execute its mandate of law-making, providing oversight on the Executive and deepening democracy. Included in this allocation is **R8.5 million** for voter education in preparation for the municipal election this year.

PRUDENT FINANCIAL MANAGEMENT

Madam Speaker, the deep budget cuts call for our administration to be efficient, effective and economical when handling its business. To this end, cost curtailment measures remain in place.

The Provincial Treasury will issue a guiding circular in this regard for the 2021/22 financial year. Now more than ever before, we must stretch the value of the rand; we must get and achieve more with much less given the state of the fiscus.

The new norm has fast introduced us to remote working, and we have had to leap into the new technology and 4IR age much faster than we had anticipated.

As custodians of financial operating systems, we have availed the tools for virtual engagements for all departments and will continue to do so over the MTEF. This has come with some connectivity challenges across all regions. We are, however, working with the Department of Telecommunications, SITA and the Office of the Premier to find a lasting solution hereon.

I want to call upon my colleagues in the Executive Council to ensure zero tolerance to Unauthorized, Irregular, Fruitless and Wasteful Expenditure in the departments they lead.

We must be resolute in putting in place systems that will prevent any acts of corruption. We must commit to insulate the people's purse from anyone who might want to pillage and steal from the people.

We support the implementation of the amendments to the Public Audit Act by the Auditor General holistically. We will be cooperating with this Office to ensure that every cent is used for the intended purpose.

MUNICIPAL FINANCE

The municipalities' financial sustainability is the shared duty and responsibility of the Government, civil society, business community and all citizens.

We will develop a mechanism to identify municipalities at risk and to coordinate tailor-made support/interventions.

Together with COGTA and SALGA, the Provincial Treasury will support five municipalities (Lekwa, Govan Mbeki, Msukaligwa, Emalahleni and Thaba Chweu) on the implementation of their Financial Recovery Plans.

We applaud COGTA our sister Department for finalizing a working relationship with DBSA on the establishment of a PMU to enhance its own capacity to effectively support all Municipalities. Our focus will be on:

- Supporting the revenue management value chain
- Supply Chain Management
- Improving financial governance and accountability
- Programme planning and project implantation

SUPPORT TO ADDRESS AUDIT OUTCOMES

We will also support municipalities to get the foundational pillars right to stabilize financial administration.

We appeal to all municipalities to implement proper internal controls and standard operating procedures (SOPs) to eliminate the root causes of the negative audit findings. Part of the work that we will do with municipalities include:

- Focusing on improving the oversight and control environment in municipalities;
- Guiding municipalities to budget correctly, spend according to plans and very important, to account accurately for all spending, amongst others.
- Capacitating of oversight structures such as the Audit Committees and Internal Audit Units through initiatives undertaken jointly with National Treasury.

CONCLUSION

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

My sincere gratitude to all my colleagues in the Budget and Finance Committee and the Executive Council, as well as the Chairperson and Members of the Portfolio Committee on the Premier's Office, Finance, Economic Development and Tourism.

We are indeed indebted to the leadership of the Acting Director General and the Head of the Provincial Treasury, Ms. Gugu Mashiteng, and her team for working tirelessly to ensure that we have a credible budget to present to the people of Mpumalanga.

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

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

- *Provincial Budget Speech for 2021/22;*
- *Appropriation Bill for 2021/22,*
- *Estimates of Provincial Revenue and Expenditure for 2021 MTEF.*

I thank you.



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