



SPEECH

**Ms NE HLOPHE, MPL
MEC for Finance, Economic
Development & Tourism**
15 November 2022

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#ADJUSTMENTSBUDGET2022

Let's Grow Mpumalanga Together



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MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



**SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM,
MS NE HLOPHE (MPL) ON THE OCCASION OF TABLING OF THE
ADJUSTMENTS BUDGET FOR THE 2022/23 FINANCIAL YEAR TO THE
MPUMALANGA PROVINCIAL LEGISLATURE**

15 November 2022

- Honourable Speaker and Deputy Speaker
- Honourable Premier Refilwe Mtshweni-Tsipane
- Chief Whip of the Majority Party and leader of the official opposition
- Chairperson of the Portfolio Committee on Finance, Economic Development and Tourism
- Colleagues in the Executive Council and Honourable Members of the Provincial Legislature
- Members of the Mayoral Committees on Finance
- Director-General, Head Official of Provincial Treasury and all Heads of Department
- Chairperson of the House of the Traditional Leadership and all members
- Leadership of the Governing Party and Alliance Partners
- The leadership of Businesses, Organized Labour, Faith-Based Organizations, Youth and Women formations and Civil Society
- Citizens of Mpumalanga

1. On the 10th of May 1994, the founding father of our democratic state, Nelson Rolihlahla Mandela made a bold commitment on behalf of us to the whole world when he said, and I quote

“We enter into a covenant that we shall build a society in which all South Africans, both black and white, will be able to walk tall, without any fear in their hearts, assured of their inalienable right to human dignity - a rainbow nation at peace with itself and the world.”

2. The successive manifestos of the governing party underline the importance of universal access to quality healthcare; building safer communities and transforming the economy to serve and benefit all our people.
3. Over the past seven months, the Executive Council and indeed the Legislature engaged the communities on service delivery programmes.
4. They spoke with clarity and passion about areas where their government should intervene to continue improving their lives.

5. There is no doubt in our minds that more still needs to be done to fully restore the right to human dignity, including the eradication of the legacy of our past that still lingers on today.
6. This Adjustments Budget talks to some of the needs identified in those engagements with communities.
7. It is a budget that underlies the current economic situation and seeks to unlock the potential of the administration to fastrack and complete commitments made by the Executive Council to the people of Mpumalanga.

ECONOMIC LANDSCAPE AND OUTLOOK

Madam Speaker

8. The recent developments in the global environment continue to have a significant impact on the domestic economy.
9. The International Monetary Fund has revised global growth for 2022 and 2023 downwards mainly because of the rising inflation, tightening financial conditions, and disruptions associated with the Russia-Ukraine conflict.
10. At the domestic level, we are also experiencing load shedding, higher fuel and food prices, as well as high inflation and interest rates all of which impact negatively on the Provincial economy.
11. The National Treasury forecasts real economic growth of 1.9 per cent in 2022 down from the 2.1 per cent projected in the Budget Review in February 2022.
12. Mpumalanga's growth expectations are very much in line with the national growth projections.
13. We expect an annual average growth rate of 1.6 per cent over the next three years.

Madam Speaker

14. Despite the low growth, the Provincial economy created 114 thousand 5 hundred and 18 jobs in the first six months of 2022.
15. About 85 thousand of these job gains were in the second quarter of this year. The 7.8% employment growth in this quarter was the second highest of the nine Provinces.
16. Despite these gains in the first part of the year, the employment level in June 2022 was still short of the number employed in the first quarter of 2020, before the lockdown.

17. According to the Quarterly Labour Force Survey, the provincial unemployment rate (strict definition) improved from 38.6% in the first quarter to 36.1% in the second quarter of 2022.
18. The unemployment rate of youth (15-34 years), especially amongst the women in the Province remains a concern.
19. To reverse this situation, both the public and private sectors should support catalytic projects that are growth-stimulating and highly labour-intensive, with a specific bias towards youth, women, and People with Disabilities in the Province.
20. The speedy rollout of infrastructure programmes, Green Economy initiatives, industrialisation through localisation, employment stimulus initiatives, tourism and agriculture / agro-processing, amongst others is key to unlocking the economic potential and creating much-needed jobs.
21. We will continue working closely with all social partners, in all sectors of the economy, to change the economic landscape of our province.

PUBLIC PROCUREMENT

Madam Speaker

22. In March this year, we indicated that the National Treasury is working on new regulations in terms of the Preferential Procurement Policy Framework Act, to address matters raised by and through the Constitutional Court challenge
23. The new Preferential Procurement Regulations of 2022 have since been promulgated and will come into effect on 16 January 2023.
24. The Provincial Treasury will facilitate training to ensure that officials understand and apply the new regulations correctly
25. We want to assure the public that this provincial government will continue using the state's procurement power to contribute to structural economic transformation.
26. Let me reiterate, we will continue to use the provincial budget as a tool for the development and participation of previously disadvantaged citizens, youth and women as well as People with Disabilities in the economy.
27. We call on departments and public entities to fully comply with the legislation on the procurement of works, goods, and services to achieve developmental goals, prevent unwanted expenditures and ensure value for money.

MUNICIPAL FINANCE SUPPORT

Madam Speaker

28. Municipalities shape the living conditions of our people. They ensure that people have access to clean drinking water, energy, housing and sanitation.
29. It is not a secret that this sphere of government is experiencing numerous challenges.
30. The Provincial Government has identified key priority areas and set out specific support activities to return municipalities to financial sustainability.
31. The Provincial Treasury has conducted training on the web-enabled system to assist municipalities and municipal entities in implementing actions that prevent financial loss, wastage and transgressions, which will lead to significant improvement in financial and performance management.
32. Councillors' inductions are underway to foster understanding and appreciation of section 139 of the Municipal Finance Management Act, which deals with recovery plans, especially among the five distressed municipalities in the Province.
33. We want to emphasise that the primary responsibility to implement these recovery plans lies with municipalities. It is mandatory.
34. We will continue to provide support to municipalities to strengthen the capacity of the Budget and Treasury Offices and capacitate oversight structures to execute their functions effectively and in line with the regulations.

MID-YEAR REVENUE AND EXPENDITURE REVIEW

Provincial Revenue

Madam Speaker

35. The Provincial Revenue collection is important to augment resources that enable the fulfilment of the state's responsibility to the citizens.
36. As of the end of September 2022, the Province has collected R1 billion and 47 thousand against the annual projected R1 billion 925 million for the current fiscal year, which represents a 54 per cent collection rate.
37. The three main sources of own revenue collection were motor vehicle licensing, taxes on gambling and liquor outlets and receipts from hospital fees.

38. We will continue to work closely with revenue-generating departments and entities to unlock their potential and assist in preventing leakages in the collection system.

Expenditure

39. Earlier this year, the Legislature approved a budget to ensure the continuity of administration, social, and economic development programmes. I will now highly expenditure outcomes.
40. The aggregate spending on compensation of employees by the departments at the end of September 2022 is R16.4 billion or 48.8 per cent, and goods and services account for R5.3 billion or 41.9 per cent of the budget.
41. We have transferred R3.6 billion (60.2 per cent) to various institutions, of which R1.5 billion were directed to schools.
42. The province has also spent R1.3 billion on capital assets which include the construction and upgrading of roads, hospitals, and schools as well as machinery and equipment.

2022 ADJUSTED FISCAL FRAMEWORK

Madam Speaker

43. In tabling the Medium-Term Budget Policy Statement (MTBPS) on 25 October 2022, the Minister of Finance, Hon Enoch Godongwana outlined the foundation for post-COVID-19 pandemic recovery and growing a resilient economy that is responsive to the pressing demands on society.
44. The 2022 MTBPS reduces economic and fiscal risks, narrows the budget deficit, and stabilises debt while proposing measures to enhance economic growth and restore funding for infrastructure and service delivery programmes.
45. Over the medium term, the expenditure framework provides for increased spending in especially education, health, and social development. The latter addresses the plight of vulnerable society through social wages.
46. The Province received R792,2 million from the national fiscus to cater for wage increases. These funds are allocated only to votes that have shown to be under pressure to date. Other departments are expected to fund the salary increments through reprioritisation within their allocated budget.
47. The provincial budget for the 2022/23 financial year will therefore increase by R1 billion 264 million from R56 billion 442 million to R57 billion 707 million.

CHANGES TO BASELINE ALLOCATIONS

Madam Speaker

48. Allow me to outline proposed changes to the baseline allocations of departments.

VOTE 1: Office of the Premier

49. There is no change in the budget appropriated to the Office of the Premier in March. It remains at R377 million 826 thousand.

VOTE 2: Provincial Legislature

50. The Provincial Legislature receives R40.9 million for budget pressures and voter education. The budget of the Provincial Legislature will increase from R371 million 838 thousand to R412 million 760 thousand.

VOTE 3: Provincial Treasury

51. The Provincial Treasury budget is reduced from R566 million 548 thousand to R491 million 548 thousand.

VOTE 4: Co-operative Governance and Traditional Affairs

52. The Department of *Co-operative Governance and Traditional Affairs* will get a net of R64.1 million; therefore increasing the baseline of the department from R690 million 284 thousand to R754 million 477 thousand. Included in this allocation are funds to support the Traditional authorities, and support municipalities with fire and disaster services.

VOTE 5: Agriculture, Rural Development, Land and Environmental Affairs

53. The budget of the Department of Agriculture, Rural Development, Land and Environmental Affairs is increased from R 1 billion 289 million to R1 billion 338 million; included in these adjustments are funds for Mkhondo One Stop Centre and transfer from the Department of Economic Development and Tourism towards the Nkomazi SEZ project.

VOTE 6: Economic Development and Tourism

54. The budget of the Department of Economic Development and Tourism is reduced from R1 billion 743 million to R1 billion 633 million. Efforts are being made to accelerate project delivery, especially focusing on the green economy and revitalisation of nature reserves.

VOTE 7: Education

- 55.** The Department of Education receives an increase in Grants amounting to R68.9 million covering education infrastructure; Life skills education; support for learners with intellectual disabilities and early childhood development programmes.
- 56.** To further address the challenge of classroom shortages, R60 million is provided for mobile classrooms. R22 million is allocated to the Mpumalanga Regional Training Trust. The budget of the Department will therefore increase from R24 billion 273 million to R24 billion 863 million.

VOTE 8: Public Works, Roads and Transport

- 57.** R92.5 million is added to the baseline of the Department of Public Works, Roads and Transport, thus increasing the budget from R4 billion 993 million to R5 billion 85 million. Included in this allocation are funds to address energy challenges across the administration, particularly prioritizing health facilities so that government can continue to function.

VOTE 9: Community Safety, Security and Liaison

- 58.** R115.4 million is allocated towards the budget pressure of the current security services. A further R23.8 million is provided for additional security requirements for the Department of Health, Education and Social Development. Accordingly, the budget of the Department of Community Safety, Security and Liaison will increase from R1 billion 584 million to R1 billion 698 million.

VOTE 10: Health

- 59.** The Adjustments Bill adds R395.9 million to the baseline of the Department of Health, increasing allocation from R16 billion 824 million to R17 billion 220 million for the year ending 31 March 2023.

VOTE 11: Culture, Sport and Recreation

- 60.** The Department of Culture Sports and Recreation will also see an increase in the budget from R604 million 141 thousand to R638 million 547 thousand mainly to provide mobile libraries and support the 2023 Netball World Cup legacy projects.

VOTE 12: Social Development

- 61.** The budget of the Department of Social Development decreases from R1 billion 616 million to R1 billion 596 million. We call on the implementing agent to assist the department

to fastrack infrastructure programmes. The Executive Council will be finalizing the discussion on other implementing agents to accelerate infrastructure delivery.

VOTE 13: Human Settlements

- 62.** The Department of Human Settlements will receive a total adjustment of R87.3 million to finalise bulk infrastructure projects and continue work on the Parliamentary village. This will increase the baseline of the Department from R1 billion 506 million to R1 billion 594 million.

CONCLUSION

Madam Speaker

- 63.** This adjustments budget should contribute to a more educated and adequately skilled workforce and a healthy citizenry with a higher life expectancy.
- 64.** It should support efforts to create an enabling environment with improved social and economic infrastructure in our Province.
- 65.** The Provincial Government is continuing to modernize finance-linked systems to optimise performance and ensure effective support and delivery across the provincial administration.
- 66.** All Accounting Officers are required to carefully manage their cash and commitments to ensure a sustainable in-year financial position of the administration.
- 67.** As I conclude, let me thank the Honourable Premier for demonstrating tremendous leadership throughout the preparation of this Adjustments Budget.
- 68.** Many thanks to the Members of the Budget and Finance committee and Executive Council for their guidance and support and the Chairperson and Members of the Portfolio Committee on Finance, Economic Development and Tourism for always supporting the work that we do on behalf of the citizens.
- 69.** I would also like to thank the Director General for the support and the Head Official of the Provincial Treasury and all staff who worked tirelessly in preparing this adjusted budget.
- 70.** I now table for consideration by the Provincial Legislature:
- Provincial Adjustments Appropriation Bill for 2022;
 - Adjusted Estimates of the Provincial Revenue and Expenditure for 2022, and
 - Provincial Adjustments Budget speech for 2022.