



ADJUSTMENTS

Budget Speech 2019

Mr Pat Ngomane (MPL)

MEC for Finance, Economic Development and Tourism,

19 NOVEMBER 2019

Let's Grow Mpumalanga Together



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



ADJUSTMENTS BUDGET SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR. PAT NGOMANE (MPL), DURING THE SITTING OF THE MPUMALANGA PROVINCIAL LEGISLATURE IN THE CITY OF MBOMBELA

Tuesday, 19 November 2019

Honourable Speaker and Deputy Speaker;
Honourable Premier, Refilwe Mtshweni-Tsipane;
Colleagues in the Executive Council;
Honourable Members of the Provincial Legislature;
Acting Chairperson of the Governing Party, Cde Mandla Ndlovu and leadership of the Tripartite Alliance, the MDM and PYA
Executive Mayors, MMCs and Councillors;
Chairperson of the House of Traditional Leaders, iNkosi Ngomane, and other esteemed members present;
Director-General, Mr. Matthew Mohlasedi and all our HODs
Municipal Managers and Chief Financial Officers;
Business Executive of the Office of Auditor-General in Mpumalanga;
Representatives of Organised Labour, Business, Civil Society and the Media;
Ladies and Gentlemen

It is my distinct honour to table the first Adjustments Appropriation of the sixth administration to this August house this morning.

In tabling this budget, we are mindful of the reasonable societal expectations to reflect on, and embrace the renewed mandate given to this administration following the National and Provincial general elections held last May. Underpinning this Budget is the resolution of the African National Congress (ANC) to ensure that fiscal policy and related decisions continue to promote an inclusive economy, towards ensuring a shared prosperity, and indeed “A Better Life for All” our people. Critically, we continue to be inspired by the late and former President of the ANC, Oliver Reginald Kaizana Tambo, who said:

“Whilst our policies were in terms of our beliefs and convictions, they also reflected and served the people’s interests. Above all, we sought to make the people part and parcel of our decisions.”

PROVINCIAL ECONOMIC LANDSCAPE

Honourable Speaker;

We also table this Budget in a very challenging economic environment, where our country is facing a crippling and increasing rate of unemployment, which sits at 29 percent.

The implication of this is that we have to redouble our efforts if we are going to win the battle against poverty and inequality, which collectively make up what we call the triple challenges facing our country. More importantly, as President Tambo challenged us, we must continue to “*make the people part and parcel of our decisions*”.

According to the International Monetary Fund global growth is forecast at 3.0 percent for 2019, its lowest since 2008/09 and a 0.3 percent point downgrade from the April 2019 World Economic Outlook.

In the same vein, the World Bank notes that trade tensions continue to cast a dark shadow over the global economic growth forecast.

Protectionism is now a reality in countries such as the United States of America, as evidenced by the trade war with China, and the United Kingdom, demonstrated by their zeal to pursue Brexit. One would be forgiven to think the US and UK are taking a “back to the past” approach, because they are struggling to contend with the effects of their own globalisation models.

As indicated by the Minister of Finance, Hon. Tito Mboweni, the South African economy is now expected to grow at only 0.5 percent for this year, and only at 1.2 percent for 2020.

The downward revision of growth is informed by negative growth rates in agriculture, construction and transport in the first and second quarters of this year. Fortunately, mining and trade escaped from its recession in the second quarter of the current year.

At the Provincial level, growth rate was below percent in 2018, and we expect it to be in line with the national growth prospects this year. We also expect the average annual Provincial growth rate to be relatively low at a level of 1.6 percent between 2018 and 2023.

Honourable Speaker;

We are concerned about the weak economic performance of four (4) municipal areas, which contribute almost 70% to the Mpumalanga economy. The City of Mbombela, Emalahleni, Steve Tshwete and Govan Mbeki - all experienced growth rates of 1 percent or less per annum between 2014 and 2018.

This challenging economic environment also had a negative impact on Provincial unemployment and job creation. According to the latest Quarterly Labour Force Survey of Statistics South Africa, while the Provincial unemployment rate increased to 35.3 percent in the third quarter of 2019, there were marginal improvements in terms of job creation in the last year (Quarter 3 of 2018 to Quarter 3 of 2019).

52 420 jobs were created in the last year with relative high gains in finance, mining, community services and agriculture.

There were however significant job losses in the same period in especially utilities, manufacturing, construction, trade and transport *putting a damper* on the positive developments in terms of job creation in the Province resulting in net job creation of only 2 thousand and 62 jobs in this period.

To this end, we must work closely with business, civil society and other relevant stakeholders to change the Provincial economic landscape through strategic partnerships and catalytic programmes such as the Industrial Technology Parks, the Renewable Energy Independent Power Producing Programme as well as the Special Economic Zone (SEZ) programme.

Even more critically, we must analyse the socio-economic impact of the global and domestic push towards renewable energy. Now that National Cabinet has approved the Integrated Resource Plan 2019, we must work with the necessary speed and resolve to ensure its implementation for the benefit of the people of Mpumalanga.

As the first President of a free South Africa, the late President Nelson Mandela, once said,

“Do not judge me by my successes, judge me by how many times I fell down and got up again”.

We must and will achieve Provincial growth rates of more than 4% in Mpumalanga again in years to come, like we had before the 2008/09 recession.

Our Province, too, will rise again.

2019 ADJUSTED FISCAL FRAMEWORK

Overview of 2019 adjustments budget

Honourable Speaker;

The Provincial Government will continue to support the national economic and fiscal policies that aimed to advance the interests of the whole society, and to manage the risks to the fiscal outlook as indicated in the 2019 Medium Term Budget Policy Statement.

This adjustments budget reaffirms this broad agenda of Government, which aims to stimulate the economy and reignite the potential of our people in pursuance of shared and inclusive economic growth.

Through the support of my colleagues in the Executive Council, R216.8 million has been identified and reprioritised to fund emerging and unavoidable pressures to enable the Government to deliver services to the communities.

Accordingly, the main appropriation will be increased by R135 million, thereby increasing the Provincial budget to R51.1 billion for the year ending 31 March 2020.

ADJUSTMENT BUDGET PRIORITIES

Honourable Speaker

Let me briefly highlight some of the priorities that informed this Adjustments Budget.

In her State of the Province Address on 5 July 2019, the Honourable Premier Refilwe Mtshweni-Tsipane defined a vision for the Province, where all who live in Mpumalanga shall, among others, have access to decent employment; adequate sanitation; clean drinking water; quality healthcare, and decent shelter.

She said, "Our people have given us a fresh mandate to go back and work even harder in combating the complex challenges facing our province and our country."

It is in this context that we propose adjustments to the main budget tabled in March earlier this year, firstly to respond to new commitments of the sixth administration, and secondly to address, within the fiscal space, spending pressures in critical service delivery areas.

Youth development / support

Honourable Speaker;

Youth unemployment in South Africa already stands above 55 percent - and more than 32 percent in Mpumalanga. If indeed the youth are the future of this country, we must - as stakeholders from different sectors of the economy - recognise the urgency of the escalating youth unemployment as a national emergency.

The Honourable Premier recognised this when she announced the establishment of the Youth Fund in July 2019. To kick-start this Provincial intervention, R10 million is allocated to the Youth Fund with the intention to progressively increase Government's contribution over the MTSF period. We call upon the business sector and civil society to contribute to the fund and support its strategic objectives.

Education

The route towards the attainment of total liberation of the mind starts in our homes, is further nurtured and developed at schools, and enriched at higher learning institutions and continuously shaped in society, by society. In our quest to provide an inclusive and accessible education system, R173 million is allocated for planning and designing of a School for the Deaf; optimal resourcing of Boarding schools; enhancement of Maths Laboratories as part of scaling the MSTA programme as well as augmenting the much needed supply of Learner Teacher Support Material in our schools.

Industrial development programme

The Premier has reasserted that Nkomazi Special Economic Zone is one of the prime projects that will unlock economic opportunities and change the landscape of our industrial development. To this end, R35 million is added to the baseline of the Department of Economic Development and Tourism towards securing the Nkomazi SEZ estate; development of its strategic blueprint; establishment of the actual SEZ entity and earnest sourcing of relevant technical skills to see to its functionality and getting it off the ground.

CHANGES IN BUDGET ALLOCATION PER VOTE

I will now turn to changes in budget allocations for the year ending 31 March 2020:

VOTE 1: Office of the Premier

The budget of the Office of the Premier increases from R296.3 million to R304.3 million to cover the establishment of the Youth Fund as indicated earlier.

VOTE 2: Provincial Legislature

The Provincial Legislature retains R15.0 million as well as R1.8 million of own revenue collected in the 2018/19 financial year in accordance with Section 22(1) of the PFMA. The budget of the Provincial Legislature will increase from R374.8 million to R391.8 million.

VOTE 3: Provincial Treasury

The allocation to the Provincial Treasury will be reduced from R365.6 million to R354.8 million following the shifting of part of the Infrastructure Delivery Management System (IDMS) to the National Department of Public Works, whilst the other portion will augment funds for Municipal support in order to realise maximum impact in the 2020/21 financial year.

VOTE 4: Co-operative Governance and Traditional Affairs

The Department of *Co-operative Governance and Traditional Affairs* will get R80 million additional funding. These funds will be directed towards procurement of vehicles for traditional leaders; subsidy to the houses of Traditional Leaders and Immemo; replenishment of stock related to disaster management for the next 3 years, amongst others. The baseline of the department will move from R526 million to R606 million.

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

The baseline of the Department of Agriculture, Rural Development, Land and Environmental Affairs is adjusted downwards from R 1.222 billion to R1.207 billion in the main due to changes in conditional grants and reprioritisation of savings out of the vote.

VOTE 6: Economic Development and Tourism

Due to the rescheduling of R213.2 million allocated for the Mpumalanga International Fresh Produce Market, the budget of the Department of Economic Development and Tourism is reduced from R1.261 billion to R1.081 billion. We aim for maximum impact in delivering on this project in the 2020/2021 MTEF period.

VOTE 7: Education

The Department of Education receives additional funding, which increases the budget from nearly R21.9 billion to just over R22 billion.

VOTE 8: Public Works, Roads and Transport

The Department of Public Works, Roads and Transport will get R95 million for roads upgrades; maintenance of the Riverside Government Complex and paving of municipal roads as pronounced in the first State of the Province Address of the sixth Administration. Due to savings that are reprioritised out of the Vote and conditional grant rollover the budget of the Department will see a net increase from R5.456 billion to R5.458 billion.

VOTE 9: Community Safety, Security and Liaison

The Department of Community Safety, Security and Liaison (DCSSL) is allocated R10 million for process relating to the takeover of the licencing function from certain municipalities. A further R5 million from the Health Department will be added to the DCSSL base line for the provision of additional security personnel for health facilities. Accordingly, the baseline of the Department will see a net increase from R1.354 billion to R1.367 billion.

VOTE 10: Health

Due to new reforms in the sector conditional grants the department will have a net gain of R33.7 million from this funding source. After careful assessment of the Hospital construction programme funds worth R130 million have been rescheduled to the 2020/21 financial year thus the Vote see a net reduction of the baseline from R14.387 billion to R14.281 billion.

VOTE 11: Culture, Sport and Recreation

The Department of Culture Sports and Recreation will get additional R8 million towards its pressures. The Department's baseline will however see a net reduction from R544.4 million to R486.3 million due to rescheduling of R49 million to the 2020/21 financial year, and R20 million for the High Altitude Centre moved for implementation of bulk infrastructure on site by the Department of Human Settlements.

VOTE 12: Social Development

The net effect of the decrease in the budget of the Department of Social Development decreases from R1.657 billion to R1.647 billion is due to savings on compensation of employees.

VOTE 13: Human Settlements

The Department of Human Settlements will receive R204 409 million for the completion of sewer spillage project in Govan Mbeki Municipality; and bulk works at High Altitude Centre and parliamentary village, amongst others. The baseline of the Department will move from R1.674 billion to R1.878 billion.

Honourable Speaker;

We appeal to all Accounting Officers to explore spending efficiencies, ensure that the budget responds to the needs of the communities, and help in ameliorating the fiscal risks as indicated in the 2019 Medium Term Budget Policy Statement.

We are encouraged to learn that all Departments have put in place cost containment measures, and are vigorously implementing them in the current financial year whilst we support and monitor their implementation.

CONCLUSION

As I conclude, I would like to thank the Premier, Hon. Refilwe Mtshweni-Tsipane for your leadership during the preparations of this adjustments budget, my colleagues in the Budget and Finance Committee and the Executive Council for your unwavering support.

Chairperson and Members of the Portfolio Committee on the Premier's Office, Finance, Economic Development and Tourism, I appreciate your guidance.

I thank profusely the Acting Head of Department: Provincial Treasury, Ms. Gugu Mashiteng, and her Treasury team for the professional and patriotic work they continue to provide the Provincial Government.

Last 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:

- Provincial Adjustment Budget speech for 2019/20;
- Adjustments Appropriation Bill for 2019/20, and
- Adjusted Estimates of Provincial Revenue and Expenditure for 2019/20.
- Provincial Economic Review and Outlook for 2019/20

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PR485/2019
ISBN: 978-0-621-48023-8

