



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

BUDGET SPEECH FOR ADJUSTED BUDGET

2021/22

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TABLING OF THE 2021/22 PROVINCIAL ADJUSTMENTS BUDGET AND THE ADJUSTMENT APPROPRIATION BILL BY HON. SEPARO SEKOATI TO THE LIMPOPO PROVINCIAL LEGISLATURE ON THE 30th NOVEMBER 2021, LEBOWAKGOMO LEGISLATIVE CHAMBERS

Honourable Speaker Mme Rosemary Molapo;

The Deputy Speaker Honourable Jerry Ndou;

Honourable Premier of our Province Ntate Chupu Mathabatha;

Honourable Members of the Executive Council;

Honourable Members of this august Legislature;

The Director-General of the Province

HOD Gavin Pratt and All Heads of Departments present;

Ladies and Gentlemen;

The COVID-19 pandemic continues to force us to act in a context of great uncertainty and under heavy economic, fiscal and social pressures. With the offset of new waves of infections and the emergence of new variants, we are confronted by limited new demands to sequence policy actions.

As a government, we cannot be dependent on straight or linear courses of socio-economic policy actions to manage, exit and recover from the crisis. Instead, we must act, on all fronts, simultaneously and in synchrony. The need for flexibility and adaptability forces us to reconsider our systems and reassess our development priorities.

Undeniably, the pandemic has regressed the gains we had made in restructuring our economy, curbing unemployment and poverty. On average, the living standards of South Africans has regressed as many had to continue to contend with high electricity and fuel prices, reduced wages and totally losing their jobs. This is most noticeable in and felt by households who experienced an average decline in household income, thus implying high cost of living for many.

Honourable Speaker, projections show that the World economy is expected to show a rebound in 2021 from the 2020 decline. The economic rebound is expected to be led by many emerging markets and developing nations' economies. The global economy is projected to grow by 5.9 percent in 2021 and 4.9 percent in 2022, 0.1 percentage point lower for 2021 than in the July forecast. Beyond 2022, global growth is projected to moderate to about 3.3 percent over the medium term.

Advanced economy output is forecasted to exceed pre-pandemic medium-term projections. By contrast, persistent output losses are anticipated for the emerging market and developing economies.

Price pressures are expected to subside in 2022. In some emerging market and developing economies, price pressures are expected to persist because of elevated food prices, lagged effects of higher oil prices, and exchange rate depreciation lifting the prices of imported goods.

However, great uncertainty surrounds inflation prospects, primarily stemming from the path of the pandemic, the duration of supply disruptions, and how inflation expectations may evolve in this environment.

Our National GDP increased by 1.2 percent in the second quarter of 2021, following an increase of 1.0 percent in the first quarter of 2021. The industries that contributed positively towards the GDP growth were agriculture, mining, electricity, gas and water, trade, transport and personal services.

On the contrary, our Provincial GDP has been on decline since 2018, where it decreased from 2.1 percent in 2017 to 0.6 percent in 2018. It further declined to negative 0.2 percent in 2019 and to negative 7.2 percent in 2020. It is expected that as the Mining and other industries recover the provincial economy should also be recovering.

Honourable Speaker, as a nation we continue with our asymmetrical recovery from the pandemic, with infections rate continuing to be significantly manageable. But the rapid spread of Delta or 4th Wave and the threat of new variants increases our uncertainty about how quickly the pandemic can be overcome. Policy choices continues to be more difficult, with limited room to maneuverer

As a Province and the Country, we will need to gear up the vaccination programs so that herd immunity can be achieved to allow the country and the province to return to full, normal operations. As Limpopo we are currently at 43% against the national target of 70% herd immunity by end of December 2021. This definitely needs a concerted determination from both

community members and the government to rapidly increase our efforts because it is the undeniably truth that no one is safe until everybody is safe.

Honourable Premier, Ladies and Gentlemen, a comprehensive set of policies will be required to promote a strong recovery that mitigates inequality and enhances our socio-economic sustainability.

The province will need to gear up in terms of planning and implementation of infrastructure projects, amongst others, so that the intended benefits to the communities are achieved.

A fundamental approach is needed to help the province fast-track its efforts of creating industries and employment through manufacturing and processing.

The province will also need to reposition itself as an investment designation of choice, to both foreign and local investors, to create employment, particularly for women and the youth, to allow the government enough space to focus more on service delivery issues and advancing the development path as guided by the National Economic Reconstruction and Recovery Plan, the Limpopo Socio Economic Recovery Plan and the 2020-2025 Limpopo Development Plan.

Indeed, it is worth noting that in the midst of all these impediments, the people of our Province in particular have continued to be resilient. They continue to live in the spirit and conviction that hope begins in the dark, they tenaciously hope that if we just show up and try to do the right things, the dawn will come. We must wait and watch and work: We should never give up.

The power we discover inside ourselves as we survive a life-threatening experience in COVID-19 can be utilized equally well outside of the crisis too, for we are, in every moment, capable of mustering the strength to survive.

Honourable Speaker, the Covid-19 pandemic found the world and us as a country in a battle against yet another socio-economically destructive pandemic, HIV and Aids. We must always remember that for nearly 40 years we are still trapped in this global pandemic. Therefore, we need to continue strengthening our efforts in the war against this deadly pandemic as well.....and we dare not lose sight of it.

Today, on the eve of the World Aids Day, as we gear up as a Province to host the 2nd National AIDS Day event commemorated in the advent of Covid-19, our intent and actions must clearly echo our message from those grounds of Saselami village in Collins Chabane Municipality to

the world, that in this Year of Mme Charlotte Manny Maxeke, we will be moving from awareness to accountability as a nation.

This commemoration, as it is observed during the 16 Days of Activism Against Abuse on Women and Children, should form the centre point of government's resolve to a comprehensive 365 Days of Activism against all forms for social ills and repression of the vulnerable groups within our society.

The alarming increase of cases of missing and murdering of women, and the recent reports on abduction of children reported in our Province is a cause for great concern. Hence as we take accountability as a nation, our intent and actions must clearly be seen:

- To be rejecting and reporting all forms of abuses;
- To be Frontline Activists in our homes, communities, workplaces;
- To Challenge cultures and practices that perpetuate gender inequalities in all its systems; and
- Pledging to be champions of activism against Gender-Based Violence in all its forms and character.

Honourable Premier, ladies and gentlemen, it will be naïve of us not to recognise the low voter turnout in the recent local elections.

With their abstention, the voters sent a clear message of cry in terms of their dissatisfaction on the work in local government, thus things have to change, and they must change very fast.

Our urgent attention must be paid to the financial sustainability capacity of municipalities to generate sufficient and reliable revenues, as well as improved management systems, which should include amongst others:

- Sound political and administrative leadership and responsible decision-making;
- Good governance and optimal resource allocation & usage;
- Revenue enhancement, including new sources of revenue, cost recovery, and sustainable tariff structures; and
- Improved expenditure management and accountability.

In line with the adopted District Development Model, as Provincial government we must support cooperation across municipalities to help minimise disjointed responses and competition for resources through the facilitation of inter-municipal cooperation in order to

support recovery strategies by ensuring coherent mitigation guidelines, pooling resources, and strengthening investment opportunities particularly during this period of crisis.

Honourable Speaker, in relation to the 2022/23 MTEF budget, the Limpopo Equitable Share has been increased by R82.596 million in 2022/23, R585.551 million in 2023/24 and R661.709 million in 2024/25 financial years due to new data updates. The Limpopo Province has also been allocated R1.579 billion to fund the 2021 wage agreement.

The total provincial equitable share allocation for Limpopo in 2022/23 financial year amounts to R61.283 billion, R59.891 billion in 2023/24 and R62.631 billion in 2024/25 financial year and these allocations represent a positive growth of 2.1 percent in 2022/23 financial year, negative 2.3 percent in 2023/24 and a positive 4.6 percent in 2024/25 financial year.

Provincial own revenue increases from R1.396 billion budgeted for 2021/22 financial year to R1.535 billion in 2022/23, growing to R1.603 billion in 2024/25 financial year.

The conditional grants funding will be finalized by the sectors in December 2021.

Total provincial sources of funding will be increased by 1.4 percent in 2022/23, decrease by negative 1.6% percent 2023/24 and increased by 3.8 percent in 2024/25 financial year.

The total provincial allocations to departments for 2022/23 financial year amounts to R71.764 billion which reflects positive growth of 4.4 percent when compared to R68.700 billion main appropriations of 2021/22.

All votes show positive budget growths for 2022/23, except Office of the Premier and Provincial Legislature, with Transport and Community Safety at 12.7 percent, Sport, Arts and Culture at 11.1 percent, LEDET at 8.6 percent, Social Development at 10.0 percent.

In 2023/24 and 2024/25 financial years, allocations amount to R72.584 billion or growth of 1.1 percent and R73.713 billion or 1.6 percent growth year-on-year respectively. The budget growth rate over the MTEF is well below the National Treasury projected CPI of between 4.2 and 4,5 percent and therefore our departments and entities will need to be prudent with their spending over this period and spend wisely to stimulate our economic recovery trajectory.

Ladies and gentlemen, on 09 March 2021, we tabled before the Provincial Legislature the 2021/22 appropriation and today we are tabling the adjustments of this appropriation

- To fund identified budget pressures, especially on Compensation of Employees due to the 2021 wage agreement and other budget pressures that resulted from COVID-19 budget cuts;
- Include additional funds received for the Presidential Youth Employment Initiative responding to the need to employ additional staff to deal with the COVID-19 protocol related capacity challenges, especially in Health, Education and Social Development;
- Include 2020/21 budget rollover allocations and
- Adjust the provincial own revenue budget and the Equitable Share allocations for each vote

As at 30 September 2021 our overall expenditure was R33.9 billion which is 49.3 percent of the total budget of R68.8 billion. The provincial Equitable Share expenditure was R29.7 billion or 51.1 percent of the budget while the expenditure on conditional grants amounted to R4.2 billion or 39.5 percent of the conditional grant budget of R10.5 billion.

In terms of the economic classifications, the province spent R24.2 billion or 51.6 percent of R46.9 billion allocated budget of Compensation of Employees and R5.1 billion or 44.3 percent of the goods and services budget. The spending on provincial transfers was at R3.8 billion or 50.5 percent of the allocated budget of R7.6 billion and lastly the spending on capital assets was extremely low at R835.2 million or 29.0 percent of the capital payments budget.

There are series of engagements at different levels which Provincial Treasury is assisting departments and public entities in order to improve spending especially on capital projects. Departments committed to working with Provincial Treasury in order to improve service delivery to our people and implementation plans provided by departments and Public entities are being monitored on a monthly basis.

As at 30th September 2021, provincial own revenue collection was R646.9 million or 44.4 percent of the main appropriation of R1.458 billion. The province has thus over collected by R64.3 million or 4.4 percent of the main appropriation, which is more than the projected collections for the period amounting to R582.6 million or 40.0 percent. The over collection is mainly on motor vehicle licence; patient fees and recovery of previous year's expenditure related debts. The over collection was mainly influenced by the improved economic activities due to the relaxations of strict lockdown regulations of the Covid-19 pandemic.

Honourable Premier, the objective of mid-term reviews is to examine the departmental priorities within the context of applicable baseline allocations, hence in our context, all set targets on the Limpopo Development Plan are assessed and resources made available on the basis of each departmental mandate and the existing capacity to deliver services in the year under review.

Based on these reviews, the province has decided to reduce the provincial own revenue budget by R62.1 million, or 4.3 percent, from R1.458 billion to R1.396 billion. The decrease is mainly influenced by slow performance on patient fees, interest and casino taxes from the Departments of Health; Provincial Treasury and Economic Development, Environment & Tourism. The reductions are mainly influenced by recovery economic activities still in progress as well as reduction of interest rates as announced by the South African Reserve bank.

Honourable Speaker, the 2021/22 Provincial Equitable Share is revised upwards by **R2.529 billion** which comprise of **R1.675 billion** for funding of 2021 Wage Agreement and **R853.7 million** for the Presidential Youth Employment Initiatives, of which R802.210 million is allocated to Department of Education, R40.097 million to Health and R11.400 million to Social Development.

Conditional Grants allocations are also revised upwards by **R685.734 million** which comprises of the following:

- Rollovers from 2020/21 to 2021/22 year amounting to R620.131 million;
- Additional allocation of R39.128 million for Department of Health (R3.357 million for Mental Health Services Component, R20.000 million for Oncology Services Component and R15.771 million for Human Resource and Training Grant); and
- Additional R24.164 million for Early Childhood Development in Department of Social Development) and
- R2.311 million for Provincial Emergency Housing Grant in Department of Co-operative Governance, Human Settlement and Traditional Affairs.

The Provincial Own revenue is adjusted downwards from **R1.458 billion** by **R62.1 million or 4.3 percent to R1.396 billion.**

With this 2021/22 adjustments, the provincial available resources will be adjusted upwards by R6.602 billion or 9.6 percent from **R68.770 billion to R75.373 billion.**

The following therefore, ladies and gentlemen, will constitute our adjustment to the 2021/22 budget allocations per department:

Vote 1: Office of the Premier – (R5.974 million)

The institution is allocated **R12.000 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement and **R21.000 million** to fund pressures in Goods and Services. The institution will however surrender **(R38.974 million)** for E-Leave, E-Email and E-Recruitment Projects.

Vote 2: Provincial Legislature – R34.375 million

The institution is allocated **R24.500 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement and **R9.875 million** for revenue retention as per Section 22 of the PFMA.

Vote 3: Education – R3.140 billion

The department will receive **R2.000 billion** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R802.210 million** for Presidential Youth Employment Initiatives, Equitable Share rollover of **R216.761 million** (R184 million for the Presidential Youth Employment Initiative and R32.7 million Sanitary Dignity programme) and Conditional Grant rollovers of **R120.659 million**.

Vote 4: Agriculture and Rural Development – R97.386 million

The department will receive **R60.000 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R30.000 million** to fund pressures in Goods and Services and conditional grant rollovers of **R19.886 million**. The department will however surrender **(R12.500 million)** for Makgoba Fruit and Zebediela Citrus Projects.

Vote 5: Provincial Treasury – No changes

The department's allocation will remain at **R364.910 million** and the department will re-prioritize within the allocation since there were no pressures submitted by the department.

Vote 6: LEDET – R253.000 million

The department is allocated **R35.000 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R6.500 million** to fund pressures in Goods and Services, **R182.500 million** for Turn Around Plan in Great North Transport (GNT), **R11.000 million** for Limpopo Gambling Board (LGB) Revenue Retention, **R4.000 million** for Limpopo Gambling Board (LGB) for 2021 Salary Wage Agreement pressures and **R20.000 million** for Operational Costs for Limpopo Connexion.

The department will however surrender (**R6.000 million**) from Refurbishment of State Resorts Project.

Vote 7: Health – R1.507 billion

The department receives a rollover amount of **R177.642 million** for the following conditional grants:

- HIV, TB, Malaria and Community Outreach Grant - R64.144 million;
- Health Facility Revitalization Grant – R96.497 million;
- National Tertiary Services Grant – R16.586 million and
- Statutory Human Resource Management – R0.415 million.

The department receives additional conditional grant allocation of **R39.128 million** as follows:

- Mental Health Services Component – R3.357 million;
- Oncology Services Component – R20.000 million; and
- Human Resource and Training Grant – R15.771 million

The department is allocated **R400.000 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R800.000 million** to fund pressures in Goods and Services, **R50.500 million** for Medico Legal (Claims Against the State), **R40.097 million**

for Presidential Youth Employment Initiatives and **R40.000 million** for Scanning an Archiving Project.

The department will however surrender (**R40.000 million**) from Emergency Medical Services Communication Centres Project.

Vote 8: Transport – R239.500 million

The department is allocated **R16.500 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R143.500 million** to fund pressures in Goods and Services, **R68.500 million** for Bus Subsidies and **R28.000 million** for GAAL Operational Costs and CAA Findings. The department will however surrender (**R17.000 million**) from Earmarked Funding Projects (Mampakuil - R10.000 million and K53 Projects - R7.000 million)

Vote 9: Public Works, Roads and Infrastructure – R931.972 million

The department is allocated **R47.000 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R126.000 million** to fund pressures in Goods and Services, **R144.500 million** for Municipal Rates for Makhuduthamakga Municipality, **R121.500 million** for Municipal Rates for Other Municipalities, **R250.000 million** for pressures in Roads Agency Limpopo (RAL) Capital Projects and **R242.972 million** for Provincial Roads Maintenance Grant rollover.

Vote 10: Sport, Arts and Culture – R41.830 million

The department is allocated **R5.000 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R28.000 million** to fund pressures in Goods and Services and **R10.000 million** for Schoemansdal Museum. The department also receives a conditional grant rollover of **R6.830 million** for Community Library Services Grant.

The department will surrender (**R8.000 million**) from Earmarked Funding for Provincial Theatre.

Vote 11: CoGHSTA – R71.436 million

The department is allocated **R58.700 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R21.300 million** for Re-instatement of Traditional Leaders (Court Order), conditional grant rollover of **R6.125 million** for Title Deeds Restoration Grant and additional **R2.311 million** for Provincial Emergency Housing Grant. The department will however surrender **(R17.000 million)** from Construction of Traditional Council Offices.

Vote 12: Social Development – R291.581 million

The department receives an allocation **R118.434 million** to fund pressures in Compensation of Employees, including 2021 Wage Agreement, **R71.566 million** Accelerated Grade Progression (backlog), **R20.000 million** for pressures in Goods and Services, **R11.400 million** for Presidential Youth Employment Initiatives, additional **R24.164 million** for Early Childhood Development Grant (Subsidy Component) and a rollover of **R46.017 million** for Early Childhood Development Grant.

Honourable Speaker, Ladies and Gentlemen, I understand that it's hard for everyone, but we cannot give-in to sensations. We will have to draw lessons from the current crisis and continue to work hard on overcoming it.

The road to recovery will not always be easy, we will have to take it one day at a time, focusing on the moments we have always dreamed about for so long, for a person in whom a crisis takes place, passes the night preceding the paroxysm uncomfortably, but the succeeding night generally more comfortably.

As a province we will have to maintain and accelerate public investment at projects level by improving self-financing capacity, implementing budget rules, supporting service providers through easing of access to long-term bank credit for projects, and supporting infrastructure projects preparation and implementation. These should also include other financing mechanisms which may be activated such as public-private partnership schemes or equity financing.

In conclusion, Honourable Speaker, Honourable Premier, ladies and gentlemen, as I table this 2021/22 Adjustment Appropriation Bill to this august house for consideration and approval, allow me to table together herewith the:

- ✓ The Provincial Medium Term Budget Policy Statement; and
- ✓ Adjusted Estimates of Provincial Revenue and Expenditure

Kea Leboga

I thank you



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