



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

BUDGET SPEECH

FOR SECOND

ADJUSTED BUDGET

2020 / 21

The heartland of southern Africa - development is about people

TABLING OF THE 2020/21 PROVINCIAL ADJUSTMENTS BUDGET AND THE ADJUSTMENT APPROPRIATION BILL BY HON. SEPARO SEKOATI TO THE LIMPOPO PROVINCIAL LEGISLATURE ON THE 26th NOVEMBER 2020, LEBOWAKGOMO LEGISLATIVE CHAMBERS

Madam 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 and All Heads of Departments;

Comrades and Friends;

Ladies and Gentlemen;

Madam Speaker, Honourable Premier, ladies and gentlemen, I table to this august house of the Legislature for consideration and approval of the:

- ✓ The 2019/20 Adjustment Appropriation Bill; and
- ✓ The Provincial Mid Term Budget Policy Statement
- ✓ 2nd Adjusted Estimates of Provincial Revenue and Expenditure

Madam Speaker, the 2020/21 financial year has ensued in ways unprecedented to the people of South Africa and the world in general. Livelihoods, business operations and parts of government had to be put on hold due to the COVID-19 pandemic and the subsequent stages of lockdown as announced by the Honourable State President. The impact of the lock down and the implementation of plans to fight the spread of the virus, caused serious disruptions to our nation and its people.

Honourable Premier, our country faced mammoth socio-economic challenges before COVID-19, the disruptive interceptions of the pandemic have simply compounded our economic situation, especially the unemployment rates and poverty levels. It has deepened poverty and inequality, threatening increased hunger and breeding sudden loss of income to many people in our province. Our provincial economy, like those of other provinces, has contracted sharply, businesses have closed and jobs have undeniably been lost. And for many, these signal the bells of gloom.

It is an agreed fact, that it will take the province a couple of years to recover from the impact of the pandemic, despite the various support packages made available by both National and Provincial governments. As a province we have thus far performed fairly well in containing the spread of the virus and we applaud all our frontline workers in all departments for their unwavering commitment in the battle against this pandemic.

Madam Speaker in the aftermath of the Great Depression, faced with such dispirited nation, higher levels of futility, doom and despondency, President Franklin D Roosevelt in 1933 the occasion of his inaugural address, he emphasized that economic recovery was dependent upon new policies and a new national attitude. Roosevelt's address struck a chord when he said, and I quote:

"This great Nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself--nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance. In every dark hour of our national life a leadership of frankness and vigour has met with that understanding and support of the people themselves which is essential to victory..." close quote

Ladies and gentlemen, on the 21st July this years, we tabled before the Legislature a special adjustment budget, modifying the 2020/21 budget allocations to provide for and enable spending in order to contain and prevent the spread the COVID-19 virus.

As at 30 September 2020 our overall expenditure was R32.5 billion which is 45.3 percent of the total adjusted budget of R71.6 billion. The provincial Equitable Share expenditure was

R29.4 billion or 47.3 percent of the budget while the expenditure on conditional grants amounted to R3 billion or 32.3 percent of the Adjusted conditional grant budget of R9.4 billion.

At the same time the province spent R24 billion or 47.4 percent of the Compensation of Employees and R4.6 billion or 40.8 percent of the goods and services budget. The spending on provincial transfers was at R3.3 billion or 43.6 percent of the allocated budget of R7.5 billion and lastly the spending on capital assets was extremely low at R584.2 million or 26.4 percent of the capital payments budget.

A major contributing factor to the slow spending by various departments was the implementation of the lockdown stages, however we are currently seeing improved spending trends now that infrastructure projects are once again being activated and the announcement of Level 1 lockdown regulations

As at 30th September 2020, provincial own revenue collections were R482.4 million or 34.8 percent of the own revenue collection budget, which is R212.2 million less than the projected collections for the period of R694.5. The under collection is mainly on motor vehicle licence; casino and horse racing taxes; and patient fees. The under collection was again mainly influenced by the decline or lack of economic activities due to the enforced lockdown as a result 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 R119.6 million, or 8.6 percent, from R1.388 billion to R1.268 billion. The decrease is mainly influenced by slow performance on interest, casino taxes as well as patient fees from the Departments of Health; Provincial Treasury and Economic Development, Environment & Tourism. These reductions are mainly as a result of the reduced economic activities during the enforced lockdown and the reduction of interest rates as announced by the South African Reserve bank.

Madam Speaker, Ladies and gentlemen, the 2020/21 Provincial Equitable Share allocation is revised downwards by R3.075 billion due to implementation of the National Salary freeze as pronounced by the Minister of Finance. The Department of Education is however allocated an additional equitable share amount of R987.8 million to implement the Presidential Employment

Initiative and a further R57.8 million is allocated to the Department of Social Development for the Food Relief Programme. The net effect of these adjustments is that the provincial equitable share is reduced by an amount of R2.029 billion in this adjusted budget

Conditional Grants are also adjusted by R396.763 million which is comprised of Conditional Grants rollovers of R220.534 million, additional Conditional Grants allocations of R201.205 million and conditional grant reductions of R24.976 million.

The additional R201.205 million allocation is made up as follows:

- R18.640 million earmarked for Provincial Drought Relief in the Department of Agriculture and Rural Development, and
- Presidential Employment Initiative allocations of
 - R53.746 million for Health;
 - R70.578 million for Provincial Roads Maintenance Grant in Public Works, Roads and Infrastructure; and
 - R58.241 million for the Early Childhood Development Grant in Social Development),

The reduction of R24.976 million, is in the following grants

- R3.027 million in Agriculture Grants;
- R19.893 million Comprehensive HIV and AIDS Grant in Department of Health; and
- R2.056 million in Mass Sport and Library Grants in the Department of Sport, Arts and Culture.

The effect of all these adjustments are that the 2020/21 provincial available funding sources are adjusted downwards by R1.752 billion, from R73.106 billion to R71.353 billion.

The following therefore, ladies and gentlemen, will constitute our adjustment to the 2020/21 budget allocations per department:

Vote 1: Office of the Premier – (R5.437 million)

The budget of the Office is reduced by R5.437 million due to a surrender of R14.343 million from Compensation of Employees to contribute to Provincial surrender of R3.075 billion. The Office receives an additional allocation of R7.565 million for the implementation of Provincial Digital Signature (ECM) and for the reconfiguration of Public Entities project. Furthermore, the department is allocated R1.341 million for cost associated with early retirement penalties.

Vote 2: Provincial Legislature – (R9.472 million)

The Provincial Legislature's budget is reduced by R9.472 million due to a surrender of R26.201 million from Compensation of Employees to contribute to Provincial surrender of R3.075 billion and R16.729 million is retained for the 2019/20 unspent funds as per Section 22 of the PFMA.

Vote 3: Education – R177.062 million

The department receives an additional budget of R201.934 million for conditional grant rollovers, R987.826 million for the Presidential Employment Initiatives and R5.046 million for funding of costs associated with early retirement penalties.

The department will also surrender R620.113 million from Compensation of Employees to contribute to Provincial COE surrender of R3.075 billion and R397.631 million from COVID-19 unspent funds.

Vote 4: Agriculture and Rural Development – (R14.287 million)

Agriculture and Rural Development will surrender R52.188 million from Compensation of Employees and R3.027 million from Conditional grants (R2.244 million from CASP, R0.629 million from Illima/Letsema and R0.154 million from Land Care). The Department is therefore allocated R18.640 million for Provincial Disaster Drought Relief Grant and R22.288 million to fund costs associated with Early Retirement Penalties.

Vote 5: Provincial Treasury - (R2.111 million)

Provincial Treasury's allocation is reduced by R2.111 million due the surrender of R16.646 million from Compensation of Employees and an additional allocation of R14.535 million to fund Early Retirement Penalties.

Vote 6: LEDET – R63.160 million

LEDET's allocation is adjusted upwards by R63.160 million. The Department is allocated R5.905 million to fund Early Retirement Penalties and R90.677 million to fund the broadband project in Limpopo Connection. The department will also surrender R33.422 million from Compensation of Employees to fund the Provincial COE surrender of R3.075 billion.

Vote 7: Health – (R629.536 million)

The Department Health will surrender R706.658 million from COVID-19 unspent funds and R19.893 million from HIV, TB, Malaria and Community Outreach Grant. They will receive a further allocation R35.435 million to fund Early Retirement Penalties.

The Department is also approved to receive the conditional grant rollover amount of R7.834 million for Comprehensive HIV and AIDS – R2.581 million and Health Revitalization Grant – R5.253 million.

In addition, they will also receive an additional allocation of R53.746 million for the Presidential Employment Initiatives in the following conditional grants:

- R31.227 million in the Community Services Outreached Component under the HIV, TB, Malaria and Outreach Grant; and
- R22.519 million for the Statutory Human Resource, Training and Development Grant.

Vote 8: Transport – (R93.918 million)

The department will surrender R21.405 million from Compensation of Employees and R80.000 million from unspent funds for Bus Subsidies. The department is allocated R7.475 million to fund Early Retirement Penalties and R12 thousand to fund 2017/18 unauthorized expenditure as per SCOPA resolution 4 of 2017/18 financial year.

Vote 9: Public Works, Roads and Infrastructure – R79.680 million

Public Works is allocated R100.000 million to settle outstanding municipal rates and taxes, R15.115 million for funding of early retirement penalties and R70.578 million for the Presidential Employment Initiatives under the Provincial Roads Maintenance Grant. The department will surrender R36.598 million allocated for COVID-19 Quarantine Sites and R69.415 million from Compensation of Employees to fund Provincial COE surrender of R3.075 billion.

Vote 10: Sport, Arts and Culture – R19.227 million

The budget for Sports, Arts, and Culture is increased by R19.227 million. The department is allocated R11.805 million on Compensation of Employees, R836 thousand for funding of Early Retirement Penalties and R8.642 million for rollovers in the Community Library Services Grant.

Conditional grants for the department have been reduced by R2.056 million (collated from R514 thousand for Mass Participation and Sport Development Grant and R1.542 million for Community Library Services).

Vote 11: CoGHSTA – R28.256 million

The department receives R20.650 million additional allocations for Compensation of Employees, R6.339 million for funding of Early Retirement Penalties and R1.276 million for EPWP Incentive Grant rollover.

Vote 12: Social Development – R110.267 million

Social Development is allocated R57.848 million for the Food Relief Programme, R4.137 million for Early Retirement Penalties, R848 thousand for rollover in respect of Early Childhood Development Grant and R58.241 million for Presidential Employment Initiatives under the Early Childhood Development Grant. The department will surrender R10.807 million from Compensation of Employees to fund Provincial COE surrender of R3.075 billion.

Madam Speaker, it is prudent for me to indicate that the province has indefensibly experienced severe budget cuts during this adjustment budget due to Compensation of Employee budget

reductions emanating from the salary freeze through which the Province had to surrender R3.075 billion. As a result of these COE budget cuts, the province could not provide any additional funding to provincial institutions to augment their pressures. This will mean Accounting Officers should focus on budget management controls to avoid unauthorized expenditure at year-end.

Madam Speaker, in relation to the 2021/22 MTEF budget, the Provincial Equitable Share is reduced Nationally to curb spending levels over the MTEF period to account for compensation of employee's reductions and additional reductions to support other fiscal consolidations. As a result, the National Provincial Equitable Share is reduced by an amount of R60 billion in 2021/22, R85.6 billion in 2022/23 and R64.1 billion in 2023/24 financial years respectively. Furthermore, due to continuous data updates, the Limpopo allocation as the proportion of national equitable share is reducing from 11.6 percent in 2020/21 to 11.3 percent in 2023/24 financial year.

The Provincial Equitable Share baseline allocation has thus been adjusted downwards due to equitable share data updates by R465.6 million in 2021/22, R824.8 million in 2022/23 and by R1.303 billion in 2023/24 financial years. Our equitable share is further reduced by R6.875 billion in 2021/22, R9.728 billion in 2022/23 and R7.232 billion in 2023/24 as our contribution towards national fiscal consolidations and the wage freeze.

The total provincial equitable share allocation for Limpopo in 2021/22 financial year amounts to R58.915 billion. In 2022/23 and 2023/24 financial years, equitable share allocations amount to R59.382 billion and R59.058 billion.

The effects of these reductions on Limpopo's equitable share, are a decrease by 5.5 percent in 2021/22, increase by 0.8 percent in 2022/23 and a decrease of 0.5 percent in 2023/24 financial year

Provincial own revenue increases from R1.268 billion budgeted for 2020/21 financial year to R1.458 billion in 2021/22, to R1.535 billion in 2022/23 and R1.603 billion in 2023/24 financial year.

The conditional grants funding will be finalized by the sectors in December 2020, total provincial sources of funding will be reduced by 4.5 percent in 2021/22, 1.4 percent in 2022/23 and 1.1 percent in 2023/24 financial year.

The total provincial allocation for 2021/22 financial year amounts to R68.469 billion which reflects negative growth of 5.9 percent when compared to R72.796 billion main appropriation of 2020/21. All votes show negative growths with Provincial Treasury, Economic Development, Environment and Tourism and Transport and Community reflecting 14.6 percent; 21.0 percent; and 18.5 percent respectively. In 2022/23 and 2023/24 financial years, allocations amount to R69.295 billion or growth of 4.8 percent and R71.749 billion or 1.2 percent growth year-on-year respectively.

This situation is untenable and as Roosevelt said, it requires a leadership of frankness and vigour, and the understanding and support of the people themselves

Having had to deal with these difficulties Honourable Premier, we are reminded by President Cyril Ramaphosa when he said, I quote:

“In the wake of this pandemic, our foremost task now is to rebuild our economy. This must be akin to how the protea germinates after the fire.

Our strategic approach must not be to restore it to what it was before, but to make it even more vibrant, more resilient and more inclusive.

While this time of rebuilding our economy is fraught with risk, danger, hardship and difficulty, it is also a time of great opportunity...” close quote

Honourable Premier, we are very conscious that the world is not going to solve our challenges for us, nor is the government going to do it for us alone. Our optimism, our resources, power, ability and capability will carry us forward to victory together. But it is going to require new thinking.

Madam Speaker, Honourable Speaker, Ladies and Gentlemen, I so table.

Ndo Levhuwa...

Na Khensa...

Ke a Leboga...



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

OUR OFFICES:

CALL: 015 298 700

FAX: 015 295 7010

SEND A MAIL:

info@limtreasury.gov.za

POSTAL ADDRESS:

PRIVATE BAG X 9486

POLOKWANE

0700

PHYSICAL ADDRESS:

ISMINI TOWERS

46 HANS VAN RENSBURG

POLOKWANE

0700

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