



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

**2018
ADJUSTMENT
BUDGET
SPEECH**

The heartland of southern Africa - development is about people

MADAM SPEAKER

DEPUTY SPEAKER

HONOURABLE PREMIER

MEMBERS OF THE EXECUTIVE

MEMBERS OF THE LEGISLATURE

DISTINGUISHED LADIES AND GENTLEMEN

GOOD MORNING

In the spirit of Thuma Mina, the Minister of Finance in his address to the national assembly said,

“Together, as a country, we can rebuild and recast our future.

We are at a crossroads. This Policy Statement highlights the difficult economic and fiscal choices confronting us over the medium term.

We must choose a path that takes us to faster and more inclusive economic growth and strengthens private and public sector investment.

We must choose a path that stabilises and reduces the national debt. We cannot continue to borrow at this rate.

We must choose to reduce the structural deficit, especially the consistently high growth in the real public sector wage bill. New fiscal anchors may be required to ensure sustainability, in addition to the expenditure ceiling.

We must choose public sector investment over consumption.

Reconfiguring our state-owned companies requires us to take a hard look at how they operate. Our current challenges with state-owned companies present an opportunity to demolish the walls that exist between the private and public sectors”.

Madam speaker, the 2018 MTBPS is presented against a challenging economic situation. In terms of the IMF World Economic Outlook (October 2018), the IMF predicts World growth to reach 3.7 percent in 2018 and 2019 with increasing downside risk from the trade tensions between America and China. The rebalancing that is taking place in the Chinese economy over the past few years, have decreased their demand for some of the commodities like coal and iron ore, putting downward pressure on the commodity prices.

The South African economy started the 2018 year with two quarters of consecutive negative growth resulting in a technical recession. The poor performance is mainly due to lower agricultural output. The mining and quarrying industry increased by 4.9 percent and contributed 0.4 of a percentage point to GDP growth. Increased production was reported for mining of ‘other’ metal ores including platinum group metals, copper and nickel. As a result, both the South African Reserve Bank and National Treasury have reduced their GDP growth forecasts for the year to 0.7 percent. This is much lower than the target in the NDP and the Limpopo Development Plan.

According to IHS Markit, the provincial economy showed a good recovery in 2017 to grow at 1.9 percent compared to negative 0.6 percent in 2016. The performance of the local economy continues to depend mainly on the mining sector. In terms of job creation, the province created an additional 41 000 jobs between the second and the third quarter of 2018. The

provincial unemployment rate also decreased during the same period to 18.9 percent. However, Honourable members will agree that unemployment remain unacceptably high.

In these tough economic times our Provincial own revenue target remains unchanged at R1.247 billion. During the first half of the year, the Province recorded a significant reduction in interest earned on favorable bank balances due improved spending by the majority of the departments and a reduction in casino taxes due to a slowdown in this activity in tight times which was however, augmented by an increase in Motor Vehicle Licenses revenue, collections from provincial resorts and improved patient fees revenue.

The economic instability that is been faced globally, requires government to continuously remake itself in the delivery of services. To this end, the provincial government is placing in rigorous measures to collect and recover what is due to government, identifying and implementing revenue enhancement projects and strengthening expenditure efficiency mechanisms and appropriate controls.

As at the end of September 2018, Honourable members, the province spent R32.206 billion or 49.3 percent of the budget compared to R30.120 billion or 49.0 percent in the previous year corresponding period, which is an improvement of 0.3 percent. Provincial Legislature, Public Works, Roads and Infrastructure and Health are the highest spending departments at 59.6 percent, 52.4 percent and 52.3 percent of their budget respectively.

An amount of R28.351 billion or 49.9 percent of the equitable share budget was spent in 2018/19 as compared to R26.418 billion or 49.3

percent in 2017/18 and R24.631 billion or 49.4 percent in 2016/17 financial year. Reflecting a year on year improvement in spending.

The expenditure on conditional grants, as at the end of September, amounts to R3.856 billion or 45.1 percent as compared to R3.703 billion or 47.0 percent in 2017/18. The four departments that make up the bulk of our conditional grant allocations have spent reasonably well, Health at 48 percent, Education at 44 percent, Public Works at 54 percent and CoGHSTA at 39 percent respectively.

The Provincial Treasury continues to monitor provincial department and public entities through the quarterly bilateral meetings, to this end significant improvements have been realised in the quality of the spending in the province. More still needs to be done in ensuring our public entities are self-sustainable, especially LEDA and for this institution to contribute significantly towards improved economic growth of the province.

Over the past four years the provincial administration has spent R6.6 billion on our public entities, with R1.8 billion earmarked for 2018/19, it is our view that an assessment be made in line with what the Minister has said, to see whether we are getting value for our money from the investments in our public entities, Madam Speaker.

Madam Speaker, Limpopo provincial government through Limpopo Provincial Treasury and Limpopo Economic Development, Environment and Tourism, developed a strategy to direct government procurement in the province in line with PPPFA Regulations of 2017. The Executive Council approved the strategy in March 2018. The province is using the strategy to address socio-economic challenges that it has. It has started

showing results. The strategy implementation became effective from 2018/19 financial year.

First quarter results are already showing improvement with Rural spend at 15 percent and Black Woman spend at 21 percent which are above the set targets. Challenges have been on spend with Persons with disability, however the province is working on a capacity building program with the stakeholders, gathering data to assist in the process.

Infrastructure investment, Honourable members, is key to government efforts in growing the economy, creating job opportunities, empowering small businesses and providing better services to the citizenry. Thus, the Provincial Government has identified infrastructure development as a core component of its agenda to transform the economy, bring about spatial transformation and stimulate economic growth and job creation. The effective and efficient delivery of public sector infrastructure programmes and projects can only be assured if it is preceded by rigorous planning processes underpinned by a comprehensive set of legislative, policy, planning and implementation documents.

To achieve the above, the Provincial Government continues to build infrastructure development capacity in departments. Moreover, over the 2019 MTEF, capacity building will be focused mainly in the Department of Public Works, Roads and Infrastructure (LDPWR&I) to sustain effective infrastructure planning and delivery. The Provincial Treasury has conducted a rapid diagnostic to the LDPWR&I and the Infrastructure Strategic Planning Hub (ISPH). LDPWR&I is critical and strategic to the sustainability of infrastructure delivery and management in the province. The launch of Government Technical Advisory Centre (GTAC) support as recommended by the rapid diagnostic can be used to manage the

capacity risks but also ensure that there is capacity building in LDPWR&I and the province at large. The objective of this exercise is to reduce the outsourcing of the maintenance of state buildings and new infrastructure projects.

The provincial infrastructure budgets increase minimally from R5.151 billion in 2014/15 to R5.383 billion in 2019/20, with a shift in focus towards investment in maintenance, upgrades and additions of ageing infrastructure. Investment in maintenance is growing at an average of 26 percent over the 2019 MTEF period. Infrastructure planning in the Province is contextualised in relation to, and takes direction from, the Limpopo Development Plan (LDP), and the Provincial Spatial Development Framework; whilst maintaining fiscal discipline and stimulating efficiencies in the delivery of infrastructure.

Madam Speaker, the financial viability and sustainability of local government remains central in ensuring that municipalities continue to provide basic services to their communities. In the current local government financial year Limpopo Provincial Treasury analysed the 2018/19 budgets to ascertain credibility, relevance and sustainability for each municipal budget. This exercise is conducted through budget engagement sessions held with municipalities with the aim of providing inputs into municipal budgets that ensures that funded, relevant and sustainable budgets are adopted. In the 2018/19 municipal financial year, seventeen out of twenty-seven municipalities adopted funded budgets.

Provincial Treasury would like to urge all municipal councils in all the 27 municipalities to enhance their oversight role on the financial performance of their respective municipalities.

Section 52 of MFMA requires the Mayor or the Executive Mayor to report to council quarterly on the financial performance of the Municipality, Treasury therefore advises all municipal councils to use this provision of the Act to thoroughly interrogate the state of finances for their municipalities.

Madam Speaker as part of strengthening oversight, the Limpopo Provincial Treasury and CoGHSTA hold regular engagements with municipalities on financial management matters to determine the state of municipal finances and provide the necessary support.

Madam Speaker let me acknowledge that this province was engulfed by a dark cloud as a result of municipalities that invested in excess of R1 billion with the liquidated Mutual Bank, VBS. The provincial Executive Council mandated Limpopo Treasury to investigate municipalities that invested with the bank to establish areas of non-compliance with relevant legislations and recommend punitive measures to correct this anomaly. Honourable members, as the Premier has announced recently, the investigation is at an advanced stage and the report will be finalised by end of November.

In the past few months, together with, CoGHSTA, we have been conducting cash flow analyses for all 27 municipalities to assess the cash flow status for each of them, and also to determine if municipalities will be able to meet their financial obligations for the remaining months of the current financial year. The preliminary outcomes paint a bleak picture showing most municipalities as not financially sustainable, as a result intervention strategies have been developed, including financial recovery plans for the affected municipalities.

Madam Speaker all municipalities in the province submitted 2017/18 annual financial statements as required by section 126 of the MFMA with the exception of Thabazimbi and Modimolle-Mokgoophong Local Municipalities. Through section 139 intervention the preparation of the 2017/18 annual financial statements for Modimolle Mookgophong is at an advanced stage, the municipality will be able to submit at the end of November 2018.

The preparation of the 2017/18 AFS for Thabazimbi municipality has started, however our major concern is that the municipality's inability to pay service provider for the AFS impacts negatively on the progress.

Madam Speaker the Municipal Infrastructure Grant remains key in funding infrastructure development and provision of basic services in the local government sphere. In the previous financial year, the province recorded a performance of 92 percent expenditure of the allocation. In the current financial year 2018/19, the provincial performance was at 27 percent of the total annual allocation as at end of October 2018 and 73 percent of transferred amount. In terms of the National norm the province is expected to spend above 40 percent of the transferred funds at the end of December 2018.

Treasury, and CoGHSTA, under the leadership of MEC Ndou, and SALGA are committed in providing support to the municipalities in order to ensure, that there is good governance in all municipalities.

Madam Speaker, the total adjustments for the 2018/19 financial year budget is R1.121 billion which will adjust the total provincial allocation from R65.373 billion to R66.495 billion, an increase of 1.7 percent.

Total provincial receipts will increase by R1.121 billion which is comprised of R221.041 million Conditional Grants made up of rollovers of R175.841 million and additional Conditional Grants amounting to R45.200 million specifically allocated to the Department of Agriculture for drought relief. The Provincial Own revenue baseline remains unchanged at R1.247 billion, and R900.152 million will be sourced from the provincial revenue fund to cover unforeseen and unavoidable expenditure in provincial departments.

The Provincial Executive Council has been very prudent in approving additional funding during the 2018/19 adjustment budget by focusing on adding funds to departments which show funding pressures and addressing provincial priorities i.e. additional or roll over allocations are mainly in Legislature (R56.4 million), Education (R226.7 million), Agriculture (R49.9 million), Health (R190.4 million), Public Works, Roads & Infrastructure (R437.1 million), Community Safety (R2.0 million), CoGHSTA (R90.0 million), Social Development (R53.2 million) and Sports, Arts and Culture (R15.5 million). These are mainly funded from the funds made available through rollovers and reserves.

Vote 1: Office of the Premier – No additional funding

The allocation for the Office of the Premier is not adjusted and therefore the allocation remains as appropriated in the main budget.

Vote 2: Provincial Legislature – R56.4 million

Provincial Legislature receives an adjustment budget of R56.4 million as a reallocation to the Legislature in line with surrendered funds into the PRF as per Section 22 of the PFMA.

Vote 3: Education – R226.7 million

The department receives an additional budget of R226.7 million of which R191.0 million be allocated from equitable share to cater for the shortfall on Claims against the State and R35.7 million for conditional grant rollovers as follows:

- R1.8 million for HIV and Aids (Life Skills Education) Grant;
- R25.7 million is for National School Nutrition Programme;
- R6.2 million for Maths, Science and Technology; and
- R1.9 million for Learner with Profound Intellectual Disabilities Grant.

Vote 4: Agriculture and Rural Development – R49.9 million

The department receives an additional budget of R49.9 million comprising of conditional grant rollover of R4.7 million for Comprehensive Agricultural Support Grant and R45.2 million for additional funding for drought relief in Land Care and Comprehensive Agricultural Support Programme Grant.

Vote 5: Provincial Treasury - No additional funding

The allocation for the Provincial Treasury is not adjusted and therefore the allocation remains as appropriated in the main budget. The department will reprioritize and fund pressures on asset management and forensic investigations within the allocated budget.

Vote 6: LEDET – Reallocation within the vote

The allocation for the Department is not adjusted and therefore the allocation remains as appropriated in the main budget. Savings for an amount of R3.4 million, R6.9 million and R22.8 million by LGB, LTA and LEDA respectively will be used to fund pressures within the Department;

whereas an amount of R14.0 million is reprioritized from Revenue Enhancement Allocation to cater for CAPEX pressures.

Vote 7: Health – R190.4 million

The department receives an adjustment budget of R190.4 million which includes a conditional grant rollover on Comprehensive HIV and AIDS amounting to R1.8 million, Health Facility Revitalization Grant amounting to R88.5 million and additional equitable share budget of R100.0 million to fund pressures in Goods and Services.

Vote 8: Transport – Reallocation within the vote

The allocation for the department is not adjusted and therefore the allocation remains as appropriated in the main budget. However, the department will reprioritize to allocate an amount of R14.0 million to Transfer Payments for GAAL to fund programs towards compliance with SACAA.

Vote 9: Public Works, Roads and Infrastructure – R37.1 million

The department receives an adjustment budget of R437.1 million comprising of additional equitable share budget of R400.0 million to be transferred to RAL for road infrastructure projects already committed and R37.1 million for conditional grants rollovers for provincial road maintenance.

Vote 10: Community Safety – R2.0 million

The department receives an adjustment of R2.0 million from equitable share to fund pressures on compensation of employees and goods and services (IT services and hosting of the provincial crime summit).

Vote 11: CoGHSTA – R90.0 million

The department's budget is adjusted by an amount of R90.0 million from equitable share to fund the Mookgopong/Modimolle s139 intervention and budget pressures at an amount of R70.0 million and R20.0 million as a contingency allocation for any future intervention support in Municipalities.

Vote 12: Social Development– R53.2 million

The Department is allocated an additional amount of R53.2 million, which includes conditional grant rollover of R3.2 million for Early Childhood Development and additional equitable share of R50.0 million for COE Liabilities.

Vote 13: Sport, Arts and Culture – R15.5 million

The department receives additional R15.5 million of which R7.0 million is additional equitable share to fund the reburial/ exhumation of Elias Moretsele and the COSAFA cup and R4.7 million is for conditional grant rollovers for Mass Sport and Recreation Programme and Community Library Grant.

We hope through this budget policy statement; we are in line with what Minister Mboweni is urging the country to rally around in the renewal of our economic fortunes. We will do well to be mindful of the words of Robert F Kennedy, who in his report to the US senate on his trip to Latin America May 9-10 1966 said

"A revolution is coming - a revolution which will be peaceful if we are wise enough; compassionate if we care enough; successful if we are fortunate enough - but a revolution which is coming whether we will it or not. We can affect its character; we cannot alter its inevitability."

We also join the country in paying tribute to a leader of our people, on her centenary, Mama Albertina Sisulu, for being an example in fortitude and consistency in bearing the torch of freedom when it was very dark. We will always be inspired by her love for humanity, which was epitomised by her ability to embrace others despite the inhumanity of the apartheid system.

I would like to take this opportunity to thank the Premier for guidance and support, my colleagues in the executive without whose support the department would struggle to execute its mandate, SCOPA and the portfolio committee under the leadership of Honourable Dickson Masemola, Gobetse!, and you members of the house led by the speaker.

Lastly I would like to thank team treasury under the leadership of Mr G Pratt, for steadying the ship in this challenging times.

It is my pleasure to present to you the:

- i. 2018 Limpopo Adjustment Appropriation Bill; and the
- ii. 2018 Mid-term Budget Policy Statement

I thank you!

Table 1: Provincial Adjustment Budget for 2018/19

Description	2018/19 Main Appropriation	Proposed Adjustment	2018/19 Adjusted Appropriation	% Growth
Provincial Receipts				
Equitable Share	55 178 775	-	55 178 775	0,0%
Conditional Grants	8 544 269	221 041	8 765 310	2,6%
Own Revenue	1 247 168	-	1 247 168	0,0%
Reserves	403 281	900 152	1 303 433	223,2%
Total Receipts	65 373 493	1 121 193	66 494 686	1,7%
Departments / Votes				
Vote 1 : Office of the Premier	420 680	-	420 680	0,0%
Vote 2 : Provincial Legislature	360 927	56 382	417 309	15,6%
Vote 3 : Education	30 607 772	226 734	30 834 506	0,7%
Vote 4 : Agriculture and Rural Development	1 917 354	49 916	1 967 270	2,6%
Vote 5 : Provincial Treasury	472 850	-	472 850	0,0%
Vote 6 : Economic Development, Environment and Tourism	1 665 374	-	1 665 374	0,0%
Vote 7 : Health	19 511 420	190 354	19 701 774	1,0%
Vote 8 : Transport	2 106 228	-	2 106 228	0,0%
Vote 9 : Public Works, Roads & Infrastructure	3 118 176	437 118	3 555 294	14,0%
Vote 10 : Community Safety	109 714	2 000	111 714	1,8%
Vote 11 : CoGHSTA	2 624 006	90 000	2 714 006	3,4%
Vote 12 : Social Development	1 986 729	53 239	2 039 968	2,7%
Vote 13 : Sport, Arts and Culture	472 264	15 450	487 714	3,3%
Total	65 373 493	1 121 193	66 494 687	1,7%

Table 2: Summary of Conditional Grant by Vote - 2018/19 Financial Year					
R thousand	Main Appropriation	Roll Over Approved	Special Appropriation	Adjusted Appropriation	Growth Rate %
Vote 3	2 349 648	35 734	-	2 385 382	1,5%
National School Nutrition Programme	1 229 299	25 720	-	1 255 019	2,1%
HIV/AIDS (Life Skills Education)	27 116	1 848	-	28 964	6,8%
Education Infrastructure Grant	1 011 680	-	-	1 011 680	0,0%
EPWP Incentive Allocation	2 134	-	-	2 134	0,0%
Social Sector (EPWP) Grant	14 355	-	-	14 355	0,0%
Learners with profound intellectual Disabilities Grant	21 700	1 988	-	23 688	9,2%
Maths, Science and Technology Grant	43 364	6 178	-	49 542	14,2%
Vote 4	345 387	4 716	45 200	395 303	1,4%
Land Care Programme	12 603	-	35 200	47 803	0,0%
Comprehensive Agriculture Support Programme	256 521	4 716	10 000	271 237	1,8%
EPWP Incentive Allocation	5 000	-	-	5 000	0,0%
Lima/Letsema Projects	71 263	-	-	71 263	0,0%
Vote 06	3 376	-	-	3 376	0,0%
EPWP Incentive Allocation	3 376	-	-	3 376	0,0%
Vote 7	2 720 840	90 354	-	2 811 194	3,3%
Health Professions Training and Development	139 366	-	-	139 366	0,0%
Health Facility Revitalisation	536 898	88 507	-	625 405	16,5%
Comprehensive HIV and AIDS	1 600 516	1 847	-	1 602 363	0,1%
National Tertiary Services	387 560	-	-	387 560	0,0%
Human Papillomavirus Vaccine Grant	27 471	-	-	27 471	0,0%
EPWP Incentive Allocation	2 000	-	-	2 000	0,0%
Social Sector (EPWP) Grant	27 029	-	-	27 029	0,0%
Vote 8	356 809	-	-	356 809	0,0%
Public Transport Operations	356 809	-	-	356 809	0,0%
Vote 9	1 131 500	37 118	-	1 168 618	3,3%
Provincial Roads Maintenance Grant	994 146	37 118	-	1 031 264	3,7%
Transport Disaster Management Grant	130 000	-	-	130 000	0,0%
EPWP Integrated Grant	7 354	-	-	7 354	0,0%
Vote 10	2 000	-	-	2 000	0,0%
EPWP Incentive Allocation	2 000	-	-	2 000	0,0%
Vote 11	1 312 187	-	-	1 312 187	0,0%
EPWP Incentive Allocation	2 000	-	-	2 000	0,0%
Human Settlement Development	1 287 681	-	-	1 287 681	0,0%
Title Deeds Restoration Grant	22 506	-	-	22 506	0,0%
Vote 12	127 200	3 239	-	130 439	2,5%
EPWP Incentive Allocation	8 008	-	-	8 008	0,0%
Early Childhood Development	68 561	3 239	-	71 800	4,7%
Social work employment grant	50 631	-	-	50 631	0,0%
Vote 13	195 322	4 680	-	200 002	2,4%
Mass Participation and Sport Development Grant	67 679	879	-	68 558	1,3%
Community Library Services	125 643	3 801	-	129 444	3,0%
EPWP Incentive Allocation	2 000	-	-	2 000	0,0%
Total conditional grants	8 544 269	175 841	45 200	8 765 310	2,1%



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The heartland of southern Africa - development is about people