Madam speaker

Premier of our province, honourable Chupu Mathabatha

Colleagues in the executive of our province

Honourable members of the legislature

Executive mayors, mayors and leaders of councils

Traditional leaders

Leaders and members of the business community

Distinguished Ladies and gentlemen

Senior public servants and members of the media.

A good afternoon to you all

The MTPBS was first tabled in this country in1997, during the Presidency of Comrade Mandela and I would like to remind the honourable house of its purpose:

It describes government goals and objectives

It explains the economic environment within which those objectives are being addressed and projects the total level of resources that will be available

It analyses the trade-offs and choices that the nation confronts in addressing Its reconstruction and development priorities

In keeping to our commitment to an open, transparent and cooperative policy-making, it invites the nation to share with government the important choices that must be made.

That was twenty years ago and our goals remain more of less the same, to promote social transformation and more inclusive economic growth and to achieve a much better life and opportunities for all South Africans.

As it was back then, it reminds me of the statement “as much as things change, they remain the same” the economic environment today is uncertain. One of the main goals of having this medium term budget policy statement is to ensure that as a country and a province we have a sustainable and resilient budget.

This will ensure that we leave future generations with a vibrant democracy, a peaceful society having achieved its developmental goals, debt-free and free of poverty and exploitation of one person by another.

Considering the environment we find ourselves in, we must set our priorities within the confines of our various policy documents the Limpopo development plan in particular being our lodestar. This budget process, Madam Speaker, reminds us of the many difficult challenges facing us as a province. It is about how we improve access to housing, sanitation and clean water for our people, equal access to education, good health care, accelerate job creation and develop our SMME’s amongst others.

The 2016 MTPBS, ladies and gentlemen, continues to be informed by weak economic growth in the South African economy, with forecast for growth being further revised downwards since 2015 Medium Term Budget Policy Statement (MTBPS). In addition a number of new priorities have arisen and Cabinet has taken a decision that these priorities should be catered for without breaching the expenditure ceiling and there have been changes to the provincial equitable share (PES) baselines. The baseline has been cut in order to channel funds to those pressing national priorities which require funding and cannot be postponed further to the coming financial years. Two rounds of cuts were approved by Cabinet. The first round of cuts was effected through the PES formula and is targeted at inefficiencies in the system, especially non-core spending. In order to change the current position of staff, both at national and provincial levels, the second round cuts were applied to the compensation of employees (CoE) budgets.

The downward trend of equitable share was informed by the following factors:

- The recent downward revision of economic growth rate in 2015;
- Debt service costs;
- Funding of the Higher Education sector;
- Contingency provision for drought relief.

The province was also adversely affected during 2015 MTEF by R1.087 billion due to Provincial Equitable Share formula resultant from changes to data updates and census. More stringent measures and a prudent approach has been put in place in order to ascertain that service delivery is not compromised. Provincial Treasury encouraged departments to exercise control on spending especially on non-core items.

The Provincial Treasury will be intensifying own revenue collection, reviewing the current strategy to intensify oversight to ensure all revenue collected finds its way into the Provincial Revenue fund. Further to this, all departments will be consistently monitored to ensure that their budgets are managed effectively, economically and efficiently. Treasury shall continue to implement stringent cost cutting measures and consolidate the implementation of sound fiscal practise to strengthen the people's confidence in the our Economy. The province's development agencies will be engaged to ensure appropriate ROI with the objective of making these institutions self-sustainable in the short to medium term. The Provincial Treasury is of the opinion that the current budget cuts will not impact on the provinces ability to deliver the necessary quality services to the people of Limpopo.

Honourable members the Limpopo provincial government adopted its provincial master plan i.e. the Limpopo Development Plan (LDP) in 2015. The plan demonstrates high level alignment with the NDP and the fourteen government outcomes for ensuring that the national priorities are realised, particularly the reduction of inequality, elimination of poverty and improving the lives of our people.

The government outcomes approach is an integrated approach inclusive of planning, budgeting, monitoring and evaluation of service delivery. Monitoring and Evaluation of government programmes is critical in ensuring that the budget is spent on approved priorities and ensuring that the intended impact is realized. This process further informs decision-makers of the need, if any, to refocus or redirect government resources to more strategic service delivery environments as dictated by circumstances.

The province spending on conditional grant when compared to previous two (2) years at the end of September has improved from 36.0 percent in 2014/15 to 43.5 percent in 2015/16 and 46.3 percent in 2016/17. The department which is showing significant improvement over three (3) years is CoGHSTA, in 2014/15 the department spent only 8.5 percent of its allocated budget of R1.221 billion by end of September that year and currently the department has spent 55.5 percent of R1.210 billion. The highest spending departments to end of September 2016 are Economic Development, Environment & Tourism, Public Works, Public Works, Roads and Infrastructure and CoGHSTA at R3.440 million or 99,9 percent, R614,010 million or 61,4 percent and R671.313 million or 55,5 percent respectively. The lowest spending departments are Agriculture, Education and Health.

Provincial Own Revenue target for 2016/17 financial year was R1.063 billion. As at 30 September 2016, actual collection was R778.8 million or 73.3 percent, which is above the projections of R485.9 million or 45.7 percent. The Province has over collected by R292.8 million or 27.6 percent primarily because of recovery of previous years' expenditure from Vhembe TVET College by the Department of Education, interest earned from favourable bank balances by Provincial Treasury, increased collection on motor vehicle taxes by Transport, and surrender of accumulated surpluses by Public Works and CoGHSTA.

Collection is higher than the previous financial year corresponding period, which was R632.842 million or 64.8 percent.

There is an enormous improvement on the overall provincial spending, which is currently at 49.0 percent of the total original allocated budget. Provincial Treasury will continue to provide support and monitoring to all the departments to ensure attainment of set targets. The implementation of the Provincial Revenue Enhancement strategy has yielded positive results in maximizing the revenue. Own revenue generation remains a critical area to the Provincial purse in augmenting the equitable share and departments are supported in their endeavours to identify new revenue streams.

The Medium Term review focuses on assessing each provincial department and public entities performance from the beginning of the financial year until the end of September each with the objective to ascertain alignment between planned outcomes against actual performance. The Provincial Treasury monitors performance through the In-Year Monitoring reports that are submitted monthly and conducts quarterly reviews with departments and Public Entities to evaluate the performance and provide advice on remedial steps to be taken where necessary.

These engagements take a form of one-on-one meetings between Provincial Treasury and each department and its entities, if any, and through the Budget and Revenue forum. Provincial Treasury conducts the session under the auspices of Public Finance Management Act, 1 of 1999 section 18, i.e. function and powers of Provincial Treasury with special emphasis on supporting and monitoring the departments and public entities.

These reviews are conducted together with Medium Term Expenditure hearings which focus on the analysis of spending trends for the past three (3) years and the proposed allocations for the coming three (3) years. The spending for the 2016/17 financial year and estimated outcome is analysed and compared to previous years and form the guidance to budget adjustment estimates of the year and MTEF projections.

Revenue collection remains the critical factor within the province to address the needs of Limpopo citizens. Various projects are implemented in order to raise income which could be ploughed back to improve the standard of living and enhance a healthy life. In the year under review, special focus is placed on provincial resorts. Selected resorts with potential to generate revenue are being revamped in order to attract tourists and locals to “boost” the collection of revenue, facilities and roads to nature reserves and parks are revitalised through

Revenue Enhancement Strategy specific allocated funds. The revenue collection is increasing yearly and is being adjusted upwards for the past three years during budget adjustment. The additional funds allocated to departments are meant to address provincial priorities that are of once-off in nature and may not be available over the MTEF period.

Madam speaker, In terms of sections 31 of the Public Finance Management Act, 1999 (No 1 of 1999) (PFMA), the MEC for finance in a province may table an adjustment budget in the Provincial Legislature, subject to subsection 3. Furthermore, that an adjustment budget of a province may only provide for the appropriation of funds that has become available to the province; unforeseeable and unavoidable expenditure recommended by the Provincial Treasury within a framework determined by the Minister; any expenditure in terms of section 25; Money to be appropriated for expenditure already announced by the MEC for finance during the tabling of the annual budget; the shifting of funds between and within votes or to follow the transfer of functions in terms of section 42; the utilization of savings under a main division within a vote for defrayment of excess expenditure under the main division within the same vote in terms of section 43; and the rollover of unspent funds from the previous financial year.

The overall provincial own revenue target is revised from R1.063 billion to R1.455 billion which represent an increase of R391.9 million or 36.9 percent. This increase is contributed mainly by Public Works, Roads & Infrastructure; Provincial Treasury, Transport, Education and CoGHSTA as a result of implementation of the Provincial Own Revenue Enhancement strategy and cash flow management strategies that are yielding positive results in augmenting own revenue base.

The total provincial receipts will increase by **R2.080 billion** which comprise of Conditional Grants **R671.8 million**, i.e. Rollovers to the value of R480.315 million which were approved by National and additional funding of R191.469 million in Education for School infrastructure rehabilitation (R177.1 million) and National School Nutrition Programme Grant (R8.413 million) for shortfall caused by high food inflation and funds for feeding of learners and educators during catch up camps; and an allocation of R5.968 million due to oversight by National Department on the erroneous grant allocations published in the 2016 Division of Revenue Act for Mass Participation and Sport Development in Sport, Arts and Culture. Provincial Own revenue baseline increase by **R391.9 million** and **R1.017 million** funding is made available from the provincial reserves to cover unforeseen and avoidable expenditure in provincial departments and the Provincial

Executive Council approved equitable share rollover amounting to R257.945 million**.**

The total adjustments for the 2016/17 financial year budget is **R2.080 billion** which will adjust the total provincial allocation from **R56.969 billion** to **R58.058 billion,** an increase of 3.7 percent.

Adjustment per department are as follows.

Vote 1: Office of the Premier

The budget of the Office of the Premier will be adjusted by a rollover amount of R3.4 million for payment of SPLUMA project and upgrading of IT infrastructure.

Vote 2: Provincial Legislature

The institution's budget will be adjusted from R316.2 million to R351.8 million, an additional R35.5 million comprising of R9.8 million which has been allocated to the institution in line with Section 22 of the PFMA and an additional R25.7 million for political party funding and constituency allowance.

Vote 3: Education

The department receives a rollover of R66.4 million on equitable share and R17.5 million on conditional grants. An additional conditional grant amount of R185.5 million is allocated to the department for Education Infrastructure Grant of which R177.1 million is to be utilised for school infrastructure rehabilitation; and National School Nutrition Programme Grant of R8.4 million for shortfall caused by high food inflation and funds for feeding of learners and educators during catch up camps.

In an endeavor to fund norms and standards towards the required norm, an additional R150.5 million is allocated to the department. Overall the departmental budget is adjusted upwards from R27.172 billion to R27.592 billion.

Vote 4: Agriculture

The department receives additional funding of R0.304 million as conditional grant rollover to rehabilitate Mariveni Dam and a further R10.0 million will be allocated to the department for drought relief programmes.

Vote 5: Provincial Treasury

The budget of the department will be adjusted upwards by R42.6 million being R2.6 million equitable share rollover, R15.0 million for payment of state attorney costs and R25.0 million to fund the support package to Thabazimbi Municipality. This R25 million was made available in terms of s25 of the PFMA that authorises the MEC for Finance to use funds from the Provincial Revenue Fund (PRF) to defer expenditure of an exceptional nature which is currently not provided for and which cannot, without serious prejudice to public interest in the province, be postponed to a future appropriation by the provincial legislature.

Vote 6: Economic Development, Environment and Tourism

The department receives an equitable share rollover of R0.434 million and R25.0 million for Great North Transport to fund its statutory pressures. A further R8.244 million will be adjusted downwards due to delays in filling posts in Limpopo Tourism Agency.

VOTE 7: Health

The department receives a rollover of R6.8 million on equitable share and R32.9 million on conditional grants. Additional funding amounting to R687.9 million will be allocated to the department to address budget pressures on compensation of employees – R200.0 million, goods and services – R400.0 million, litigation costs - R44.4 million and on payments for capital assets – R43.5 million to acquire medical and allied equipment’s for Hospitals, Clinics, Community Health Centers and EMS College.

Provincial Treasury conducted health district visits together with the National Department of Health, Two districts were done (Capricorn and Vhembe) in these visits a comprehensive assessment of some hospitals were performed. Two hospitals proved that it is possible to do more with less while also promoting the spirit of Ubuntu and therefore it is my pleasure Honourable Speaker to announce that Zebediela and Elim hospitals are rewarded with incentive allocations of R3 million each for their dedication and hard work. These funds will be utilised to provide the two hospitals with critical medical equipment's for continued provision of quality health services.

Vote 8: Transport

The department receives additional funding amounting to R20.500 million to cover legal fees of R9.5 million and bus subsidies of R11 million.

Vote 9: Public Works, Roads and Infrastructure

The department will receive an additional total adjustment of R200.5 million comprising of a conditional grant rollover of R25.0 million for infrastructure grant and equitable share rollover of R5.3 million. In line with the budget pressures presented, the department receives a further equitable share amount of R25.5 million for settlement of municipal rates and taxes and for the promotion of relations with the International Labour Organisation.

The Executive Council also approved an additional rollover request to Roads Agency Limpopo amounting to R144.6 million. The department will also transfer an additional R100.0

million to RAL for completion of roads maintenance projects transferred to the entity in the previous financial year.

Vote 10: Safety, Security and Liaison

The department receives a rollover of R0.200 million for engineering fees of the fire plan and printing equipment.

Vote 11: Co-Operative Governance, Human Settlements and Traditional Affairs

The budget of the department will be adjusted upwards by R527.7 million comprising of approved rollovers for the conditional grant of R394.8 million and equitable share of R6.2 million, additional funding for budget pressures on compensation of employees and Traditional Leaders amounting to R89.1 million and R37.6 million for refurbishment of Traditional Council offices, procurement of furniture in councils offices and vehicles.

Vote 12: Social Development

The department receives a total adjustment appropriation of R46.1 million being a rollover amount on infrastructure projects amounting to R11.9 million, an additional allocation of R18.0 million to fund compensation of employees pressures, R12.0 million for contractual obligations and a further R4.2 million for the procurement of tools of trade for social work professionals.

Vote 13: Sport, Arts and Culture

The department receives a total additional appropriation of R28.7 million. The allocation includes a conditional grant rollover amount for community library services amounting to R9.6 million, an additional conditional grant amount of R5.9 million for Mass Participation and Sport Development grant, and R13.1 million to fund budget pressures on goods and services and payments for capital assets.

Honourable members, it is evident that the collection of revenue within the province has increased more than anticipated which is assisting to supplement the equitable share allocation and funding of budget pressures. Departments and Public Entities have improved spending patterns, as a result the quarterly review sessions are bearing positive outcomes in improving service delivery and standard of living within the province. The adjustment of the main appropriation by R2.080 billion requires further close monitoring of the budget implementation especially in the departments of Health, CoGHSTA and Education.

The country is confronted with challenges to meet its financial obligation which requires adequate funding. The available fiscal envelope cannot address all the demands that the country is facing. The recent nationwide protests by university students demanding free education has resulted in National Treasury imposing equitable share reductions during the upcoming MTEF period. This poses a serious threat to other service needs which government is supposed to provide such as education, health and improvements on existing infrastructure.

The 2017 MTEF budget continues to be informed by the weak economic growth forecast. At the beginning of 2016 the economy was expected to grow by 0.9 percent; however during the MTBPS the Minister of Finance has adjusted the growth forecasts to 0.5 percent. Although a moderate recovery is projected over the 2017 MTEF, growth is expected to remain fragile and is projected to grow at an average of 1.8 percent over the MTEF. New priorities requiring additional funding for social spending has necessitated fiscal consolidation alongside additions to the budget. In spite of this, the Provincial Equitable Share grows by an average of 7.1 percent over the MTEF period.

One of the issues which is a challenge within the available resources is funding for compensation of employees which is growing faster than the provincial equitable share allocation. The Minister of Finance during the budget speech for 2016 requested that each province and departments should develop a strategy to curb or reduce the ever growing employees cost. The province will continue to ring-fence the allocation for CoE and any wage settlement, even if it is higher than the projected CPI will have to be absorbed within the current allocation.

Limpopo Province is allocated 11.8 percent of the national allocation (similar to 2016/17 financial year share). The Equitable Share decreases to 11.7% for the MTEF (R67.4 million in 2017/18, R80.9 million in 2018/19 and R160.5 million in 2019/20), which is based on Census 2011 age groups, 2016 Mid-year population estimates, 2016 School Realities Survey (SNAP), 2014 GDP-R, District Health Information Services for patient load data (2014/15-2015/16), 2012 Risk Adjusted Index (Risk Equalization Fund), Insured Population (2016-GHS) and 2010 Income & Expenditure Survey.

Further reductions to the Equitable Share allocation to all provinces are as follows:

- ✓ R500 million - 2017/18, - Limpopo Reduction (R58.8 million)
- ✓ R528.7 million - 2018/19, - Limpopo Reduction (R62.1 million)
- ✓ R558.3 million - 2019/20, - Limpopo Reduction (R65.5 million)

However, an additional R352.3 million and R381.2 million is made available in 2018/19 and 2019/20 respectively for appointment of additional educators due to increasing enrolment numbers in education. A further R117.3 million is allocated to cover exchange depreciation on medicine prices in 2019/20. An amount of R832.2 million is also allocated in 2019/20 to cover improvement in conditions of service costs.

The province is allocated R51.960 billion for equitable share in 2017/18 and increases to R59.371 billion in 2019/20. Own revenue is increased from R1.063 billion in 2016/17 to R1.119 billion in 2017/18, and grows to R1.246 billion in 2019/20 supported by the provincial revenue enhancement strategies. Conditional grants funding is still to be finalized by the sectors in December 2016/January 2017.

The slow economic growth, honourable members, remains a challenge in raising the income to be distributed to various sectors within the country. The social sector, which includes health and education, remains a priority in government and within the Limpopo province. The maximisation of revenue within the province remains an important aspect in order to raise funds for provincial priorities.

The introduction of revenue information management systems, extension of drivers and learners licence services as well as resorts infrastructure development will not only improve the provincial infrastructure and access to public services, but will also increase the provincial own revenue. Yet all of this cannot be done alone, it needs a collective effort, yet if we all contributes to these shared goals then surely we could achieve greatness.

Thank you honourable premier, and colleagues in the executive council for support and constructive engagements.

The HOD, Gavin Pratt and his executive team and the staff of provincial treasury.

Honourable Speaker I would like to borrow the timeless Sepedi words of wisdom, the minister used in his MTPBS statement

“Ditau tsa hloka seboka di shitwa ke nare e hlotsa”

(lions that fail to work as a team will struggle to bring down even a limping buffalo)

Pula!!!