

2021/22



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

**BUDGET
SPEECH**

2021/22

The heartland of southern Africa - development is about people

TABLING OF THE 2021/22 PROVINCIAL BUDGET AND THE APPROPRIATION BILL BY HON. SEPARO SEKOATI TO THE LIMPOPO PROVINCIAL LEGISLATURE ON THE 09th MARCH 2021, LEBOWAKGOMO LEGISLATIVE CHAMBERS

Speaker of our Provincial Legislature Honourable Rosemarry Molapo;
The Deputy Speaker of the Legislature Honourable Jerry Ndou;
Honourable Premier of our Province Ntate Chupu Mathabatha;
Honourable Members of the Executive Council;
The Director-General of the Province and All Heads of Departments present;
CEO's of our various Entities present;
Distinguished Guests;
Ladies and Gentlemen

Madam Speaker; Honourable Premier; Honourable Members of this august Legislature, and all people of our wonderful province connected to this session through various broadcasts and social media platforms, it remains my privilege yet again to present the 2nd Provincial Budget of the 6th Administration.

I table before this august house:

- The Limpopo Appropriation Bill, 2021;
- Overview of Provincial Revenue and Expenditure 2021;
- Socio-Economic Review and Outlook 2021;
- Estimates of Provincial Revenue and Expenditure 2021; and
- The supporting gazettes to this Bill.

The reconstruction and development programme adopted in 1994 asserts that no political democracy can survive and flourish if the masses of our people remain in poverty without land, and without tangible prospects of a better life.

Attacking poverty and deprivation must therefore be the first priority of a democratic government.

The tabling of this budget is thus largely informed by the wisdom espoused in the Reconstruction and Development Programme.

On the other hand, the preamble of the National Development Plan declares that, I quote:

“we know our leaders as we have elected them and pledged them into Office, they are wise in the use of the wealth; wise in knowing and understanding our wishes and needs; and wise in expecting us to express ourselves to them in any appropriate manner we have agreed to be allowable”. Close quote.

Honourable Speaker, it is therefore imperative to acknowledge that this Provincial Budget is presented during unprecedented and difficult economic times, with the national economy having declined by 7.8 percent in 2020. In fact, our economy was already performing relatively poor and only to be further compounded by the COVID-19 disaster.

I therefore table this budget confidently with the conviction that our economy may be weakened and our confidence shaken; though we are living through difficult and uncertain times, ***we will rebuild, we will recover, and Limpopo will emerge stronger than before.***

Madam Speaker, in the 2021/22 budget presented by the Minister of Finance, National Treasury expects that the South African economy will increase by 3.5 percent during 2021 and by 2.2 percent in 2022.

The economic and financial shocks, such as the global financial crisis, has hindered the country from reaching full potential. These shocks have been intensified by COVID-19 pandemic, which has slowed the process of faster economic development even longer.

Equally, our provincial economic growth rate is in a downward sloping trajectory since 2011. The 2010 World cup fiscal expenditure could not sustain investor and consumer confidence for a protracted period, commodity price slumped, and the surge in crude oil prices weighed down on the local economy.

The provincial economy has recorded two consecutive contractions from 2.2 percent in 2017 to 0.5 percent in 2018 and further declined to a marginal -0.1 percent in 2019. However, the projected increase in demand for commodities from emerging markets is likely to spur local economic growth and job creation.

Honourable Premier, although global economic activity is gaining momentum again, it is not likely to return to business as usual for the medium term when compared to the levels of economic output before the pandemic. The deterioration in confidence has undeniably dampened investment.

It is of course disheartening to note that the official unemployment rate in the province has been rising even prior COVID-19. It rose from 18.5 percent in the first quarter of 2019 to 26.3 percent in the third quarter of 2020, while national rate rose from 27.6 in the first quarter of 2019 to 30.8 percent in the third quarter of 2020. And the expanded unemployment in the province rose from 41.1 percent in the second quarter of 2019 to 46.9 percent in 2020. The majority of the unemployed are youth.

Unemployment in the Limpopo is perpetuated by the general low skills base where the unemployed people possess lower than the prerequisite skills or different skills base than what the market requires. This, ladies and gentlemen, remains an indictment to our government and needs urgent attention if we are to turn around the tide.

However, as the government of Limpopo we remain committed to resuscitating the provincial economy to ensure economic and social prosperity for all. Our recovery will be underpinned by necessary structural reforms to augment sector productivity and overall accelerated economic growth.

The Limpopo Socio-Economic Recovery Plan is now aligned to the National reconstruction and recovery plan and it builds on existing government programmes that are outlined in the Limpopo Development Plan and the Revised Limpopo Industrial Master Plan (2020-2030). And in the foreseeable future, the provincial government will implement mega programmes and projects guided by the Limpopo Industrial Master Plan.

The provincial government's strategic intervention to save lives and livelihoods encompasses:

1. Scaling public employment programmes;
2. Industrialization through sector-led development and infrastructure development; and
3. Building the capacity of the state to implement the industrialization programme.

We are pleased to announce that in the midst of the pandemic's gloom and doom, the number of employed people in the province increased from 1,151 million in the second quarter of 2020 to 1,266 million in the third quarter of 2020. The rebound is attributed to the relaxation of the lockdown regulations where most sectors of the economy were allowed to reopen.

Honourable Premier, the provincial administration continues to provide proper fiscal discipline in terms of expenditure of the provincial budget. During the 2019/2020 financial year, audit outcomes of the provincial departments improved on an overall basis with four departments, including this august House, and one public entity receiving clean audits. The local municipalities in the province are also actively being supported to improve their audit outcomes.

In terms of expenditure priorities, except for the expenses to curb COVID-19, the focus of this year's budget is on the promotion of economic growth and to address the triple challenge of unemployment, inequality and poverty. In this regard a key focus will be on preferential procurement from the local SMMEs and increasing the capacity of industrialization in the Province.

The 2020/21 overall provincial expenditure, at the end of January 2021, is R55.4 billion or 77.6 percent spending of the R71.3 billion 2020/21 adjusted budget. The low spending was mainly influenced by the State of the Nation Disaster declaration and COVID-19 lockdown since most of the activities were on hold during the lockdown periods.

Madam Speaker, this provincial budget is financed mainly from equitable share, conditional grants and provincial own revenue. Over the 2021 MTEF period, no amount has been drawn from the provincial reserves to fund the allocated budget.

The 2021 Medium Term Expenditure Framework (MTEF) reflects reductions made to the Provincial Equitable Share baseline including a combination of the freezing of salary increases announced in the 2020 Budget and additional reductions to support fiscal consolidation.

The Limpopo Equitable Share receipts decreases from R63.329 billion in 2020/21 to R60.027 billion or negative 3.7 percent in 2021/22. The allocation further decreases to R59.621 billion or negative 0.7 percent in 2022/23 and R59.306 billion or negative 0.5 percent in 2023/24 financial year. The provincial equitable share continues to contract due to data updates (mainly outward movement in population numbers) and fiscal framework reductions.

The reductions in the equitable share baseline are as follows:

1. R465.564 million in 2021/22 and a further R2.133 billion over outer two years of the MTEF due to the impact of new data updates used in the equitable share formula.
2. R5.942 billion in 2021/22, R8.519 billion in 2022/23 and R5.485 billion in 2023/24 on Compensation of Employees due to freezing of salary increases announced by the Minister of Finance, and
3. Non-Compensation of Employees fiscal consolidation effected of R737.7 million, R970.8 million and R1.747 billion in 2021/22, 2022/23 and 2023/24 financial years respectively.

Due to increased tax revenue collection at National, an amount of R916.5 million has been added to the Department of Health equitable share for COVID-19 response programmes in 2021/22 financial year.

The province has also effected reductions amounting to R3.0 billion from the equitable share allocations to Departments to cater for the probable COVID-19 third surge. R1 billion of these funds have been ring fenced in the Department of Health while the remainder has been retained in the Provincial Revenue Fund as a contingency reserve.

The conditional grant allocation for 2021/22 financial year is R10.523 billion, R10.184 billion in 2022/23 and R10.371 billion in 2023/24 financial year. New grants include components in the Comprehensive HIV & AIDS grant for Mental Health and Oncology Services in the Department of Health and the Informal Settlement Upgrading Partnership Grant in the Department of Co-operative Governance Human Settlements and Traditional Affairs. The Department of Health is also allocated an amount of R167.9 million in the HIV and AIDs Grant for the rollout of the COVID-19 vaccination programme in the province.

I will further outline conditional grant allocations later when I discuss the allocations per department.

Honourable Premier, ladies and gentlemen, Provincial governments are mandated by the Constitution to generate own revenue to augment the Provincial Share of National Revenue allocated to Departments.

In the 2021/22 financial year, the province's own revenue collection is projected at R1.458 billion or 2.1 percent of the total provincial receipts, with Department of Transport and Provincial Treasury leading the collector's pack at 46,9 percent and 17,8 percent respectively.

Provincial revenue is expected to increase from R1.458 billion to R1.534 billion in 2022/23 and to R1.603 billion in 2023/24 supported by the provincial revenue enhancement strategies.

In addition to own revenue, it is estimated that a total amount of R126.7 million will be received from donors during 2021/22 financial year.

An amount of R122.7 million will be received by the Department of Education as donor funding to assist schools with infrastructure delivery, including building of sport centres, boreholes, school furniture, etc. The Department of Social Development expects an amount of R4.0 million from HWSETA for training and development of internships.

Madam Speaker, the provincial expenditure budget declines from R71.332 billion in 2020/21 to R68.770 billion in 2021/22, but grows to R69.608 billion in 2022/23 and to R72.316 billion in 2023/24 financial years. This represent a decline by 3.6 percent in 2021/22 and growth by 2.6 percent over the MTEF.

The provincial expenditure budget is allocated for specific functional areas, namely: Current Payments, which include Compensation of Employees and Goods & Services; Transfers and Subsidies; and Payment for Capital Assets; and are allocated as follows:

Current Payments:

An amount of R58.305 billion is allocated for the 2021/22 financial year, representing 84.8 percent of total provincial allocation. Included in the current payments allocation for 2021/22 financial year is R46.864 billion for Compensation of Employees (COE) which accounts for 68.1% of the total provincial expenditure budget and is expected to fund a staff compliment of 118 971 employees.

A total amount of R11.440 billion, R12.462 billion and R14.602 billion is allocated to goods and services for 2021/22, 2022/23 and 2023/24 respectively. Goods and Services budget grows by 8.4 percent over the MTEF.

The increase is mainly influenced by savings realised from compensation of employees and additional funding made available for provincial priority projects that enhance economic growth within the province.

Transfers and Subsidies:

Transfers and subsidies decrease from R8.8 billion in 2020/21 to R7.6 billion in 2021/22 and is set to increase from R8.286 billion to R8.576 billion over the MTEF period.

The increase of transfers and subsidies budget is as a result of budget increases in transfer payments to other entities, NPOs and departmental agencies by provincial departments;

The provincial Public Entities are allocated an amount of R1.813 billion in 2021/22, R1.805 billion in 2022/23 and R1.764 billion during 2023/24 financial year. Significant reductions are implemented in Limpopo Economic Development Agency (LEDA) and Gateway Airport Authority Limpopo (GAAL) due to phasing-out of 3D Entities from being allocated Provincial Equitable Share. Roads Agency Limpopo (RAL) allocation decreases by 18.8 percent in 2021/22 due to the reduction of the once-off allocation in previous financial year.

Payments for Capital Assets:

Payments for Capital Assets has increased from R1.905 billion in 2020/21 to R2.880 billion in 2021/22 financial year. This is an increase by 51.2 percent in 2021/22, as well as an increase on average by 11.5 percent over the MTEF due to once-off allocations for building and other fixed structures.

Included in the above expenditure budgets is an amount of R754 million that the province has allocated to priority projects. These allocations include an allocation of R200 million for the Musina-Makhado SEZ, R35 Million for the Fetagomo/Tubatse SEZ, R30.2 million for the upgrading of resorts in LEDET, R100 million for the rollout of the E-Education Strategy, R58.1 million for ICT projects in Office of the Premier, R40 million for an Emergency Medical Service Computer Aided Despatch System, Infrastructure projects in Roads Agency Limpopo and Sport, Arts and Culture, R20.5 million for three Agriculture Revitalization Projects, the purchase of buildings and construction and maintenance of Traditional Council offices.

Also included in the above expenditure budgets is the funding for infrastructure projects. The province has allocated R20.696 billion, over the 2021 MTEF as follows, R7.193 billion in 2021/22, R6.581 in 2022/23 and R6.922 in 2023/24.

In 2021/22 the Department of Public Works Roads & Infrastructure is allocated a budget of R3.002 billion or 42 percent, CoGHSTA is allocated R1.133 billion or 16 percent, Department of Education R1.336 billion or 18 percent and the Department of Health with R1.360 billion or 19 percent, respectively. Limpopo Provincial Government infrastructure is mainly funded through conditional grants and some Provincial Equitable Share.

The province has allocated the R20.696 billion across various infrastructure investment categories. R5.270 billion or 25 percent is allocated over the MTEF towards new infrastructure mainly for construction of new clinics, libraries, schools, upgrades of gravel roads to tar, centres for place of safety, nature reserves and houses. R511.3 million or 2.5 percent is allocated for rehabilitation and refurbishment, R4.147 billion or 20 percent for upgrading and additions of existing facilities and R4.516 billion or 22 percent is allocated for maintenance over the MTEF respectively.

It is therefore trusted that these allocations will stimulate the economy and contribute to economic growth.

Honourable Premier, ladies and gentlemen, the following is the 2021/22 financial allocations per department, including their allocations of Conditional Grants:

Vote 1: Office of the Premier

The Office of the Premier is allocated R405.0 million in 2021/22, R424.7 million in 2022/23 and R464.8 in 2023/24 financial years. Included in the allocation is R58.1 million earmarked funding to implement ICT related projects in the province. The allocation increases on average by 5.6 percent over the MTEF.

Vote 2: Provincial Legislature

The Provincial Legislature receives an allocated budget of R395.5 million in 2021/22, R427.7 million in 2022/23 and R437.8 million in 2023/24 financial year. The budget has increased by 11.5 percent in 2021/22 or 3.4 percent over the MTEF period due to increase in the baseline allocation for political party funding.

Vote 3: Education

The Department of Education will receive 47.4 percent of the provincial budget, with an allocation of R32.586 billion in 2021/22, R32.722 billion in 2022/23 and R33.513 billion in 2023/24 financial years respectively.

Included in the equitable share allocation, as part of the provincial priority, the department is allocated an amount of R100.0 million to kick-start the implementation of E-Education project in the province.

The Department has further been allocated R34.042 million in 2021/22, R35.345 million in 2022/23 and R36.903 million in 2023/24 for the Sanitary Dignity Project.

The department's 2021/22 allocation includes R2.922 billion, with R2.930 billion in 2022/23 and a further increase to R3.052 billion in 2023/24 financial year for Conditional Grants and R660.7 million from own revenue. The allocation decrease by 3.5 percent in 2021/22 and increases on average by 0.9 percent over the MTEF mainly due to budget cuts from salary increase freeze.

Vote 4: Agriculture and Rural Development

Agriculture and Rural Development is allocated a budget of R1.548 billion in 2021/22, R1.991 billion in 2022/23 and R2.025 billion in 2023/24 financial years respectively. The budget increases on average by 6 percent over the MTEF.

Included in the departmental allocation, is an amount of R20.5 million ring-fenced towards projects that are geared towards the Revitalisation of Agriculture and Agro-processing Value Chain in the province.

The department will receive conditional grants amounting to R327.2 million in 2021/22, R326.5 million in 2022/23 and R331.8 million in 2023/24 financial year.

Vote 5: Provincial Treasury

The Provincial Treasury receives a budget allocation of R364.9 million in 2021/22, R451.3 million in 2022/23 and R500.1 million during 2023/24 financial year. The budget allocation is increasing on average by 4.4 percent over the MTEF.

Included in the departmental allocation over the MTEF is an amount of R10.3 million for Municipal support and R5 million for infrastructure development improvement programmes.

Provincial Treasury has been allocated additional funding of R10.333 million in 2021/22, R10.819 million in 2022/23 and R11.295 million in 2023/24 for Municipal Intervention.

Additional R5.000 million in 2021/22, R5.235 million in 2022/23 and R5.466 million in 2023/24 has been allocated to Provincial Treasury for Infrastructure Development support.

Vote 6: Economic Development, Environment and Tourism

The Department of Economic Development Environment and Tourism is allocated a budget of R1.395 billion in 2021/22, of which R2.2 million is for a EPWP Conditional Grant and R663.9 million is for transfers to Public Entities. The allocation increases by 6.1 percent over the MTEF.

As the department responsible for economic development in the province and their allocation also includes an amount of R265.0 million for Musina-Makhado and Fetakgomo-Tubatse Special Economic Zones, R40 million for the turnaround of Great North Transport and R15 million for Tourism Marketing.

Vote 7: Health

The Department of Health is the second highest recipient of allocations at 32 percent of the total provincial budget.

The total allocation of the department is R21.972 billion in 2021/22, R21.037 billion in 2022/23 and R22.128 billion in 2023/24 financial year. Included in the 2021/22 allocation is R4.005 billion, R3.767 billion in 2022/23 and R3.690 billion in 2023/24 financial year for Conditional Grants and a R578.5 million from own revenue in 2021/22. The allocation decreases by 2.8 percent in 2021/22 and decreases by an average of 0.7 percent over the MTEF period.

Included in the equitable share allocation, the department will receive an amount of R1.916 billion ring-fenced for COVID-19 support and vaccine rollout programs.

The department's grants frameworks were also amended in order to cater the fight against the pandemic and is allocated R167.9 million, as part of the HIV/AIDs grant, in 2021/22 to roll out the COVID-19 vaccine programme.

Vote 8: Transport and Community Safety

The Department of Transport and Community Safety is allocated R2.090 billion in 2021/22, R2.376 billion in 2022/23 and R2.436 billion in 2023/24 financial years respectively.

The 2021/22 allocation includes R426.2 million in 2021/22, R422.3 million in 2022/23 and R440.9 million in 2023/24 for a conditional grant, and R39.3 million for transfer to Gateway Airport Authority Limited (GAAL). The departmental allocation is increasing by 3.5 percent over the MTEF.

Vote 9: Public Works, Roads and Infrastructure

The department receives a budget allocation of R3.212 billion in 2021/22, R3.370 billion in 2022/23 and R3.665 billion in 2023/24 financial years. The allocation has a negative growth of 9.0 percent in 2021/22 due to a once-off allocation in 2020/21 financial year.

The allocation further includes R1.345 billion in 2021/22, R1.204 billion in 2022/23 and R1.264 billion in 2023/24 financial year for conditional grants to be used on road maintenance and EPWP, and the overall improvement of infrastructure delivery in the province. The Department will transfer R1.109 billion to Roads Agency Limpopo (RAL) for operational costs and roads maintenance and upgrading.

Their allocation also includes an amount of R80 million earmarked for procurement of a building for office accommodation, R43.4 million for programmes geared towards improvement of infrastructure delivery, and an amount of R42.5 million for new roads in province.

Vote 10: Sport, Arts and Culture

The Department of Sport, Arts and Culture receives an allocation of R473.4 million in 2021/22, R519.6 million in 2022/23 and R513.6 million in 2023/24 financial year.

The allocation for 2021/22 includes conditional grants allocation amounting to R205.8 million in 2021/22, R212.5 million in 2022/23 and R211.7 million in 2023/24 financial year. The allocation increases by 10.5 percent in 2021/22 and increases on average by 6.2 percent over the MTEF period.

Also included in the departmental allocation is an amount of R38.5 million for the Provincial Theater and refurbishment and improvement of the Schoemansdal Museum.

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

The Department Co-Operative Governance, Human Settlements and Traditional Affairs is allocated budget of R2.310 billion in 2021/22, R2.447 billion in 2022/23 and R2.552 billion during 2023/24 financial year. The allocation makes provision for the delivery of quality housing through the Human Settlement Development Grant and a newly introduced Informal Settlement Upgrading Partnership Grant amounting to R1.133 billion in 2021/22 financial year, and R1.176 billion in 2022/23 financial year. The grant will increase to R1.227 billion in 2023/24 financial year.

Also included in the allocation for 2021/22 is an amount of R62.0 million for construction, maintenance and furnishing of Traditional Council Offices and a further R15.0 million for the Kingship Project.

Vote 12: Social Development

The Department of Social Development will receive R2.016 billion in 2021/22, R2.242 billion in 2022/23 and R2.416 billion during 2023/24 financial year. The allocation decrease by 11.6 percent in 2021/22 and increase on average by 1.9 percent over the MTEF.

Included in the budget allocation for 2021/22 and over the MTEF is funds made available by the National Government for employment of Social Workers, food relief function shift and Gender Based Violence as follows:

- i. R7.072 million in 2021/22, R7.404 million in , 2022/23, and R7.731 million in 2023/24 have been made available for Food Relief Function Shift.
- ii. R61.592 million in 2021/22, R64.487 million in 2022/23 and R67.329 million in 2023/24 for Social Worker Grant conversion for Employment of Social Workers.
- iii. R13.940 million in 2021/22, R14.610 million in 2022/23 and R15.254 million in 2023/24 for employment of Social Workers;
- iv. R14.965 million in 2021/22, R15.680 million in 2022/23, and R16.731 million in 2023/24 respectively for HIV, TB, STI's and gender based violence; and
- v. R155.4 million in 2021/22, R146.2 million in 2022/23 and R152.4 million in 2023/24 for Early Childhood Development, EPWP, and Social Sector EPWP. The early Childhood Development grant has two components one component for Maintenance of the ECD centres and the other component for Subsidies.

Madam Speaker, allow me to assertively say with utmost humility that indeed this budget has struck light at the end of our dark tunnel.

The budget therefore sets to reaffirm the people's trust and confidence that as leaders we will do all in our powers to use the resources of their State wisely and with a full understanding of their wishes and needs.

It presents to us as people of Limpopo an enabling opportunity to rebuild our economy and livelihood, as we reset our beautiful province in the path of a better life and prosperity for all.

In the words of one African poet, novelist, and playwright: Ben Okri, I quote:

“The most authentic thing about us is our capacity to create, to overcome, to endure, to transform, to love and to be greater than our suffering...” close quote.

Honourable Premier, allow me to express words of gratitude for your patience, guidance and visionary leadership during this challenging times. And Members of the Executive for your support and cooperation.

To Honourable Rudolf Phala, the Chairperson and member of the Portfolio Committee on Provincial Treasury, your continued oversight and support are appreciated at all times, I sincerely thank you.

I wish to take this opportunity to thank my wife and our children for your never-ending support. Your prayers truly give me new strength every time.

HOD Gavin Pratt and Team Treasury, thank you for the efforts and commitment in these difficult financial times and I believe we have surely managed to develop and distribute an equitable budget that will encourage economic recovery and support the developmental state.

In conclusion, I wish to thank the community of Limpopo for your trust, solidarity and cooperation during this challenging times.

Moshomo ao tshabe diatla.....All hands on deck...

Kea leboga.



LIMPOPO

PROVINCIAL GOVERNMENT
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