



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

BUDGET SPEECH FOR SPECIAL COVID-19 ADJUSTMENT BUDGET 2020

The heartland of southern Africa - development is about people

TABLING OF THE PROVINCIAL SPECIAL BUDGET ADJUSTMENT FOR COVID-19 AND THE APPROPRIATION BILL BY HON. SEAPARO SEKOATI TO THE VIRTUAL SITTING OF THE LIMPOPO PROVINCIAL LEGISLATURE ON THE 21ST JULY 2020

Speaker of the Provincial Legislature Mme Rosemarry Molapo

The Deputy Speaker of the Legislature Ntate Jerry Ndou;

Honourable Premier of our Province Ntate Chupu Mathabatha;

Honourable Members of the Executive Council;

Honourable Members of the Provincial Legislature;

Leaders of Opposition Parties;

Esteemed leaders of the House of Traditional Leadership present;

The Director-General of the Province and All Heads of Departments present;

Ladies and Gentlemen;

Madan Speaker, since the declaration of the National State of Disaster as a result of the outbreak in our country of the COVID-19, commonly known as Corona virus, the Honourable State President announced that Government will make available social and economic support, commonly referred to as “stimulus packages” of around R500 billion. It was further decided that R130 billion towards the R500 billion will come from the National and Provincial 2020/21 Budgets and that R30 billion of the R130 billion would be sourced from the already tabled provincial budgets. Limpopo’s contribution to the R30 billion is R3.5 billion.

Honourable Premier, reality is that COVID-19 has inevitably increased poverty in the province due to current economic growth restraint, the increase in unemployment and loss of income from both formal and informal business activities.

The Province is likely to see an increase in the demand for government social services, resulting in an increased fiscal burden on the province’s coffers. Therefore, as said by the Minister of Health in his statement making an appeal to the public our ability to

break the cycle of infection depends on our willingness to remain focused and discipline. The Minister emphasised that we do not have a vaccine, thus people are encouraged to take non-pharmaceutical interventions seriously.

Madam Speaker, the country is faced with a technical recession, with negative GDP growth rates during the last three quarters. In the same period the unemployment rate in Limpopo increased exponentially to 23.6% and it is expected to worsen due to the impact of COVID-19. Sectors that will be most affected are Mining; Manufacturing; Construction; Transport; Wholesale; Retail; Motor trade; Catering; and Accommodation.

This Special Adjustment Budget therefore seeks to modify the 2020/21 budget, to utilise current baseline allocations to provide for the rapidly changing economic conditions and enable spending in response to COVID-19 and amend any changes in the conditional grant allocations.

All other adjustments which are not included in this Special Adjustment Budget will be tabled in the normal Adjustment Budget period and processes.

In adjusting the 2020/21 Provincial Budget ladies and gentlemen, Provincial Treasury remained alive to the realities and immediate challenges facing the people of our province.

Madam Speaker, in order to accumulate the province's R3.5 billion contributions, all departments and public entities were requested to revisit their equitable share allocations to identify programmes or activities that could temporarily be suspended without negatively impacting the longevity of such programmes.

These were typically programmes or activities that had already been put on hold during the lockdown period, projects where implementation dates could be moved out to the next financial year or projects and spending activities that were not critical to the core service delivery requirements of the departments. These reductions were approved by the Executive Council.

Honourable Premier, I am pleased to announce that National Treasury has decided that provinces will retain their equitable share contributions in their respective provinces, which means that there will be no change to our Equitable Share allocation

and that it will remain at R62.3 billion, but the province must therefore reprioritised the said contribution to fund Covid-19 projects.

In order to collate the required R3.5 billion the following cuts were made to the equitable share budgets of the Departments and their public entities

Department	Amount
Office of the Premier	R 56.5 million
Legislature	R 21 million
Education	R417.9 million
Agriculture & Rural Development	R299.4 million
Provincial Treasury	R 80.2 million
Economic Development, Environment & Tourism	R420.9 million
Health	R1.029 billion
Transport & Community Safety	R154.1 million
Public Works, Roads & Infrastructure	R649.8 million
Sport, Arts & Culture	R 58.4 million
Co-Operative Governance, Human Settlements & Traditional Affairs	R114.3 million
Social Development	R198.5 million
TOTAL	R3.5 billion

These funds are reallocated to departments and public entities to address Covid-19 projects as follows:

- i. Office of the Premier is allocated R6 million to supplement the province's COVID-19 Communication Strategy;
- ii. Education is allocated R397.6 million to address COVID-19 return to school related projects;
- iii. Health is allocated R1.847 billion to prepare for the Provincial Health COVID-19 Surge Plan response;

- iv. Transport and Community Safety is allocated R12.2 million to be transferred to Gateway Airport Authority Limited (GAAL) to prepare the airport to accept air travellers;
- v. Public Works, Roads and Infrastructure is allocated R36.6 million to be spent on preparing provincial quarantine and related sites;
- vi. Sport, Arts and Culture is allocated R3.6 million to provide relief for Limpopo based Artists; and
- vii. Social Development is allocated R10.4 million to address social work services and Provincial Care Centres.

Madam Speaker, an amount of R500 million is also made available for Provincial Socio-Economic Recovery Projects as follows:

- i. The Department of Public Works, Roads and Infrastructure is reallocated the amount of R400 million as a transfer payment to Roads Agency Limpopo to address road infrastructure commitments;
- ii. Department of Agriculture and Rural Development is allocated R57.5 million to support Limpopo farmers with production inputs which will be allocated to accommodate farmers who scored 4 on the National Score Card and did not benefit from the National support package.
- iii. Department of Economic Development, Environment and Tourism is allocated R42.5 million for the following projects:
 - a. R10 million to support Limpopo SMMEs and Cooperatives through its public entity, Limpopo Economic Development Agency (LEDA);
 - b. R10 million to support Limpopo SMME and Cooperatives financed through the National Empowerment Fund;
 - c. R10 million to support Limpopo Tourism entities that did not benefit from the National Tourism relief package;
 - d. R7.8 million to support Waste Management collectors and operators; and

- e. R4.7 million to independently review the Special Economic Zone Environmental Impact Studies

An amount R686 million has been reserved to fund a shortfall due to a COVID-19 surge in the province.

Madam Speaker the province has received amendments to the conditional grant allocations. In this regard, the provincial allocation on conditional grants is adjusted downwards by R543.2 million from R9.890 billion to R9.347 billion. The departments affected include:

- i. Department of Education conditional grant allocations are reduced by R295.8 million. (The Education Infrastructure Grant is reduced by R280.3 million, the Math, Science and Technology grant is reduced by R8.7 million and HIV&AIDS Life Skills Grant is reduced by R6.8 million)
- ii. Department of Agriculture conditional grants are reduced by R76.7 million (The Comprehensive Agricultural Support Program Grant is reduced by R59 million and the Letsema Grant is reduced by R17.7 million)
- iii. Department of Public Works, Roads & Infrastructure's Provincial Roads Maintenance Grant is reduced by R196.1 million; and
- iv. Department of Co-Operative Governance, Human Settlements and Traditional Affairs (CoGHSTA) conditional grants are reduced by R137.2 million. (The Human Settlement Development Grant is reduced by R112.5 million, and the Title Deed Restoration Grant is reduced by R24.7 million)
- v. The Department of Health is allocated an additional R223.4 million as a new component known as COVID-19 within the Comprehensive HIV and Aids Grant

In the initial stages of the declared National Disaster, the provincial Department of Health also received R42.449 million from the Provincial Disaster Grant. National Treasury approved the utilisation of these funds from March 2020 to October 2020 in terms of DORA (Act 16 of 2019) and is now tabled herewith.

Provincial Treasury therefore recommends that departments allocate 20% of their relevant conditional grant allocations to fund COVID-19 responses, using the revised frameworks, which will avail an amount of R1.873 billion to the Province.

Based on the above cuts and reprioritizations all provincial departments will be required to revise their conditional grant business plans to accommodate the COVID-19 response package in line with the revised grant frameworks.

All provincial departments will also be required to revise and amend their Annual Performance Plans to take into account all the amendments to their approved budgets.

Finally, due to all the adjustments outlined above the Provincial Budget will therefore decrease from R72.796 billion to R71,610 billion.

Honourable Premier, we are aware that the plans and wishes the Provincial Command Council as presented by various provincial departments and entities would require more resources to fund the various socio-economic programmes in response to COVID-19, but the reality is that the pandemic found the country and the Province already reeling from serious economic meltdown, hence adjustments were done in line with President Cyril Ramaphosa's emphasis on the importance of balancing the current health challenges and ensuring the recovery of the economy.

Honourable Premier, we must report to you that COVID-19 has had serious ramification on the Compensation of Employees. In this regard, Departments have been requested to submit only critical posts to Provincial Treasury for consideration.

The original budget for COE in the Province was R50.818 billion and this was reduced by R1.038 billion to contribute to funding COVID-19's R3.500 billion.

The costing of normal COE expenditure amounts to R47.292 billion and liabilities such as pay progression, performance bonuses and Cost of Living Adjustments (COLA) amounts to R3.173 billion. This leaves the Province with a deficit of (R685.9 million) before implementing 2020 Revised Recruitment Plans.

Due to this movement and adjustment of funds, most departments will not be able to fill posts in terms of their 2020 Revised Recruitment Plans amounting to R0.792 million, which will result to a provincial COE deficit of (R1.178 billion).

In as far as Public Entities are concerned, their original budget for COE was R598.2 million and this was reduced by R40.2 million to contribute to funding COVID-19 funding.

Their costing of normal COE expenditure amounts to R732.4 million and liabilities such as pay progression, performance bonuses and Cost of Living Adjustments (COLA) amounts to R56.9 million. This leaves the Public Entities with R65.7 million before implementing 2020 Revised Recruitment Plans.

The changes made on this Provincial Special Adjustment Budget is undeniably our attempt to construct an edifice of recovery for the people of Limpopo under these difficult conditions, and that work must most certainly continue without let or hindrance.

Without a vision to guide our path and without commitment that knows no limits, we can never build a bright future for generations to come.

Honourable Premier, let me thank you for your continued guidance and leadership in this Special Budget Adjustment.

My colleagues in the Executive Council, and Hon. Rudolf Phala, the Chairperson of the Portfolio Committee on Treasury and your collective, your support is immensely appreciated.

HOD Gavin Pratt and Team Provincial Treasury, the task to adjust and present this special adjustment budget was not an easy one, continue to be the best in what you do. Thank you very much for your tireless efforts.

Honourable Members, Ladies and Gentlemen, I therefore table herewith:

- ✓ Limpopo Adjustments Appropriation (COVID-19) Bill, 2020; and
- ✓ The Special Adjustment Estimates of Provincial Revenue and Expenditure 2020
- ✓ Budget Speech for Special COVID-19 Adjustment Budget 2020

Ndo Levhuwa...

Na Khensa...

Thank



LIMPOPO

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