

TABLING OF THE 2019/20 PROVINCIAL ADJUSTMENTS BUDGET AND THE ADJUSTMENT APPROPRIATION BILL BY HON. SEPARO SEKOATI TO THE LIMPOPO PROVINCIAL LEGISLATURE ON THE 21 NOVEMBER 2019, LEBOWAKGOMO LEGISLATIVE CHAMBERS

Speaker of our Provincial Legislature Honourable Mavhungu Lerule-Ramakhanya;
The Deputy Speaker of the Legislature Honourable Jerry Ndou;
Honourable Premier of our Province Ntate Chupu Mathabatha;
Honourable Members of the Executive Council;
Honourable Members of the Legislature;
Chairperson of the House of Traditional Leaders na ti Hosi ta hina hinkwato;
The Director-General of the Province and All Heads of Departments;
Distinguished Guests;
Comrades and Friends;
Ladies and Gentlemen;
All Protocol Observed;

Honourable Speaker, it is my honour and privilege to stand before this august House to present the Provincial Adjustments Budget and the Adjustment Appropriation Bill, the 1st one of our 6th Provincial Administration.

We are meeting here today when we are still overwhelmed by the joy that was brought by the National Rugby Team, Mabokoboko, for winning the Webb Ellis Rugby World Cup. We therefore join the rest of the country in continuing to congratulate them for their hard earned victory.

Honourable Speaker the triple challenges of poverty, inequality, and unemployment remains an albatross on the neck of this Administration, and our people, in particular the youth; women; and people living with disabilities are justifiably not patient with us to resolve them.

It is their legitimate impatience that led to some of our people turning against one another.

But in these difficult times, what shall we do?

The Minister of Finance indicated in his Medium Term Budget Policy Statement that, and I quote; “it is time to make choices. Some of these choices may be difficult and some may not please everyone. In an economy that is not growing like ours, and when public finances are limited, we will definitely not be able to do everything at one time” close quote.

Responding to a need to have a strategy to come out of our economic woes, he said: National Treasury also issued an economic makeover paper titled “*Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa*”, which draws lessons from fast-growing emerging and sub-Saharan African economies.

It is important ladies and gentlemen that as people of Limpopo we must start to engage on these policy proposals, provide alternatives where necessary, and enrich its content where possible.

But above all, we must engage with it so that we do not become spectators and recipients of our own destiny. Truly we must participate in its discourse to ensure that its final product should carry economic solutions that are responsive to our regional dynamics and context.

It is worth noting that our provincial economic growth maintained positive growth over the years but remained under pressure due to external shocks such as weak global economic growth, low commodity demand, drought conditions and weak investor confidence.

As we speak, the province requires economic growth to be at least at 3% to create the much-needed jobs and reducing the economic and income divide in our communities. Thus, the Limpopo Growth and Development Plan provides the policy fundamentals in taking the province’s economy on a rising growth and development trajectory.

Honourable Speaker, this Medium Term Provincial Budget is tabled against a very tight and difficult economic situation. In February this year, our national GDP was projected to be at 1,5%, and it is also projected to strengthen moderately to 2,1% in 2021.

The first quarter of 2019 however showed a negative quarter-on-quarter economic growth rate of 3.2%. The National Treasury has reduced its GDP growth forecast to 0.5%.

As a Province we have great potentials of stimulating the economy towards a positive trajectory. This can be done by, amongst others:

- ✓ Provision of key economic infrastructure such as roads; water; and electricity;
- ✓ Providing incentives to attract foreign direct investment, particularly in our Special Economic Zones by providing public infrastructure and bulk services in those areas;
- ✓ Creating an enabling environment for the growth of the private sector as the engine for job creation, mainly the promotion of small and medium scale enterprises (SMEs) by enhancing their management capacities and access to financial services;
- ✓ Improving key economic infrastructure to ensure reliable energy, transportation, and communications services through investment in renewable energy, increasing the broadband network, and revitalisation of rail-lines as the main carriers of goods;
- ✓ Growing the employment and improving the labour market prospects for younger working-age people because their greater employment will raise average incomes, allowing the working population to invest in education and save;
- ✓ Increase international and domestic tourists in the province;

- ✓ Increase our investment in the primary sector: firstly, by creating a regional agricultural revolution or boom. This will include increased productivity of existing farmers and an increase in the number of farmers in the province, in particular black and female farmers. Secondly, ensuring an aggressive agrarian support for small scale emerging farmers;
- ✓ Reform the agricultural sector to enhance its productivity and profitability. Key reforms could include diversifying and modernizing agricultural activities by promoting value addition and agri-industries, hence building a resilient agricultural system to minimize climate change effects;
- ✓ Creating a Provincial Agricultural Information Network Centre which will link with other national and international platforms to provide seamless integration of Geographic Information System (GIS), Satellite Remote Sensing (SRS), Global Positioning System (GPS) etc, which holds the key for effective utilization of spatial technologies to solve agricultural challenges; and
- ✓ Expand investments in other potential areas of comparative advantage such as tourism and mining.

Honourable Speaker and fellow citizens of Limpopo, The Special Economic Zones programme in Makhado- Musina and planned for Fetakgomo - Tubatse are major investment pipelines that are at the heart of economic growth trajectory for the province and the country in general.

The future economic growth trajectory of the province looks promising with SEZ's given the multinational investment interest in beneficiating commodities the province is endowed with.

Therefore, as the Premier said in the EXCO Budget Lekgotla, the Special Economic Zones cannot remain on planning and analysis stages forever, these two flagship

projects are the impetus of the province's industrialization programme for mineral beneficiation, general manufacturing and stimulation of light to medium manufacturing industries and therefore the EIA process cannot hold us at ransom "tot Piet Kom", people of Limpopo are eagerly waiting for the opportunities that will be brought by their implementation.

Their multiplier effects on the economy is expected to change for better the prospects of the province and contribute to the socio-economic transformation in the Southern African Development Community (SADC) region.

We need to move with a speed of a mirage.....

The Provincial Own Revenue estimates over the MTEF is anticipated to increase to R1.535 billion is anticipated in 2021/22 and 2022/23 respectively.

However, there's continuous decline in the Provincial Equitable Share due to national revenue shortfalls and poses pressure to the Provincial budget. As a result, it has necessitated the development of strategies and innovative ideas to increase the own revenue collection through identification of sustainable new sources and effective management of existing revenue sources.

Some of these challenges includes:

- ✓ Lack of integrated Revenue Information Management systems in Departments, wherein Departments are using various systems. Thus impacting on timeous collection of revenue; and
- ✓ Lack of structured mechanisms to manage and collect own revenue effectively by Departments.

Honourable Speaker, our province has serious economic infrastructure backlogs that are subduing rural development, hindering access to markets and public amenities, and employment for the year under review

As at the end of the second quarter in September, the overall provincial infrastructure expenditure stood at R2.338 billion which is 42.0% of the total budget of R5.606 billion compared to R 2.392 billion which was 45.0% in 2018/19 financial year and R2.465 billion which was 49.0% in 2017/18 financial year. This expenditure is 8 % below the straight-line projection of 50%.

CoGHSTA is the only department which performed above the norm at 54%. All the other departments were below the norm.

Social Development, Public Works, Roads and Infrastructure (on Roads), and Health spent between 40% and 49% respectively.

Sports, Arts and Culture; Public Works (on Works component); and Agriculture and Rural Development spent between 30% and 39 respectively.

Whereas Education spent 24%; Transport spent 7%; and Economic Development, Environment and Tourism spent 6%.

Honourable Premier as at the end of September 2019, the province spent R33.408 billion which is 48.1% of the total original budget of R69.501 billion, 49.3% was spent in the previous financial year, a regression by 1.2%.

This is in the main due to capital purchases which were not yet delivered to Departments. The expenditure for conditional grants as at 30 September 2019 is R3.566 billion which is 39.4% as compared to 45.1% in 2018/19.

In view of the current economic and fiscal constraints affecting the country, provincial departments are expected to consider this realities in the mid-year adjustments without compromising the core of social spending and job creation priorities.

Honourable Speaker the progress on implementation of the approved budget by departments and public entities is evaluated during the mid-term reviews with a view to evaluate major policy developments and the management of resources holistically.

Controls around the increasing allocation for compensation of employees is still a priority by the Provincial Government and funds identified from this project are re-allocated to projects which have potential for job creation, reducing unemployment and inequality, and ultimately advancing the objectives of the Limpopo Development Plan.

Honourable Speaker, in terms of sections 31 of the Public Finance Management Act, 1999 (No 1 of 1999), the MEC for Finance in a province may table an adjustment budget in the Provincial Legislature, subject to subsection 3.

Therefore, for the period under review, budget expenditure has been adjusted upward to address budget pressures in line with the provincial priorities

The total adjustments for the 2019/20 financial year budget is R979.412 million which will adjust the total provincial allocation from R65.501 billion to R70.480 billion, which is an increase of 1.4%.

Honourable Speaker, the Provincial Executive Council has been very prudent in approving additional funding from rollovers and reserves during the 2019/20 adjustment budget by focusing on adding funds to Departments which show funding pressures and addressing provincial priorities.

Additional allocations are mainly in Provincial Legislature: R26.946 million; Education: R147.176 million; Health:135.416 million; Transport and Community Safety: R8.000 million; Public Works, Roads and Infrastructure: R330.000 million; CoGHSTA: R57.071 million; Social Development: R0.983 thousands; and Sport, Arts and Culture: R10.971 million.

The provincial own revenue target is adjusted upwards from R1.317 billion to R1.379 billion, which is an increase of R61.971 million in 2019/20 financial year. The increase in revenue is mainly from Provincial Legislature, COGHSTA, Education, and Transport.

The adjustments per department are therefore as follows:

Vote 1: Office of the Premier

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

Vote 2: Legislature

Provincial Legislature receives an adjustment budget of R26.946 million as a reallocation to the Legislature in line with surrendered funds into the Provincial Revenue Fund as per Section 22 of the PFMA and R37.000 million for political party funding.

Vote 3: Education

The department receives an additional budget of R147.176 million of which R100.0 million will be allocated from equitable share to cater for the shortfall on Compensation of Employees and R47.176 million for conditional grant rollovers.

Vote 4: Agriculture and Rural Development

The Departmental budget is thus reduced by R36.151 million. National Treasury converted R6.151 million from Ilima/ Letsema to fund National Food and Nutrition Survey on food security forecasting to be done by Human Science Research Council. An additional R30.0 million will also be reduced due to material slow spending on Compensation of Employees.

Vote 5: Provincial Treasury

The allocation for the Provincial Treasury is not adjusted, hence remains as appropriated in the main budget. The Department will reprioritize and fund pressures on BAUD System, RFID and Forensic Audit projects within the allocated budget.

Vote 6: Economic Development, Environment & Tourism (LEDET)

The allocation for LEDET is adjusted downwards by R8.000 million from Compensation of Employees due to material slow spending by Limpopo Tourism Agency.

The department will declare savings of R12.500 million from Revenue Enhance Projects and relocate it to Limpopo Gambling Board for the purchase of Operating Management System and Data Analysis Tool.

The Department will further receive R270.000 million for capitalization of bus company – Great North Transport.

Vote 7: Health

The department receives an additional budget of R135.416 million as follows:

- ✓ National Treasury has granted approval on conditional grant rollovers of R41.429 million comprised of Comprehensive HIV and AIDS amounting to R26.208 million and National Tertiary Services amounting to R15.211 million;

- ✓ An additional R31.289 million has been allocated to the Human Resource Capacitation Grant to alleviate a shortfall on the appointment of Health Professionals; and

- ✓ New allocation of R32.115 million for NHI Grant;

Vote 8: Transport and Community Safety

The Department is also allocated R12.000 million for Procurement of Police Vans in 2019/20.

The Department will surrender R4.000 million savings under Compensation of Employees as result of the merging of the two departments.

Vote 9: Public Works, Roads and Infrastructure

The Department will receive an additional budget of R330.0 million from Equitable Share comprising of R50.0 million for the purchase of office buildings and R280.0 million for Roads Agency Limpopo.

Vote 10: Sport, Arts and Culture

Honourable Speaker, please take note that due to the amalgamation of Transport and Community safety, the Department of Sports, Arts, and Culture will henceforth become Vote 10.

The Department will thus receive the conditional grant rollover as follows:

- ✓ Mass Sport and Recreation Programme amounting to R3.365 million; and

- ✓ Community Library Services amounting to R7.606 million.

Vote 11: CoGHSTA

The Department's budget is adjusted by an amount of R57.071 million as follows:

- ✓ Conditional grant rollover of R72.071 comprised of R61.270 million of Integrated and Housing Settlement Development Grant and R10.801 million for Title Deeds Restoration Grant; and

- ✓ R15.000 million is surrendered due to material slow spending on Compensation of Employees.

Vote 12: Social Development

The Department will receive conditional grant rollover of R0.983 thousands for Early Childhood Development Grant.

Honourable Speaker, the equitable share baseline has been adjusted downwards by R337.954 million over the MTEF.

The Provincial Equitable share was also reduced by R845.077 million which is 2% of the Fiscal Consolidation Reductions on non-cost.

In addition to the reduced equitable share as a result of the provincial equitable formula and fiscal consolidation, the following additions have also been made:

- ✓ For Department of Social Development to address the social and structural drivers on HIV, TB, STI's and gender based violence;
- ✓ For Department of Education to cater Sanitary Dignity Project; and
- ✓ The Department of Social Development has been allocated additional budget for Employment of Social Workers to deal with gender based violence, substance abuse and issues affecting children.

The total provincial MTEF allocation in 2020/21 financial year amounts to R72.646 billion which represents an increase of R3.146 billion that is 4.5% from the 2019/20 allocation of R69.501 billion.

Honourable Speaker, we are aware of the outbreak of the foot and mouth diseases in some of our areas in the Province, and as Treasury we shall continue to monitor the work done by our Provincial Department of Agriculture and the National Department to ensure that we augment any emergency funding to manage the outbreak when necessary.

The Province continues to priorities its allocations towards service delivery projects and has ring-fenced an amount of R4.308 billion over the MTEF period. It is envisaged that implementation of these projects will go a long way in eradication of unemployment, poverty and inequality in the province.

Honourable Speaker, Ladies & Gentlemen, one Johann Wolfgang von Goethe, a German writer and a Statesmen in the late 1700 once wrote, I quote:

"Are you in earnest seizing this very minute; What you can do or dream..... begin it"
close quote

It is with these words that I implore all of you that we dare not fail our people.

Collectively we can turn the economic tide in our Province. We have what it takes to do it, and we shall indeed win the battle against poverty, inequality, and unemployment.

Madam Speaker I therefore table herewith the following:

- ✓ The 2019/20 Adjustment Appropriation Bill; and
- ✓ The Provincial Mid Tem Budget Policy Statement

It is not yet Uhuru..... Aluta Continua'

Ndo Levhuwa...

Na Khensa...

Ke a Leboga...

Baie Dankie

Ngi ya thokoza

Thank you.