

Honourable speaker & deputy speaker

Honourable Premier

Members of the Executive Council

Leaders of Opposition Parties

Traditional Leaders present

Director General and Heads of Departments

Distinguished Ladies and Gentlemen

Thobela, avuxeni, ndi matsheloni, good morning, goeie more

Madam Speaker, in the state of the nation address, President Ramaphosa said *'The task of building a better South Africa is our collective responsibility as a nation, as the people of South Africa. It is at the centre of the work of every department of government, of every agency, of every public entity'*.

In line with the sentiments expressed by the President, we approach the end of the 5<sup>th</sup> term of both the Limpopo Government and Legislature, certain that indeed at the centre of our work has been the determination to build a better country and Province, and under your respective leadership, Honourable Premier and Madam Speaker, we can say without any fear of contradiction that we have created the necessary conditions for the renewal and growth of our province. The results of our work were encapsulated in the report that the Honourable Premier gave as the State of the Province on the 22<sup>nd</sup> of last month.

Madam Speaker, South Africa like any of the countries in the world is affected by the global economic outlook. The IMF has projected that global economic growth will decline to 3.6 percent in 2019 before picking up slightly to 3.7 percent in 2020 however the World Bank only expects 2.9 percent world economic growth during 2019. Given the global outlook, the National Treasury has projected South Africa's GDP real growth to rise to 1.5 percent in 2019 and strengthen moderately to 2.1 percent in 2021.

Notwithstanding sluggish growth patterns at National level, the province recorded growth of 1.8 percent in 2017 and is expected to continue performing better. The provincial growth was largely supported by Waterberg and Sekhukhune districts recording growth of 3.3 percent and 3.1 percent respectively.

Madam Speaker, the implementation of government developmental goals, and growth-enhancing economic reforms as pronounced by the President requires amongst others, good governance, cost efficiency measures and maximization of government revenues.

On payment within 30 days, as at 31 January 2019 the province was sitting at a cumulative compliance rate of 88.17% (2018/19). For the past three years the compliance of the province was 90.24% for 2015/16, 88.86% for 2016/17 and 86.91% for 2017/18. This stagnant performance is as a result of the Department of Health which yearly runs out of cash during the fourth quarter of the financial year (unavailability of cash translate into non-payment of service providers).

For 2018/19 financial year only two departments (Office of the Premier and Provincial Treasury) have maintained a 100% compliance rate for paying suppliers on time, all other departments are at a compliance rate of above 93% with exception of Health which is at 67%.

The provincial departments audit outcomes of the province improved for the 2017/18 financial year. Seven departments (2017/18) obtained unqualified audit opinions as compared to five during 2016/17, both Economic Development, Environment and Tourism (LEDET) and Agriculture and Rural Development improved from Qualified to Unqualified in 2017/18 and Provincial Treasury managed to maintain its clean audit outcomes (unqualified without matters) during the two periods. No department regressed during 2017/18 but we are still faced with 5 qualified departments in 2017/18 which are currently being addressed. Unfortunately, in the public entity space, Limpopo Gambling Board could not maintain its clean audit and GAAL regressed from unqualified to qualified. In order to address the continuous material misstatements in their annual financial statements, Provincial Treasury has issued Instruction Note 03 of 2018/19 in which departments and public entities are instructed to compile 9 months interim financial statements for submission and

review by AGSA. It is trusted that this review will assist in eliminating unnecessary audit findings, which in turn will lead to improved audit outcomes.

Madam Speaker, the Audit Committee is discharging its mandate as required by Regulation 3.1.10 of the Treasury Regulations. To date the Audit Committee was able to advise the Provincial Executive on intervention and support measures that were need to support the Departments of Education and Sport, Arts and Culture. The Committee has also been able to quarterly report to and advise individual Members of the Executive on matters affecting their respective Department's financial matters and performance . In order to strengthen this interaction Members of the Executive Council will now be invited to attend at least one quarterly audit committee meeting (per annum) for them to be engaged by the Audit Committee members.

Madam Speaker, the 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. EXCO approved the strategy in March 2018 and we are using the strategy to give impetus to economic empowerment of designated groups in terms of our strategic objectives as a country to transform our economic landscape.

We are starting to see results of this strategy, which became effective from 2018/19 financial year. As of 31 December 2018 from the total procurement spend of R13.2 billion, noticeable spend achievements are as follows:

- Black-owned businesses = R5.9 billion (45% of spend) (Annual target: 60%)
- Black youth-owned businesses = R1.4 billion (10% of spend) (Annual target: 20%)
- Black women-owned businesses = R2.3 billion (17% of spend) (Annual target: 20%)
- SMMEs = R6.3 billion (48% of spend) (Annual target: 65%)
- Rural/Township Enterprises = R2.2 billion (16% of spend) (Annual target: 5%)

However, there is still a challenge with regards to the spend on businesses owned by the following designated groups which is receiving attention by the different departments and entities - Spend on Persons with Disabilities is R41.7 million (0.3%

of spend) (Annual target: 7%), Black-owned cooperatives - R22.4 million (0,2% of spend) (Annual target: 10%) and Military veterans - R61.9 million (0.5% of spend) (Annual target: 3%)

As part of SCM reforms in the province, the Limpopo Provincial government has commenced with the pilot implementation of a Combined Assurance Model on SCM in their monitoring of departments and public entities. This, we hope, will go a long way to address audit issues related to SCM.

On infrastructure, Honourable Members, the provincial expenditure has improved significantly. In 2017/18 financial year, we recorded 98 percent spending from 81 percent in 2014/15. We believe that these spending trends will be sustained in the new MTSF. The improved performance on infrastructure is attributed to a number of interventions that the province has introduced; including amongst others; the support through Government Technical Advisory Centre (GTAC) and integration of the infrastructure strategic planning hub built environment professionals into the infrastructure units of supported departments.

In line with the National Development Plan (NDP), and working with all relevant stakeholders, the Provincial Treasury has taken a range of steps to reform SCM systems focusing on infrastructure delivery. The Province developed and approved a Model SCM Policy Guideline for Infrastructure Procurement and Delivery Management. This generic policy guideline is applicable to all provincial departments and their entities in line with the Standard for Infrastructure Procurement and Delivery Management (SIPDM). Thus improving processes, rules and infrastructure to make it easier for the public sector and its private sector suppliers to transact.

Honourable members, you are familiar with the challenges that have bedevilled our local sphere of government, our municipalities. The Municipal Finance Management Act, Act no 53 of 2003, has as one of its main objectives being to ensure sound financial management. In the past few years we had municipalities whose financial systems collapsed, resulting in failure to meet their financial obligations such as payments of salaries and bulk suppliers, such as ESKOM. We have of late seen

some improvement in municipalities that had experienced financial management challenges due to the work that we do as part of our statutory obligations in conjunction with the department of CoGHSTA. Together with CoGHSTA and Eskom we have established a Task Team to ameliorate the challenges relating to issues of electricity supply and payment by municipalities. Such details will be provided in the budget votes of the relevant departments.

Madam Speaker the Honourable Premier addressed the VBS issue in his State of the Province Address (SOPA), which resulted in the loss of funds by some of our municipalities and the consequent challenges as a result. Together with CoGHSTA, we assessed the cash flow status of individual municipalities in order to identify areas that needed urgent attention. The outcomes of this exercise were communicated to the municipalities, with the request that the affected municipalities develop a recovery plan. We continuously monitor the implementation of these plans together with CoGHSTA in order to help stabilise the finances of these entities.

Madam Speaker the implementation of Municipal Infrastructure Grant remains central for provision of basic services by municipalities. As the Honourable Premier has pointed out in the SOPA, there is a marked improvement in the MIG spend since the 2016 local government elections. The provision of a team of engineers to the Provincial Treasury by the National Treasury through the GTAC programme has helped tremendously in enhancing our capacity to effectively monitor infrastructure development at both local and provincial government.

Madam Speaker Auditor General of South Africa has just concluded the 2017/18 audit processes for all municipalities in the province with the exception of Thabazimbi and Modimolle Mookgophong Local Municipalities. The audit outcomes for 2017/18 indicate that as a province we have retained 9 unqualified audit opinions compared to 2016/17 audit outcomes. Two municipalities improved their audit opinion to qualified which resulted in 12 municipalities with qualified audit opinions compared to 10 municipalities previously. We are certain that the two MFMA advisers, provided by National Treasury, for asset management and supply chain

management will go a long way in assisting municipalities to improve the audit outcomes

Municipal Standard Chart of Accounts (mSCOA) has been in effect since July 2017. Its objective is to modernise financial management through updated systems and technology. We do acknowledge the niggling challenges we face in the implementation of mSCOA, and collectively with the advisor from NT and system vendors at the municipalities we are working hard to ensure that mSCOA is fully functional in our municipalities.

Madam Speaker, as the President said in the SONA, at the centre of our work, is to build a better country in general, and province in particular, we are of the view that the budget we present today is rooted in this objective. We have over the course of this term done some of these tasks that we have just mentioned, including the work we did with the Department of Education in terms of section 18 of the PFMA. We are also of the view that to consolidate the renewal of our province we have to strengthen aspects of our governance.

Honourable members, the Limpopo Development Plan (LDP) continues to be the provincial master plan which is used to align provincial priorities to the national objectives, especially the alignment of the NDP and the fourteen government outcomes. The provincial budget allocations are informed by the mandates of each provincial department together with their Annual Performance Plans. These allocations are a means of ensuring that the province attains the LDP targets which the provincial performance is measured against.

Madam Speaker this 2019 MTEF budget is presented under the theme “Promoting fiscal sustainability in the Province”. We are proud to indicate that the provincial cash position has been stabilized and we have been able to fund provincial priorities from the reserves that have been accumulated over time through unspent funds. In the 2018/19 financial year an amount of R1.3 billion was allocated to departments from these reserves.

Madam Speaker, despite the unexpected technical recession the country was faced with, characterized with slow economic growth and less tax revenue collection, National Treasury has made efforts to protect the provincial equitable share baselines which grows by an average 6.9 percent.

Madam Speaker the province receives three sources of funding, namely the Provincial Equitable Share, Conditional Grants and Own Revenue.

The provincial receipts from these three sources are as follows over the MTEF period:

The Limpopo Equitable Share allocation grows by 6.9 percent in 2019/20 and 6.4 percent over the MTEF which represents 11.7 percent of the national equitable share allocation, a reduction of 0.1 percent over the MTEF. The reduction in the Limpopo Equitable Share allocation is mainly influenced by technical updates in the Education component of the Equitable share formula and the continued net outward migration of the Limpopo population.

The Limpopo equitable share allocation is R58.9 billion, R62.9 billion and R66.8 billion in 2019/20, 2020/21 and 2021/22 financial years respectively.

Funding from National Treasury also includes Conditional Grant allocations which are appropriated to address inter-governmental policy matters in all provinces. An amount of R9.1 billion is allocated in 2019/20 and increases in 2020/21 to R9.5 billion and to R10.3 billion in 2021/22.

It should be highlighted here Madam Speaker that due to the stimulus package introduced by the President of the Republic during the MTBPS, which implies that reprioritisation and fiscal consolidation, grants such as Comprehensive HIV/AIDS grant, Comprehensive Agriculture Support Programmes (CASP), Education Infrastructure grant were reprioritised and new grants such as Human Resource Capacitation grant is introduced in the Department of Health.

Through the implementation of the Provincial Revenue Enhancement Strategy, we have as the Provincial Treasury been able to collect an amount of R6.3 billion during this five-year period, supported by provincial departments and institutions.

Taxes, in the form of motor vehicle licenses, remains the highest contributor partly due to an increase in the number of cars registered. More revenue is earned through interest earned on provincial bank balances. The continuous infrastructure improvement of our state resorts has also made a positive contribution. We have also enhanced our health revenue management systems through the use of Electronic Data Interchange and Patient Verification Systems.

The Provincial own revenue is projected at R1.3 billion, R1.4 billion and R1.5 billion in 2020/21, 2021/22 and 2022/23 respectively which is an increase of 5.8 percent over the 2019 MTEF period. Departments and Public Entities that generate revenue above their set targets, may receive incentives in line with the Provincial Revenue and Retention Strategy.

Madam Speaker, in this MTSF, the provincial government was able to spend an average of 98 percent of its allocated budgets, in the 2017/18 financial year the province spent was 99 percent. This is commendable performance and details on the impact of these funds will be furnished in full by respective MEC's in due course.

The provincial budget allocation to departments is increasing from R65.3 billion in 2018/19 to R69.5 billion in 2019/20 and further increasing to R72.8 billion in 2020/21 and to R77.9 billion in 2021/22 financial year.

The expenditure growth is 4.5 percent in 2019/20 and 7.3 percent in 2021/22.

Madam Speaker included in the above Provincial MTEF allocations the province has allocated the funds into the various economic classifications as follows:

### **Current Payments**

R59.3 billion in 2019/20, R62.6 billion and R66.5 billion in 2020/21 and 2021/22 respectively for current payments. The allocation reflects a positive growth of 5.8

percent over the MTEF. Included in the current payments allocation for 2019/20 financial year is R49.2 billion or 70.8 percent for Compensation of Employees which represents 6.8 percent growth in 2019/20 and 5.4 percent over the MTEF. The province's allocation of compensation of employees is ring-fenced to curb the ever increasing budget.

### **Goods & Services**

A total amount of R10.1 billion, R10.7 billion and R11.7 billion is allocated to goods and services for 2019/20, 2020/21 and 2021/22 respectively. Goods and Services budget grows by 0.9 percent in 2019/20 and 7.6 percent over the MTEF. The increase is mainly influenced by savings realised from compensation of employees and additional funding made available from provincial own revenue and cash reserves for the promotion of programmes and projects that enhance economic growth within the province.

### **Transfers & Subsidies**

The provincial allocation on transfers and subsidies is mainly for transfers to Non-Profit Institutions and Organisations, households, departmental agencies and accounts and transfers to Public Entities and Municipalities. Total transfers and subsidies is decreasing by 3.2 percent from R8.4 billion in 2018/19 to R8.1 billion in 2019/20 and to R8.5 billion in 2021/22 financial year.

### **Payments for Capital Assets**

The allocation for Payments for Capital Assets has reduced from R2.1 billion in 2018/19 to R2.0 billion in 2019/20. This classification includes allocation for construction of new infrastructure, purchase of office furniture, transport equipment and other machinery and equipment.

Madam Speaker, included in the above allocations, over the 2019 MTEF, is R16.9 billion for various infrastructure investment categories. A budget of R1.2 billion or 7.1 percent is allocated towards new infrastructure mainly for construction of new clinics, libraries, schools, upgrades of gravel roads to tar, centres for place of safety and houses. The estimated budget allocation for rehabilitation and refurbishment is R1.5 billion or 8.9 percent, upgrading and additions of existing facilities is R3.3 billion or 19.8 percent and R6.2 billion or 36.5 percent is allocated for maintenance.

Madam Speaker the Provincial MTEF allocations, (R69.5 billion in 2019/20, R72.8 billion in 2020/21 and R77.9 billion in 2021/22) is allocated to the various departments as follows:

#### **Vote 1: Office of the Premier**

The Office of the Premier is allocated a budget allocation of R443.5 million in 2019/20, R467.9 million in 2020/21 and further increases to R493.1 million during 2021/22. The allocation increases by 5.4 percent over the MTEF.

#### **Vote 2: Provincial Legislature**

The Provincial Legislature is allocated a budget of R375.8 million for 2019/20 financial year. Their budget increases to R396.4 million in 2020/21 and R418.0 million for the 2021/22 financial year.

#### **Vote 3: Education**

The Department of Education receives an allocation of R32.3 billion in 2019/20, R34.1 billion in 2020/21 and R36.3 billion in 2021/22 financial year. The 2019/20 allocation includes R2.5 billion for Conditional Grants and R594.2 million from own revenue. The allocation increase by 4.7 percent in 2019/20 and 6.4 percent in 2021/22.

#### **Vote 4: Agriculture**

The Department of Agriculture and Rural Development is allocated a budget of R2.0 billion in 2019/20 financial year to deliver its mandate of which R342.3 million is for Conditional Grants. The budget increases by 1.7 percent in 2019/20 and 5.8 percent in 2021/22 financial year.

### **Vote 5: Provincial Treasury**

The Provincial Treasury receives a budget allocation of R506.8 million in 2019/20, R534.2 million in 2020/21 and R562.5 million during 2021/22 financial year. The budget allocation is increasing by 7.2 percent in 2019/20 and 5.3 percent in 2021/22. The allocation includes an amount of R23.9 million for Provincial Infrastructure Support Programmes and R9.6 million for Municipalities Interventions.

### **Vote 6: Economic Development, Environment and Tourism**

The Department of Economic Development is allocated a budget of R1.7 billion in 2019/20, of which R3.6 million is for a Conditional Grant and R757.0 million is for transfers to Public Entities. The allocation increases by 3.4 percent in 2019/20 and 4.6 percent over the MTEF period.

### **Vote 7: Health**

Health receives an allocation of R20.8 billion in 2019/20, R22.0 billion in 2020/21 and R23.8 in 2021/22 financial year. Included in the 2019/20 allocation is R3.1 billion for Conditional Grants and R520.2 million from own revenue. The allocation increases by 5.5 percent in 2019/20 and 8.4 percent in 2021/22 financial year. Included in the conditional grants allocation is the Human Resources Capacitation Grant, a new grant allocated for employment of Health Professionals in the Province.

### **Vote 8: Transport**

The department is allocated R2.2 billion in 2019/20 financial year of which R376.8 million is for a conditional grant and R53.2 million is for transfer payments to the entity Gateway Airport Authority Limited (GAAL). The allocation is increasing by 5.8 percent in 2019/20 and 5.4 percent in 2021/22 financial year.

### **Vote 9: Public Works, Roads and Infrastructure**

The Department receives a budget allocation of R3.6 billion in 2019/20, R3.4 billion in 2020/21 and R3.7 billion in 2021/22 financial years. The allocation includes R1.2 billion for conditional grants and R1.4 billion to be transferred to Roads Agency Limpopo (RAL) for operational costs and roads maintenance and upgrading.

### **Vote 10: Community Safety**

The Department of Community Safety receives a budget allocation of R117.6 million in 2019/20, R122.0 million in 2020/21 and R128.6 million in 2021/22 financial year. The allocation includes R2.0 million is for EPWP Incentives Grant. The budget allocation increases by 5.3 percent in 2019/20 and 5.4 percent in 2021/22.

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

The Department is allocated budget of R2.7 billion in 2019/20 and in 2020/21 and R2.8 billion in 2021/22 financial year. The allocation makes provision for the delivery of quality housing through the Human Settlement Development Grant which is allocated an amount of R1.3 billion in 2019/20 financial year. The budget allocation increases by 0.2 percent in 2019/20 and 3.8 percent in 2021/22.

### **Vote 12: Social Development**

The Department is allocated a budget of R2.2 billion in 2019/20, R2.3 billion in 2020/21 and R2.5 billion in 2021/22 financial year. The allocation increases by 6.9 percent in 2019/20 and 7.6 percent in 2021/22 financial year. The allocation includes conditional grant allocations of R81.2 million in 2018/19 financial year.

### **Vote 13: Sport, Arts and Culture**

The total allocation of the department amounts to R519.5 million in 2019/20, R534.7 million in 2020/21 and R564.4 million in 2021/22 financial years. The allocation increases by 6.5 percent in 2019/20 and 5.5 percent in 2021/22 financial year. An amount of R217.8 million is allocated for conditional grants in 2019/20 financial year.

Madam Speaker, noting the journey that we have travelled, we have come to the end of our period in this august house, it therefore necessitates that we ensure that we don't leave a vacuum in government. On that note a special Section 29 Appropriation Bill is tabled so as to ensure that government is operational until after the elections and when the incoming Legislature is able to approve the full budget.

I would like to express my appreciation to the Honourable Premier and my EXCO colleagues for their support and guidance in the course of building a better Province for our people. Members of the Portfolio Committee, under the capable leadership of Comrade Namane Masemola, GOBETSE!! And you members of the legislature.

And much thanks goes to the dedicated men and women, who constitute team Treasury under the leadership of HOD Gavin Pratt, thank you very much for your dedication and commitment.

Honorable members let me conclude by paraphrasing the Premier's bold assertion during SOPA, for emphasis, that 'Limpopo is a much better place to live in that it was before'.

Madam speaker I present to the house the following documents:

- The Limpopo Interim Appropriation Bill, 2019
- The Limpopo Appropriation Bill, 2019;
- Estimates of Provincial Revenue and Expenditure;
- Overview of Provincial Revenue and Expenditure;
- Socio-Economic Review and Overview; and
- Supporting gazettes.

Mintirho ya vulavula

I thank you.