

SPEECH DELIVERED BY THE MEC FOR FINANCE MR. RWN TOOLEY AT THE LIMPOPO ECONOMIC SUMMIT, THE RANCH, 04 NOVEMBER 2016

Deputy President of our Country Cyril Ramaphosa

Premier of our province Chupu Mathabatha

Colleagues in the executive of our province

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.

Afternoon to you all!

The 2016 Budget, 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 are 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 are applied to the compensation of employees (CoE) budgets.

The downward trend of equitable share has been 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 have 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 South African Economy. The provinces 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.

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.

As outlined by its objectives, the LDP is intended to make meaningful contribution to the attainment of the current NDP and national MTSF 2015-2019 priorities. The LDP further provides a blueprint for the strategic plans of each provincial government department, as well as the Integrated Development Plans (IDPs) and sector plans of district and local municipalities. There are key strategies expressed in the LDP of which the 2017/18 budget seeks to address.

The government continues to fight persisting challenges of unemployment, inequality and poverty. Limpopo is a predominantly rural province, a condition that makes it difficult to address the actual realities faced by its communities on a daily basis. These relates to provision of basic services and creation of conducive environment for economic growth and development. Funding has been made available for stimulation of economic growth through provision of infrastructure, supporting cooperatives and Small Medium and Micro Enterprises (SMMEs), promotion of agro-processing industries with more emphasis on Special Economic Zones (SEZs).

Rural development is one of the key focuses of the LDP vision 2030. This vision manifests itself through service delivery programmes aimed at growing the economy, food security, job creation, and poverty alleviation. This budget cycle will continue to provide support to needy farmers through direct and indirect farmer support programmes i.e. technical, financial and infrastructure. Other challenges facing rural development are as a result of climate change due to global warming. The province has experienced excessive dry weather conditions, storms and heavy rains in selected areas which left rural communities vulnerable. In this regard, government remains focused to respond and intervene accordingly through drought relief and disaster management programmes.

The local government system, programme director, is facing critical capacity challenges. In the main, most municipal authorities in Limpopo do not have the required financial management capacity to run their own affairs. The current municipal audit outcomes attest to a need for an immediate intervention by both national and provincial spheres of government in this area. The Limpopo Provincial Treasury has improved its capacity to support municipalities around financial management. It is envisaged that with this intervention, the current municipal financial position will improve.

The province intends to strengthen regional ties with neighbouring countries. These relations are intended to build and maintain strong socio-economic ties with other countries. Office of the Premier and LEDET through its agencies LEDA and LTA have a responsibility to promote and market the province while enhancing ties with other countries.

Planning and budgeting are two complementary and interdependent concepts that are relevant to any administration, either in public or business sector environment. The gist of the matter is that, planning and budgeting are two inseparable processes that each prospective organisation should take into account.

All provincial departments would therefore be expected to promote the attainment of both the national and provincial priorities in the execution of their mandates. This is only possible through complete alignment of departmental strategic and annual performance plans to the priorities in the LDP.

The budget process allows for robust interaction between the Provincial Treasury, National Treasury, provincial departments and entities which are all required to ensure that the provincial budget is allocated to promote the priorities of the province and those of the country as a whole. This is achieved through proper alignment of budget and departmental strategic plans and annual performance plans.

The Provincial Treasury has the mandate of managing the provincial budget. In executing this important mandate, the department has the responsibility of ensuring that the budget is allocated to promote the attainment of the priorities of the province. The provincial priorities as outlined in the LDP are based on the fourteen outcomes of government of which the province intends to attain the following targets.

- Limpopo's **Growth Trajectory Scenario** (Current MTSF) at 3 percent (2030 = 5 percent)
- Increase **Matric pass rate** from 72 percent in 2013 to beyond 80 percent in 2019
- Create 429 000 **jobs** by 2019/20
- Reduction **of unemployment rate** from 15.9 percent in 2014 to 14 percent by 2019/20 (**Expanded** definition: from 36.9 percent in 2014 to 33 percent in 2019)
- Access to basic services (**water**) from 83 percent in 2014 to 90 percent by 2019/20
- **Electricity supply** from 83 percent in 2014 to 90 percent by 2019/20
- **Sanitation** from 43 percent in 2014 to 50 percent by 2019/20

- **Reduce HIV Incidence** by (50 percent) by 2019/20
- **Life expectancy** M = 58.3, F = 62.5 in 2014 to M = 60, F = 65 in 2019/20
- **Inequality** (Gini- Coefficient) from 0.61 to 0.50
- **GDP contribution to GDP** – from 7.1 percent to 9 percent

(Source: LDP: 2015)

It follows from above that all provincial departments must contribute to the attainment of these targets in one way or another. Sector departments are directly responsible to ensure that relevant sector targets are met within the prescribed timelines. To achieve this, the departments must position themselves through accurate re-aligning and reprioritising existing departmental baseline allocations to ascertain that the MTEF budgets are aligned to current government's priorities.

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.

Our MTEF statement will provide more details on how we intend carrying out these important tasks that our people mandated us to do.

Pula!!!