

Speech to the Limpopo Provincial Legislature

ADJUSTED ESTIMATES OF PROVINCIAL EXPENDITURE

**By MEC Sa'ad Cachalia
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Honourable Speaker

Distinguished members

Before I begin this address, I wish to remind the honourable members of the undertaking that we made at the beginning of this financial year that delivery institutions of government needed to make certain that there is commensurate output on every cent that is spent on government programmes. The management of this process should be such that the province prioritises its key programmes.

This address will cover critical matters that indicate the status on the economic performance of the province, the trends on provincial government's expenditure and revenue and surplus adjustment estimate for the period up to the 30th of September 2007.

The provincial government has had to deal with the effects of the overdraft, which was irregular, that has been cumulative from the 1999/2000 to the 2006/2007 financial years. These adjustments have, therefore, been crafted with a view to address the resultant negative impact owing to this overdraft whilst not compromising the core delivery of services to the citizens. Should the overdraft

be left unaddressed the province will decline on the revenue interest.

Economic review

Honourable Speaker, the province has recorded an economic growth of 4.1 percent and an unemployment rate of 31, 8 percent. The unemployment is the highest figure compared to other provinces and the national setup.

The overall national rate of inflation has been increasing significantly compared to the previous year and it stands at 7%. The inflation rate for Limpopo is currently at about 7.7 percent which is the figure beyond the target band of 3% to 6%.

It is also worth noting that the province is performing satisfactorily and pleasingly on the export market. It has accounted for about R9, 511 million of the value of the exports to the national exports. This figure can be translated into a six (6) percent share of total exports.

Approximately 81 percent of households in the province use electricity for lighting. More than half of households in Limpopo

(56,3 percent) use a pit latrines without ventilation. It must, however, be taken into account that the percentage of households that have access to piped water is still below the national average. This scenario is comparable to the provinces of the Eastern Cape and KwaZulu-Natal. The province maintains a high unequal distribution of income, with a Gini Coefficient that ranges around 0.7112. This is consistent with observation about the province's discrepancy on the dependency ratio.

Expenditure and revenue

Honourable Speaker, the provincial government's expenditure and revenue shows trends that need special attention.

The actual expenditure up to the 30th of September 2007 has recorded improvement whilst in certain areas there is still a need for recovery. During this period the provincial government has expended 46.53% as compared to the 44.48% over a comparable period last year. The projected overspending by the provincial government departments is currently at R562.8m. This is estimated to be due to the health sector at R352.9m, the education sector at R197.2m, social development at R37m and agriculture at R8.3m.

Conditional grants

There has been low spending on conditional grants for 2006/2007 with some departments spending below 30%.

Revenue

Collection of revenue stands at R216.1m or 46.1%. This is taking place mostly through the departments of Health and Transport. This is diversion from the projected collection of R226.4m or 48.3%. Provincial Treasury will under-collect by R32,8m due to the estimated interest income not being realized as a result of the overdraft position in the Province.

Adjustment estimates

The main appropriation for the province, at the beginning of the financial year was 25.3bn. The adjusted appropriation stands at R24.9bn. The surplus adjustment estimate for this period is R706,1m. The provincial government departments will reduce their budget spending from R25,3bn to R24,9bn.

In the following areas adjustments are proposed

- The 2006/07 under-spending on equitable share savings will be used to fund the overdraft except for the R24.2m for the Premier's Infrastructure Grant set aside for Moutse. This amount will be rolled over to the department of Local Government and Housing to finalise existing projects.
- The province stands with an amount of R246.4m towards the 'no work no pay' principle as a result of the Workers' industrial action in June 2007. The deduction from the department of Education will be reallocated to fund the overtime of teachers who worked during the school holidays and other related costs. The remaining R34m savings on 'no work no pay' will be used to fund the R32.2m under collection in revenue by treasury.
- The Agriculture Infrastructure Grant will be adjusted by R18.3m and allocated to cover the R146m Education Infrastructure shortfall.
- The Economic Development budget will be adjusted by R81.2m as surrender for the International Convention Centre (ICC) to Provincial Treasury.
- The province received an additional R154.8m from National Treasury to cover the higher than anticipated wage agreement of 1.5 percent.

- An amount of R28.8m was put aside for MDR and XDR TB from the Equitable Share and R29.3 m for Conditional Grants roll-overs.
- The National Treasury has approved roll-overs amounting to R29,0m for the following:
 - Land care R0,8 m
 - FET R2,9 m
 - HIV/AIDS(Education) R8,2 m
 - Forensic Pathology R3,5 m
 - HIV/AIDS (Health) R10,6 m
 - Mass Sport R2,9 m

Included in the adjustment estimate is the R53,2m on approved roll-overs from national treasury and R45m on the 'Disaster and Drought Relief' which the national government approved before this good spell of rain.

Austerity measures

Honourable Speaker, the province has also seen it fit that some austerity measures be implemented. These strict measures have been put in effect from the 22nd of November 2007 to the end of March 2008. They are mainly in areas such as the filling of all

noncore posts and management of expenses telephony, vehicle running costs, catering, marketing paraphernalia, overnight accommodation, consultant fees and certain events.

The expenditure for the half-year indicates 46,5% spending with a deviation of 3.5% from the expected 50%. When the adjustment estimate is implemented the spending as at september 2007 will rise to 47,1% which suggests that this adjustment estimate will not have a negative impact on service delivery.

Honourable Speaker, as we negotiate our way through the financial year it has become an imperative that these adjustments be made. At the risk of being over-emphatic, this house needs to note that the adjustments and measures have been consciously taken and will be implemented in ways that do not impede the process of service delivery to the citizens.

Ndo livhuwa nga maanda

Baie Dankie

Inkomu Ndza Khensa

Ndo Livhuwa Nga Maanda

Ke a Leboga

I thank you!