

**MADAM SPEAKER**

**HONOURABLE PREMIER**

**COLLEAGUES IN THE EXECUTIVE**

**HONOURABLE MEMBERS OF THE LEGISLATURE**

**DISTINGUISHED GUESTS**

**GREETINGS TO YOU ALL**

Once again, it is an honour for me madam speaker, to present the Medium Term Budget Policy Statement for 2017/2018.

We do so mindful that we are coming close to the end of a very significant year, both historically and symbolically in that it is the centenary of both, the birth of President O R Tambo, and the Great October revolution. President Tambo worked himself to exhaustion in taking the plight of our people to the world, and building a solidarity movement, the likes of which has never been seen. At the same time he built the ANC into a formidable fighting force that forced the apartheid regime to realise that it does not possess a monopoly of violence, and our people, through the people's army, Umkhonto We Sizwe, had the capacity to respond with revolutionary violence, to the barbaric violence of the apartheid regime, thus forcing the regime to the negotiating table to resolve the problems of our country.

Honourable members, the great October revolution was an epoch making event in that for the first time in the history of mankind the toilers and the great unwashed were at the helm of the political and economic power of a state. The outcome of this event was that it accelerated the emancipation of millions of peoples in Asia, Africa and Latin America from the yoke of colonialism. The USSR, which was the entity that was spawned by the 1917 revolution, became an example of what human solidarity is all about. It provided all round support to movements that were fighting against colonial subjugation. Our movement under the sterling leadership of President O R Tambo, was a recipient of this unconditional support. We were provided with all the necessary support to prosecute our struggle. Our soldiers were trained in all aspect of modern warfare, and provided with the weapons of war, food, medicines and whatever was needed to prosecute that struggle. Ironically President Tambo was born in October 1917, at the very same time that the Bolsheviks were seizing power. He would later as the President of the ANC, seek and receive support from the Bolsheviks.

We present the MTBPS, on the eve of the elective conference of our movement the ANC, which has been given the mandate to govern our country. We are not apprehensive about the conference as it is a normal five yearly process, and are confident that once the conference is over everyone will work together for the good of the country and our people.

Madam speaker, when we presented the budget earlier in the year we mentioned an arrangement with Standard Bank, for a facility to the amount of R300 million, to help entrepreneurs doing business with government to access funding. We signed the agreement with the bank on 29 June 2017.

Since then, besides some teething problems as of 24 October 2017, 9 loans to the value of R1.378 million has been disbursed. Measures are in place to improve the uptake of beneficiaries.

Madam speaker, the 2017/18 Provincial Medium Term Budget Policy Statement (MTBPS) is presented in a tumultuous time when the world and national economy is subdued. The contraction in the first quarter of 2017 plunged South Africa into a technical recession, defined as two consecutive quarters of contraction. For the second quarter of 2017, growth rebounded to 2.5 percent, quarterly annualised, from a previous contraction of 0.6 percent in the first quarter of 2017. In spite of this rebound in growth, the economy remains fragile and this is reflected in the downward revision of overall growth for 2017 to 0.7 per cent in the Medium Term Budget Policy Statement (MTBPS) from 1.3 percent at the time of 2017 Budget in February of this year. Over the Medium Term Expenditure Framework (MTEF), growth averages 1.5 percent. A sluggish economic growth implies the same for tax revenue growth. At the beginning of 2016 the economy was expected to grow by 0.9 percent; however, during the MTBPS the Minister of Finance has adjusted the growth forecasts to 0.5 percent.

This MTBPS is delivered to this honourable house against the backdrop of a difficult economic situation. Summary of issues covered under the Macro-Economic outlook include:

- In terms of the international economy the International Monetary Fund (IMF) increased their growth forecast for the World Economy to 3.6 percent. They expect that the World Economy will grow at 3.7 percent in 2018.

- From June 2016 up to June 2017 66 000 jobs have been created in the Limpopo economy.
- Despite the difficult economic environment, the province remains resilient as people living below the “Upper-Bound Poverty Line” (UBPL) has reduced from 82.4 percent in 2009 to 72.4 percent in 2015 as determined by StatsSA.
- In South Africa, income inequality is measured using the Gini Coefficient. A lower Gini Coefficient is an indication of lower income inequality. The Gini Coefficient for Limpopo decreased to 0.60 one of the three lowest coefficients between the provinces in South Africa. This also means that on average the income distribution in Limpopo is more equal than the average inequality in the country.

The adjustment budget that is submitted here today continues to be aligned to the targets set in the Limpopo Development Plan (LDP). In this process the challenges of unemployment, poverty and inequality will be addressed. The Provincial government is also making an effort to increase its contribution to the levels of economic growth in Limpopo.

Some of the progress that have been made in terms of the government 14 outcomes include:

- Two Special Economic Zones (SEZ's) are approved by Cabinet and the SEZ in Musina has been promulgated by the Minister of the Department of Trade and Industry and will focus primarily on a metallurgical complex. The Musina SEZ has a total investment value in excess of R40 billion. The second SEZ that is being implemented in Tubatse will focus on the PGM minerals group and

related downstream opportunities. The opportunities include the production of hydrogen fuel cells and the production of catalytic converters. The Tubatse SEZ has a total of 7 investors with a total investment value of R13.2 billion and approximately 6 484 permanent jobs to be created.

- In terms of access to basic services about 91.5 percent of households in the province have electricity connections, while about 88.8 percent of the households occupy formal dwellings, 66.2 percent of the population has access to water of at least the RDP standard.
- The educational levels in Limpopo also increased significantly with more people now having a matric qualification than before. The number of persons older than 20 with no school or only primary education also decreased since 1996.
- Good strides have also been made in the implementation of the Executive Council's decision to allocate 10 percent of provincial government's procurement spend on Cooperatives and SMME's. The Limpopo Provincial Government spent 48 percent of its procurement budget towards services and goods delivered by small businesses during the second Quarter of the 2016/2017 financial year.
- With regards to job creation in the environmental sector LEDET created 767 environmental job opportunities. These opportunities mainly benefited the youth. 24 Environmental capacity building initiatives were conducted benefitting traditional leaders and health practitioners.

The Provincial Treasury conducts quarterly reviews with departments and Public Entities under the auspices of Public Finance Management Act, 1 of 1999 section 18, i.e. function and powers of Provincial Treasury. These reviews are conducted together with Medium Term Expenditure Committee (MTEC) hearings to understand the provincial department's needs and serve as a basis for the budget adjustment and MTEF projections. Departments are assessed against set targets and resources made available on the basis of the department's mandate and capacity to delivery appropriate services and due consideration is made to the attainment of the Limpopo Development Plan (LDP).

In this 2016/17 adjustment process, the report from the Provincial Treasury was tabled at the Head of Department's strategic planning session, Executive Council Budget Lekgotla and subsequently through rigorous consideration by the Executive Council Budget Committee and approval by the Executive Council. In this 2017/18 and over the MTEF, one major decision taken through these processes was to curb the increase in allocation of compensation of employees and re-allocate resources to the implementation of the Special Zones. The aim is to address low growth and high unemployment rate in the province.

The total provincial receipts will increase by R1.307 billion, which comprise of R197.7 million in Conditional Grants, Provincial Own revenue baseline increase by R157.6 million and R951.9 million funding is made available from the provincial reserves to cover unforeseen and unavoidable expenditure in provincial departments. The Provincial Executive Council approved equitable share rollover

amounting to R191.6 million. Included in the conditional grant are the approved rollovers to the value of R185.9 million and additional conditional grant of R11.8 million in the department of Health to deal with the Malaria Outbreak.

The total adjustments for the 2017/18 financial year budget is R1.307 billion which will adjust the total provincial allocation from R61.458 billion to R62.766 billion, an increase of 2.1 percent.

Honourable members, the adjustments per department are as follows:

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

The Office of the Premier is allocated additional amount of R9.3 million, of that amount R3.8 million is a rollover amount and R5.5 million for funding pressures i.e. R2.0 million for SMS capacity building programme, R2.5 million for foreign trips and R1.0 million for the youth strategy.

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

The Provincial Legislature receives an adjustment of R55.6 million, of which an amount of R30.8 million is re-allocated back to the Legislature in line with surrendered funds into the PRF as per Section 22 of the PFMA and an additional R24.8 million for political party funding.

### **Vote 3: Education**

The department receives an additional R97.3 million of which R46.7 million is an equitable share rollover and R50.6 million as conditional grant rollovers for National School Nutritional Program, Infrastructure and Maths, Science and Technology.

### **Vote 4: Agriculture**

The department receives R8.8 million comprised of conditional a grant rollover amounting R2.9 million for Comprehensive Agricultural Support Programme and an equitable share rollover amount of R5.9 million.

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

The department receives a rollover of R0.889 million on equitable share and after reprioritization of the budget the department is surrendering R41.7 million mainly from compensation of employees (R32.6 million) and the late implementation of the GTAC programme (R16.0 million).

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

The department receive equitable share rollover of R18.7 million and an additional amount of R176.0 million to fund provincial priorities such as Special Economic Zones (SEZ), Great North Transport and Corridor Mining Resources. In total the department's allocation is adjusted by R194.7 million.



**Vote 7: Health**

The Department receives an adjustment of R563.3 million which includes a conditional grant rollover on Comprehensive HIV and AIDS grant amounting to R20.2 million and an additional R11.8 million for malaria control. Also included in the total is an equitable share rollover of R44.6 million and an additional amount R486.7 million to address contractual obligations, non-negotiable items and to settle litigations claims.

**Vote 8: Transport**

The department will receives an adjustment of R28.2 million, comprising an equitable share rollover of R16.0 million and an additional R12.2 million for the bus monitoring system.

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

The department's budget is adjusted upward by R292.3 million, which includes a conditional grant rollover of R27.3 million for provincial roads maintenance and an equitable share rollover of R15.1 million. Further an additional equitable share amount of R250.0 million has been allocated to the department to be transferred to Roads Agency Limpopo (RAL) for roads infrastructure projects that are already committed.

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

The departmental allocation is not adjusted and therefore remain as appropriated in the main budget.

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

The department's budget is adjusted by an additional R86.1 million which includes a conditional grant rollover of R85.0 million for Human Settlements to finalize outstanding projects and an equitable share rollover of R1.1 million.

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

A total of R7.8 million is allocated additional to the department, which includes equitable share rollover of R2.4 million and an additional equitable share amount of R5.4 million to operationalize Seshego and Metsweteni Treatment Centers.

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

The department receives R5.7 million as equitable share rollover for the maintenance and repairs of the archives center, government vehicles and installation of steel filing cabinet.

The Provincial Executive Council has been very prudent in approving additional funding during the 2017/18 adjustment budget by focusing on adding funds to departments which show funding pressures and addressing provincial priorities i.e. additional allocations are mainly in the Departments of Economic Development, Environment and Tourism – (R176.0 million), Health (R486.7 million) and Public Works, Roads and Infrastructure – (R250.0 million). These are mainly funded from the previous year surrenders and funds made available from reserves and improved revenue collection.

Madam speaker, expenditure on infrastructure is very important for the Limpopo economy because it can contribute hugely to job creation. Infrastructure expenditure is influencing the provincial economy directly by means of the direct expenditure on wages and inputs to build roads and infrastructure like bricks, tar and diesel. After the infrastructure projects have been completed infrastructure, as an enabler, can add to the revenue potential in the province. Infrastructure can also improve the productivity in the local economy by providing additional efficiencies. This growth in productivity is a key driver for higher levels of economic growth.

A key development in terms of infrastructure implementation is the development of the provincial infrastructure hub in the province. The hub will assist to implement the different infrastructure projects in an effective cost efficient manner within the time allocated per project.

Honorable members, Provincial own revenue target is adjusted upward from R1.1 billion to R1.3 billion which represent an increase of R157.6 million or 13.9 percent of the main appropriation. The increase is contributed mainly by Provincial Treasury; Transport; Education; Co-operative Governance, Human Settlement and Traditional Affairs; and Agriculture and Rural Development as a result of the continuous efforts that are put in place in collecting and recovering what is due to the state.

The economic instability that is been faced globally, requires government to continuously innovate in the delivery of services. To this end, the Provincial Treasury reviewed the Provincial Own Revenue Enhancement Strategy to incorporate the “Revenue Retention Strategy”. The Strategy was endorsed by the provincial Executive Council in September 2017. The inclusion of the “Revenue Retention Strategy” is intended to incentivise departments and public entities that put rigorous measures in collecting and recovering what is due to government, by allowing them to retain revenue collected above the set target. However, the aforementioned revenue retention will be done following the budget processes to enhance transparency and accountability.

Despite the difficult economic situation on national and provincial level, the Limpopo Provincial government is still managing to achieve most of the outcomes. Good strides is also made in terms of the implementation of the Limpopo Development Plan. The tight fiscal situation will necessitate provincial departments to do more with less. This includes spending more economically, efficiently and effectively. Difficult choice will also have to be made between conflicting pressures on provincial departmental budgets.

Through the bilateral engagements with our key stakeholders, we hope to identify potential minefields or even anticipate them in advance so they can be avoided. This will enable departments and entities to live within their means and spend money on projects that are budgeted for. In this regard I would like to thank my colleagues in the executive for their co-operation in these very important exercise, much appreciated.

In conclusion honourable Speaker, may I appreciate the support given by the Honourable Premier and his Executive Council. I have to mention the Executive Council Budget Committee, for their support and guidance when it comes to various budget decisions. The Portfolio Committee on Finance Chaired by the Honourable Soviet Lekganyane, thank you. The DG of the Province and other HODs, HOD Treasury Mr Gavin Pratt and his team, Team Finance. Much appreciated for the support and effort, it's our job and we must do it and do it well.

Let us in unity take our province and country forward.

Honourable Speaker I hereby table the following:

- The 2017 Limpopo Adjustment Appropriation Bill; and
- The 2017 Medium Term Budget Policy Statement for consideration and adoption by the house.

Aluta Continua....

Thank you!