



provincial treasury

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PROVINCIAL

ADJUSTMENT BUDGET

SPEECH

PROVINCIAL ADJUSTMENT BUDGET SPEECH 2020/21



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MEC for Finance

23 JULY 2020

PROVINCIAL ADJUSTMENT BUDGET 2020/21

**PRESENTED BY
MEC MOTLALEPULA ROSHO**

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**2020/21 PROVINCIAL ADJUSTMENT BUDGET SPEECH PRESENTED BY
MEC FOR FINANCE, MOTLALEPULA ROSHO AT THE NORTH WEST
PROVINCIAL LEGISLATURE ON 23RD JULY 2020**

Honourable Speaker, Ms. Susan Dantjie

Honourable Deputy Speaker, Ms. Viola Motsumi

Honourable Premier, Prof Job Mokgoro

Honourable Members of the Executive Council

Honourable Members of the Provincial Legislature

Ladies and Gentlemen

Bagaetsho, Dumelang.

Honourable Speaker, our province like the rest of the country is at warfare with the COVID-19 pandemic that has caused immense strain on our healthcare systems across the globe and even challenging well-resourced healthcare systems in the world. People live in fear and uncertainty with some even questioning whether they will survive the pandemic.

It is a fact that COVID-19 poses a great threat to our nation, but this is not the time to be hopeless and fearful. This pandemic requires collective efforts from the province and its citizens to curb the spread of the disease and save lives by adhering to all the set regulations and health protocols.

It is during difficult times like these that we are reminded of the wise and encouraging words by Tata Nelson Rolihlahla Mandela when he asked: “When the history of our times is written, will we be remembered as the generation that turned our backs in a moment of global crisis or will it be recorded that we did the right thing?”

Honourable Speaker, Tata Mandela was a great philosopher and visionary. He said these wise words in 2005 when he was preparing us and future generations that the ultimate measure of a man is not where he stands in moments of comfort and convenience but where he stands in times of challenge and controversy. This resonates perfectly with our current difficult situation, when we are all challenged to teach our people to take extra care of themselves as the fight against this pandemic intensifies.

The tabling of this budget coincides with the month in which we celebrate the late icon, late President Mandela. During the same month we also had to unfortunately bid farewell to his youngest daughter and former youth fighter, Zinziswa Mandela fondly known as Zinzi, who was confirmed to have contracted the virus at the time of her death. As if that was not enough, we were struck by yet another heavy blow in the province as we had to unfortunately bid an early farewell to one of our own MEC Gordon Kegakilwe who also succumbed to complications linked to coronavirus. May the souls of all our people that have lost their lives to this pandemic rest in peace. We pass our heartfelt condolences to the families of the bereaved and to all families that have lost loved ones to this pandemic. We would want to use this special adjustment budget that we are tabling today as a reminder that we can defeat this virus.

Honourable Speaker, yesterday we woke up to the very sad news of the passing away of the struggle stalwart who happened to be the last surviving Rivonia Trialist Baba Andrew Mokete Mlangeni. In honour of his selfless and outstanding contribution to the liberation movement, he was awarded Isithwalandwe Seaparankwe, which is the highest honour to be bestowed on anyone by the African National Congress (ANC). He was also awarded the Presidential Order for Meritorious Service in 1999.

Our thoughts are with the Mlangeni family at this time of their bereavement. We pray for the soul of Baba Mlangeni to rest in perfect peace and we promise to carry on with his legacy of growing the South Africa that he fought so hard to liberate.

Honourable Speaker, before the coronavirus outbreak, government had identified key service delivery initiatives to be rolled out in the current financial year. Government is responding to the pandemic by reprioritising its budget towards measures aimed at addressing the coronavirus. It is important to find a balance between fighting the pandemic and not losing sight of key service delivery commitments. Provision of basic services should not be compromised whilst dealing with the pandemic. This is an added pressure to the current shoe-string public purse, but we dare not despair.

Mmusakgotla, ikonomi ya rona e ka fa tlase ga kgatelelo e e seng kana ka sepe go feta nako e e fetileng. Puso e iphitlhela e mekamekana le dikgwetlho di le dintsi, ga reng ga tse dingwe e le go lwantsha botlhokatiro jo bo tlhodilweng ke tatlhegelo ya ditiro mo nakong eno le go lwantsha tlhokofatso ya basadi le bana. Naga ya rona e tsweletse go itemogela dipalopalo tse di kwa godimo tsa dipolao, dipetelelo le tlhokofatso. Dikgwetlho tse, di utlwiswa botlhoko mme puso e tshwanetse e etelele pele mananeo a a kgatthanong le tshotlhakako ya basadi le bana gammogo le botlhakatiro.

Earlier in March, President Cyril Ramaphosa met with the leaders of all parties represented in Parliament on the global coronavirus pandemic and all agreed that the COVID-19 outbreak poses a grave and real threat to the lives, livelihoods and prosperity of our people. In the same breath, fellow members, regardless of our political differences, I believe we share a common desire to keep our people safe, to mitigate the impact on our economy, and ensure that the inevitable disruption to lives and livelihoods is reduced.

It is our collective and individual duty as leaders to provide guidance and direction to our people by demonstrating the greatest care and acting responsibly in our pronouncements to mobilise all our people behind this effort.

Honourable Speaker, the fight against the COVID-19 pandemic is not only that of our leaders in our society but is a fight that needs to involve all citizens. This challenge can only be overcome if we pull together as a nation. Minister of Cooperative Governance and Traditional Affairs, Dr Nkosazana Dlamini-Zuma recently echoed this call succinctly when she unpacked the Amended Level 3 COVID -19 Regulations on 13 July when she said: “the fight against the virus requires a society wide effort. It requires all of us to make sacrifices, which at face-value may seem unreasonable. However, when we make these sacrifices now, we secure our future as a nation.”

Minister Dlamini-Zuma was reminding us that we need to fight together with the rest of the world as we confront this pandemic with the determination to conquer and bring this virus to a point where infections are diminished. We need to collectively stand together and fight for the future of the next generation where we would be able to continue our programmes of reducing inequality, poverty and unemployment.

Following the national government fiscal policy direction, our province had to make the necessary budget adjustments to manage coronavirus. The number of people infected in the province has increased from 35 to 14 337 between 19th April and 20th July 2020. Although the country and the Province is currently experiencing economic hardship brought by the pandemic, the real impact of the coronavirus on the provincial economy can only be measured after the second quarter results are published.

Honourable Speaker, the South African economy has recorded another quarter of contraction following the annual economic decline reported for 2019. The country's unemployment rate has increased to 31 per cent and that of the North West recently increased to 33.2 per cent, which impacts directly on our social support to those households that live in poverty. This situation will be improved with the implementation of appropriate economic policy interventions to encourage localization to spur job creation.

As one of the platinum producers, we take note that the South African platinum production is gradually losing ground to Russian companies mainly because of the recent economic lockdown that has almost halted mining operations. Despite this, there is still a world palladium deficit of about 0.5 million ounces which should motivate our mines to increase platinum production.

In addition, the European Commission has resolved to ramp up the development and deployment of hydrogen technologies for power generation. This should result in a new market for platinum over and above its use for catalysts converters which was already declining as the result of Europe moving away from diesel engine cars.

PROVINCIAL OWN REVENUE

Honourable Speaker, the provincial own revenue was negatively affected by the introduction of lockdown measures which resulted in many business activities being put on hold across the country. The Provincial Treasury conducted an analysis of departments at high risk of not meeting the 2020/21 revenue targets due to the impact of lockdown regulations and other historical factors. Based on the outcome of the analysis, the Provincial Departments were afforded the opportunity to revise their revenue budget for 2020/21 taking into account their previous revenue collection trends.

The total original revenue budget of R1.31 billion has been revised to R1.2 billion resulting in a reduction of R111 million or 8 per cent of the total original budget. Departments are further urged to establish measures to be implemented to improve revenue collection. Since the tabling of the 2020/21 Provincial Budget on the 5th March 2020, government priorities have been tremendously affected by the emergence and the spread of the coronavirus known as COVID-19 pandemic. On the same day when we tabled the Provincial Budget, His Excellency, President Cyril Ramaphosa declared COVID-19 as a National Disaster.

Honourable Speaker, government had to respond promptly to this devastating pandemic that spread like wildfire. On the 15th of March, just ten days after the declaration of the National Disaster, the Honourable President announced a R500 billion response package to be partly funded through the reprioritization of the current 2020/21 budget, with provinces expected to contribute R30 billion, of which North West had to identify R2.1 billion.

The 2020 special adjustment budget I am presenting today, is primarily to avail funds for the Provincial Response Plan and to address other social challenges brought about by the COVID-19 pandemic through reprioritization. It is important to mention that the Special Adjustment Budget does not bring additional funds for COVID-19 to the Province, instead the funds have been provided by re-prioritizing funds from the existing budget. This adjustment does not bring drastic changes to the Provincial Fiscal Framework but to the departmental baseline allocations. During the engagements with provincial departments and public entities, critical and hard choices had to be made, to suspend some of the planned programmes and projects to future financial years, with the objective to ensure that government responds adequately to the COVID-19.

This special adjustment budget that will be tabled today responds to the Covid-19 crisis and addresses a coordinated and bold response to:

- improve the capacity of our Health, Education and Social Services;
- implement measures aimed at providing financial support to individuals;
- assist businesses and entrepreneurs to cope with the adverse effect of the pandemic; and
- providing our communities with an effective public awareness campaign on the health and hygiene protocols.

Provincial Supply Chain intervention on COVID-19 related items

Honourable Speaker, the National Treasury issued Instruction Notes on COVID-19 Emergency Procurement which prescribes guidelines and including the development of the database of service providers for Personal Protective Equipment (PPE). In our quest to promote local procurement, Provincial Treasury will be monitoring departments by assessing their support to local entrepreneurs within the parameters of the Emergency Procurement guidelines. The Departments are expected to report monthly on COVID-19 procurement and related expenditure to Provincial Treasury.

Verification of COVID-19 related expenditure

The outbreak of the COVID–19 pandemic prompted departments to reprioritise their budgets in order to meet the emergent needs of ensuring that workplaces comply with the health and hygienic protocols. During this period, procurement of COVID-19 related goods and services had to be done through emergency processes. National Treasury introduced emergency procurement to mitigate the effects of this pandemic.

It is expected that emergency procurement due to the COVID-19 outbreak could present a risk of non-compliance leading to irregular expenditure in some instances. Provincial Treasury has put in place measures meant to verify past and on-going COVID-19 related expenditures by identifying significant non-compliance transactions so as to mitigate against irregular expenditure.

Monitoring of municipalities during COVID-19

The coronavirus pandemic has had an adverse economic impact on municipalities as more services have been provided with no concomitant improved revenue collections. Revenue collections in municipalities have significantly declined and this is a serious setback as many of them have been having a history of low revenue collections. Sound financial management is critical at this stage as municipalities are required adopt the 2020/21 Mid-Term Revenue and Expenditure Framework (MTREF) budgets that are responsive to COVID-19 and manage the cash flow. Liquidity management will be critical to enable the municipalities to meet their extended obligations and provide basic services at the same time.

Municipalities must submit weekly COVID-19 reports as required to enable Provincial Treasury to monitor the impact of COVID-19 on the revenue and expenditure, as well as in year budget reports to give an early indication of the impact on the overall financial position. Municipalities must ensure that core financial management systems and internal control measures continue to function during the lock down period and business continuity plans are activated so that essential services can be provided.

District municipalities are expected to intensify coordination in the context of the District Development Model (DDM) to facilitate support to local government for the provision of basic services and adequate response to COVID-19 and avoid duplication of functions to avoid wastage.

The Provincial Treasury will be assisting municipalities that are in financial crisis to develop and implement the financial recovery plans. Where there are existing financial recovery plans, monitoring will be intensified, and progress report will be tabled to Council on a quarterly basis.

Adjusted Provincial Fiscal Framework

The Provincial Equitable Share allocation tabled on the 5th of March 2020 remains unchanged at R37.548 billion. It is critical to note that the equitable share allocation to departments and the Provincial Legislature have been reprioritized and reduced to fund the COVID-19 plans. Reductions of departmental equitable share allocation targeted specific items that are mainly affected by the lockdown restrictions. In addition, the allocations for filling of vacant positions and the implementation of some infrastructure projects that could be deferred to the next financial year were also identified and redirected towards COVID-19 funding.

All departmental budgets, including the North West Provincial Legislature with the exception of the Department of Health, have been revised downwards to fund the COVID-19 Provincial Plan. The reprioritization of the Equitable Share generated savings of R1.5 billion to be redirected to COVID-19.

Honourable Speaker, the reprioritization for COVID-19 also affected the **Provincial Conditional Grant allocations**. Provincial conditional grants allocation has been reduced by R459.4 million, which is the result of a net reduction of R661 million from various departments and the additional R193.6 million for the Department of Health and R8 million for the Department of Agriculture and Rural Development. Consequently, the Provincial Conditional Grants allocation reduced from R7.743 billion to R7.284 billion for the 2020/21 financial year. Furthermore, some of the conditional grants frameworks have been amended to ensure adequate response to the COVID-19 pandemic.

Provincial Fiscal Framework

Honourable Speaker, the North West Provincial Fiscal Framework for the 2020/21 financial year has been adjusted downwards by 1.2 per cent from R46.6 billion to R46.0 billion.

Reduction of Conditional Grant allocation

The following downward adjustments have been made to Conditional Grant allocations:

- R36.019 million from the Comprehensive Agricultural Support Programme Grant and R14.811 million from the Ilima/Letsema Projects Grant.
- R197.260 million from the Education Infrastructure Grant, R4.057 million from the HIV and AIDS Life Skills Education Grant and R5.892 million from the Maths, Science and Technology Grant.
- R158.311 million has been reduced from the Human Settlements Development Grant, R34.760 million from the Title Deeds Restoration Grant.
- R34.800 million from the Community Library Services Grant and R14.698 million from the Mass Participation and Sport Development Grant,
- R160.415 million has been reduced from the Provincial Roads Maintenance Grant.

The impact of COVID-19 on departmental Budgets

Honourable Speaker, as I have mentioned above, the provincial spending plans for 2020/21 financial year have been adjusted in response to the coronavirus pandemic. As a result of the reprioritisation, funds allocated for infrastructure programmes with a history of poor performance or slow spending were all suspended.

Departments were requested to adjust their Annual Performance Plans targets to align them to the reprioritised budget without compromising core service delivery programmes.

Honourable Speaker, the allocation for the Provincial Legislature is reduced by R45 million mainly from the infrastructure allocation and reprioritization from goods and services items.

The **Governance Cluster** released R295.5 million. This sector includes Office of the Premier, Provincial Treasury and Cooperative Governance and Traditional Affairs with each contributing an average R98.5 million. As a result of these adjustments, the Office of the Premier allocation amounts to R591.2 million, Provincial Treasury receives an adjusted allocation of R462 million, and the department of Cooperative Governance and Traditional Affairs is adjusted to R548 million.

The **Economic Cluster**, which includes Economic Development, Environment, Conservation and Tourism, Community Safety and Transport Management, Public Works and Roads and Agriculture and Rural Development contributed R808.1 million of which R604.8 million is from the equitable share and R203.2 million from conditional grants. The allocation of the DEDECT includes SMME Relief of R40 million as a relief to SMME's from the adverse impact of COVID-19. This cluster is also affected by the impact of COVID-19 to own revenue with a projected under collection of R98.8 million.

Inevitably, the reduction affected, amongst others, the infrastructure projects that were planned to start in the current financial year. It is important to note that these projects are not eliminated from the provincial plans but rather deferred to future financial years.

Honourable Speaker, an additional amount R50 million was redirected to DEDECT for COVID-19 intervention with special reference to the provision of quarantine sites for patients. The department must ensure that reasonable rates are paid for government facilities to ensure that the number of beneficiaries are maximised. The Department of Agriculture and Rural Development receives an additional R8 million for the Provincial Disaster Relief grant to provide for drought relief in the most affected areas of the province.

Within the **Economic Cluster**, an amount R30 million is added to the Department of Agriculture and Rural Development to improve food security which has been threatened by the prevalence and the spread of the coronavirus. The total Economic Cluster budget is adjusted to a combined amount of R7.237 billion.

The **Social Cluster** which includes Arts, Culture, Sports and Recreation, Education, Human Settlements and Social Development contributed an amount of R984.8 million, of which R535.1 million represents the equitable share and R450 million relates to the conditional grants. It should be noted the Department of Health was exempted from this contribution. Furthermore, the Department of Arts, Culture, Sports and Recreation is also affected by own revenue reduction of R3.5 million.

Honourable Speaker, the Department of Health receives an additional amount of R1.693 billion consisting of additional funds to the Equitable Share of R1.101 billion, R175.1 million additional funds for the COVID-19 Component within the HIV, TB, Malaria and Community Outreach Grant, R18.5 million for Disaster Relief Grant for COVID-19 and the R399 million internal departmental reprioritization.

This additional funding aims to address amongst others, human resources capacity to respond to the pandemic, increased bed capacity at hospitals, purchase of personal protective equipment (PPE), health education, screening and management of contacts by quarantining confirmed persons through isolation.

Honourable Speaker, this allocation is in line with the current focus of government to reduce infections as detailed by the Minister of Health, Dr Zweli Mkhize during his briefing on the 8th of July to Parliament regarding the impact of COVID-19 in South Africa when he said: “The focus continues to be on prevention of new infections, containment, mitigation and recovery. The overarching objective is to strengthen the national and provincial mechanisms for timely detection, management and containment of the spread of Covid-19 with nine overarching strategic priorities.”

An amount of R200 million is redirected to the Department of Education to assist with COVID-19 intervention mainly for the preparation of reopening of schools and to curb the spread of the virus during school days. Furthermore, the Framework of Education Infrastructure Grant has been amended to allow the department to use funds for COVID-19 interventions.

Honourable Speaker, the Department of Social Development receives an additional R40 million for the Social Relief of Distress Programmes to respond to the challenges of disasters, extreme poverty and destitution. This programme includes food parcels and cooked meals, blankets, sanitary dignity packs and any other appropriate interventions as a short-term measure to respond to the emergency needs of vulnerable individuals and households.

Within this sector, the Department of Arts, Culture, Sports and Recreation's recreational facilities have been identified as accommodation facilities for the homeless. To this effect, an amount of R10 million is redirected to assist with the cost of running facilities used as quarantine sites.

The total allocation for Health therefore increases from R13.197 billion to R14.483 billion representing a 9.7 per cent increase, Education budget is adjusted to R18.063 billion, while the Department of Social Development receive an adjusted budget of R1.820 billion, Human Settlements budget is adjusted to R1.561 billion and the department of Arts, Culture, Sports and Recreation receives an adjusted budget of R670.8 million.

Honourable Speaker, in implementing measures aimed at mitigating the impact of COVID-19, departments and public entities must spend these funds efficiently, effectively and avoid wastage of resources. Departments and public entities are furthermore directed to provide bi-weekly progress reports in terms of their financial and non-financial performance in their response to COVID-19 and such progress reports must form part of the monthly section 40 (4) reports in terms of the PFMA. It should be noted that other adjustments not included in this Special Adjustment Budget will be tabled in the November 2020 Adjustment Budget.

Conclusion

Honourable Speaker, in conclusion, Minister Tito Mboweni when tabling the Special Adjustment Budget Speech in June said "...the storm is not over. But, if we follow the health guidelines and make the right decisions to prepare for a new global reality then, soon enough, the days will grow calmer and our national Aloe Ferox shall go into the new day healthy and strong". The minister was reminding us to remain resilient and steadfast in our quest to fight this invisible enemy and that we needed to be positive that we shall overcome it.

Honourable Speaker, our emphasis today has been on the Covid-19 pandemic, but we must not ignore another equally important pandemic that is rampant in our society which is that of Gender Based Violence.

Women and girl children are being abused, raped and killed by men who are supposed to be protecting them. We plead with our men to protect vulnerable women and children. The best force on our side is care. If men cared, we would not be experiencing the brutal killings of women by men who are expected to protect them.

Dipalopalo tsa dipolao le go tlhokofadiwa ga basadi mo nakong eno di tlhatlhoga ka palo e e robang pelo. Re tlhoka lerato le bopelotelele jwa borre gore ba sireletse bomme le bana ba ba rona ba basetsana.

We call upon all men to utilise this difficult time by taking the opportunity to look inward, reflect on what truly matters, and connect with their inner selves and their loved ones on a deeper level and further exercise their role of being pillars in their families and the society at large. We wish to pass our regards to all that have been affected by these two pandemics. We further wish to send our deepest condolences to everyone who has lost a loved one to these two pandemics.

Honourable Speaker, in putting together the 2020/21 Special Adjustment Budget, I wish to express my sincere gratitude for the guidance and support to the following:

- Honourable Premier and my colleagues in the EXCO.
- Honourable Members of the Legislature and the Portfolio Committees that this departments accounts to.
- The Head of Department, management and staff of the Provincial Treasury.
- Support staff in my Office and my family.

It is important that we adapt to the new normal and adhere to all the National Disaster regulations and related health protocols that are put in place to protect us and our loved ones. We must all wear masks, wash our hands more often and maintain a safe social distance.

I want to conclude this speech with an appeal to all South African citizens which was echoed succinctly in a statement released by on the 18th July 2020 by the department of Health as an excerpt from a statement on the of the 28th June 2020 by Minister Mkhize when he said: “We do not have a vaccine. We do not have a cure. Our ability to break the cycle of infection depends on our willingness to remain focused and disciplined and take-pharmaceutical interventions seriously. We can beat this pandemic together. We have already proved this during the lockdown. It remains in each and every citizen's hands to admonish family members, colleagues, friends who refuse to adhere to measures that protect lives by limiting the spread of the virus.”

I thank you. Ke a leboga.

The allocations per departments are as follows:

Department	2020/21 Main Budget	Special Adjustments	2020/21 Special Adjustment Allocations
Office of the Premier	691 205	(100 000)	591 205
Provincial Legislature	504 294	(45 000)	459 294
Health	13 197 187	1 285 493	14 482 680
Arts ,Culture, Sports & Recreation	789 188	(118 360)	670 828
Community Safety and Transport Management	2 368 808	(212 856)	2 155 952
Economic Development, Environment, Conservation & Tourism	1 015 811	(79 950)	935 861
Provincial Treasury	557 499	(95 512)	461 987
Education	18 379 620	(316 785)	18 062 835
Cooperative Governance & Traditional Affairs*	648 046	(100 000)	548 046
Public Works and Roads	3 456 839	(423 283)	3 033 556
Social Development	1 878 410	(58 507)	1 819 903
Agriculture & Rural Development	1 222 601	(110 830)	1 111 771
Human Settlements	1 803 986	(243 071)	1 560 915
Total	46 603 518	(569 085)	46 034 433

Notes

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2020/21 Adjustment Budget documents are available on www.nwpg.gov.za/treasury



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