



Northern Cape Provincial Government

Northern Cape Provincial Treasury

ADJUSTMENT APPROPRIATION BILL SPEECH 2020/21

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**ADDRESS TO THE PROVINCIAL LEGISLATURE ON THE OCCASION OF
TABLING OF THE NORTHERN CAPE SPECIAL ADJUSTMENT APPROPRIATION
BILL FOR THE 2020/21 FINANCIAL YEAR AND THE FINANCE BILL BY MR.A
VOSLOO (MPL), MEC FOR FINANCE ECONOMIC DEVELOPMENT AND
TOURISM**

**HONOURABLE SPEAKER OF THE NORTHERN CAPE PROVINCIAL
LEGISLTURE, NEWRENE CLAUDINE KLAASTE**

HONOURABLE DEPUTY SPEAKER, OCTAVIOUS MANGALISO MATIKA

HONOURABLE PREMIER, DR ZAMANI SAUL

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LADIES AND GENTLEMEN

Introduction

Honourable Speaker, we are brought here today on this virtual platform by very challenging and difficult circumstances, during the midst of an invisible killer, a pandemic that has brought fear to our people and rightfully so. Having said that Honourable Speaker, I stand here to present a revised budget for the 2020/21 financial year. A budget reconfigured to provide a comprehensive response to our fight towards this pandemic. Our response towards COVID-19 has necessitated significant changes and adjustments to the budget tabled in March.

Let me also take this opportunity to take the Honourable Members back to what my predecessor, Honourable Lekwene said during the tabling of the main Budget in March 2020 with regard to the pandemic and I quote ***“the next few weeks will be critical to track the path of new confirmed cases of Coronavirus and the potential threat to the economy.”*** We stand here today with confirmed cases of the pandemic in our province and respective communities. As at Sunday 19th July 2020, we had 2266 positive cases in the province, with 772 recoveries leaving us with 1477 active cases. We call on our people across the province to observe the regulations and follow the basic protocols in order to contain the spread of the virus.

We also present this special appropriation bill at a time when this virus is inflicting pain by claiming the lives of many within our communities. Honourable Speaker and Members, let me also take this opportunity on behalf of the Northern Cape Provincial Administration to extend our sincere condolences to the families that have lost their loved ones to this invisible killer and to the family of our late colleague in the North West Provincial Administration, Mr Gordon Kegakilwe, the former MEC Corporate Governance, Human Settlement and Traditional Affairs who also succumbed to Covid19. We also wish to pass our condolences to the Mandela Family after the passing on of Ms Zinzi Mandela who was South Africa's Ambassador to Denmark and the daughter to the icons of our struggle Tata Nelson and Mama Winnie Mandela.

To those affected we say, we are here every step of the way and this reprioritised spending will affirm and demonstrate clearly our resolve in containing this virus whilst

providing interventions aimed at providing a safety net to the poor and economic cushion to our SMMEs.

Honourable Speaker, we are pledging a social compact that will allow us to protect the most vulnerable in society and we will continue to identify the gaps moving forward to ensure that our interventions are responsive to this course.

Economic Outlook

Honourable Speaker, the International Monetary Fund (IMF) projects world output to contract by 4.9 per cent in 2020, with positive growth of 5.4 per cent projected for 2021. In 2020, Advanced Economies are expected to be severely hit, with a projected contraction of -8.0 per cent, with the Emerging Markets and Developing Economies having a projected contraction of -3.0 per cent. Projected growth for 2021 for Advanced Economies is 4.8 per cent while for Emerging Markets and Developing Economies the projected growth is 5.9 per cent.

Honourable Speaker prior to the COVID-19 pandemic, the South African economy was already in a recession, recording negative growth of -0.8 per cent and -1.4 per cent respectively in the third and fourth quarters of 2019. In the fourth quarter, the two largest negative contributors to the growth in GDP were the Transport, storage and communication and the Trade, catering and accommodation industries.

Honourable Speaker, in the first quarter of 2020 the country continued this trend, recording a contraction of -2.0 per cent. Mining was the largest negative contributor to the latest contraction as the industry decreased by 21.5 per cent nationally. The second largest negative contributor was Manufacturing which decreased by 8.5 per cent.

Honourable Speaker, in his 2020 Supplementary Budget Speech, Honourable Minister of Finance Tito Mboweni, stated that the South African economy is expected to contract by 7.2 per cent in 2020, the largest contraction in nearly 90 years. The reduction in economic activity negatively impacts the expected revenue collection of government. This together with government interventions to attempt to decrease the

impact of COVID-19 on the people and the economy of South Africa places even more pressure on the already severely strained fiscus.

Honourable Speaker, with the expectations of National Treasury of a significant contraction in the national economy, the Northern Cape economy is also expected to be negatively affected. Mining remains to be the largest industry in the Northern Cape, it is important to support this industry in an effort to support the provincial economy. Despite manufacturing being such a small industry in the province, government should also intensify its efforts to support this industry to ensure that it survives the COVID-19 pandemic.

Honourable Speaker, the agriculture industry also plays an important role as it contributes to the food security of the province and the country. Honourable members, as we all know, agriculture in the province has been struggling with the impact of the drought and now we are also faced with the challenges brought about by COVID-19. This emphasises the need for us to support especially vulnerable small-scale farmers to ensure their survival.

Honourable Speaker, the tourism industry within the province is also expected to be negatively affected with travel restrictions directly impacting on this industry. Although only some of the industries are mentioned here, various industries are expected to be negatively affected and all of the industries are very important in the provincial economy. Businesses, especially Small and Medium Enterprises (SMEs), should be assisted to get access to funding and other Government initiatives to assist with their sustainability and survival.

Honourable Speaker, as part of our fight against poverty, the employment of people in the country and the province is of utmost importance. In the first quarter of 2020, the national unemployment rate was 30.1 per cent. This is an increase of 1.0 percentage point from the previous quarter. Over this period the number of people employed decreased by 38 000 while the number of unemployed increased by 344 000. The changes in the number of employed people was due to a decrease in employment in the Agriculture, Manufacturing, Utilities, Construction, Transport,

Finance and Community and social services industries, and an increase in employment in Mining, Trade and Private households.

Honourable Speaker, although the provincial unemployment statistics are slightly better than the national statistics, the province is still suffering from high levels of unemployment. In the Northern Cape, the unemployment rate was 27.0 per cent, also in the first quarter, which is 0.1 of a percentage point higher than in the fourth quarter of 2019. Over this period, both the employed and the unemployed increased by approximately 1 000 people. Provincially, employment increased in the Agriculture, Mining, Utilities, Construction and Trade industries, while it decreased in Manufacturing, Transport, Finance, Community and social services and Private households.

Honourable Members, the impact of COVID-19 on employment in the province is expected to be more noticeable in the next statistical release by Statistics South Africa.

Honourable Speaker, the recent repo rate cuts introduced by the South African Reserve Bank gives much needed financial relief to indebted businesses and consumers. The South African Government put in place a number of interventions in order to respond to the expected detrimental economic impact of COVID-19 and to bolster the economy and provide a safety net for the most economically vulnerable.

To this effect, President Cyril Ramaphosa announced a R500-billion economic stimulus package to tackle the Coronavirus pandemic. Some of the Coronavirus related interventions are:

- The Department of Small Business Development established the Debt Relief Finance Scheme to assist small and medium enterprises that are negatively affected due to the Coronavirus pandemic.
- The Business Growth/Resilience Facility is aimed at assisting SMEs that are geared to take advantage of supply opportunities due to the COVID-19 pandemic.

- The Minister of Employment and Labour issued the COVID-19 Temporary Employee/Employer Relief Scheme (C19 TERS). A special benefit is created under the Unemployment Insurance Fund (UIF) assisting employees who have lost income as a result of the COVID-19 pandemic and minimising the economic impact of a loss of employment due to this pandemic.

Honourable Speaker, now more than ever, Government as well as the people of the province are encouraged to buy from and support local businesses to help them in this difficult time. As Government, we should thus intensify our drive for the localisation of procurement, this is in line with the objective of the Honourable Premier, Dr Zamani Saul that the province increase its local spent from the current 34 per cent to 60 per cent. South Africa and the Northern Cape produce various goods and services and by supporting local businesses, we help in the fight against the economic turmoil that this pandemic is having on our people. As restrictions are relaxed and lifted, it is expected that economic activity will start picking up.

Local Government

The COVID-19 has hit very hard at municipalities' ability to collect revenue and implement credit control to support municipalities with business rescue measures, we will be putting our efforts to ensuring that systems are in place that will automate and verify the registration process and make confirmation of indigent status prior to approval. Municipalities should double efforts to implement stringent credit control and debt collection process to ensure that a 95 per cent collection rate is maintained.

Honourable Speaker, as part of Government's response to mitigate the effects of COVID-19 at local Government, the original total equitable share for our municipalities in the province has been adjusted upwards with an amount of **R246 million**. This amount will assist municipalities in striking the balance between COVID-19 hit areas especially focussed at the increased numbers of poor households in our communities. Honourable Members, furthermore, a total amount of **R20 billion** has been reprioritised from other grants including MIG towards this response due to increased operational expenses, food and shelter for the homeless and to provide wide coverage for water and sanitation, in this regard, we are still awaiting the specific amounts that will come to our municipalities.

Whilst municipalities will be given the discretion in terms of how best to utilise the money based on each municipality circumstances. Municipalities are required to ensure that the COVID-19 funding and expenditure are ring fenced and classified correctly in terms of the Municipal Chart of Accounts (mSCOA) and related circulars and this will allow for proper tracking and monitoring of these funds closely to ensure that they are apportioned for the intended purposes.

Revised Provincial Fiscal Framework

Honourable Speaker, as indicated in my introduction, our current expenditure ceiling aggregates are maintained as part of Government's fiscal consolidation efforts aimed at reducing the primary deficit. This means that the composition of planned expenditure had to be shifted towards our response in effectively dealing with this pandemic.

These changes are part of the stimulus package already announced by the Honourable President Ramaphosa on the 21st April 2020, this budget therefore serves to respond to that call. Some of the assumptions used in crafting these adjustments include the insulation of the entire social sector departments in terms of protecting their baselines. Furthermore, conditional grants planned spending has been shifted towards COVID-19. Honourable Members, these departments are at the frontline of fighting COVID-19 and accordingly, resources and human capital will focus entirely in fighting the pandemic.

Honourable Speaker, this means that all other departments had to further take reductions in solidarity and most importantly, to streamline our efforts and ensure that resources are accordingly shifted in line with our plans.

Honourable Speaker, I will provide the aggregate adjustments within our provincial receipts before I detail the specific changes in departmental baselines. Let me also indicate the main adjustments in this revised budget compared to the original budget tabled in March.

Honourable Members, the original equitable share baseline amounted to **R14.289 billion** is adjusted upward with an additional amount of **R6.2 million** from the National Disaster Management fund earmarked towards the department of Health for the procurement of Personal Protective Equipment (PPEs) for health professionals across the province.

This resulted in the revised equitable share amount of **R14.296 billion** of which **R529 million** had to be redirected towards a COVID-19 response, whilst conditional grants

are adjusted downward with an amount of **R295 million** to a revised baseline of **R4.247 billion**, this reduction is part of the repurposing of grants by the respective national departments administering the grants frameworks in line with the Division of Revenue Act.

Some of the notable changes in the conditional grants allocations are as follows:

- **R186 million** is reduced from the Provincial Roads and Maintenance grant in the department of Roads and Public Works;
- An amount of **R22.6 million** is reduced from the Comprehensive Agricultural Support grant
- Education Infrastructure grant is reduced with an amount of **R82 million**, this as part of COVID-19 reprioritisation at a national level.

With the lockdown and impact on business activity, it came as no surprise that our own revenue baseline comprising mainly of motor vehicle licences, health patient fees casino taxes were negatively affected. Accordingly, we had to revise our initial estimates down with an amount of **R86 million**, effectively reducing the original baseline from **R426 million** to **R341 million**.

Honourable Members, the net effect of these adjustments when compared to the original budget is a downward technical adjustment of **R381 million**. Resulting in the province's total receipts for the 2020/21 financial year amounting to **R18.884 billion**.

It is a matter of note that our budget framework for the outer two years (2021/22 to 2022/23) period remains unchanged at this stage and the adjustments will only be known when the Provincial Medium Term Budget Policy Statement (PMTBPS) is tabled in November 2020.

Honourable Speaker, it must be noted that whilst we have managed to prioritise **R529 million** towards COVID-19 response. This amount is sourced from all departments in the province except the social sector. Conditional grants have also been re-purposed towards COVID-19 and departments will provide details during the departmental Vote speeches in this regard.

Honourable Speaker and Members, of the total amount of **R529 million** reprioritised towards COVID-19, an amount of **R396.8 million** is specifically added to the baseline of the department of Health as part of the COVID-19 baseline, this amount is ring-fenced for COVID-19 and may not be used for any other purpose. **R20 million** is allocated to the Department of Social Development to augment the baseline for the food parcel distribution. The remaining amount of **R112 million** is set aside towards the economic sector as an economic recovery package to fund projects with immediate and tangible job creation opportunities. The economic sector departments will streamline projects with immediate job opportunities in this regard.

Honourable Speaker, a few of our local Small Medium Micro Enterprises SMME's have managed to access debt relieve funds from the national Department of Small Business, Honourable Members, of the total 1501 SMMEs assisted across the country, 39 are from the Northern Cape and the costs of these packages amount to **R11. 7 million**, resulting in the protection of 359 jobs across various sectors in the province. It is for this reason that we have also set aside an amount of **R112 million** to invest in job creation projects.

Departmental allocations

Honourable Speaker, I would like to emphasise the overarching principles that have guided our response in this regard, whilst I will deal with specific allocations in relations to the reprioritised amounts which also include redirected funding towards COVID-19. Conditional grants in the department of Health will provide additional top up over and above the specific amount I will deal with. In the Department of Social Development, programmes have been aligned to the department's initiatives to protect the poorest and most vulnerable in our communities.

Honourable Speaker, the total amount prioritised towards COVID-19 in the Department of Health amounts to **R630 million** which is made up of the following:

- an additional amount of **R396.8 million** is allocated as a top up on the equitable share as part of the province's response towards COVID-19;
- an amount of **R100 million** is reprioritised from the Comprehensive HIV and Aids grant towards COVID-19 dedicated component within the grant;
- **R6.2 million** is added as an additional amount from the Disaster Relief Fund;
- an amount of **R76.6 million** is shifted within the equitable share towards the COVID-19 response in the department and;
- **R51 million** is also shifted from other grants towards the COVID-19 priority spending.

Honourable Speaker, the following areas have been prioritised for funding in the Department of Health:

- An amount of **R181 million** is earmarked towards additional capacity for staffing requirements for the department, these include the recruitment of mainly clinical posts to ensure that the department can cope with the additional patients in the system;
- **R18 million** is put aside to expand the current oxygen capacity for both low and high flow requirements and the installation of additional oxygen capacity in all districts, regional and tertiary hospitals as well as community health care centres;
- A further amount of **R80.5 million** will be utilised for additional 30 bed structures, also known as field hospitals will be set up at all hospitals where the need arises, this will allow the department to provide both high care and intensive care services;
- And as part of the provincial strategy to open more beds and areas for the treatment and care for our patients, clinicians will require more tools to support patients during this pandemic, this includes additional ventilators, additional hospital beds and other health technology equipment, and accordingly, an amount of **R130.8 million** will be spent for these priorities;
- And an additional **R72 million** will assist in setting up relevant facilities across all districts in the province, these relate to quarantine and isolation facilities across the province.

Honourable Speaker, as part of the recovery plan of the Department of Education, I have already indicated that Education has been protected from the cut, and as determined by the Executive Council, however, all programmes and projects that are not COVID-19 related are stopped and shifted towards our COVID-19 response in that sector. Honourable Members, in line with this approach, an amount of **R193.5 million** is also shifted from the Education Infrastructure Grant to cater for the following priorities:

- an amount of **R60 million** will be used towards the hygiene packs for schools;
- **R4 million** is directed to other hygiene items for offices;
- an amount of **R27.7 million** will be used to disinfect buildings;
- **R5.5 million** is earmarked towards the repairs of vandalised schools in the province;
- provision of water and sanitation in schools is also prioritised at an amount of **R47 million**;
- **R20 million** to address overcrowding in schools;
- **R24.8 million** for the appointment of COVID-19 screeners;
- **R1.5 million** for the installation of alarm systems in schools.

With respect to Social Development, we have implemented various interventions aimed at the most vulnerable in our communities. Through the partnerships with private sector and Solidarity Fund, to date 63 128 households have benefited from the provincial COVID-19 social relief of distress food security programme at a cost of **R56 million**.

Honourable Speaker, the opening of Early Childhood Development Centres will result in the Department of Social Development spending an additional **R11.5 million** on nutrition support for 15 000 children who are currently subsidised by the department. An additional **R8 million** is also set aside to assist Early Childhood Development Centres to comply with COVID-19 regulations in terms of safety measures and basic hygiene.

Honourable Speaker, we are mindful that these interventions are not sufficient, given the nature and scale of the challenges faced by our communities in terms of food security. However, these interventions must be seen in addition to the Special COVID-19 Social Relief of Distress Grant of which approximately 100 000 people in the Province have thus far benefitted, the provision of social grants (benefiting 479 704 people in the Northern Cape) and the School Nutrition Programme from the Department of Education. This constitutes the biggest social relief of distress intervention in the context of the Northern Cape since the advent of democracy.

Honourable Speaker, other departments will also embark on some work in line with their respective mandates, the department of Transport, Safety, and Liaison has prioritised an amount of **R3 million** from the Public Transport Operations grant to procure personal preventative materials mainly in the public transport sector. The department of Sport, Arts and Culture has already paid **R4.4 million** towards supporting **107** beneficiaries in the sport, arts and culture sectors. The Department of Economic Development has set aside an amount of **R7.8 million** to support the clothing cluster.

Finance Bill

Honourable Speaker, allow me to turn my attention to the 2020 Finance Bill, which seeks to condone the unauthorized expenditures incurred for the period 2010/11 to 2015/16.

This bill seeks to charge the Provincial Revenue Fund with **unauthorised expenditure** in terms of section 34 of the Public Finance Management Act, 1999. Moreover, the essence of the Bill is to legally confirm the decisions taken by the Standing Committee of Public Accounts (SCOPA) that expenditure that was originally unauthorised be approved with a condition that there is change in a manner in which things are done in the Provincial Administration. The expenses were cumulatively incurred at the end of 2015/16 financial year to the amount of approximately **R550.846 million**

Honourable Speaker, the Public Finance Management Act of 1999 as amended defines unauthorised expenditure as overspending of a vote or a main division within a vote as well as expenditure which is not in accordance with the purpose of the vote or the main division. The unauthorised expenditure under review was caused mainly by departments exceeding their allocated voted funds.

Provincial Treasury condemns this practice because if we allow it to continue, the province will be unable to meet its financial obligations and even payment of salaries. The responsibility to ensure effective and efficient management of financial resources

and preventing unauthorised expenditure is bestowed upon the Accounting officer of each department by the PFMA. The poor management of accruals is also a concern as the departments are using it as an illegal tool to artificially break-even. Whilst we are observing a year on year decline in unauthorised expenditure, accruals may result to uncontrollable unauthorised expenditure and cash flow crises.

Honourable Speaker, Provincial Treasury, through its monitoring and oversight structures continuously advocates for the implementation of preventative controls by departments to eliminate unauthorised expenditure. We will be collaborating with committees of the legislature to enforce compliance and promote accountability by those charged with financial governance responsibilities.

The total accumulated unauthorised expenditure as at 31 March 2019 amounted to **R965.865. million**, of which **R550.846 million (for the period 2010/11 - 2015/16)** was presented to the Standing Committee on Public Accounts (SCOPA) for consideration. SCOPA held meetings with all the affected departments to consider the unauthorised expenditure taking into account the explanations provided by the departments as well as the available provincial reserves in the Provincial Revenue Fund.

Honourable Speaker, the approved unauthorised expenditure totalling will be a direct charge against the Provincial Revenue Fund to reduce the overdraft balances in the various departmental bank accounts.

The bill makes provision for actions of recovery of the money to continue and it clearly stipulate that the Provincial Finance Bill may not be construed as affecting any action to recover **unauthorised expenditure**. In this regard, the Bill makes express provision to ensure that any legal entitlement regarding the potential recovery of any losses to the state owing to the unauthorised expenditure must remain.

Conclusion

Honourable Speaker, we know the impact of the reductions in all departments excluding the Health, Education and Social Development, in re-prioritising the budget

towards consolidating resources, we have stopped planned programmes in all departments but allowed the system to continue to operate albeit in a much constraint environment. We also need to use and integrate technology as part of our business re-engineering processes and not much travelling, advertising, accommodation, catering to name but a few will take place under these circumstances.

Honourable Speaker, Accounting Officers are urged to make use of internal audit when emergency procurement is done in line with National Treasury Instruction Note 5 to ensure compliance prior to procurement being finalised. According to National Treasury Instruction Note 5 on emergency procurement, Accounting Officers must put in place additional procurement and expenditure management measures. This includes the use of internal audit when emergency procurement is done to conduct audit checks in order to pick up and prevent irregularities pro-actively.

We need to implement consequence management in line with the provisions of the PFMA and take action against Accounting Officers and other officials who are implicated in any kind of corruption owing to emergency procurement due the pandemic. I would further like to remind Accounting Officers of their responsibility in terms of the Public Finance Management Act particularly section 38 (a) (ii) which clearly stipulate that an Accounting Officer for a department, trading entity or constitutional institution must ensure an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

Furthermore, sub section (2) clearly indicate that an Accounting Officer may not commit a department, trading entity or constitutional institution to any liability to which money has not been appropriated. Honourable Members, accordingly, the Legislature and Provincial Treasury must collaborate in this space to ensure that consequences follow for any transgressions.

Honourable Speaker, currently, South Africa ranks tenth for global COVID-19 infections, we want appeal to the people of the Northern Cape to comply with the necessary measures put in place to combat the spread of this pandemic.

Let me also thank the Honourable Premier, Dr Zamani Saul for his leadership and the confidence he has bestowed in me as a Member of the Executive Council responsible for this portfolio.

Let me also thank the staff of Provincial Treasury led by the Acting HOD for the support and commitment to the department.

Honourable Speaker and Honourable Members, I now table the following documents for consideration by this House:

- *The Northern Cape Special Appropriation Bill, 2020/21 financial year;*
- *Special Adjusted Estimates of Provincial Revenue and Expenditure 2020/21 financial year and the;*
- *Northern Cape Finance Bill 2020*

I thank you.