

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

**26 November 2020**

**HONOURABLE SPEAKER & DEPUTY SPEAKER**

**HONOURABLE PREMIER, DR ZAMANI SAUL**

**CHIEF WHIP OF THE RULING PARTY**

**MEMBERS OF THE EXECUTIVE COUNCIL**

**HONOURABLE MEMBERS OF THE PROVINCIAL LEGISLATURE**

**LEADER OF OFFICIAL OPPOSITION**

**MAYORS AND COUNCILLORS**

**DIRECTOR-GENERAL, HEADS OF DEPARTMENTS & MUNICIPAL  
MANAGERS**

**CHAIRPERSON OF TRADITIONAL LEADERSHIP & MEMBERS**

**LEADERSHIP OF ORGANISED LABOUR & BUSINESS**

**DISTINGUISHED GUESTS**

**COMRADES AND FRIENDS**

**MEMBERS OF THE MEDIA**

**OUR LISTENERS AT HOME**

**LADIES AND GENTLEMEN**

## Introduction

Honourable Members, three months ago we resolved to intensify our provincial response with a particular focus on prevention measures to mitigate the devastating impact of COVID-19 and further ensuring uninterrupted delivery of services to our people. Key amongst issues that were highlighted and agreed upon, included the following:

- Alignment of our service delivery programmes to the District Development Model, which is a critical instrument in strengthening coordination at all levels;
- Strengthening of partnerships between government, civil society and the private sector in our response to the COVID-19 pandemic; and
- All our programmes and interventions should be premised on the principles of human rights with special focus on health, education and social relief.

However, funding remains a challenge for all sectors of our economy, and more investment is needed with a particular focus on addressing social and economic drivers.

Honourable Speaker, the Adjustments Appropriation is premised on the 2020 State of the Province Address wherein the Honourable Premier, Dr Zamani Saul said, and I quote.

".....the choices and investments we make for the next 5 years will be based on an understanding between government, labour, business and civil society. The future of jobs is not only driven by digital demands but also human factors, it is important to embrace the new job and skills development opportunities the 4IR has to offer. This will enable us to place the Province on a sustainable development trajectory”.

Honourable Members, the vision of the 6<sup>th</sup> Administration championed by our by our Honourable Premier Saul to build a modern, growing and successful province in line with the electoral manifesto of the ANC, the governing party. necessitated that we align our fiscal framework to the needs of the Northern Cape.

Honourable Members, pronouncements by the Minister of Finance during the 2020 Medium Term Budget and Policy Statement that government’s medium-term policy priorities entail economic recovery from the international recession prompted by the coronavirus pandemic impact which is expected to be highly rough, and further interrupted by new waves of infection. The central policy goals of government over the next 2021 Medium Term Expenditure Framework (MTEF) are to yield public finances to a viable situation through positioning the economy for faster and broad-based growth.

Honourable Speaker, the economic recovery plan is targeting short-term measures to enhance energy production, investment on infrastructure and public employment, together with key structural

reforms that aim to raise long-term growth thereby improving public spending positive effect on Gross Domestic Product.

Honourable Members, following extensive intergovernmental consultations at a national level, the Minister's Committee on the Budget and the Budget Council meeting of 1<sup>st</sup> October 2020 followed by the Cabinet meeting of 25 October 2020, a debt stabilization fiscal framework plan for the coming 5 years was approved, this plan is underpinned by huge reductions across the system of Government.

Honourable Members, at the provincial level under the stewardship of the Honourable Premier, we followed suit in engaging sector departments on the implications of the National Minister's pronouncements on the provincial fiscus.

In addition, preliminary engagements with organised labour ensued in earnest towards exploring measures towards debt stabilization fiscal framework plan focussing on implications of the inevitable reduction on compensation of employees. The plans are afoot to engage organised labour on the same.

Honourable Speaker and Honourable Members, I hereby table –

- *The Northern Cape Second Adjustment Appropriation Bill, 2020/21 financial year*
- *Adjusted Estimates of Provincial Revenue and Expenditure, 2020/21 financial year*
- *2020 Northern Cape Medium Term Budget Policy Statement for the next three years*

Honourable Speaker, the 2021 preliminary fiscal framework provides for huge cuts in the baseline of the province relative to the 2020 Medium Term Expenditure Framework (MTEF). This provides the province with an opportunity to improve on the composition of expenditure moving forward.

These reductions cannot be absorbed without looking at better ways of doing things, including using better and more effective service delivery models to maintain the current levels of providing services to our communities. National Government is looking at various modalities including implementing a system of allowing employees to exit the system without major disruptions towards service delivery, more so in your frontline services delivery sectors like health and education.

Honourable Speaker, whilst we understand and support the move to stabilise our debt trajectory as a country, these cuts have major implications for the country and province because they affect core programmes and services of the provincial administration.

Honourable Speaker and Members, our fiscal space is severely depleted and COVID-19 erupted when the country was already in a weak fiscal position. Debt service costs cannot continue to rise unabated, and if the current levels of debt are not reversed, debt service costs will reach nearly a third of revenue by mid- decade and this is not sustainable.

These reductions will heavily reduce the province's spending ceilings over the next three years and we will have to account for

every single cent spent as part of eliminating waste, inefficiency and theft in the system, and I am of the strong view that the only effective tool to enforce accountability is through consequences management. We are determined to ensure that all forms of waste, corruption, and inefficiencies across levels of the provincial administration are dealt with to protect our core business.

As part of improving political oversight on the budget, the Honourable Premier, Dr Zamani Saul, has institutionalised quarterly engagements with all the Members of the Executive Committee (MEC) where each MEC accompanied by senior management will account to the Honourable Premier on the following areas: irregular expenditure, unauthorised expenditure, accruals, expenditure trends with particular emphasis on infrastructure performance and delivery. These engagements will ensure MECs take full responsibility for the performance of their respective departments. This becomes critical given the fiscal space we are currently operating in towards building a better society for our people.

## **Economic Outlook**

Honourable Speaker, due to the ongoing Covid-19 pandemic, there were many countries that implemented strict lockdown measures in the first half of 2020, which led to significant economic contractions across the world and South Africa was no exception in this regard.

Honourable Speaker, projections by the International Monetary Fund (IMF) show that the global economy is expected to contract by 4.4 per cent in 2020. This is projected to be followed by positive

growth of 5.2 per cent in 2021. The impact of the economic crises on Advanced Economies is expected to be more severe than on Emerging Market and Developing Economies in 2020, with a projected contraction of -5.8 per cent, while the Emerging Market and Developing Economies have a projected contraction of -3.3 per cent.

Positive growth is projected for 2021 for Advanced Economies at 3.9 per cent and for Emerging Market and Developing Economies at 6.0 per cent. Sub-Saharan Africa is projected to contract slightly less than the combined Emerging Market and Developing Economies in 2020 at -3.0 per cent, and is projected to grow by 3.1 per cent in 2021.

Honourable Speaker, during the Medium Term Budget Policy Statement in October, Minister of Finance, Honourable Tito Mboweni indicated that the South African economy is expected to contract by 7.8 per cent in 2020. According to National Treasury, projections indicate that the national economy is expected to experience positive growth of 3.3 per cent in 2021, 1.7 per cent in 2022 and 1.5 per cent in 2023. National Treasury also indicated that based on current projections, output is only expected to return to pre-pandemic levels in 2024.

Honourable Speaker, up to the second quarter of 2020, the South African economy has experienced four consecutive quarters of negative growth keeping South Africa in a recession that started before the national lockdown. With the economy under so much

pressure, we can also expect further strain on the expected revenue collection of government.

There has also been a lot of pressure on government finances in order to assist the vulnerable and to prevent further devastation on the economy following the current economic crisis brought about by Covid-19.

Honourable Speaker, according to National Treasury projections, gross debt is expected to reach 81.8 per cent of GDP this year. This is up from projections of 65.6 per cent in February 2020. Debt is expected to stabilise at 95.3 per cent of GDP in 2025/26. Increased interest spending resulting from the continuous accumulation of debt will crowd out other spending if there is not a major reduction in public spending. Interest payments already take 21 cents of every rand of main budget revenue. In view of the dire economic circumstances and challenges brought on by increasing government debt, we must recognise the pressure on the national and consider that the provincial budget framework is highly depended on national transfers in the form of the equitable share and grants which comprises almost 98 per cent of the total provincial budget.

Honourable Members, the first charge against government revenue is interest on government debt. The bigger our deficit, the more we have to borrow, the higher the interest bill and the less money available to invest in social development, in poverty relief and in the development of our human resources. It is for this reason that



reducing our debt burden is important. It is important because it will free up the resources we need to build the society we envision that is modern, growing and successful for all.

Honourable Speaker, Honourable President Cyril Ramaphosa announced the economic reconstruction and recovery plan for the country on 15 October 2020. I quote from the address by the President: “The interventions outlined in this plan will:

- achieve sufficient, secure and reliable energy supply within two years;
- create and support over 800 000 work opportunities in the immediate term to respond to job losses;
- unlock more than R1 trillion in infrastructure investment over the next 4 years;
- reduce data costs for every South African and expand broadband access to low-income households;
- reverse the decline of the local manufacturing sector and promote reindustrialisation through deeper levels of localisation and exports;
- resuscitate vulnerable sectors such as tourism, which have been hard hit by the pandemic.”

Honourable Speaker, the economy of the Northern Cape is also expected to be severely affected by the current economic crisis. There is however hope as more areas of the economy opened up, although not all at full capacity. The need for social distancing and reduced sizes of public gatherings is still preventing certain

businesses from functioning at full capacity, but the opening of many industries in the economy is providing businesses with the opportunity to once again do business and to contribute to the economy and job creation. Further relaxing of lockdown regulations as announced by Honourable President Cyril Ramaphosa is expected to further assist the provincial economy together with the national economy in its road to recovery.

Honourable Speaker, together with economic hardship, the crisis has been accompanied by wide spread job losses. According to Statistics South Africa (Stats SA), the national unemployment rate increased to an alarming 30.8 per cent in the third quarter of 2020. This is an increase of 1.7 percentage points from the third quarter of 2019. Comparing the third quarters of 2019 and 2020, the number of employed people decreased by 1.684 million, with the number of unemployed people decreasing by 201 000. When comparing the third quarter of 2020 to the second quarter of 2020, the unemployment rate increased by 7.5 percentage points and there was an increase of 2.238 million in the number of unemployed people, while the number of employed people increased by 543 000.

Honourable Speaker, the unemployment rate of the province is below that of the country. In the third quarter of 2020, the provincial unemployment rate was 23.1 per cent. When looking at the annual changes, the unemployment rate decreased by 6.7 percentage points. The number of employed people decreased by 35 000 while the number of unemployed people decreased by 51 000.

Employment decreased in most industries, with increases reported only in Mining and Finance. On a quarterly basis, the unemployment rate decreased by 2.0 percentage points with the number of employed people increasing by 31 000 and the unemployed increasing by 1 000. There was however a significant increase in the number of discouraged work-seekers over this period. Increases in employment were reported in Agriculture, Mining, Manufacturing, Construction, Finance, Community and social services and Private households.

### **Revised 2020/21 Adjustment Budget Framework**

Honourable Speaker, this second adjustment is tabled against a backdrop of a revised downward revision implemented in July towards our comprehensive COVID-19 response as Government. An amount of **R529 million** was reprioritised from all departments except for the social sector. Given this scenario, we found it extremely difficult to have a fair balance in view of further cuts as required by the National Treasury.

Honourable Speaker, included in the amount of **R529 million** prioritised towards COVID -19 spending in the first adjustment, it's a total amount of **R133 million** that was made available but earmarked towards our economic recovery initiatives of the province. Honourable Members, we are now allocating this amount as part of this adjustment.

Honourable Speaker, as part of this adjustment, the province received an additional amount of **R281 million** from the Presidential

Employment Stimulus towards different sectors. We are adding an amount of **R138 million** as our provincial share to this amount to allow us to have a comprehensive response towards creating a safety net to create job opportunities in different sectors in the province. We will spent a total amount of **R419 million** between now and end of March 2021.

Honourable Speaker, we have received various pressures to consider for funding, however, given the limit resources at our disposal, we could not consider all the pressures. We are making available an amount of **R47.8 million** to fund urgent priorities in different departments. Furthermore, a total amount of **R57.9 million** represent rollovers from the previous financial year of which **R56.9 million** is in respect of equitable share while rollovers for conditional grants amount to **R993 thousand rands**. I want to bring to the attention of this house the fact that these funds are part of last year's underspending by departments on the equitable share and conditional grants and is not necessarily new money.

As part of the continues efforts to reduce the wage bill, Government has introduced an Early Retirement Dispensation without Penalties and total number of 43 applicants from various departments have been approved so far at a cost of **R24 million**.

Honourable Speaker, the decision by national to take away funds that were earmarked towards the wage agreement in this adjustment have forced us as a province to take certain drastic measures in line with the decision of Cabinet; namely, the reduction

of an amount of **R702 million** back to the national government. Honourable Members, this reduction comes directly from the wage bill which was provided for in the current baseline and must now revert back to the national revenue fund, this in view of the decision by Cabinet not to implement the last leg of the 2018 wage agreement. In view of this, the Executive Council has with immediate effect halted any further appointments in the current financial year pending the review of this decision in the new financial year.

Honourable Speaker, whilst our numbers in the province have remained relatively stable over the last 4 years averaging 7 per cent or 1959, this growth in the appointments was mainly driven by the appointment of Community Health Workers and Expanded Public Works Programme (EPWP), however, growth in terms of expenditure over the same period grew by 38 per cent. This as a result of above inflation wage agreements, which have unfortunately led to the crowding out of other services of Government.

Honourable Speaker, reductions on conditional grants in the province for the current financial year amount to **R67.6 million** as part of national prioritisation.

### **Departmental Allocations**

Honourable Speaker some of the key adjustments included in this framework include the following:

Department of Education received **R148.2 million** to assist towards the appointment of teaching and school assistants and for the saving of School Governing Body posts.

An amount of **R101.6 million** has been allocated to the Department of Roads and Public Works of which **R96.8 million** is in respect of S'hamba Sonke Programme to enhance and improve roads infrastructure maintenance across the province

Department of Economic Development has been allocated an amount of **R37.6 million** of which **R3 million** is meant to cover operational costs in respect One Stop Shop at NCEDA. Honourable Speaker Small, Medium and Macro Enterprises have a crucial role to play in our economy and included in the total allocation is an amount of **R30 million** earmarked towards the partnership with the National Empowerment Fund (NEF) which will contribute **R40 million** to bring the total to **R70 million** for the province.

Department of Sport, Arts and Culture conditional grants has been reduced by, **R1.6 million** of which **R1.5 million** is in respect of Community Library Services and **R115 thousand Rands** relates to Mass Participation and Sport Development Grant.

Provincial Treasury has been allocated an amount of **R4 million** to cover for operational costs in respect of municipal intervention programme.

Cooperative Governance, Human Settlement and Traditional Affairs has been allocated an amount of **R5.3 million** of which **R4 million**

will assist the department in the provincial intervention in Renosterberg Municipality.

Department of Health received **R10,3 million** of which Community Outreach Services has been allocated **R5.2 million** to the department towards the appointment of Community Health Workers while **R4.3 million** is in respect of Statutory Human Resources and Training and Development Grant.

Honourable Speaker, recently we were reminded by the President that coronavirus is far from over and it will stay with us for some time. As such an amount of **R150 million** has been added to the Department of Health as part of COVID-19 response.

Department of Social Development received **R72.2 million** of which **R42.3 million** relates to the Early Childhood Development for additional duties of compliance support. Government will continue mitigating food insecurity and poverty to vulnerable households, in response to this an amount of **R13.2 million** has been provided for Food Relief Programme.

Honourable Speaker, agricultural sector plays a key role in the provincial economy and is one of the frontline sectors in the war against the coronavirus pandemic. Food is needed daily and thus it is crucial to keep this sector sustainable.

The Department of Agriculture, Land Reform and Rural Development has been allocated an amount of **R62.9 million** of which **R20 million** is in respect of business rescue plan for the

rooibos factory and **R35.5 million** as an additional to the Land Care Programme grant for draught mitigation projects in the province.

Honourable Speaker, included in this allocation is our response as government to the economic impact of COVID-19 which further demands interventions that will also address the structural problems that affected our economy before the impact of the coronavirus pandemic. To this end, **R7 million** has been available to support emerging entrepreneurs in the agricultural sector through the establishment of sheep feedlot systems. This will result in the establishment of an intensive sheep farming programme to ensure adequate supply of red meat provincially and nationally considering the frequent draughts experienced in the province.

Honourable Speaker, an amount of **R45.4 million** has been allocated to the Department of Transport, Safety and Liaison of which an amount of **R32 million** has been provided to cover the costs related to the commission at South African Post Office. **R10 million** has been provided for Boegoebaai Port project to conclude the technical feasibility studies whilst the National Treasury is currently looking at the Treasury Approval 1 (TA 1). Subsequent to the attainment of TA 1 from the National Treasury, the project will progress into the procurement phase.

Commitments have been made by Development Bank of South Africa (DBSA) to fund the portion of the procurement phase. The Department of Transport, Safety and Liaison has made



representations to the Presidential Infrastructure Committee to solicit funding that would culminate in the conclusion of TA 2A & B.

Honourable Speaker a healthy biodiversity is of great significance to humankind due to its ability to provide numerous natural services for everyone while it has a potential to contribute to the provincial economy. The condition of our provincial nature reserves are in a poor state and in an effort to ignite our tourism sector in the province, we need to ensure that our nature reserves are in a good condition. To this end, an amount of **R17 million** has been allocated to the Department of Environment and Nature Conservation to revitalise our provincial nature reserves in the province.

## **2021 FISCAL FRAMEWORK**

Honourable Speaker, let me indicate that these figures are preliminary and are based on the Medium Term Budget Policy Statement. The major adjustments affecting the 2021 medium term expenditure framework are summarised as follows:

The provincial equitable share formula accounts for data updates made to the components of the formula and any policy changes made to the structure of the formula resulting from a provincial equitable share formula review. The province has gained an amount of **R182.148 million** over the 2021 MTEF period due to the impact of new data updates in the provincial equitable share formula.

Honourable Speaker, relative to the 2020 medium term expenditure framework, the provincial equitable share is reduced with an amount of **R5.370 billion** of which **R1.545 billion** in 2021/22; **R2.1 billion** in 2022/23 and **R1.6 billion** relate to the last year of the 2021 MTEF.

Honourable Members, as already indicated that the provincial equitable share is reduced with an amount of **R5.552 billion** of which **R4.746 billion** relates to the wage freeze and compensation of employees fiscal consolidation while the remaining amount of **R806.611 million** relates to non-compensation fiscal consolidation reductions. These reductions are underpinned by government's fiscal consolidation efforts to reduce the wage bill and spending levels in the country in order to stabilise the debt obligations.

Honourable Members, in term of the fiscal framework aggregates, the original baseline on the provincial equitable share amount to **R46.805 billion** over the 2021 MTEF and is increased with an amount of **R182.148 million** due to the impact of new data updates to the Provincial Equitable Share (PES) formula.

The revised equitable share allocation for the province amounts to **R41.4 billion** over the 2021 MTEF of which **R13.6 billion** is in 2020/21, **R13.873 billion** in 2022/23 and **R13.901 billion** relate to 2023/24 financial year. Conditional Grant allocations for the province amounts to **R14.1 billion** over the 2021 MTEF of which **R4.5 billion** is in 2021/22, **R4.7 billion** in 2022/23 and **R4.9 billion**

in 2023/24 whilst provincial own revenue amounts to **R1.5 billion** over the 2021 MTEF.

The net effect of all the adjustments on the provincial framework provides for total provincial receipts of **R57 billion** over the 2021 medium term expenditure framework. As to be expected, the social sector departments drives the expenditure of the province constituting 74 per cent of the total budget between social development, health, education and sport, arts and culture.

## **Conclusion**

Honourable Speaker, clearly, our fiscal framework is in no position to absorb these cuts and as such, the reductions will result in significant departmental budget reductions and have serious negative impact on the delivery of services by the province.

We are currently in the process of quantifying the actual impact of these cuts on core programmes of departments and to this end, a benchmark exercise will be held with the National Treasury in early December to demonstrate the detrimental impact that these cuts will have in our province. The outcome of these benchmark meetings will be presented to the Budget Council and Cabinet before the 2021 division of revenue is concluded.

Honourable Speaker, the impact of the pandemic and subsequent lockdown is profound, on not only each individual but also the economy and the world at large. It is difficult to predict the exact timeframe for economic recovery, hence the importance to develop

a strategy to assist all businesses in all economic sectors to overcome the negative socio-economic implications.

Whilst this adjustment provides for immediate relief in the form of the Presidential Employment Stimulus coupled with specific provincial interventions, the Department of Economic Development and Tourism is in the process of crafting a medium to long term Recovery Plan for the province premised on the National Reconstruction and Recovery Plan of the Presidency.

The Recovery Plan will identify economically viable and sustainable interventions that will promote the development, growth, diversification, transformation and recovery of the provincial economy.

Honourable Speaker, allow me to quote Honourable President Ramaphosa when he said, “Difficult days indeed lie ahead. However, we have proven our resilience as a nation over the past five months. The task before us now is to apply the same energies with which we have battled this pandemic to the economic recovery effort. We are weathering a long and difficult storm. We are enduring great hardship and suffering unbearable losses. But we continue to stand firm against this onslaught. A ray of light is visible on the horizon”.

Honourable Speaker, I place before you far more than a statement of revenue and expenditure priorities for debate. What we have here is an instrument by which the commitment and performance of Northern Cape Provincial Government can be measured. I have no

doubt that the tighter fiscal environment has challenged us to respond to the wider social needs differently, compelling us to prioritise our policies and reprioritise our expenditures, within and between our budget lines.

In conclusion, it is appropriate that I record my profound gratitude to Honourable Premier, Dr Saul, and all of my Executive Council colleagues, for your support and understanding in the formulation of this second adjustment Bill, and for your encouragement during the difficult period through which we have passed.

I thank you.