



Northern Cape Provincial Government

Northern Cape Provincial Treasury

**PROVINCIAL BUDGET
SPEECH
2021/22**

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**ADDRESS TO THE PROVINCIAL LEGISLATURE ON THE
OCCASION OF TABLING OF THE 2021 NORTHERN CAPE
MAIN APPROPRIATION BILL, THE 2021 THIRD ADJUSTMENT
APPROPRIATION BILL AND THE REPEAL OF THE
NORTHERN CAPE POLITICAL PARTY FUND, ACT OF 2009
FINANCIAL YEAR BY MR A VOSLOO (MPL), MEC FOR
FINANCE ECONOMIC DEVELOPMENT AND TOURISM**

HONOURABLE SPEAKER & DEPUTY SPEAKER

HONOURABLE PREMIER, DR ZAMANI SAUL

MEMBERS OF THE EXECUTIVE COUNCIL

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LEGISLATURE**

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OUR LISTENERS AND VIEWERS

LADIES AND GENTLEMEN

Introduction

Honourable Speaker, it is a great privilege and honour to stand in this august house and present the 2021 budget here today despite the devastating effects of the COVID-19 pandemic.

Honourable Members, despite our precarious fiscal position as a province and country, we must continue to protect the most vulnerable and poor among us in pursuit of the realisation of a modern, growing and successful province. We do acknowledge the challenges that may derail some of our developmental objectives, however, we remain focused and resolute in achieving the vision of this province.

Whilst the province's fiscal framework in the coming three years is reduced as part of Government's 5-year debt stabilisation programme, **Honourable Speaker**, this has become an urgent necessity to ensure that the country does not get into a scenario where Government debt exceed 100 per cent of Gross Domestic Product (GDP) in the medium term.

Government has had to implement a range of fiscal measures to mitigate the impact of the pandemic especially on the poor. This was coupled with additional interventions in the province to try to cushion the impact of COVID-19. **Honourable Speaker**, on a more positive note, planned spending on infrastructure is prioritised in the medium term as part of our response to boost the provincial economy post COVID-19. We all agree that infrastructure investment is a catalyst for economic growth and it comes as no surprise that despite steep reductions on the provincial equitable share, infrastructure spending indicates healthy growth over the next three years. This growth augurs well with our drive in the province towards remodelling the Department of Roads and Public Works to ensure our infrastructure plans and delivery are in line with our spatial requirements to ignite growth in the province.

Honourable Speaker, given our limited resources, we all agree that the role of the private sector is pivotal in meeting our developmental trajectory of growing and modernising our province. The **Honourable Premier** announced during the State of the Province Address (SOPA) that the Northern Cape Investment One Stop Shop will be established and this new development will assist the province to institutionalise our trade and investment drive and further ensure that we realise tangible outcomes with clear commitments and timeframes.

Economic Outlook

Honourable Speaker, the outbreak of the COVID-19 pandemic did not only put strain on health systems throughout the world, it also had a severe negative impact on the economy. World output is estimated to have contracted by 3.5 per cent in 2020 according to the International Monetary Fund (IMF). Their estimations indicate that Advanced Economies contracted by 4.9 per cent while Emerging Market and Developing Economies contracted by 2.4 per cent. This shows how the output of Advanced Economies had a relatively more pronounced reaction to the crisis. Some recovery is expected for 2021 and 2022, with the IMF projecting positive growth for the world output of 5.5 per cent in 2021 and 4.2 per cent in 2022. Advanced Economies are projected to grow by 4.3 per cent in 2021 and 3.1 per cent in 2022, while Emerging Market and Developing Economies are projected to grow by 6.3 per cent in 2021 and 5.0 per cent in 2022. The economy of Sub-Saharan Africa was estimated to have contracted by 2.6 per cent in 2020, while projections indicate that positive growth of 3.2 per cent is expected for 2021 and 3.9 per cent for 2022.

Honourable Speaker, the pandemic also had a significant impact on the economy of the country, with lockdown measures that were necessitated to curb the spread of the virus, limiting certain economic activities. National Treasury indicated that the economy is estimated to have contracted by 7.2 per cent in 2020. This is slightly better than the 7.8 per cent contraction that was projected in the 2020 Medium Term Budget Policy Statement (MTBPS). The national economy is projected to rebound this year by 3.3 per cent and to record growth of 2.2 per cent in 2022 and 1.6 per cent in 2023. The roll-out of vaccines is expected to play a very important role in saving lives as well as supporting economic recovery.

Honourable Speaker, according to Statistics South Africa, the economy of the Northern Cape contracted by 0.6 per cent in 2019, down from positive growth of 0.5 per cent in 2018. The only three industries that did not contract in 2019 are Finance, real estate and business services, Personal services and General government services.

Honourable Speaker, looking at the labour market, according to Statistics South Africa, the national unemployment rate was at a very high 32.5 per cent in the fourth quarter of 2020. This is 3.4 percentage points higher than in the fourth quarter of 2019. Over this period, the number of employed people decreased by 1.397 million, while the unemployed increased by 507 000. Jobs were lost in every industry over this period, with the Finance industry recording the largest number of job losses at 256 000. From the previous quarter (quarter 3 of 2020), the unemployment rate increased by 1.7 percentage points with the number of employed people increasing by 333 000 and the unemployed increasing by 701 000. Over this period, only the Mining and Finance industries recorded job losses while the other industries recorded higher employment levels.

Honourable Speaker, when looking at the labour market of the province, we were not spared from the impact of the crisis. Although the provincial unemployment rate for the fourth quarter of 2020 was lower than the national rate, it was still a concerning 28.7 per cent. This is 1.8 percentage points higher than in the fourth quarter of 2019. Over this period, the number of employed people decreased by 27 000 while the unemployed increased by 1 000. The number of people employed in most industries decreased over this period. From the previous quarter (quarter 3 of 2020), the unemployment rate increased by an alarming 5.6 percentage points, with the number of employed people increasing by 21 000 and the unemployed increasing by 38 000. In this period, employment decreased in Mining and Community and social services, but it increased in Manufacturing, Construction, Trade, Finance and Private households.

Economic Recovery Plan

Honourable Speaker, National Treasury outlined some of the progress that has been made nationally on various aspects of the economic recovery plan of government that was announced in October of last year.

Honourable Speaker, there has been progress regarding the creation of jobs as set out in the national recovery plan. Through the public employment initiative over 430 000 jobs of varying duration had been supported by the end of January 2021, with an additional 180 000 jobs in the recruitment process.

Honourable Speaker, during the Medium Term Budget Policy Statement of 2020, I announced a Presidential Employment Stimulus Plan, where various sectors were identified as part of creating short-term jobs to cushion against the impact of Covid-19. I can announce that to date a total of 7 595 people received employment opportunities through this programme in various sectors throughout the province. In the province, 17 286 employers and 135 998 employees benefitted from the Covid-19 UIF TERS to the value of R566 million, while 101 364 people benefitted from the Covid-19 social relieve grant.

Honourable Speaker, regarding the generation of electricity, the short-term electricity constraint will be relieved by amending schedule 2 of the Electricity Regulation Act (2006), within three months in order to ease embedded generation regulations for firms and municipalities.

Honourable Members, in the coming few weeks, the Independent Power Producer Office will announce successful bids that were received for emergency power to compensate for Eskom's capacity shortfall, with projects expected to generate power from July 2022. Also regarding the generation of electricity, in the coming weeks government is set to initiate the procurement of 11 813

MW of new electricity capacity from independent power producers (IPPs). This includes 6 800 MW that is to be generated from renewable energy sources. To enable municipalities to procure power from IPPs, electricity regulations were amended in October 2020.

Honourable Speaker, as a province we need to leverage from these developments to benefit our people as a large share of the IPPs reside in the province. Honourable Members, to this end, the Department of Economic Development and Tourism is in the process of engaging IPPs to contribute to the implementation of the provincial recovery plan through their socio-economic development contributions. Furthermore, we will also be embarking on a similar process to engage other industries like mining. We are doing our best to ensure that we bring the private sector on board as a partner to play a vital role in the recovery of the economy of the province. Honourable Members, I need to indicate that the Economic Recovery Plan of the province is still being finalised and we will share it with the public once completed.

Aggregate Infrastructure Estimates

Honourable speaker, we could not have anticipated the tragedy and losses that the province, this country and the world would suffer with the outbreak of the devastating pandemic. The shortcomings in terms of our maintenance and delivery of infrastructure was further tested by the provisioning of quarantine sites and converting our schools and workplaces into safe hygienic environments.

As a province we need to reaffirm our focus on the maintenance of provincial infrastructure in so doing contributing to the effective life cycle management of our infrastructure asset portfolio and the provisioning of the much need service to our communities. The importance that infrastructure plays in stimulating the provincial economy and to uplift our society, has become more paramount than in the past, as it would be required for us to recover from this great scourge. Now is the time more so than ever for us as a province to strengthen monitoring and evaluation to ensure sustainable development.

The infrastructure spending for the next three years will amount to **R11.9 billion** of which **R8.6 billion** consist of provincial infrastructure and provincial departments with municipalities accounting for **R3.2 billion** over the **MTEF**.

Honourable Members, we have also experienced challenges in planning and providing for schools in the districts with the province experiencing a shortage in the allocation of space for approximately **2000** learners with the commencement of schools.

Honourable Speaker, in addressing this challenge, we have put aside an amount of **R1.2 billion** for new and replacement schools in all five districts over the MTEF.

The Education Infrastructure allocation will also make provision for the completion of West End Primary, Vooruitsig Primary, Kimberley Boys High School as well as the new Redirile School to the amount of **R68 million** for the 2021/22 financial year which will seek to alleviate the current constraints in terms of learner space allocation. The department has also set aside an amount of **R183 million** over the MTEF allocated towards the construction of two new primary and secondary schools in the Kimberley area. The need to refocus our planning for the infrastructure portfolio has to be re-emphasised to avoid similar incidences and the shortcomings experienced in the last three years.

Enterprise Development Purchase Order Solution

Honourable Speaker, the Standard Bank of South Africa, through Enterprise Development has allocated a **R20 million** facility for the provincial government suppliers. The solution is aimed at small black-owned businesses of the provincial government with bridging finance (collateral free) and Business Development Support Services.

The solution presents itself as short-term purchase order / contract financing for these suppliers that would otherwise be unable to fulfil on contracts awarded to them or be forced to borrow from the micro-lending space at exorbitant fees that can cripple their businesses. An agreement has been signed between Provincial Treasury and Enterprise Development of Standard Bank to give effect to this solution.

Standard Bank and the Northern Cape Provincial Government is joining forces to support small businesses in the Northern Cape with the Enterprise Development Purchase Order Solution. This program will be launched in April 2021 as a combined effort between the provincial government and the Standard Bank of South Africa.

Provincial Fiscal Framework: 2020 MTEF

Honourable Speaker, this budget framework is underpinned by huge reductions made on the Provincial Equitable Share (PES) implemented across the whole system as part of Government's efforts to stabilise the debt of the country. The Estimates of Provincial Revenue and Estimates (EPRE) sets out the detailed allocations to departments and entities in the province.

Honourable Members are aware that the provincial budget comprises of three components from which our spending programmes are financed, namely, the provincial equitable share, conditional grants and provincial own revenue. I am mentioning these components because of the following

reasons, the provincial equitable share and conditional grants together constitute about 98 per cent of the provincial budget in the form of direct national transfers whilst the provincial own revenue only contributes 2 per cent. **Honourable Members**, it therefore follows that any changes that happen on the provincial equitable share has a direct and immediate impact on the province and the capacity of the provincial administration to maintain the baselines of departments.

The 2021 medium term budget policy statement of the province takes a different shape relative to the budget that we tabled in March 2020. Some of the fundamental policy shifts and fiscal stance affected by this constrained budget include the following:

- Deferment of our debt redemption objectives beyond the initial planned period of two years 2020 - 2022;
- Reversal of the growth in compensation of employees numbers to manage the wage bill;
- Freezing or zero per cent increase for public servants and political office bearers, this includes employees employed in public entities and provincial legislatures.
- Stopping some of the planned programmes.

Honourable Members, I am presenting a budget here today endorsed and fully supported by the Executive under the leadership of the Honourable Dr. Zamani Saul. The following fiscal measures will shape our spending plans in the coming three years:

- Allocation efficiency;
- Value for money;
- Expenditure efficiency - doing more with less;
- Downscaling / stopping certain programmes whilst redirecting; resources to the most pressing policy objectives;
- Re-engineering of our business models towards more cost effective service delivery platforms;
- Increased spending in infrastructure projects as part of our economic recovery initiatives in the province;
- Expedite of our information technology infrastructure in the province;
- More dedicated and streamlined support to our SMMEs by optimising more value from our private partners.

Honourable Speaker, one of the focus areas in the medium term is the integration of our budgetary and planning processes to the roll out of the District Development Model. This will ensure that our fiscal choices are informed by realities in our communities and further improve planning and resource allocation using a pool of resources at our disposal. This will also provide complimentary

funding between resources at local, provincial and national government to streamline implementation at the level of districts.

Honourable Speaker, in an effort to eliminate wasteful expenditure, the Provincial Treasury with the assistance of the National Treasury will embark on spending reviews across all departments and entities and there will be no “holy cows” in this process. If we are spending on a programme that does not add value and contribute to the social agenda of this province, we will not hesitate to stop them and immediately direct those resources to our identified priorities as clearly articulated in the vision of the province.

Aggregate Estimates

Honourable Speaker, the total provincial budget over the next three years (2021 to 2024) will total **R57.4 billion** with average growth of 0.3 per cent. The total provincial receipts are mainly driven by the equitable share which amount to **R41.8 billion** or 73 per cent, followed by conditional grants at **R14.1 billion** or 25 per cent and provincial own revenue contributes **R1.5 billion** or 2.6 per cent over the 2021 MTEF. **Honourable Members**, similarly, our provincial own revenue targets have been negatively affected by the Covid-19 pandemic resulting in a drastic decrease in revenue collection.

Honourable Speaker, unfortunately, the cuts that I announced during the tabling of the Medium Term Budget Policy Statement in November 2020 have now been confirmed as final. These reductions have resulted in a downward revision on the equitable share of the province with a net amount of **R5.2 billion** over the 2021 MTEF.

The reductions are categorised as follows: **R4.7 billion** relates to the reduction on compensation of employees to slow growth in the public-service wage bill and shift the composition of spending towards investment and **R806.6 million** is part of the fiscal consolidation reductions.

Honourable Speaker, the annual update applied to the Provincial Equitable Share (PES) has resulted in a technical adjustment of **R182.2 million** over the next three years.

These adjustments result in the average equitable share growth of 0.1 per cent over the 2021 MTEF whilst conditional grants show marginal increase of 0.3 per cent over the same period, the impact of these reductions are more prominent on equitable share compared to the conditional grants.

Funding for COVID-19 support amounting to **R211.8 million** has been added to the Provincial Equitable Share in 2021/22 to assist the province to cover the costs associated with responding to the pandemic within the health sector.

Compensation of Employees

Government is obligated to stabilise compensation demands with the broader needs of society. Also given the effect of the current global pandemic on the economy and already deteriorating state resources, it is necessary for all spheres of Government to contribute towards reducing the wage bill, more so during these unfavourable economic and fiscal circumstances.

Compensation of Employees decreases with 4 per cent in 2021/22 financial year and increase to 1 per cent and 6 per cent in 2022/23 and 2023/24 MTEF year and on average 1 per cent over the MTEF. The decrease and slow growth over the 2021 MTEF mainly relates to the reductions on compensation of employees due to fiscal consolidation amounting to **R2.1 billion** and a wage freeze amounting to **R2.5 billion** implemented by national.

The fiscal consolidation is meant to reduce the growth of the public sector wage bill by progressively reducing headcounts in the country. Whilst the province currently has 28720 (twenty-eight thousand seven hundred and twenty employees), projections indicates a decrease of 126 employees by 2024 which represent an average decrease of 0.15 per cent.

Summary of Departmental Allocations

Honourable Speaker, as indicated earlier, government's priorities in the medium term entails promoting economic recovery while returning the public finances to a sustainable path.

I will now provide a summary of spending aggregates included in this budget framework for the next three years.

Governance and Administration Sector

The sector is allocated **R3.3 billion** over the MTEF which includes earmarked resources in the Department of Transport, Safety and Liaison towards revenue initiatives. An additional amount of **R10.5 million** is also allocated to the Provincial Legislature to assist towards constituency related functions.

Social Sector

In reducing inequality and poverty, government will continue prioritising social goals, with 75 percent of the allocations going to the social sector. The sector is allocated **R43.5 billion** over the MTEF. This includes **R211.8 million** in the next financial year for COVID-19, Vaccine Roll Out in the province. The baseline in the Department of Social Development provides an amount **R79.9 million** over the MTEF in respect of Early Childhood Development to improve access to quality early childhood development services.

Education Infrastructure Grant is allocated an amount of **R1.8 billion** over the MTEF of which **R633 million** relates to the 2021/22 financial year to roll out new school infrastructure while maintaining the current infrastructure.

Economic Sector

Through this sector, government is able to promote sustainable inclusive growth to respond to inequality, poverty and unemployment. The sector has been allocated **R11 billion** over the MTEF of which **R4.8 billion** is in respect of infrastructure conditional grants in line with government's economic recovery plan. The growth in this sector is mainly driven by the Department of Roads and Public Works through the Provincial Road Maintenance Grant which account for 75 per cent of the total grants allocated for this sector.

Honourable Speaker, upgrading informal settlements and by ensuring that residential areas are progressively developed and formalised into areas of economic activity with proper amenities by extending infrastructure and other services remains government's priority, and as such an amount of **R1.1 billion** over the next three years is made available in this regard.

2020/21 Third Special Adjustment Appropriation Bill

Honourable Speaker, due to the unprecedented impact of COVID 19, we had to table an early adjustment in July 2020, which meant that the normal adjustment in November became the second adjustment. I am now introducing the third adjustment appropriation Bill as a result of new money that has flown into the province and adjustments on the provincial equitable share.

Honourable Speaker, we are still in discussions with the Sol Plaatje Municipality with the intention and firm commitment of settling the rates and taxes account owned by the provincial government to the municipality. To this end, we have established a Political Steering Committee consisting of myself as MEC for Finance, Economic Development and Tourism, MEC for Department of Cooperative Governance, Human Settlements and Traditional Affairs and the Executive Mayor of Sol Plaatje municipality including officials from the said departments and the municipality.

Honourable Members whilst the technical committee is in the process of verifying some of the amounts to the municipality, we have agreed to advance an amount of **R20 million** in the current financial year towards reducing the debt owed on rates and taxes. Once the amounts have been verified agreed to by all parties, the provincial Government will look at ways of prioritising this account with the intention of settling it.

Honourable Speaker, the following additions have been added on the conditional grants. The Department of Cooperative Governance, Human Settlements and Traditional Affairs has been allocated an additional amount of **R270.8 million** of which an amount of **R200 million** is added on the Human Settlements Development Grant in terms of the 2020 Division of Revenue Act, Section 19 & 20. This section makes provision for the stopping of funds in respect of non-spending provinces and re-allocation to other provinces. This allocation is meant to provide funding for the progressive realisation of access to adequate housing through the creation of sustainable and integrated human settlements and upgrading of informal settlements.

Furthermore, an additional amount of **R70.8 million** is also provided as part of the Provincial Emergency Housing Grant in terms of the 2020 Division of Revenue Act Section 21(7) for the provision of temporary shelter assistance to households affected disasters or housing emergency requirements in the province.

Repeal of the Northern Cape Political Party Fund, Act Of 2009

Honourable Speaker in 2009 the MEC for Finance introduced the Northern Cape Political Party Fund Bill. The purpose of the Bill was to assist political parties in the Legislature with funding.

In 2018 Parliament of the Republic of South Africa passed the Political Party Fund Act, the Act was assented to by the President earlier this year and will come into effect 1st April 2021.

Section 23 of the Political Party Funding Act, No 6 of 2018 stipulates that- Provincial Legislatures may not fund a represented political party other than through section 116 (2) (c) of the Constitution and section 34 of the Financial Management of Parliament and Provincial Legislatures Act No 10 of 2009.

It therefore means that from 1 April 2021 when the Political Party Fund Act assented to by the President comes into operation the Northern Cape Political Party Fund of 2009 will be in conflict with national legislation.

The Legislature will only be expected to give financial and administrative assistance to each political party represented in the Legislature, in proportion to its representation, to enable the party and its leader to perform their functions in the Legislature effectively in terms of Section 116 (2) (c) of the Constitution of the Republic of South Africa;

Honourable Speaker in terms of Rule 196 of the Standing Rules of the Northern Cape Provincial Legislature and the powers vested in me by section 119 of the Constitution of the Republic of South Africa I now table the Northern Cape Political Party Fund Repeal Bill. The Bill is intended to repeal the Northern Cape Political Party Fund Act of 2009.

Conclusion

Honourable Speaker, we are more than ready to deal with the task ahead, a period that will be characterised by our continuous drive to improve governance failures in the system. We need to expedite our information technology capability to ensure that the province does not stay behind, but most importantly, an improved information technology implies better and cost effective service delivery models.

Honourable Members, the reductions on compensation of employees provide an opportunity to assess our numbers across departments and start to ask the difficult questions.

Honourable Members, measures for containment of the wage bill can be divided between short-term and medium- to long-term. Short-term measures relate largely to those aimed at restraining growth in earnings of public servants across the board and organisational design matters while medium- to long-term measures relate largely to management of performance and headcount.

Overall, the objective should be to reduce average unit cost of employment in the public service and slow down growth in earnings and wage bill over time. This will provide a more balanced proportion on the wage bill relative to other core programmes of Government.

Honourable Members, whilst we agree that the period ahead will be difficult, we remain steadfast in the vision articulated by the Honourable Premier, Dr Zamani Saul, who continues to drive this ship under these difficult times in pursuit of a better Northern Cape for all its citizens.

Honourable Speaker and Members, as I conclude, let me thank the **Honourable** Premier, Dr. Zamani Saul for his leadership, commitment and his tireless efforts in seeking to change the material conditions of our people in the province. May I also acknowledge the support of the Executive Council and the entire provincial Government colleagues with whom we collectively drive the budget processes especially in the midst of this difficult economic climate.

Honourable Speaker let me also take this opportunity to thank the Portfolio Committee on Finance for the oversight role that they play. We are all serving the people of the Northern Cape and we can only grow this province when we collectively work together by putting our political differences aside.

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

- *The Northern Cape Main Appropriation Bill, 2021;*
- *The Northern Cape Third Adjustment Appropriation Bill, 2021;*
- *Repeal of The Northern Cape Political Party Fund, Act of 2009*
- *The Northern Cape Estimates of Provincial Revenue and Expenditure (EPRE) 2021 MTEF;*
- *The Northern Cape Capital Estimates of Provincial Expenditure for the 2021 MTEF; and*
- *Northern Cape Socio-Economic Review and Outlook 2021.*

I thank you.