



North West Provincial Treasury

**THIRD ADJUSTMENT AND 2021 MTEF ALLOCATIONS – PRESENTATION TO
THE PORTFOLIO COMMITTEE ON PREMIER, FINANCE, COOPERATIVE
GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS**



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Date | 16 March 2021

*Together we move
North West Province forward.*



WE BELONG



WE CARE



WE SERVE



- Global Overview
- National and Provincial Economic Overview
- Adjustment Budgets
- ***2021 MTEF Fiscal Framework***
- ***Recommendations***



- The COVID-19 pandemic has triggered the deepest economic recession in nearly a century, threatening accessibility to efficient health services and disrupting economic activities across the world;
- International Monetary Fund (IMF) has estimated that COVID-19 has caused an economic shock three times worse than the 2008 financial crisis;
- Following the devastating health and economic crisis caused by COVID-19, the global economy appears to be rebounding towards the pre-COVID 19 growth trajectory;
- An important milestone was achieved early in February when the number of people around the world vaccinated against the virus surpassed number of infections.

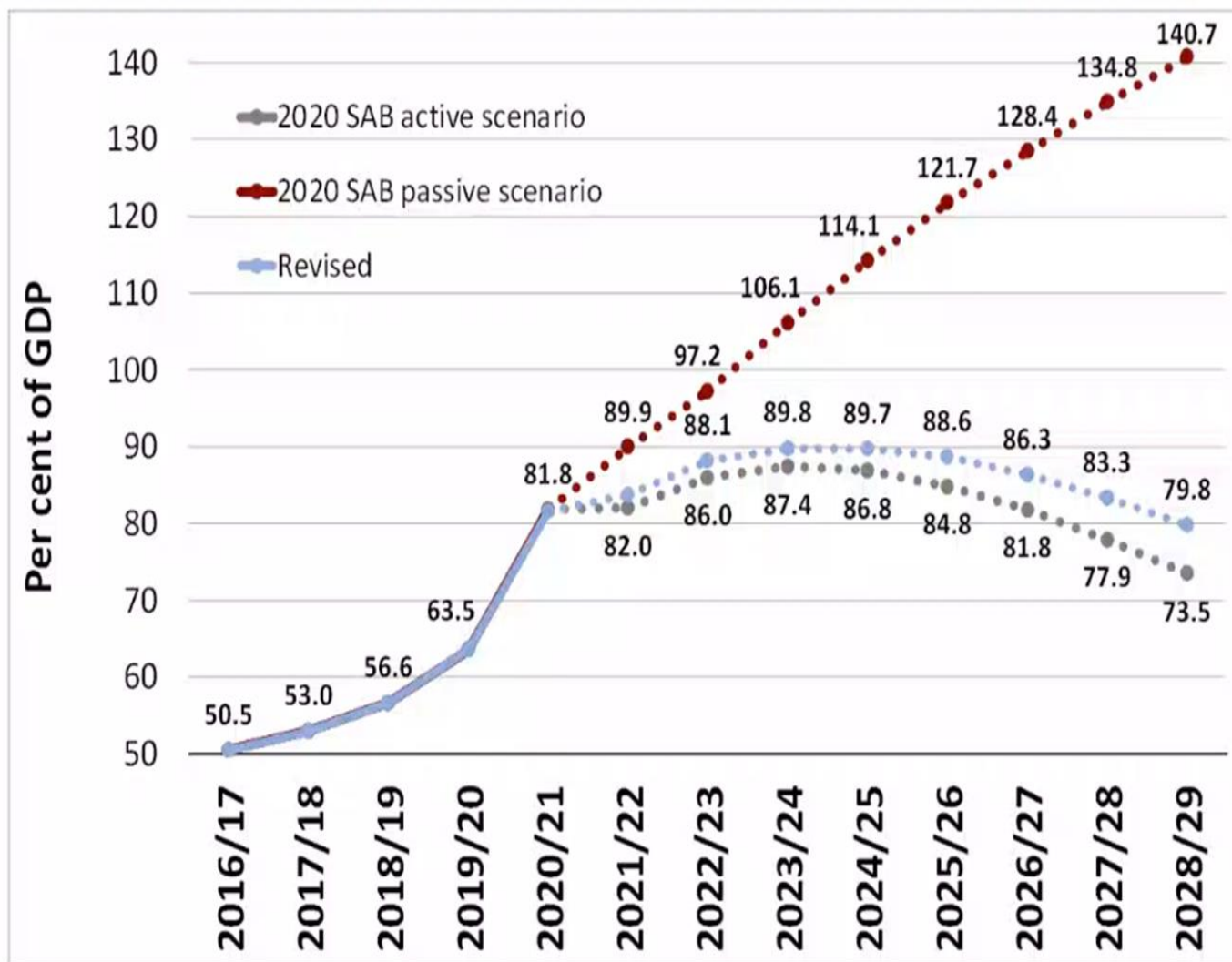


	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Percentage change	Actual			Estimate	Forecast		
Real GDP growth	1.3	0.6	0.2	-8.3	5.4	1.9	1.6
Nominal GDP growth	6.3	4.8	4.6	-4.4	8.8	5.9	5.8
CPI inflation	4.7	4.6	4.2	3.0	4.2	4.2	4.4
GDP at current prices (R billion)	4 698.7	4 924.0	5 148.9	4 921.0	5 352.2	5 666.3	5 997.2

- The national economy has declined by 8.3% in 2020 and is projected to grow by 5.4% in 2021 in real terms;
- Despite the expected 5.4% growth in 2021, the economy will still be small than the pre-Covid-19 economy; The nominal decline in 2020 is 4.4% and expected growth is 8.8%



GROSS DEBT OUTLOOK



- Debt is projected to stabilise at 89.8 percent of GDP in 2023/24, but only if tough measures are implemented;
- Improved tax collections during the 3rd quarter of 2021 lessened borrowing requirements);
- Size of Cost of Employees (COE) budget still a risk to fiscal outlook;
- The country experienced a double blow with the announcements made by two of the largest credit rating agencies when they announced the ratings downgrades;
- These downgrades further plunged South Africa into a Sub-investment grade position.



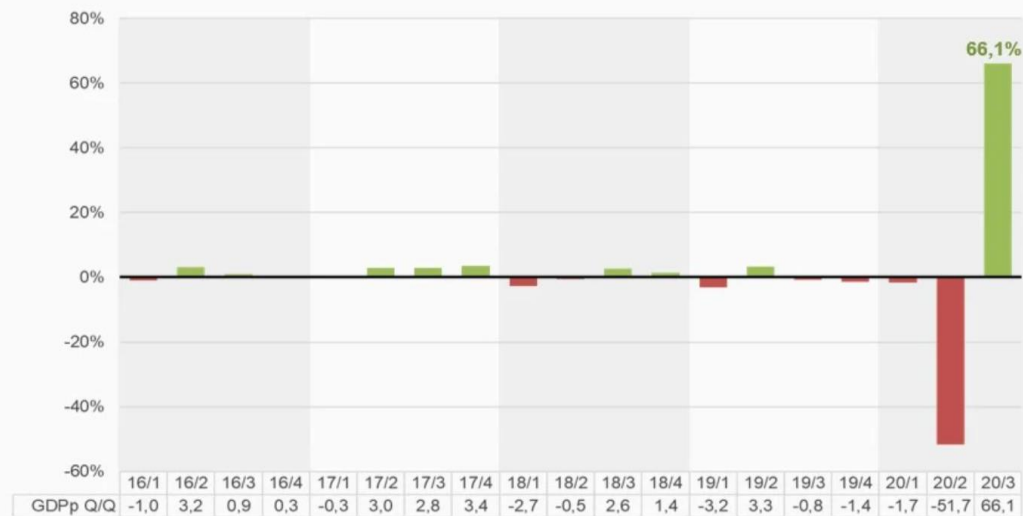
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Outcome			Revised estimate	Medium-term estimates		
R billion/percentage of GDP							
Revenue							
Gross tax revenue after proposals	1 216.5	1 287.7	1 355.8	1 212.2	1 365.1	1 457.7	1 548.5
Non-tax revenue	19.2	23.9	27.6	26.4	27.7	28.6	30.4
SACU ¹	-56.0	-48.3	-50.3	-63.4	-46.0	-33.4	-58.0
National Revenue Fund receipts	16.6	12.0	12.8	25.6	4.9	0.8	1.1
Main budget revenue	1 196.4	1 275.3	1 345.9	1 200.8	1 351.7	1 453.7	1 522.0
	25.5%	25.9%	26.1%	24.4%	25.3%	25.7%	25.4%
Expenditure							
National departments	592.6	634.3	749.7	804.5	763.3	736.3	739.0
Provinces	538.6	572.0	613.4	628.3	639.5	643.3	646.8
Local government	111.1	118.5	123.0	138.5	138.1	146.1	148.4
Contingency reserve	—	—	—	—	12.0	5.0	5.0
Provisional allocation not assigned to votes	—	—	—	—	11.6	32.1	33.2
Non-interest expenditure	1 242.3	1 324.8	1 486.2	1 571.3	1 564.5	1 562.8	1 572.5
Debt-service costs	162.6	181.8	204.8	232.9	269.7	308.0	338.6
Main budget expenditure	1 404.9	1 506.6	1 690.9	1 804.2	1 834.3	1 870.8	1 911.0
	29.9%	30.6%	32.8%	36.7%	34.3%	33.0%	31.9%
Main budget balance	-208.6	-231.3	-345.1	-603.4	-482.6	-417.2	-389.0
	-4.4%	-4.7%	-6.7%	-12.3%	-9.0%	-7.4%	-6.5%
Primary balance	-45.9	-49.5	-140.3	-370.5	-212.8	-109.2	-50.4
	-1.0%	-1.0%	-2.7%	-7.5%	-4.0%	-1.9%	-0.8%

- Bigger share goes to National Departments. National Budgets grows by 1% when compared to 2019/20
- Provincial budgets grows by 4% while municipal budgets grows by 12% during the same period.
- The budget deficit before COVID-19 was 15.2% and is expected to decline to 10.5 in 2021 and further to 7.1 in the 2023.
- Debt service cost increases to R269.7 billion in 21/22 and projected to reach R338.6 in 23/24;
- The main budget deficit, *(which represent revenue less expenditure)* increased from R208.6 in 17/18 to R482.6 in 21/22 and continues to constrain the ability to increase the provincial budget;



SOUTH AFRICA GDP – 3RD QUARTER 2020

The economy grew at an annualised rate of 66,1% in Q3: 2020



Seasonally adjusted Manufacturing, trade and mining were the biggest contributors to growth in Q3: 2020



- South Africa's gross domestic product (GDP) rebounded by a massive annualized and seasonally adjusted 66.1 per cent in the third quarter of the year, reflecting the economy's recovery from the height of the COVID-19 lockdown;
- Without annualising the data (i.e. reflecting the GDP in real terms) the quarter-on-quarter seasonally adjusted growth rate was 13.5 per cent;
- Economic activity in the third quarter may seem impressive, but it comes off the very low base that was recorded in the second quarter;
- South African industries still have a long way to go before reaching levels of production seen before the pandemic;
- Stats SA has cautioned that despite the rebound, the economy is still 5.8 per cent smaller than it was at the end of 2019;
- The sector that showed the highest growth rate was mining recording 288.3 per cent whilst government was the least performing sector growing at only 0.9 per cent during the 3rd quarter of 2020.



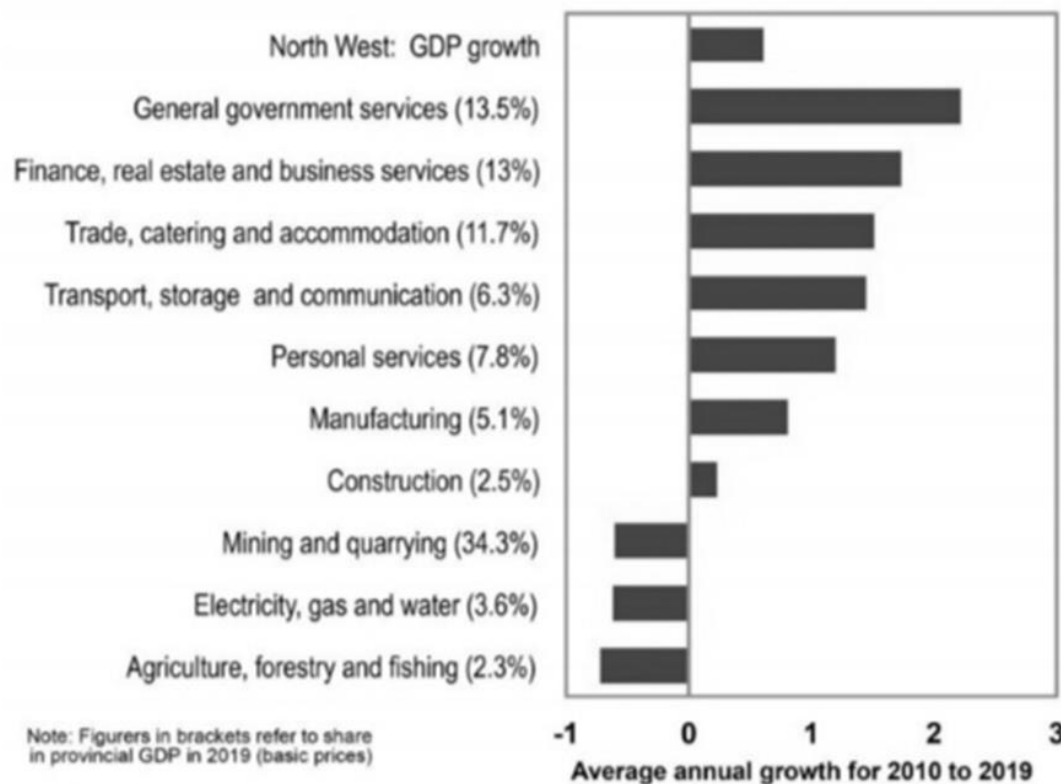
NORTH WEST PROVINCIAL OVERVIEW

- During 2020, employment by industry has generally showed to be on a decline year on year except for finance and community services industries;
- These two sectors have the potential to continue to sustain employment however more effort would need to be made in re-skilling the workforce;
- It is worth noting that the digitalisation in the finance sector and concerns on the expanding of the government wage bill remains a threat to employment sustainability;
- The province would need to prepare itself for this economic revolution by partnering with private sector and training institutions to develop necessary skills for the future jobs;
- The relaxation of lockdown regulations saw a 66 per cent rebound in the third quarter (Q3) nationally and a similar growth could be expected for the province as well;
- Estimates generally peg the 2020 contraction at between 8 per cent and 10 per cent;
- With renewed lockdown measures, the return of load shedding, mounting debt and shattered confidence, the outlook for 2021 remains bleak.



Land area (square km)	105 238 (8.6% of SA total)
Population (million)	4.11 (6.9% of SA total)
GDP in 2019 (ZAR billion)	293.6 (6.5% of SA GDP)

Real GDP growth by broad sector in the North West



- Reflected here are the latest figures for the North West which show that the economic sectors performed fairly well for the period of 2010 to 2019 with only three sectors recording negative annual average growth;
- The North West Province has a very large comparative advantage in the mining sector and the sector remains the economic pillar of the province in terms of its contribution to the economy followed by community services, finance and trade;
- The agriculture sector also has a comparative advantage that could be utilised to make the sector a catalyst for growth;
- Based on the present age-gender structure and the present fertility, mortality and migration rates, North-West's population is projected to grow to about 4.5 million in 2021;
- More than 2 million people in the North West province live in poverty;
- 46.5 per cent of the population remains unemployed (based on the broad definition) and the largest number of the unemployed population is youth.



NORTH WEST INDUSTRY SECTOR REGIONAL CONTRIBUTION

	Indicator	South Africa	North West Province	Bojanala DM	NMMDM	DRSMDM	DKKDM
Economic Sector Contribution %	Agriculture	2.4	2.8	1.1	4.9	8.6	3.5
	Mining	8.1	32.5	51.3	5.6	6.3	16.0
	Manufacturing	13.2	5.1	5.4	5.4	3.4	4.7
	Electricity	3.8	3.9	2.7	6.3	4.7	4.4
	Construction	3.9	2.5	1.8	3.1	3.8	3.3
	Trade	15.0	11.6	9.2	13.1	15.4	15.0
	Transport	9.8	6.5	4.9	8.3	9.1	8.1
	Finance	19.7	13.6	10.6	15.8	18.6	17.4
	Community Services	24.0	21.6	12.9	37.5	30.0	27.5
	Total Tourism spend as % of GDP (Current prices)	6,1	5,7	7,0	5,3	3,6	3,7



PROVINCIAL SOCIO-ECONOMIC OVERVIEW IN THE WAKE OF THE PANDEMIC

- What has been evident from the outbreak is that if we don't stop the virus and secure the health of our people, the economy will continue to suffer and struggle to grow;
- Without accelerated investment in people, businesses, and resources, that much-needed economic growth will not materialize;
- We have seen that the progress we made on human development could not halt in the face of the virus, as the country stands to lose so many of the massive gains we had made in health and education in recent years;
- While the province seems, so far, to have contained the 2nd COVID-19 wave and somehow been spared from the worst of COVID-19, no one knows what the next wave might look like;
- Underpinning our good response to these complex health and economic challenges was the good governance that we managed to display across all spheres of government and the strengthened intergovernmental and multi-stakeholder relations and engagements thereof.



THREE ADJUSTMENTS BUDGETS



2020/21 FIRST AND SECOND ADJUSTMENT BUDGET

Source of Funding R'000	2020/21 Financial Year				
	Main Budget	Adjustments	1st Adjusted Budget	Adjustments	2nd Adjusted Budget
Provincial Equitable Share (PES)	37 547 835	-	37 547 835	(1 240 424)	36 307 411
Conditional Grants Baselines	7 743 453	(459 383)	7 284 070	560 590	7 844 660
Provincial Own Revenue	1 312 230	(111 352)	1 200 878	(57 241)	1 143 637
Financing (Incl ES Rollovers)	-	1 650	1 650	99 415	101 065
Total Provincial Fiscal Framework	46 603 518	(569 085)	46 034 433	(637 660)	45 396 773

- Second Adjustment was tabled on the 25th November 20;
- Main item affected by reduction was CoE;
- Own Revenue revised further downwards due to Covid-19 limitations on collection.

- In response to the COVID-19 pandemic, the province tabled the First Adjustment Budget of R46.034 billion on **23rd July 2020**.
- The provincial equitable share remained unchanged, whilst departmental allocations were reduced to deal with the Provincial Covid-19 response plan;
- In addition, all departments had to reprioritize within the baseline to fund departmental COVID-19 interventions;
- Conditional grants were reduced, repurposed and reprioritized to deal with the pandemic;
- The impact of COVID-19 pandemic affected the projected revenue of four (4) departments, which resulted in reduction of Own Revenue by R111.352 million;



2020/21 THIRD ADJUSTMENT BUDGET

- The Minister of Finance published the stopping of the HSDG from 4 provinces in the Government Gazette No. 44207;
- The Province lost R100 million from HSGD which has been reallocated to other provinces.

<i>Stopped Allocations</i>		<i>Re-Allocation</i>	
Province	Amount	Province	Amount
Eastern Cape	338 000	Gauteng	100 000
Free State -	50 000	Mpumalanga	138 000
Limpopo -	100 000	Northern Cape	200 000
North West -	100 000	Western Cape	150 000
Total	588 000		588 000

- The Third Adjustment Budget is therefore intended to appropriate the R100 million reduction of the Human Settlement Development Grant stopped by National.
- Given the projected underspending and the time left before the closing of the system for the current financial year, departments were requested to declare identified savings and unspent funds to allow for the Third Adjustment budget 2020/21 to cater for declared underspending.



SUMMARY OF 2020/21 ADJUSTMENT BUDGETS

Departments	2020/21 Third Adjustment Estimates of Provincial Revenue and Expenditure								
	Main Budget	Special Adj. Additions/ (Reductions)	Special Adjusted Budget	2nd AEPRE Adjustments	2nd AEPRE Adjusted Budget	Adjustments		3rd AEPRE Adjustments	3rd AEPRE Adjusted Budget
	R'000	R'000	R'000	R'000	R'000	Declared Unspent R'000	Other Adjustments R'000	R'000	R'000
Office of the Premier	691 205	(100 000)	591 205	(119 438)	471 767	(12 000)	-	(12 000)	459 767
Provincial Legislature	504 294	(45 000)	459 294	(7 134)	452 160	-	-	-	452 160
Health	13 197 187	1 285 493	14 482 680	(286 648)	14 196 033	-	-	-	14 196 033
Arts, Culture, Sports and Recreation	789 188	(118 360)	670 828	2 369	673 197	(16 000)	-	(16 000)	657 197
Community Safety and Transport Management	2 368 808	(212 856)	2 155 952	(44 616)	2 111 336	(40 000)	-	(40 000)	2 071 336
Economic Development Environment Conservation and Tourism	1 015 811	(79 950)	935 861	(42 612)	893 249	-	-	-	893 249
Provincial Treasury	557 499	(95 512)	461 987	(24 569)	437 418	(20 000)	-	(20 000)	417 418
Education	18 379 620	(316 785)	18 062 835	(374 038)	17 688 797	-	-	-	17 688 797
Cooperative Governance and Traditional Affairs	648 046	(100 000)	548 046	75 572	623 618	-	-	-	623 618
Public Works and Roads	3 456 839	(423 283)	3 033 556	298 982	3 332 538	-	20 000	20 000	3 352 538
Social Development	1 878 410	(58 507)	1 819 903	1 223	1 821 126	(60 000)	-	(60 000)	1 761 126
Agriculture and Rural Development	1 222 601	(110 830)	1 111 771	(28 682)	1 083 089	(51 000)	-	(51 000)	1 032 089
Human Settlements	1 803 986	(243 071)	1 560 915	51 531	1 612 446	-	(100 000)	(100 000)	1 512 446
Total Allocation	46 513 494	(618 661)	45 894 833	(498 060)	45 396 774	(199 000)	(80 000)	(279 000)	45 117 774

- R199 million has been declared as unspent funds; of which an amount of R20 million from declared unspent funds is allocated to Public Works and Roads to address over spending on Rates and Taxes.
- An amount of R100 million for Human Settlements lost to national.



2021 MTEF FISCAL FRAMEWORK



2021 FISCAL FRAMEWORK

Equitable Share Analysis	Previous FY Allocations		Current Year 2020/21	Medium Term Framework			Total Over the 2021 MTEF
	2018/19	2019/20		2021/22	2022/23	2023/24	
	R'000	R'000		R'000	R'000	R'000	
Equitable Share Baseline Allocation - March 2020 Budget	32 391 895	34 788 928	37 547 835	40 324 708	42 818 627	44 959 558	128 102 893
Year on Year growth		2 397 033	2 758 907	2 776 873	2 493 919	2 140 931	7 411 723
% growth		7%	8%	7%	6%	5%	
New Equitable Share	32 391 895	34 788 928	36 307 411	36 792 613	36 939 259	37 143 584	110 875 456
Year on Year growth		2 397 033	1 518 483	485 202	146 646	204 325	836 173
% growth		7%	4%	1%	0%	1%	
Impact of Reduction			-1 240 424	-3 532 095	-5 879 368	-7 815 974	-17 227 437

- The Provincial Equitable Share reflects a drastic reduction over the 2021 MTEF from the initial indicative numbers;
- Notably, the final 2021/22 FY Equitable share is R755 million less than the initial current financial year ES;
- When discounting R561.7 million earmarked for COVID-19 from the 2021/22 ES, the R485 million year on year growth results in a negative R76.5 million compared to the Adjusted Equitable Share;
- The 2021/22 Equitable share is actually less than the Adjusted Equitable Share of the current financial year;
- The Equitable Share of the outer year of the MTEF is less than the Initial current financial year Equitable Share.
- Provincial expenditure must be revised downwards in view of the declining equitable share



2021 MTEF CONDITIONAL GRANT ALLOCATIONS

Departments	R'000	Medium Term Allocation			Revised Allocation Percentage growth		
		2021/22	2022/23	2023/24	2021/22 vs Main	2022/23	2023/24
Health		3 048 531	3 010 766	2 973 085	9,7%	-1,2%	-1,3%
Arts ,Culture, Sports & Recreation		189 289	194 947	194 866	3,6%	3,0%	0,0%
Community Safety and Transport Management		133 531	130 698	136 458	5,1%	-2,1%	4,4%
Education		1 785 579	1 771 297	1 842 434	5,6%	-0,8%	4,0%
Cooperative Governance & Traditional Affairs		2 058	-	-	-2,6%	-100,0%	0,0%
Public Works and Roads		1 110 822	984 863	1 034 106	3,3%	-11,3%	5,0%
Social Development		96 029	101 924	106 249	12,8%	6,1%	4,2%
Agriculture and Rural Development		263 082	266 957	271 347	3,6%	1,5%	1,6%
Human Settlements		1 592 676	1 656 036	1 727 805	3,0%	4,0%	4,3%
Total Allocation		8 221 597	8 117 488	8 286 350	6,2%	-1,3%	2,1%

- Health received the highest increase on conditional grants compared to the main appropriation of the current financial year;
- The increase account for the earmarked allocation for Covid-19 of R106 million in 2021/22
- Notably conditional grants allocation reflects a reduction of 1.3% in the second year of the MTEF



2021 MTEF PROVINCIAL OWN REVENUE

Departments	R'000	2020/21 Financial Year			Medium Term Allocation			Percentage growth			
		Main Budget	1st Adjusted Budget	2nd Adjusted Budget	2021/22	2022/23	2023/24	2021/22 vs Main	2021/22 vs 3rd Adjusted	2022/23	2023/24
Office of the Premier		409	409	409	431	452	472	5,4%	5,4%	4,9%	4,4%
Provincial Legislature		1648,6156	1 649	1 649	1 738	1 821	1 901	5,4%	5,4%	4,8%	4,4%
Health		89736	80 762	80 762	85 124	89 210	93 135	-5,1%	5,4%	4,8%	4,4%
Arts ,Culture, Sports & Recreation		4059	525	525	400	400	417	-90,1%	-23,8%	0,0%	4,3%
Community Safety and Transport Management		818481	770 625	770 625	862 679	904 087	943 867	5,4%	11,9%	4,8%	4,4%
Economic Development, Environment, Conservation & Tourism		173060	122 072	67 291	115 375	122 729	131 070	-33,3%	71,5%	6,4%	6,8%
Provincial Treasury		150000	150 000	150 000	168 000	176 400	185 000	12,0%	12,0%	5,0%	4,9%
Education		22735	22 735	22 735	23 962	25 112	26 217	5,4%	5,4%	4,8%	4,4%
Cooperative Governance & Traditional Affairs		345	345	345	364	382	400	5,5%	5,5%	4,9%	4,7%
Public Works and Roads		35700	35 700	35 700	37 485	39 284	41 012	5,0%	5,0%	4,8%	4,4%
Social Development		1980	1 980	1 980	2 087	2 187	2 283	5,4%	5,4%	4,8%	4,4%
Agriculture and Rural Development		13286	13 286	10 826	12 216	12 544	13 096	-8,1%	12,8%	2,7%	4,4%
Human Settlements		790	790	790	831	871	913	5,2%	5,2%	4,8%	4,8%
Total Allocation		1 312 230	1 200 878	1 143 637	1 310 692	1 375 479	1 439 783	-0,1%	15%	5%	5%

- Provincial own revenue shows slow recovery trends from the impact of the Covid-19 lockdown in the current financial year;
- The projected 15 per cent growth compared to the adjusted budget will result in R1.310 billion which is still slightly less than the initial 2020/21 budget;
- The projected recovery in DEDECT is as a result of the easing of the lockdown restriction;



2021 FISCAL FRAMEWORK

Source of Funding	2020/21 Financial Year			Revised Baseline Medium Term Framework			Total Revision
	Main Budget	1st Adjusted Budget	2nd Adjusted Budget	2021/22	2022/23	2023/24	2021 MTEF
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Provincial Equitable Share before Adjustments to Baselines	37 547 835	37 547 835	37 547 835	40 324 708	42 818 627	41 672 896	124 816 231
Adjustment to Baselines			(1 720 521)	(3 532 095)	(5 879 368)	(4 529 312)	(13 940 775)
Less: Compensation of Employees Wage Freeze Reductions (2020 MTEF)			(1 720 521)	(2 574 077)	(3 179 316)	-	(5 753 393)
Less: Compensation of Employees Fiscal Consolidation Reductions (2021 MTEF)			-	(1 187 909)	(2 246 486)	(3 435 063)	(6 869 458)
Less: Non-Compensation of Employees Fiscal Consolidation Reductions (2021 MTEF)			-	(452 160)	(601 471)	(1 094 249)	(2 147 880)
Plus: Compensation of Employees Reductions Reversal				120 322	147 905	-	268 227
Plus: COVID-19 Support (Health Sector)				561 729	-	-	561 729
Add: Presidential Employment Initiative			480 097				-
Add: Food Relief: Social Development			34 846				-
Add: Education			445 251				-
Final Provincial Equitable Share (PES) Allocations for the 2021 MTEF	37 547 835	37 547 835	36 307 411	36 792 613	36 939 259	37 143 584	110 875 456
Conditional Grants Baselines	7 743 453	7 284 070	7 844 660	7 905 496	8 279 176	8 279 176	24 463 848
Conditional Grants Revised Allocation - 17 February 2021	7 743 453	7 284 070	7 844 660	8 221 597	8 115 234	8 282 829	24 619 660
<i>(Reductions)/ Additions in Conditional Grants</i>	-	-	-	316 101	(163 942)	3 653	155 812
Provincial Own Revenue	1 312 230	1 200 878	1 143 637	1 296 292	1 360 268	1 423 065	4 079 625
Financing (Incl ES Rollovers)	-	1 650	101 065	-	-	-	-
Total Provincial Fiscal Framework	46 603 518	46 034 433	45 396 773	46 310 502	46 414 761	46 849 478	139 574 741



- The Equitable share reduction targets compensation of employees and non-compensation of employee's expenditure items, which will require review of policy priorities to ensure that basic services are not interrupted;
- The Conditional Grant Allocations have been amended with an aggregate increases of R316.101 million in 2021/22 and decreases with R163.942 million in 2022/23. A slight increase in the Conditional Grant allocation of R3.653 million is registered for 2023/24;
- Included in the Comprehensive HIV and AIDS Grant in the Department of Health, is the Covid-19 component allocated R106.5 million in 2021/22 and R63.8 million in 2022/23 financial year;
- Although the own revenue budget shows a positive increase, the challenge with casino taxes remains a risk for the new financial year.



IMPLICATIONS TO THE 2021 MTEF BUDGET

- South Africa's debt rate is very high at 79% compared to the average of 60 % of the peer countries;
- Debt service cost is estimated at R916.3 billion over the MTEF and continue to over crowd service delivery items or spending priorities;
- Provincial percentage share of compensation of employees drastically increased over the past five years from 57% to around 61% in the current financial year;
- Inadequate planning, infrastructure development and maintenance constraints opportunities for economic growth and development;
- The new norm, consequential to the Covid-19 pandemic, requires a holistic review of delivery programmes and new implementation strategies to fast track service delivery.

ALTERNATIVE OPTIONS TO ADDRESS RURAL ROADS

23

Departments	Medium Term Allocation			Equitable Share Excluding CoE			Change to 2021/22 to Fund Roads	
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	Adj for Roads	Revised 2021/22
Office of the Premier	481 102	487 059	489 920	201 242	197 312	195 827	(137 732)	63 510
Provincial Legislature	465 517	485 767	488 619	228 838	247 289	247 585		228 838
Health	10 985 562	10 612 412	10 657 647	2 610 991	2 543 315	2 226 756		2 610 991
Arts ,Culture, Sports & Recreation	520 004	533 373	536 505	288 928	282 337	311 298	(258 448)	30 480
Community Safety and Transport Management	1 201 763	1 211 652	1 218 238	506 641	488 846	463 629		506 641
Economic Development, Environment, Conservation & Tourism	822 721	833 137	838 900	546 985	555 945	560 134	(526 985)	20 000
Provincial Treasury	341 299	370 354	372 529	21 299	49 080	49 012	(42 214)	(20 915)
Education	16 201 638	16 464 478	16 558 277	2 413 243	2 505 014	2 612 406		2 413 243
Cooperative Governance & Traditional Affairs	671 806	572 405	589 418	312 784	202 937	212 692	(439 698)	(126 915)
Public Works and Roads	2 201 232	2 297 558	2 295 316	1 334 226	1 467 039	1 428 253	1 532 590	2 866 816
Social Development	1 674 266	1 695 926	1 705 885	631 863	642 917	642 202		631 863
Agriculture and Rural Development	889 359	926 217	931 656	337 012	383 303	383 273		337 012
Human Settlements	251 867	263 299	267 727	127 328	138 760	143 188	(127 512)	(184)
Total Allocation	36 792 613	36 939 259	37 143 584	9 561 379	9 704 092	9 476 254	0	9 561 380

- Public Works and Roads equitable share is the 3rd largest after Education and Health;
- Department of Public Works and Roads request an additional R1.5 billion to the baseline for the upgrade of rural roads;
- With additional R1.5 billion public Works will be the largest recipient of the equitable share for operational budget
- To fund the roads request, programme and operational budget of 6 departments must be discontinued;



ALTERNATIVE OPTIONS TO ADDRESS RURAL ROADS

- Considering the constraint fiscus and the restrictive conditions of the Provincial Roads Maintenance Grant the following options need to be explored and implemented where applicable:
 - The current framework for the PRMG restrict its usage for upgrading whereas the largest extent of the Provincial Road network is gravel and require upgrading to pavement hence the need for engagement with NDOT to review the framework;
 - Categorize intersections and access roads within identified key rural roads for implementation through the Presidential employment funding and the PRMG;
 - The Rural Development Framework allows implementation of roads within identified rural nodes and departments to make submission for funding in those specific areas;
 - Enhancement of SMME development for optimized use of Government funded brickmaking plants to create paving brick for utilization on our road network;



ALTERNATIVE OPTIONS TO ADDRESS RURAL ROADS

- Preparation and packaging of projects relating to rural roads for funding through blended funding;
- Engage the Environmental Services for declassification of slag obtained free from the mines for utilization in the construction of roads.
- Implement a long-term planning process for effective and implemental designs at fair value.
- Capacitate the department with appropriate professional and technical skills to minimize reluctance on outside consultants.
- Strengthen the capacity of the department for implementation of sustainable rural roads maintenance.
- Explore the utilization of alternative roads construction material with a possibility of establishment of local plants;
- Review the current procurement regime for realization of economic value and social benefits.



PROPOSED 2021 MTEF ALLOCATIONS

Departments	R'000	2020/21 Financial Year			Medium Term Allocation			Percentage growth		
		Main Budget	1st Adjusted Budget	2nd Adjusted Budget	2021/22	2022/23	2023/24	2021/22 vs Main	2022/23	2023/24
Office of the Premier		691 205	591 205	471 767	481 533	487 511	490 392	-30,3%	1,2%	0,6%
Provincial Legislature		504 294	459 294	452 160	467 255	487 588	490 520	-7,3%	4,4%	0,6%
Health		13 197 188	14 482 681	14 196 033	14 119 217	13 712 388	13 723 867	7,0%	-2,9%	0,1%
Arts ,Culture, Sports & Recreation		789 188	670 828	673 197	709 693	728 720	731 788	-10,1%	2,7%	0,4%
Community Safety and Transport Management		2 368 808	2 155 952	2 111 336	2 197 973	2 246 437	2 298 563	-7,2%	2,2%	2,3%
Economic Development, Environment, Conservation & Tourism		1 015 811	935 861	893 249	938 096	955 866	969 970	-7,7%	1,9%	1,5%
Provincial Treasury		557 499	461 987	437 418	509 299	546 754	557 529	-8,6%	7,4%	2,0%
Education		18 379 620	18 062 835	17 688 797	18 011 179	18 260 887	18 426 928	-2,0%	1,4%	0,9%
Cooperative Governance & Traditional Affairs		648 046	548 046	623 618	674 228	572 787	589 818	4,0%	-15,0%	3,0%
Public Works and Roads		3 456 839	3 033 556	3 332 538	3 349 539	3 321 705	3 370 434	-3,1%	-0,8%	1,5%
Social Development		1 878 410	1 819 903	1 821 126	1 772 382	1 800 037	1 814 417	-5,6%	1,6%	0,8%
Agriculture and Rural Development		1 222 601	1 111 771	1 083 089	1 164 657	1 205 718	1 216 099	-4,7%	3,5%	0,9%
Human Settlements		1 803 986	1 560 915	1 612 446	1 845 374	1 920 206	1 996 445	2,3%	4,1%	4,0%
Total Allocation		46 513 494	45 894 833	45 396 774	46 240 425	46 246 603	46 676 769	-0,6%	0,0%	0,9%



- Public Works and Roads
 - An amount of R315 million added to the departmental baseline over the 2021 MTEF for Rural roads and rates and taxes;
- Cooperative Governance and Traditional Affairs (CGTA)
 - An amount of R116 million retained in the 2021/22 financial year to complete water projects started in the current financial year. Water allocation discontinued in the two outer year of the MTEF;
 - COGTA to intensify collaboration of water funding through engagement with National Water and Sanitation and Local Municipalities;
- Economic Development, Environment, Conservation and Tourism
 - The allocation to support the operationalization of SEZ maintained over the MTEF



The Portfolio Committee to:

- Given the “no growth” in the Provincial Equitable Share, Conditional Grants and Provincial Own Revenue; Agree that the Expenditure budgets are to be suppressed, frills must be cut to enable the departments to execute their constitutional mandates and ensure that projects and/or programmes without budgets must not be implemented as it compromises fiscal prudence and stability.
- Department to commence with the prioritization of all incomplete projects and such projects must form the basis of the infrastructure plans of the departments for completion within the allocated budget
- Support the proposal that CoGTA must intensify its support and coordination role towards the provision of water and sanitation through related Conditional Grants of MIG,WSIG and RBIG to avoid losing out on this grants due to under spending and poor performance
- Support the proposals and Agree to the Tabling of the Annual 2021 MTEF Budget on the 16 March 2021,



THANK YOU!
RE A LEBOGA!
BAIE DANKIE!



WE BELONG



WE CARE



WE SERVE