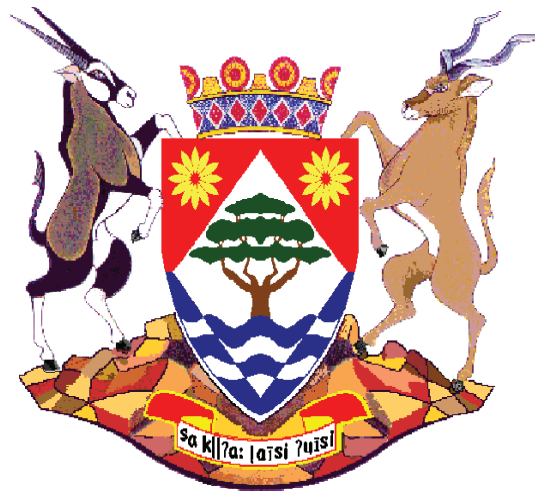


Northern Cape Provincial Government

**NORTHERN CAPE
PROVINCIAL TREASURY
MEDIUM TERM BUDGET
POLICY STATEMENT
2020**

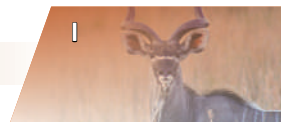
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PROVINCIAL GOVERNMENT



**Northern Cape
Provincial Treasury
Medium Term Budget
Policy Statement
2020**

26 November 2020



PR412/2020

ISBN: 978-0-621-49028-2

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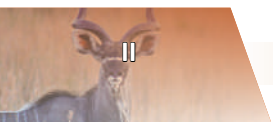
Northern Cape Provincial Treasury

Private Bag X5054

Kimberley, 8300

Telephone: 053 830 8358

Fax: 053 831 5836



Foreword

This Northern Cape Provincial Treasury Medium Term Budget Policy Statement (MTBPS) is tabled at a time of economic hardship with the outbreak of the Covid-19 pandemic affecting the economic performance of the global economy. The International Monetary Fund (IMF) projects that the global economy is expected to contract by 4.4 per cent in 2020, with Advanced Economies expected to contract by 5.8 per cent and Emerging Market and Developing Economies expected to contract by 3.3 per cent. According to National Treasury, projections indicate that the national economy is expected to contract significantly in 2020 by 7.8 per cent, but 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.

With the continuous pressure on the economy and increasing levels of unemployment, further strain on the expected revenue collection of government can be expected. There is also a lot of pressure on government finances for assistance to the vulnerable and the economy to prevent further devastation due to the current economic crisis brought about by Covid-19.

Another threat to the funds available to government, is the high levels of debt that the South African government is faced with. National Treasury indicated that according to projections gross debt is expected to reach 81.8 per cent of gross domestic product (GDP) this year, which is higher than the 65.6 per cent that was projected 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 isn't a major reduction in public spending. It is important to recognise the dire economic circumstances that the country is faced with, together with rising debt levels and the pressure that this puts on the national as well as the provincial fiscus. It is therefore important that departments re-look the model of providing services and find innovative ways to provide services more effectively and efficiently with the limited resources that are available.

AB Vosloo, MPL

MEC for Finance, Economic Development and Tourism

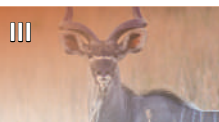


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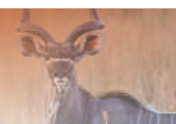
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List of Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
APP	Annual Performance Plan
ART	Antiretroviral Therapy
CASP	Comprehensive Agricultural Support Programme
COGHSTA	Cooperative Governance, Human Settlements and Traditional Affairs
COGTA	Cooperative Governance and Traditional Affairs
CPF	Community Policing Forum
CPI	Consumer Price Index
DEDaT	Department of Economic Development and Tourism
DHS	District Health System
DoRA	Division of Revenue Act
DRPW	Department of Roads and Public Works
DSD	Department of Social Development
ECD	Early Childhood Development
EGDF	Economic Growth and Development Fund
EIA	Environmental Impact Assessment
EPWP	Expanded Public Works Programme
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region
GHS	General Household Survey
GIS	Geographic Information Systems
HCBC	Home Community-Based Caregivers
HIV	Human Immunodeficiency Virus
HR	Human Resource
IDP	Integrated Development Plan
IES	Income and Expenditure Survey
IMF	International Monetary Fund
LED	Local Economic Development
LIP	Livestock Improvement Programme
MPRA	Municipal Property Rates Act
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NC	Northern Cape
NDP	National Development Plan



NHI	National Health Insurance
NPA	National Prosecuting Authority
NPC	National Planning Commission
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
OTP	Office of the Premier
PES	Provincial Equitable Share
PGDP	Provincial Growth and Development Plan
PHC	Primary Health Care
PPP	Public-Private Partnership
PSI	Patient Safety Incident
Q	Quarter
SA	South Africa
SARB	South African Reserve Bank
SKA	Square Kilometre Array
SMME	Small Medium and Micro Enterprises
STI	Sexually Transmitted Infections
TB	Tuberculosis
TMH	Technical Methods for Highways

Executive Summary

Due to the ongoing Covid-19 pandemic, the world's total economic output is expected to contract by 4.4 per cent in 2020 with South Africa's economy expected to contract by 7.8 per cent. The world economy is expected to start recovering in 2021 with positive growth projections for both Advanced economies and Emerging and developing countries. The economy of the Northern Cape grew by a low 0.5 per cent in 2018 compared to 2.8 per cent in 2017. *Mining and quarrying, general government services and finance, real estate and business services* were the three largest industries in the Northern Cape.

In the third quarter of 2020, South Africa's official unemployment rate was 30.8 per cent compared to 23.1 per cent for the Northern Cape. The country's expanded unemployment rate was 43.1 per cent compared to the Northern Cape's 44.0 per cent. The industry employing the largest number of people in the Northern Cape was *community and social services*.

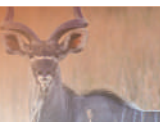
Provincial government aims to improve the lives of the people of the Northern Cape and to develop the economic performance of the province. This should be seen and included in the plans and strategies of departments. The departments' APPs are aligned to the strategies and priorities of government as well as the vision of a Modern, Growing and Successful Province.

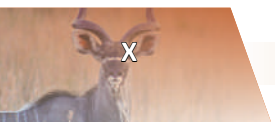
After the second adjustment, the total budget of the province for the 2020/21 financial year is R18.481 billion. The total conditional grants for the 2020/21 financial year after the second adjustment is R4.336 billion. The department that contributed the most to the own revenue of the province, is Transport, Safety and Liaison. The largest receipt item for the provincial own revenue is *Motor vehicle licences*.

The total budget of the province decreased by R0.698 billion during the special adjustment budget, with only the Departments of Health and Social Development receiving additional funding. The total special adjusted budget of the province was R18.450 billion in the 2020/21 financial year of which R8.646 billion (46.9 per cent) was spent at the end of September 2020. The Social Sector departments were allocated 78 per cent of the total special adjusted budget, while the Economic Sector departments were allocated 17 per cent and the Governance and Administration Sector departments were allocated 5 per cent. By the middle of the 2020/21 financial year, the Social Sector departments spent 47.9 per cent of their collective budget with none of the departments spending more than 50 per cent of their respective budgets. The Economic Sector departments spent 42.6 per cent of their collective budget, with only COGHSTA spending more than 50 per cent of their budget by the middle of the financial year. Governance and Administration Sector departments spent 45.7 per cent of their collective budget by the end of September 2020, with none exceeding 50 per cent of their respective budgets.

The only spending items that recorded half-year spending above 50 per cent of the special adjusted budget are *Current payments – Interest and rent on land, Current transfers and subsidies – Households, Capital transfers and subsidies – Households and Payments for capital assets – Software and other intangible assets*. Of the actual half year spending, 62.4 per cent was spent on *Compensation of Employees*.

During the 2020/21 financial year prior to the second adjustment, the main budget for infrastructure of R2.856 billion in the province was reduced by R0.378 billion. The Departments of Education, Health and Roads and Public Works received the largest respective allocations of this budget. Only Health, Education and Human Settlements had half year spending that exceeded 50 per cent of their respective budgets.





Chapter 1: Economic Outlook

1.1 Introduction

In this chapter, an overview of the economic conditions of the world, the country and the province is provided. An analysis of employment and unemployment for South Africa and the Northern Cape is also included.

1.2 Economy

1.2.1 Global Economy

Due to the ongoing Coronavirus disease 2019 (Covid-19) pandemic, many countries implemented strict lockdown measures in the first half of 2020. This was accompanied by significant economic contractions across the world. The International Monetary Fund (IMF) notes that voluntary social distancing also made a substantial contribution to the economic contraction. In the table below, growth and projected growth in gross domestic product (GDP) is provided for selected countries and regions for the period from 2018 to 2021.

Table 1.1: Economic Growth in Selected Countries, 2018-2021

Region/country	2018	2019	2020	2021
Percentage change	Actual		Projections	
World	3.5	2.8	-4.4	5.2
Advanced Economies	2.2	1.7	-5.8	3.9
United States	3.0	2.2	-4.3	3.1
Euro Area	1.8	1.3	-8.3	5.2
United Kingdom	1.3	1.5	-9.8	5.9
Japan	0.3	0.7	-5.3	2.3
Emerging and Developing Countries	4.5	3.7	-3.3	6.0
China	6.7	6.1	1.9	8.2
India	6.1	4.2	-10.3	8.8
Brazil	1.3	1.1	-5.8	2.8
Russia	2.5	1.3	-4.1	2.8
Sub-Saharan Africa	3.3	3.2	-3.0	3.1
Nigeria	1.9	2.2	-4.3	1.7
South Africa ¹	0.8	0.2	-7.8	3.3

Source: National Treasury MTBPS 2020 (¹ National Treasury Forecasts), IMF World Economic Outlook, October 2020

According to the IMF, the global economy is projected to contract by 4.4 per cent in 2020, which is expected to be followed by positive growth of 5.2 per cent in 2021. Advanced economies are expected to contract by 5.8 per cent in 2020, with positive growth of 3.9 per cent projected for 2021. A smaller contraction of -3.3 per cent is expected for Emerging



and developing countries in 2020, with 6.0 per cent growth projected for 2021. Although Sub-Saharan Africa's economy is expected to contract slightly less than the Emerging and developing countries combined in 2020 at -3.0 per cent, it is projected that it will only grow by 3.1 per cent in 2021. National Treasury projects that the South African economy will contract by 7.8 per cent in 2020, followed by positive growth of 3.3 per cent in 2021. This is slightly higher than the growth expectation for Sub-Saharan Africa, but almost half of the projected growth rate of Emerging and developing countries. Of the countries shown above, only China is projected to record positive growth in 2020, at 1.9 per cent. This is projected to increase significantly to 8.2 per cent in 2021.

According to the IMF, the incidence of extreme poverty will rise for the first time in over 20 years. There is the possibility that nearly 90 million people may fall below the \$1.90 per day income threshold of extreme deprivation this year. Inequality is also set to increase as the effect of the crisis has been disproportional towards women, the informally employed and people with relatively lower educational attainment. Another concern that the IMF notes is that human capital accumulation can be set back severely due to schools that closed during the pandemic.

1.2.2 South African Economy

1.2.2.1 Macro-Economic Outlook for South Africa

Table 1.2 provides the macroeconomic performance and projections for South Africa for the period from 2017 to 2023.

Table 1.2: Macroeconomic Performance and Projections for South Africa, 2018-2023

Calendar year	2018	2019	2020	2021	2022	2023
	Actual		Estimate	Forecast		
Final household consumption	1.8	1.0	-7.9	4.7	2.2	1.9
Final government consumption	1.9	1.5	1.0	-2.5	-2.4	-3.6
Gross fixed-capital formation	-1.4	-0.9	-19.6	-1.4	3.9	3.9
Gross domestic expenditure	1.0	0.7	-8.5	2.9	1.6	1.3
Exports	2.6	-2.5	-12.8	5.9	3.0	2.7
Imports	3.3	-0.5	-14.7	4.7	2.8	2.2
Real GDP growth	0.8	0.2	-7.8	3.3	1.7	1.5
GDP at current prices (R billion)	4 874	5 078	4 885	5 240	5 553	5 877
CPI inflation	4.6	4.1	3.2	4.1	4.4	4.5
Current account balance (% of GDP)	-3.5	-3.0	-0.8	-1.6	-2.0	-2.7

Source: National Treasury MTBPS 2020 (National Treasury, Reserve Bank and Statistics South Africa)

Percentage change unless indicated otherwise

The national economy is projected to grow positively in 2021 (3.3 per cent), 2022 (1.7 per cent) and 2023 (1.5 per cent), following an estimated contraction of 7.8 per cent in 2020. This is after the economy failed to reach 1 per cent growth in 2018 and 2019. *Final household consumption* is estimated to contract by 7.9 per cent in 2020, but from 2021 to 2023, forecasts show positive growth expectations. In 2019, *Gross fixed-capital formation* contracted by 0.9 per cent and is estimated to contract by a significant 19.6 per cent in 2020. It is projected that *Gross fixed-capital formation* will record positive growth of 3.9 per cent in each of 2022 and 2023. Following a contraction of 2.5 per cent in 2019, *Exports* are estimated to record a further contraction of 12.8 per cent in 2020. Projections indicate that from 2021 to 2023, *Exports* are expected to grow at a positive rate. *Final government consumption* is projected to grow negatively from 2021 to 2023, following estimated growth of 1.0 per cent in 2020. Consumer price index (CPI) inflation is estimated at only 3.2 per cent in 2020 and is projected to rise slightly each year from 4.1 per cent in 2021 to 4.5 per cent in 2023.

National Treasury notes that the main risks to the economic outlook are weaker than expected growth, continued deterioration in public finances as well as a failure to implement structural reforms. What would also have a significant impact on the outlook, is a second wave of Covid-19 infections and new restrictions on economic activity.

1.2.2.2 Sector Growth Trends

The table below shows the growth in real GDP for the main sectors and specific industries from quarter 1 of 2019 to quarter 2 of 2020 for South Africa.

Table 1.3: Real GDP Growth for South Africa, 2019 and 2020

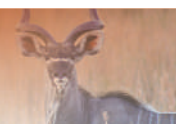
Sector	2019					2020	
	Q1	Q2	Q3	Q4	Year*	Q1	Q2
Primary Sector	-12.3	11.7	-5.7	-0.4	-3.1	-11.7	-59.1
Agriculture	-16.8	-4.9	-4.5	-7.6	-6.9	28.6	15.1
Mining	-10.8	17.4	-6.1	1.8	-1.9	-21.5	-73.1
Secondary Sector	-8.0	1.3	-5.0	-2.9	-1.4	-7.5	-72.0
Manufacturing	-8.8	2.1	-4.4	-1.8	-0.8	-8.5	-74.9
Tertiary Sector	-0.4	2.9	0.9	-1.0	1.2	1.5	-40.0
Total	-3.2	3.3	-0.8	-1.4	0.2	-1.8	-51.0

Source: SARB Quarterly Bulletin, September 2020 (Statistics South Africa)

Quarter-to-quarter percentage change at seasonally adjusted annualised rates

*Percentage change over one year

South Africa's real GDP grew by 0.2 per cent in 2019, with the primary and secondary sectors recording contractions at -3.1 and -1.4 per cent respectively and the tertiary sector recording a positive growth rate of 1.2 per cent. The primary and secondary sectors recorded further contractions in the first quarter of 2020 at -11.7 and -7.5 per cent respectively with the tertiary sector growing by 1.5 per cent.

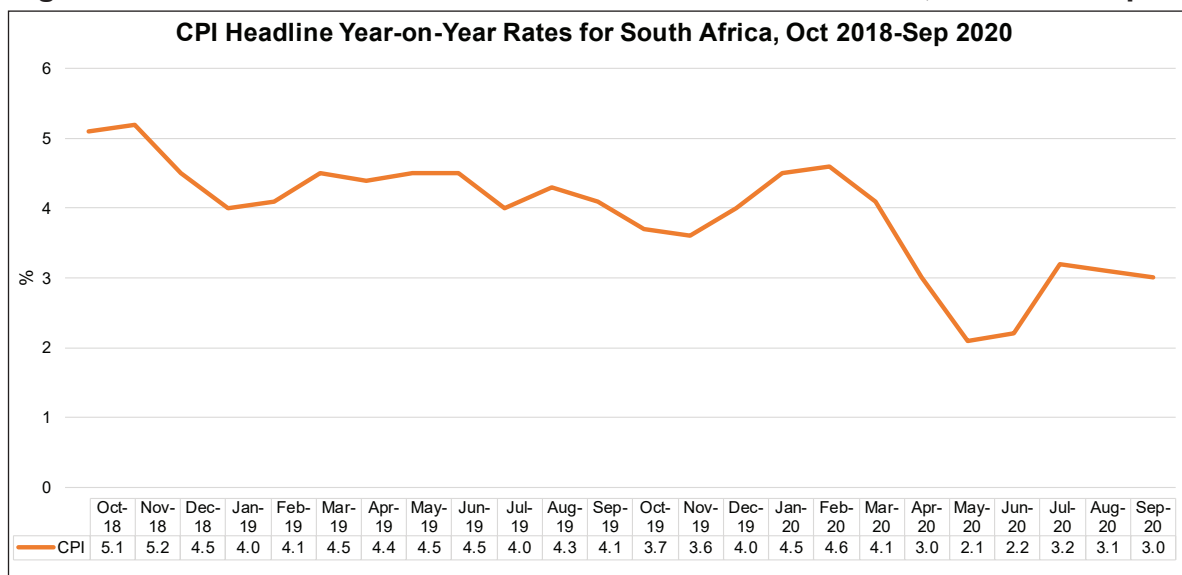


The South African Reserve Bank (SARB) notes that there was a broad-based effect of the restrictions on economic activity in the second quarter of 2020, when all three sectors saw significant contractions, with the primary sector recording -59.1 per cent, the secondary sector recording -72.0 per cent and the tertiary sector recording -40.0 per cent. The steep contraction in the primary sector was due to a significant reduction in mining output. According to the SARB, production in the mining industry was subdued by supply-chain disruptions associated with lockdown restrictions that were both national and international. After some of the restrictions were lifted or relaxed, there was still a negative impact on production as mines were not allowed to operate at full capacity in the interest of the safety of workers. The agriculture sector experienced significant growth in the first and second quarters of 2020, with a growth rate of 28.6 per cent in the first quarter and 15.1 per cent in the second quarter. The SARB notes that this reflected how the agricultural sector was an essential-goods-provider during the national lockdown and that the industry experienced favourable weather conditions and increased foreign demand.

1.2.2.3 Inflation

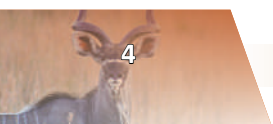
The CPI headline year-on-year rates for South Africa for the period from October 2018 to September 2020 is illustrated in the figure below.

Figure 1.1: CPI Headline Year-on-Year Rates for South Africa, Oct 2018-Sept 2020



Source: Statistics South Africa, Consumer Price Index – September 2020

The CPI headline year-on-year rate did not go above 4.5 per cent for the whole of 2019 after closing in 2018 at 4.5 per cent. In February 2020, the inflation rate reached 4.6 per cent, its highest level since reaching 5.2 per cent in November 2018. The lowest rate that was recorded during the review period, was 2.1 per cent in May 2020.



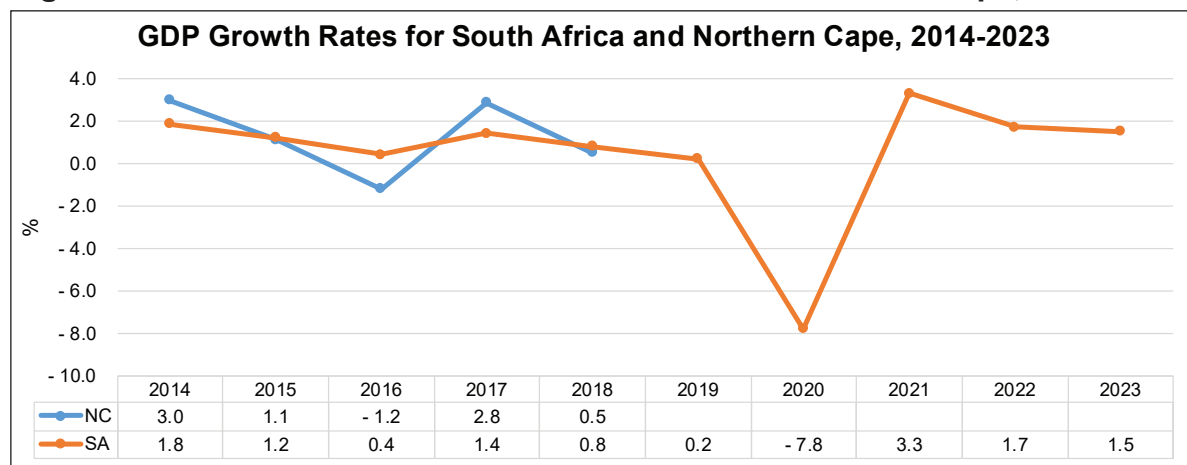
The inflation rate was 3.0 per cent in September 2020. According to Statistics South Africa (Stats SA), the main contributors to this annual inflation rate were *food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services*. There was a year-on-year increase in *food and non-alcoholic beverages* of 3.9 per cent, which contributed 0.7 of a percentage point to the 3.0 per cent. *Housing and utilities*' increase also contributed 0.7 of a percentage point when it increased by 2.8 per cent year-on-year. A year-on-year increase of 6.5 per cent in *miscellaneous goods and services* contributed 1.0 percentage point. Also in September 2020, the highest provincial annual inflation rate was recorded in Western Cape (3.6 per cent) and the lowest was recorded in Gauteng and Mpumalanga (2.6 per cent). In the Northern Cape, this rate was 3.1 per cent.

1.2.3 Northern Cape Economy

1.2.3.1 Growth in GDP

Figure 1.2 below shows the economic growth rates for South Africa from 2014 to 2019 and Northern Cape from 2014 to 2018 with projected growth for South Africa from 2020 to 2023.

Figure 1.2: GDP Growth Rates for South Africa and Northern Cape, 2014-2023



Source: Statistics South Africa Gross Domestic Product (SA 2014-2019, NC 2014-2018), National Treasury MTBPS (SA 2020-2023)

Constant 2010 Prices

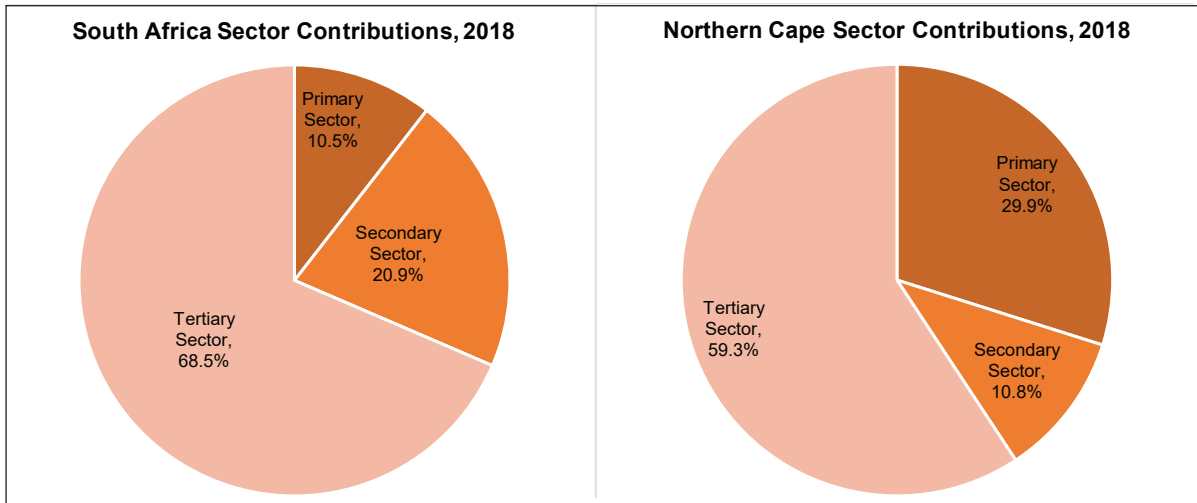
The economy of the Northern Cape grew by a low 0.5 per cent in 2018 compared to 2.8 per cent in 2017, while the national economy grew by only 0.8 per cent in 2018 compared to 1.4 per cent in 2017. In 2019, the national economy grew by a low 0.2 per cent and is projected to contract by an unprecedented 7.8 per cent in 2020 due to matters resulting from the Covid-19 pandemic and restrictions that hampered economic activity. Positive growth is projected from 2021 until 2023.



1.2.3.2 Structure of the Economy

Figure 1.3 illustrates the contributions made by the three main economic sectors to the total of all industries in the South African and Northern Cape economies for 2018.

Figure 1.3: South Africa and Northern Cape Sector Contributions, 2018



Source: Statistics South Africa Gross Domestic Product Quarter 4: 2019 and own calculations Current Prices

In 2018, the tertiary sector was the largest sector for the Northern Cape and for the country as a whole. The tertiary sector contributed 68.5 per cent to the total of all industries nationally and 59.3 per cent provincially. The primary sector made the second largest contribution to the total of all industries on a provincial level (29.9 per cent), but made the smallest contribution nationally (10.5 per cent). The secondary sector made the second largest contribution nationally (20.9 per cent), while it was the smallest contributor on a provincial level.

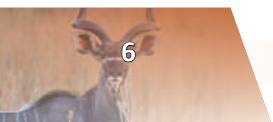
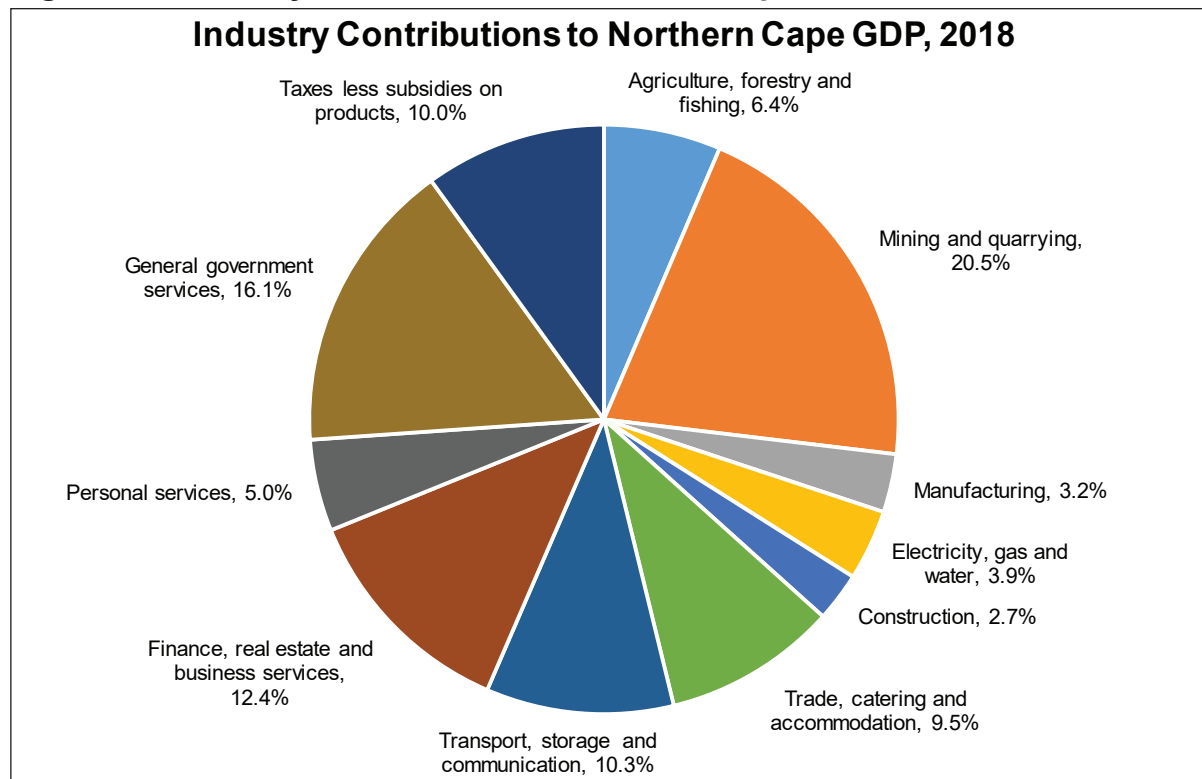


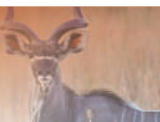
Figure 1.4 illustrates the contributions that the industries made to the GDP of the Northern Cape for 2018.

Figure 1.4: Industry Contributions to Northern Cape GDP, 2018



Source: Statistics South Africa Gross Domestic Product Quarter 4: 2019
Current Prices

The four industries contributing the most to the provincial GDP were *mining and quarrying* (20.5 per cent), *general government services* (16.1 per cent), *finance, real estate and business services* (12.4 per cent) and *transport, storage and communication* (10.3 per cent). The *construction* industry made the smallest contribution at 2.7 per cent, followed by *manufacturing* at only 3.2 per cent.



The contributions that the Northern Cape industries made to their respective national totals from 2016 to 2018 are provided in Table 1.4.

Table 1.4: Northern Cape Industry Contributions to National GDP, 2016-2018

	2016	2017	2018
Primary Sector			
Agriculture, forestry and fishing	6.2	6.2	6.1
Mining and quarrying	5.4	5.7	5.8
Secondary Sector			
Manufacturing	0.6	0.5	0.6
Electricity, gas and water	2.2	2.1	2.3
Construction	1.8	1.6	1.6
Tertiary Sector			
Trade, catering and accommodation	1.7	1.6	1.5
Transport, storage and communication	2.6	2.5	2.4
Finance, real estate and business activities	1.4	1.4	1.5
Personal services	1.9	1.9	2.0
General government services	2.0	2.0	2.1
Total	2.1	2.1	2.1

Source: Statistics South Africa Gross Domestic Product Quarter 4: 2019

Percentage contributions

Current Prices

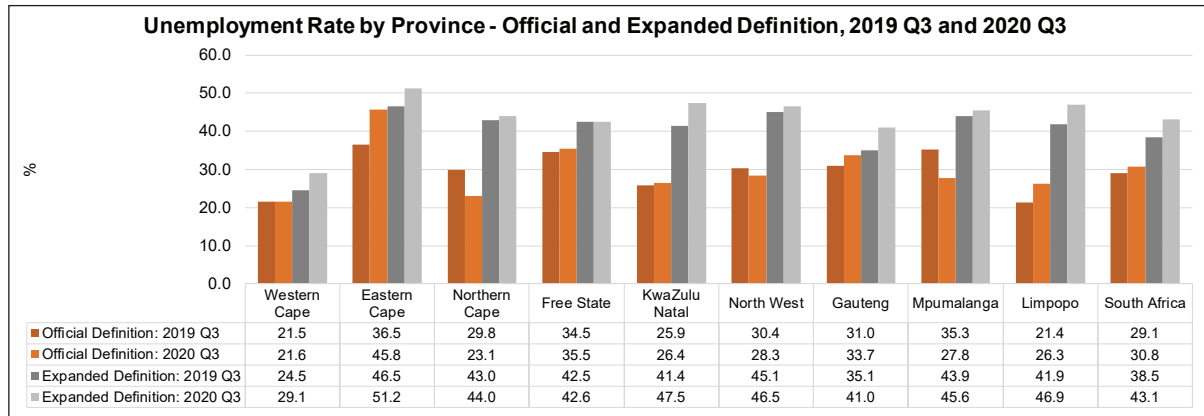
The *agriculture, forestry and fishing* industry contributed the most to its national industry total for all three years under review, contributing 6.2 per cent in 2016 and 2017 respectively and 6.1 per cent in 2018. The industry that made the second largest contribution to its national industry total, was *mining and quarrying* for all three years under review. The *transport, storage and communication* industry made the third largest contribution for all three years. The *manufacturing* industry made the smallest contribution towards its national industry total, contributing only 0.6 per cent in 2016, 0.5 per cent in 2017 and 0.6 per cent in 2018. The province's contribution towards national GDP was 2.1 per cent in each year under review.

1.3 Labour Market Analysis

1.3.1 South African Labour Market

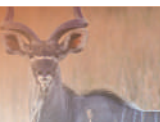
Figure 1.5 shows the unemployment rate per province and for the country for the third quarter of 2019 and 2020 using the official and expanded definitions of unemployment.

Figure 1.5: Unemployment Rate by Province – Official and Expanded Definition, 2019 Q3 and 2020 Q3



Source: Statistics South Africa, Quarterly Labour Force Survey Quarter 3: 2020

Looking at both the official and expanded definitions of unemployment in the third quarter of 2020, the Eastern Cape had the highest rates in the country at 45.8 and 51.2 per cent respectively. The lowest rates were in the Western Cape at 21.6 and 29.1 per cent respectively. The three provinces that recorded a decrease in their unemployment rates using the official definition, are Northern Cape, North West and Mpumalanga. All of the provinces recorded an increase in their unemployment rates when using the expanded definition of unemployment.



In Table 1.5 below, the labour force characteristics for South Africa is provided for the third quarter of 2019 as well as the second and third quarters of 2020. The official definition of unemployment is used.

Table 1.5: Labour Force Characteristics for South Africa, 2019 Q3, 2020 Q2 and 2020 Q3

	2019 Q3	2020 Q2	2020 Q3	Qtr-to-qtr change	Yr-on-yr change
	('000)	('000)	('000)	('000)	('000)
Population aged 15-64	38 582	39 021	39 167	146	585
Labour force	23 109	18 443	21 224	2 781	-1 885
Employed	16 375	14 148	14 691	543	-1 684
Unemployed	6 734	4 295	6 533	2 238	-201
Not economically active	15 474	20 578	17 944	-2 634	2 470
Discouraged work-seekers	2 793	2 471	2 696	225	-97
Other	12 681	18 107	15 248	-2 859	2 567
Rates	(%)	(%)	(%)	(Percentage point)	(Percentage point)
Unemployment rate	29.1	23.3	30.8	7.5	1.7
Absorption rate	42.4	36.3	37.5	1.2	-4.9
Labour force participation rate	59.9	47.3	54.2	6.9	-5.7

Source: Statistics South Africa, Quarterly Labour Force Survey Quarter 3: 2020

Due to rounding, numbers do not necessarily add up to totals.

South Africa's unemployment rate was 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. Also on an annual basis, the number of employed people decreased by 1.684 million, with the number of unemployed people decreasing by 201 000. The number of discouraged work-seekers decreased by 97 000.

Looking at the quarterly changes, the unemployment rate increased by 7.5 percentage points. There was an increase of 2.238 million in the number of unemployed people, while the number of employed people increased by 543 000. The number of discouraged work-seekers increased by 225 000.

1.3.2 Northern Cape Labour Market

Table 1.6 below shows the labour force characteristics for the Northern Cape, using the official definition of unemployment, for the third quarter of 2019 as well as the second and third quarters of 2020.

Table 1.6: Labour Force Characteristics for Northern Cape, 2019 Q3, 2020 Q2 and 2020 Q3

	2019 Q3	2020 Q2	2020 Q3	Qtr-to-qtr change	Yr-on-yr change
	('000)	('000)	('000)	('000)	('000)
Population aged 15-64	804	810	812	2	8
Labour force	458	341	373	32	-85
Employed	322	255	287	31	-35
Unemployed	137	86	86	1	-51
Not economically active	346	469	439	-30	93
Discouraged work-seekers	76	46	91	45	15
Other	270	423	348	-75	78
Rates	(%)	(%)	(%)	(Percentage point)	(Percentage point)
Unemployment rate	29.8	25.1	23.1	-2.0	-6.7
Absorption rate	40.0	31.5	35.3	3.8	-4.7
Labour force participation rate	57.0	42.1	45.9	3.8	-11.1

Source: Statistics South Africa, Quarterly Labour Force Survey Quarter 3: 2020

Due to rounding, numbers do not necessarily add up to totals.

When looking at the annual changes in the labour data of the Northern Cape, the unemployment rate decreased by 6.7 percentage points from 29.8 per cent in the third quarter of 2019 to 23.1 per cent in the third quarter of 2020. The number of employed people decreased by 35 000 while the number of unemployed people decreased by 51 000. The number of discouraged work-seekers increased by 15 000.

On a quarterly basis, the unemployment rate decreased by 2.0 percentage points. The number of employed people increased by 31 000 while the unemployed increased by 1 000. The discouraged work-seekers almost doubled when recording an increase of 45 000.

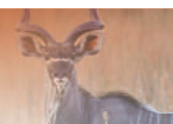


Table 1.7 below shows the number of people employed in each industry in the Northern Cape for the third quarter of 2019 as well as the second and third quarters of 2020.

Table 1.7: Employment by Industry for Northern Cape, 2019 Q3, 2020 Q2 and 2020 Q3

Industry	2019 Q3	2020 Q2	2020 Q3	Qtr-to-qtr change	Yr-on-yr change
	('000)	('000)	('000)	('000)	('000)
Agriculture	33	24	28	4	-4
Mining	29	27	34	7	5
Manufacturing	15	6	9	3	-6
Utilities	2	2			
Construction	20	12	16	4	-4
Trade	47	57	43	-14	-4
Transport	9	7	7	0	-2
Finance	21	23	27	4	7
Community and social services	116	84	107	23	-9
Private households	30	12	15	3	-15

Source: Statistics South Africa, Quarterly Labour Force Survey Quarter 3: 2020

For all values of 10 000 or lower the sample size is too small for reliable estimates.

Due to rounding, numbers do not necessarily add up to totals.

In the third quarter of 2020, the *community and social services* industry was the largest employer in the Northern Cape, employing 107 000 people. *Trade* was the second largest employer (43 000) followed by *mining* (34 000) and *agriculture* (28 000). *Manufacturing* only employed 9 000 people. From the third quarter of 2019 to the third quarter of 2020, the number of people employed in most industries decreased, with the only increases recorded in *mining* and *finance*. Comparing the second and third quarters of 2020, only *trade* recorded a decrease in employment.

1.4 Conclusion

Due to the ongoing Covid-19 pandemic, the world's total economic output is expected to contract by 4.4 per cent in 2020 with South Africa's economy expected to contract by 7.8 per cent. The world economy is expected to start recovering in 2021 with positive growth projections for both Advanced economies and Emerging and developing countries. The economy of the Northern Cape grew by a low 0.5 per cent in 2018 compared to 2.8 per cent in 2017. *Mining and quarrying, general government services and finance, real estate and business services* were the three largest industries in the Northern Cape.

In the third quarter of 2020, South Africa's official unemployment rate was 30.8 per cent compared to 23.1 per cent for the Northern Cape. The country's expanded unemployment rate was 43.1 per cent compared to the Northern Cape's 44.0 per cent. The industry employing the largest number of people in the Northern Cape was *community and social services*.

Chapter 2: MTEF Policy Priorities

2.1 Introduction

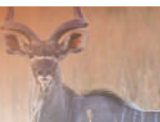
This chapter provides the policy priorities for the Northern Cape Province for the current financial year, 2020/21. These priorities will also continue over the Medium Term Expenditure Framework (MTEF). The South African economy has been ailing for some time with high levels of unemployment, poverty and inequality. The country's credit rating has also been downgraded numerous times by various agencies. The Covid-19 pandemic made the situation worse in that the national economy is expected to contract significantly this year. These intolerable economic conditions affect all provinces, including the Northern Cape. Thus this requires a speedy, strong and sustainable policy response. The National Development Plan (NDP) provides a long-term vision for South Africa, envisaging to address many of the country's socio-economic challenges by 2030. The Medium Term Strategic Framework (MTSF) 2019-2024 serves as the second implementation plan for the NDP, as well as an integrated monitoring framework. The framework focuses on the seven priorities and related interventions of the sixth administration of government. These priorities are:

- Priority 1: Building a Capable, Ethical and Developmental State
- Priority 2: Economic Transformation and Job Creation
- Priority 3: Education, Skills and Health
- Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services
- Priority 5: Spatial Integration, Human Settlements and Local Government
- Priority 6: Social Cohesion and Safer Communities
- Priority 7: A Better Africa and World

The provincial vision has been defined as a Modern, Growing and Successful Province. In his inaugural speech on 28 May 2019, Honourable Premier Dr Zamani Saul went on to provide strategic direction to the Province as he outlined the defining attributes of a Modern, Growing and Successful Province.

“A Modern, Growing and Successful Province is one:

- That cares for the vulnerable and makes life worth living for them by ensuring that an increased number of households have access to the grid, water and adequate sanitation;
- Is at the cutting-edge of the Fourth Industrial Revolution and prioritizes quality education, training and retraining of the youth;



- Strives to improve the health profile of its residents;
- Whose youth have reasonable access to opportunities and prospects in life; and are allowed to dream;
- Where our people, especially women and children, can freely enjoy their streets without fear of being molested or abused;
- Where people who are differently-abled or disabled are embraced and equitably given opportunities;
- With a strong government that actively fights corruption and laziness;
- That builds partnerships between the different sectors of society for shared growth and development and
- Where the political leaders are hard-working, they pay attention to detail, are incorruptible.”

Co-operation of all stakeholders is required to ensure that these policy priorities are implemented and challenges are responded to, for South Africa and the Northern Cape to become a better place. Effective implementation of all formulated policy frameworks as well as the monitoring and evaluation thereof, is of paramount importance. The prevailing economic conditions will continue to put pressure on the fiscus due to the significant fall in revenue. As a result, the government is faced with a more difficult situation whereby services still need to be delivered with limited resources. This calls for a more strategic way of doing things, hence priorities should be made. These priorities are found in the provincial strategies, departments’ strategic plans and Annual Performance Plans (APPs). Alignment of these strategies and plans to the NDP and MTSF should be continued.

The following sections will highlight some of the plans and programmes that the provincial government, with its departments, are planning to improve the lives of the people of the Northern Cape in response to the socio-economic challenges the province is facing. This will also contribute to the targets and the objectives envisioned in the NDP, MTSF as well as the provincial priorities.

2.2 Economic Priorities

2.2.1 Department of Agriculture, Land Reform and Rural Development

The agriculture industry plays an important role in the provincial economy as well as employment. It is thus imperative that the provincial government does all in their power to preserve this industry and assist with the challenges it is faced with. This industry has been experiencing various challenges including drought, pests and animal diseases.

In order for the department to continue to support and contribute to the current MTSF, a number of policies, strategies and programmes will be implemented including:

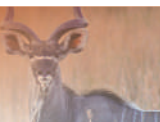
- The promotion of food security through the Fetsa Tlala programme, which forms part of the National Policy on Food and Nutrition Security,
- Supporting projects through conditional grants to broaden economic participation and create job opportunities,
- Vaalharts Revitalisation Programme,
- Northern Cape Climate Change Adaptation Response Strategy,
- Implementation of the Livestock Improvement Programme (LIP),
- Implementation of the Disaster Contingency Plan, and
- Implementation of grant funded projects.

In terms of job creation, the department aims to create 100 green jobs in the current financial year and plans to increase this target to 250 in 2021/22. Furthermore, 500 work opportunities are aimed to be created through the Expanded Public Works Programme (EPWP), Comprehensive Agricultural Support Programme (CASP) and Ilima/Letsema during the 2020/21 financial year and this number is set to increase to 630 in 2021/22.

Regarding skills and training, the department intends to train 53 youth in the agricultural graduate programme. For farmers, 500 smallholder producers will be supported with agricultural advice in 2020/21. Additionally, 6 agri-businesses will be supported with marketing services while another 6 will be provided with production economics services.

2.2.2 Department of Environment and Nature Conservation

Job creation relating to environment include 210 jobs created as well as 51.74 Full-Time Equivalent (FTEs) created in 2020/21. With regard to skills, the department aims to have 3 young people involved in skills development initiatives during this financial year. Furthermore, 5 stakeholders' workshops will be conducted on environmental legislative processes and 200 community based natural resource management stakeholders will be capacitated. The department will also go out to communities to capacitate 2 200 members through awareness activities. Various activities will also be done/implemented under the department including nature reserve monitoring projects, the implementation of climate change response interventions, criminal investigations handed to the National Prosecuting Authority (NPA) for prosecution, completion of Environmental Impact Assessment (EIA) applications, issuing of Atmospheric Emissions Licenses, implementation of air quality community improvement projects, licensing of waste facilities and implementation of biodiversity economy initiatives.



2.2.3 Department of Cooperative Governance, Human Settlements and Traditional Affairs (COGHSTA)

The following are some of the targets set by the department relating to housing provision for the 2020/21 financial year. The department aims for the creation of 450 subsidy housing opportunities and to have 1 500 beneficiaries with home ownership. In the area of cooperative governance, the department intends to have 31 functional municipal councils, to guide 26 local municipalities to comply with the Municipal Property Rates Act (MPRA), monitor 26 local municipalities to implement free basic services, as well as having 31 municipalities with legally compliant Integrated Development Plans (IDP). With regard to traditional affairs, it is anticipated that the department will be having 10 functional traditional leadership structures by the end of the 2020/21 financial year. Although COGHSTA's mandate is more on the provision of housing and other services, the department also supports job creation. For the current financial, 21 900 work opportunities are expected to be created through public employment programmes.

2.2.4 Department of Economic Development and Tourism (DEDaT)

By the end of the 2020/21 financial year, the department intends to have created 150 EPWP work opportunities. Some of the targets set for skills development include 4 e-skills development initiatives. Part of the department's mandate involves support and development of Small, Medium and Micro Enterprises (SMMEs), which contributes to job creation and thus economic growth. For the current financial year, 100 enterprises will be assisted non-financially including with the development of business plans. Additionally, the department aims at having 3 enterprise procurement opportunities. In terms of economic development, 2 municipal economic development projects will be supported. Furthermore, 2 municipalities will be assisted to establish a Local Economic Development (LED) forum. DEDaT is also responsible for sourcing investment domestically and internationally in order to stimulate the provincial economy. By the end of 2020/21, the department intends to have 3 recruitments for high impact project investment. In terms of exports, 20 emerging exporters should have been developed by the end of this current financial year. The department plans to have 10 enterprises exposed to export markets. In order to promote mineral beneficiation and employment creation, 1 agency for diamond and jewellery skills development will be capacitated. 1 incubation agency will also be capacitated in this area.

The development of economic policies, strategies and programmes are crucial in developing the economy and ensuring that jobs are created. By the end of the 2020/21 financial year, 1 economic strategy should have been developed while 2 economic policies would be reviewed. In the area of research, the department will support 1 research and development initiative.

A number of tourism initiatives will also be undertaken to support job creation and economic growth. These include interventions to support the tourist guiding sector, supporting black-owned tourism enterprises and tourism infrastructure development interventions. The department also supports a number of projects in the province that are continuing to create jobs and stimulating economic growth. These include oceans economy, Square Kilometre Array (SKA) and renewable energy projects.

2.2.5 Department of Roads and Public Works (DRPW)

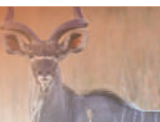
With regard to job creation, the department envisages to create 6 360 EPWP work opportunities by the end of 2020/21. In terms of the vulnerable groups, 3 514 work opportunities are to be created for youth, 3 834 for women, with 127 to be created for people living with disabilities. A number of interventions will also be implemented to support public bodies in the creation of work opportunities. A target of 16 has been set for this current year. In the area of skills development, the department aims to have 500 beneficiaries on skills and contractor development empowerment initiatives.

There are also a number of activities that the department is involved in as part of its mandate. In terms of infrastructure, it plans to have 9 projects costed. 13 capital infrastructure projects should also be completed within the agreed time period this year, while 38 should be in construction. In the area of maintenance, 40 planned maintenance projects should have been awarded by the end of 2020/21. Regarding infrastructure planning, 10 910 kilometres of gravel roads should be visually assessed based on the applicable Technical Methods for Highways (TMH) manual. 17.7 kilometres of gravel roads should be upgraded to surfaced roads this year. For maintenance, 534 720 square metres of surfaced road should be rehabilitated whereas 53 740.96 kilometres of gravel roads should be bladed by the end of 2020/21.

2.3 Social Priorities

2.3.1 Department of Health

In the Department of Health, the District Health Services programme's purpose is to deliver comprehensive, integrated and sustainable health care services (preventive, promotive, curative and rehabilitative) based on the Re-engineered Primary Health Care (PHC) approach through the District Health System (DHS). In 2020/21, the plan is to have 60 per cent of PHC facilities with functional clinic committees, 100 per cent Patient Safety Incident (PSI) case closure rate, 5 districts with quality Improvement; monitoring and response forums formalized and convened quarterly, 75 per cent of patients satisfied with their expe-



rience of care in public health facilities, reach 85 per cent of hospitals that qualify as Ideal Hospitals for National Health Insurance (NHI).

With regard to Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS), Sexually Transmitted Infections (STI) and Tuberculosis (TB) in 2020/21, the plan for the department is to have a rate of 4.5 HIV positive 15-24 years, total of 249 165 HIV tests done, 13 595 823 male condoms distributed, 6 954 medical male circumcisions, 66 200 Antiretroviral Therapy (ART) adult remain on ART end of period, 4 581 ART child under 15 years remain on ART end of period as well as having a 90 per cent ART adult and child viral load suppressed rate.

In terms of skills development and capacity building, the department's plan for 2020/21 is to have 67 nursing students graduating and bursaries awarded and 100 per cent bursary holders appointed per completion.

The department has planned a number of infrastructure projects (at various stages of implementation) throughout the province:

- Frances Baard district has 14 projects at a cost of R103 million;
- Pixley Ka Seme district has 5 projects at a cost of R33 million;
- John Taolo Gaetsewe district has 12 projects at a cost of R56 million;
- ZF Mgcawu district has 5 projects at a cost of R39 million; and
- Namakwa district has 4 projects at a cost of R71 million

2.3.2 Department of Education

The department is committed to providing public ordinary education from Grade 1 to 12 in accordance with the South African Schools Act and White Paper 6. 5 schools and learners will be provided with learning and teaching support material and other resources and 194 900 learners in all schools are adequately funded at the minimum level. In 2020/21 the department aims to ensure that 1 720 educators are adequately trained in content, methodology and to support learners with barriers to learning.

One of the other objectives of the department is to provide support to all registered independent schools. The plan is to ensure that 15.4 per cent of registered independent schools receive subsidies, to support 1 970 learners at subsidised registered independent schools as well as 100 per cent of registered independent schools to be visited for monitoring and support.

With regard to home education, the function of the institutional development unit is to perform oversight on home education policy and will ensure that all applications on home ed-

education are processed within the legislative provisions. The unit is also responsible for rural education in the province. The aim for the department is also to ensure that 72.7 per cent of special schools are serving as resource centres, including ensuring that 1 819 learners in public special schools are supported.

Looking at providing Early Childhood Education (ECD), the plan is to provide support to 373 schools that offer Grade R and to ensure that 20 543 Grade R learners enrolled in public schools. In terms of ensuring that all practitioners are adequately trained and appropriately qualified the aim is to have 105 of Grade R practitioners having National Qualifications Framework (NQF) level 6 and above qualifications.

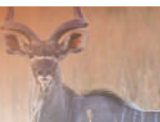
In terms of infrastructure development, public ordinary schools account for 88 per cent of the total budget of the programme in 2020/21 and this is to allow for the delivery of infrastructure in public ordinary schools as well as the maintenance thereof. The 2020/21 MTEF largely makes provision for upgrades and additions, refurbishments and rehabilitation as well as the construction of new schools, which include the new state of the art school, which will continue within the 2020/21 financial year and it is estimated that it will be complete within the 2021 academic year.

2.3.3 Department of Social Development (DSD)

The consolidation of the social wage bill enables government to ensure the delivery of integrated and targeted social protection interventions across the spheres of government. Given the challenge brought about by Covid-19, the department has strengthened its efforts in terms of social relief of distress to ensure that the poor and vulnerable are cushioned against the effects of poverty.

Regarding Social Welfare Services, the department aims to ensure that 522 older persons are accessing residential facilities, 2 000 older persons are accessing community-based care and support services and 1 800 older persons are accessing services through Home Community-Based Caregivers (HCBC). Furthermore, the targets are that 268 persons with disabilities will be accessing residential facilities and 208 will be accessing services in funded protective workshops. 2 200 beneficiaries are also expected to receive social behaviour change programmes on HIV and AIDS. The aim is to reach 3 836 beneficiaries in need of psycho-social support services and that 3 300 individuals should benefit from DSD social relief programmes which are aimed at reducing the level of vulnerability in terms of food insecurity.

In 2020/21, the department's target is to ensure that 5 000 family members are participating in family preservation services, 2 100 children are receiving therapeutic services



and that 567 children are placed in foster care. Furthermore, 3 106 children in foster care reviewed by government and Non-Profit Organisations (NPO's) in order to offer them alternative safe environment.

The department's target is also to ensure that 6 000 persons are reached through social crime prevention programmes, and that 150 children in conflict with the law are in secure care centres receiving therapeutic services. Moreover, 178 victims of crime and violence are expected to access services from funded victim empowerment programme service centres and 1 868 victims of crime and violence are to access psycho-social support services. Human trafficking victims should also access social services.

2.3.4 Department of Sport, Arts and Culture

In order to promote culture, conserve and manage the cultural, historical assets and resources of the province by rendering various services, the purpose of Library Services is to provide for library and information services in line with relevant applicable legislation and Constitutional mandates. The department's plans include building 1 new library, maintaining 6 facilities and having 190 libraries that provide free public internet access.

The department also renders archive support services in terms of the National Archives Act and other relevant legislation. The department will ensure improved preservation of records with enduring value and promotion of use of archival services in 2020/21 and 10 inspections will be done in client offices.

In 2020/21, the department targets 10 recreation programmes organised and implemented, 300 people actively participating in active recreation and 200 youth participating in national youth camp. With regard to school sport in 2020/21, the department's aim is for 600 learners participating in school sport, 300 learners participating in school sport at provincial level as well as 80 schools provided with equipment and attire.

2.4 Governance Priorities

2.4.1 Office of the Premier (OTP)

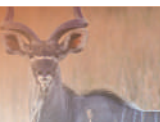
The aim of the OTP in the MTSF period is to strengthen integration and cooperation among the provincial departments in the province. This will assist the provincial government to achieve maximum results in terms of service delivery and ensure that an impact is made in alleviating poverty, unemployment and inequality. Effective and efficient service delivery can only be achieved if the OTP underpins its role of co-ordination, ensuring co-operation as well as giving direction to departments as advocated in the Public Service Act. For this to be happen, OTP aims to have to capacitate planning, research, policy development and monitoring and evaluation functions. These areas, together with the information technology functions, will position the province in accomplishing the Honourable Premier's vision of a Modern, Growing and Successful Province. The planning and research competencies will assist in policy development, which will help to address the challenge the province has been facing in not developing province-specific legislation.

The Northern Cape Province has established a Project Working Committee, encompassing of Cooperative Governance and Traditional Affairs (COGTA), COGHSTA, Office of the Premier, Provincial Treasury, Sector Departments, District and Local Municipalities, with clear roles and responsibilities. This committee will be driving the development of the District Model in the province and their roles and responsibilities have been clearly outlined. The duty of the OTP is to coordinate inputs and mobilise provincial, district and local support.

The Provincial Policy and Planning chief directorate is responsible to facilitate and coordinate macro and transversal planning, policy and research across government. The key objective is to institutionalise planning across government by providing guidance on short, medium and long term planning to support the implementation of the NDP Vision 2030 through the Provincial Growth and Development Plan (PGDP) Vision 2040.

In cooperation with the Provincial Treasury, OTP will also ensure that the provincial budget is focused towards the PGDP and MTSF priorities. It will also support the work of the National Planning Commission (NPC) and the Provincial Growth and Investment Council. The OTP also plans and coordinates stakeholder and partnership engagements with various sectors of society on matters pertaining to the long-term development of the Northern Cape.

OTP will also continue with its effort to work with the Department of Rural Development and Land Reform until the necessary spatial planning and geographic information systems (GIS) capacity is created. In ensuring that the OTP becomes the strategic centre of pro-



vincial government, additional capacity is required, which will be addressed through the Institutionalisation of Planning, Policy and Research business case. This business case will inform the review of the Organisational Review Process which will unfold in 2020/21.

2.4.2 Department of Transport, Safety and Liaison

For the Department of Transport, Safety and Liaison, community policing and safety forums are an important part of crime prevention. The department will continue to support, enhance and strengthen these forums to enable active citizenship in the fight against crime and lawlessness in the province. In order to increase the feeling of safety in communities, there is a target of 4 community satisfaction surveys conducted on enhancing safety for the current financial year. With community participation in public policing, the department will ensure that 22 per cent of functional Community Policing Forum (CPFs) are established at police stations.

The department will also support, inform and strengthen the National Strategic Plan on Gender-Based Violence and Femicide and continue to equip their victim friendly facilities at police stations across the province. In light of the high levels of crime in the province, the department will continue to prioritise and intensify violence prevention programmes. 2 social crime prevention programmes will be targeted as well as other programmes.

In order to ensure that the roads of the province are safe, good cooperation and integrated strategies between the department, local traffic law enforcement partners and key stakeholders will continue in the 2020/21 financial year. 325 speed operations and 300 drunk driving operations, amongst other operations, are targeted for this financial year.

To reduce inequality and poverty, the department will continue to cooperate with other stakeholders to promote socio-economic empowerment transformation programmes that will advance women's development in transport across government and society as a whole. With regard to procurement in 2020/21, the department plans to ensure that 30 per cent of procurement is awarded to women, youth and persons with disabilities. The department also aims to create 100 work opportunities through the EPWP programme.

In terms of economic contribution, the province has identified key projects. Amongst them are:

- De Aar Logistics Hub: the department is at the stage of implementing the PPP request for qualification wherein an international investment trip will be undertaken in an attempt to attract international investors. It is envisaged that 23 full time jobs and 115 temporary jobs will be created.

- Boegobaai Port: Treasury approval (TA1) with the procurement to follow. The department envisages the port to be operational in 2024/2025, whereby 340 permanent jobs and 2 000 temporary jobs will be created.

2.5 Conclusion

Provincial government aims to improve the lives of the people of the Northern Cape and to develop the economic performance of the province. This should be seen and included in the plans and strategies of departments. The departments' APPs are aligned to the strategies and priorities of government as well as the vision of a Modern, Growing and Successful Province.



Chapter 3: Fiscal Framework

3.1 Introduction

In this chapter, the fiscal framework of the province is analysed, looking at three revenue sources, namely provincial equitable share, conditional grants and own revenue.

3.2 Northern Cape Fiscal Framework

The budget of the Northern Cape consists of transfers from national government through the equitable share allocation and conditional grants as well the own receipts that are collected by provincial departments. Table 3.1 presents the fiscal framework of the Northern Cape for the 2018/19 to 2023/24 financial years.

Table 3.1: Fiscal Framework of the Northern Cape, 2018/19-2023/24

Source	Outcome 2018/19 R'000	Outcome 2019/20 R'000	Second Adjusted Appropriation 2020/21 R'000	MTEF (R'000)		
				2021/22	2022/23	2023/24
Transfer from National	17 168 595	17 937 857	18 140 990	18 173 388	18 593 874	18 834 656
Equitable Share	12 475 021	13 378 218	13 804 870	13 661 742	13 872 711	13 901 041
Conditional Grants	4 693 574	4 559 639	4 336 120	4 511 646	4 721 163	4 933 615
Own Receipts	384 944	414 001	339 956	474 593	521 915	591 522
Total	17 553 539	18 351 858	18 480 946	18 647 981	19 115 789	19 426 178
Percentages (%)						
Transfer from National	97.8%	97.7%	98.2%	97.5%	97.3%	97.0%
Equitable Share	71.1%	72.9%	74.7%	73.3%	72.6%	71.6%
Conditional Grants	26.7%	24.8%	23.5%	24.2%	24.7%	25.4%
Own Receipts	2.2%	2.3%	1.8%	2.5%	2.7%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The total second adjusted appropriation for the Northern Cape for the 2020/21 financial year is R18.481 billion. This is R0.129 billion more than the total budget in the 2019/20 financial year. Transfers from national government is the largest contributor to the budget available in the province, providing 98.2 per cent of the 2020/21 budget. The equitable share contribution is more than 70 per cent of the budget and is projected to remain more than 70 per cent over the MTEF. Own receipts are a much smaller contributor, contributing only 1.8 per cent in 2020/21, with a projected contribution of between 2.5 and 3.0 per cent over the MTEF.

3.3 Provincial Equitable Share Formula Components

The components of the provincial equitable share (PES) as well as the data sources used, as reviewed by National Treasury, is reflected in Table 3.2 below.

Table 3.2: Data used for 2021 MTEF Technical Updates

Component	Data used
Education	Mid-Year Population Estimates 2020 age cohorts (new data) 2020 School enrolment (new data)
Health	2020 Mid-Year Population Estimates (new data) Insured population (2018 GHS) (old data)* Risk adjusted index Patient load data (DHIS 2018/19-2019/20) (new data)
Basic	2020 Mid-Year Population Estimates (new data)
Poverty	2020 Mid-Year Population Estimates (new data) Income and Expenditure Survey (IES) 2010/11
Economic	GDP-R 2018 (new data)
Institutional	Not applicable (data not used)

Source: National Treasury

*The release of the 2019 GHS survey has been delayed due to CoVID-19 and will only happen later in the year

The revision of the PES allocations over the 2021 MTEF is provided in Table 3.3 below.

Table 3.3: Revision of the Equitable Share: 2021 MTEF

	2021 Medium-Term Expenditure (R'000)			Total Revisions (R'000)
	2021/22	2022/23	2023/24	
Technical adjustments (ex history baseline)				
Provincial equitable share (PES) (as per final 2020 MTEF allocation letter)*	15 207 395	16 068 179	15 530 062	46 805 636
Adjustments to baseline due to impact of new data updates in the PES formula (phased-in from 2021/22 of 2020 MTEF)	44 025	70 325	67 798	182 148
Total: Technically adjusted provincial equitable shares before Adjustments to Baselines	15 251 420	16 138 504	15 597 860	46 987 784
Adjustments to Baselines	-1 589 678	-2 265 793	-1 696 819	-5 552 290
Less: Compensation of employees wage freeze reductions (2020 MTEF)	(971 005)	(1 195 179)	-	-2 166 184
Less: Compensation of employees fiscal consolidation reduction (2021 MTEF)	(448 109)	(844 507)	(1 286 879)	-2 579 495
Less: Non-compensation of employees fiscal consolidation reduction (2021 MTEF)	(170 564)	(226 107)	(409 940)	-806 611
2021 MTEF PES Percentage (new data updates (phased-in))	2.6%	2.6%	2.6%	
Total: Preliminary Equitable Share for 2021 MTEF	13 661 742	13 872 711	13 901 041	41 435 494
Variance: 2020 MTEF vs. 2021 MTEF	-1 545 653	-2 195 468	-1 629 021	-5 370 143

Source: National Treasury

*Total PES Baseline for 2023/24 was calculated using the 2022/23 baseline after taking into consideration the wage freeze reduction.

This baseline is used to calculate 2023/24 baseline for each province and it is multiplied 2022/23 weighted share for each province published in the 2020 Division of Revenue Bill

The total revisions of the *Total: Technically adjusted provincial equitable shares before Adjustments to Baselines* over the 2021 MTEF is R46.988 billion. This consists of R15.251 billion in the 2021/22 financial year, R16.139 billion in the 2022/23 financial year and R15.598 billion in the 2023/24 financial year. Over the MTEF, a total reduction of R5.552 billion is made to the baselines. This is made up of a R2.166 billion reduction for the compensation of employees wage freeze (2020 MTEF), a R2.579 billion reduction for the compensation



of employees fiscal consolidation (2021 MTEF) and a R0.807 billion reduction for non-compensation of employees fiscal consolidation (2021 MTEF). The total preliminary equitable share for the 2021 MTEF is R13.662 billion for 2021/22, R13.873 billion for 2022/23 and for 2023/24 it is R13.901 billion.

3.4 Conditional Grants

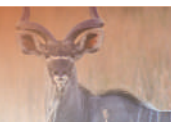
Conditional grants, like PES, is allocated to the province by national government. These grants have conditions attached that require that the department receiving the grant use these funds exclusively for the purposes for which the grant is intended. Tables 3.4 and 3.5 provide the adjustments that are done to the conditional grants for the 2020/21 financial year as well as the conditional grants framework for the 2020/21 to 2023/24 financial years.

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Table 3.4: Revision of 2020/21 Conditional Grants Baseline Allocation

Conditional Grant	Adjusted Estimate 2020/21 (R'000)	2020/21 Adjustments: Conditional Grants (R'000)				Second Adjusted Appropriation 2020/21 R'000
		Suspension of funds	Roll Overs	Other Adjustments	Total: 2020/21 Adjustments	
Agriculture	161 749	(1 842)	337	35 689	34 184	195 933
Agriculture Disaster Management Grant	-	-	-	-	-	-
Comprehensive Agricultural Support Programme Grant	100 280	(1 140)	-	-	(1 140)	99 140
Ilima/Letsema Projects Grant	51 344	(611)	-	-	(611)	50 733
Land Care Programme Grant Poverty Relief and Infrastructure Development	7 615	(91)	337	35 689	35 935	43 550
Expanded Public Works Programme Incentive Grant for Provinces	2 510	-	-	-	-	2 510
Education	762 792	-	-	-	-	762 792
Education Infrastructure Grant	515 198	-	-	-	-	515 198
HIV and Aids (Life Skills Education) Grant	4 436	-	-	-	-	4 436
National School Nutrition Programme Grant	202 614	-	-	-	-	202 614
Expanded Public Works Programme Incentive Grant for Provinces	2 589	-	-	-	-	2 589
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	3 907	-	-	-	-	3 907
Leaners with Profound Intellectual Disabilities Grant	13 760	-	-	-	-	13 760
Maths, Science and Technology Grant	20 288	-	-	-	-	20 288
Health	1 683 052	(64 109)	-	10 378	(53 731)	1 629 321
HIV, TB, HPV, Malaria and Community Outreach Grant	712 899	(5 862)	-	6 030	168	713 067
Statutory Human Resource and Training and Development Grant	125 465	-	-	4 348	4 348	129 813
Health Facility Revitalisation Grant	409 404	(52 371)	-	-	(52 371)	357 033
National Tertiary Services Grant	402 404	-	-	-	-	402 404
National Health Insurance Grant	19 276	(5 876)	-	-	(5 876)	13 400
Human Papillomavirus Vaccine Grant	5 164	-	-	-	-	5 164
Expanded Public Works Programme Incentive Grant for Provinces	2 302	-	-	-	-	2 302
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	6 138	-	-	-	-	6 138
Human Settlements	325 828	-	-	-	-	325 828
Human Settlements Development Grant	319 888	-	-	-	-	319 888
Expanded Public Works Programme Incentive Grant for Provinces	2 000	-	-	-	-	2 000
Informal Settlements Upgrading and Development Grant	-	-	-	-	-	-
Title Deed Restoration Grant	3 940	-	-	-	-	3 940
Public Works	1 048 477	-	-	66 871	66 871	1 115 348
Provincial Roads Maintenance Grant	1 044 351	-	-	66 871	66 871	1 111 222
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	4 126	-	-	-	-	4 126
Sport, Arts and Culture	163 453	(1 657)	-	-	(1 657)	161 796
Community Library Services Grant	132 462	(1 542)	-	-	(1 542)	130 920
Mass Participation and Sport Development Grant	27 755	(115)	-	-	(115)	27 640
Expanded Public Works Programme Incentive Grant for Provinces	2 082	-	-	-	-	2 082
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	1 154	-	-	-	-	1 154
Transport	64 579	-	-	-	-	64 579
Public Transport Operations Grant	60 524	-	-	-	-	60 524
Expanded Public Works Programme Incentive Grant for Provinces	2 000	-	-	-	-	2 000
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	2 055	-	-	-	-	2 055
Expanded Public Works Programme Incentive Grant for Provinces	4 025	-	-	-	-	4 025
Economic Development and Tourism	2 025	-	-	-	-	2 025
Environment and Nature Conservation	2 000	-	-	-	-	2 000
Social Development	33 470	-	656	42 372	43 028	76 498
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	9 385	-	-	-	-	9 385
Early Childhood Development Grant	24 085	-	656	42 372	43 028	67 113
Total Conditional Grants	4 247 425	(67 608)	993	155 310	88 695	4 336 120

The total adjusted estimates for conditional grants for 2020/21 was R4.247 billion. Under *Suspension of funds*, a total reduction of R67.608 million was made to the conditional grants, which affected Agriculture (R1.842 million), Health (R64.109 million) and Sport, Arts and Culture (R1.657 million). The total adjustment in the form of roll-overs was R0.993 million, benefitting Social Development (R0.656 million) and Agriculture (R0.337 million). Other adjustments totalled an addition of R155.310 million, affecting Agriculture (R35.689 million), Health (R10.378 million), Public Works (R66.871 million) and Social Development



(R42.372 million). After adjustments, the total second adjusted appropriation for conditional grants for 2020/21 was R4.336 billion. Health received the largest total amount in the form of conditional grants, while the single largest grant amount was received by Public Works in the form of the *Provincial Road Maintenance Grant*.

Table 3.5: Conditional Grants Framework, 2020/21-2023/24

Conditional Grant	Second Adjusted Appropriation 2020/21 R'000	MTEF (R'000)		
		2021/22	2022/23	2023/24
Agriculture	195 933	208 939	215 381	225 073
Agriculture Disaster Management Grant	-	-	-	-
Comprehensive Agricultural Support Programme Grant	99 477	130 812	134 953	141 026
Ilima/Letsema Projects Grant	50 733	70 030	72 103	75 348
Land Care Programme Grant Poverty Relief and Infrastructure Development	43 213	8 097	8 325	8 700
Expanded Public Works Programme Incentive Grant for Provinces	2 510	-	-	-
Education	762 792	816 994	854 967	893 441
Education Infrastructure Grant	515 198	557 305	583 229	609 474
HIV and Aids (Life Skills Education) Grant	4 436	6 113	6 527	6 821
National School Nutrition Programme Grant	202 614	210 611	221 142	231 093
Expanded Public Works Programme Incentive Grant for Provinces	2 589	-	-	-
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	3 907	-	-	-
Leaners with Profound Intellectual Disabilities Grant	13 760	14 380	14 650	15 309
Maths, Science and Technology Grant	20 288	28 585	29 419	30 743
Health	1 629 321	1 755 923	1 843 112	1 926 052
HIV, TB, HPV, Malaria and Community Outreach Grant	718 231	743 192	782 486	817 698
Statutory Human Resource and Training and Development Grant	129 813	130 906	135 753	141 862
Health Facility Revitalisation Grant	357 033	441 494	466 822	487 829
National Tertiary Services Grant	402 404	420 304	437 286	456 964
National Health Insurance Grant	13 400	20 027	20 765	21 699
Expanded Public Works Programme Incentive Grant for Provinces	2 302	-	-	-
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	6 138	-	-	-
Human Settlements	325 828	341 237	354 813	370 780
Human Settlements Development Grant	319 888	264 528	273 541	285 850
Expanded Public Works Programme Incentive Grant for Provinces	2 000	-	-	-
Informal Settlements Upgrading and Development Grant	-	76 709	81 272	84 929
Title Deed Restoration Grant	3 940	-	-	-
Public Works	1 115 348	1 092 326	1 144 417	1 195 916
Provincial Roads Maintenance Grant	1 111 222	1 092 326	1 144 417	1 195 916
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	4 126	-	-	-
Sport, Arts and Culture	161 796	210 772	220 696	230 627
Community Library Services Grant	130 920	178 659	188 123	196 589
Mass Participation and Sport Development Grant	27 640	32 113	32 573	34 039
Expanded Public Works Programme Incentive Grant for Provinces	2 082	-	-	-
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	1 154	-	-	-
Transport	64 579	63 854	63 581	66 442
Public Transport Operations Grant	60 524	63 854	63 581	66 442
Expanded Public Works Programme Incentive Grant for Provinces	2 000	-	-	-
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	2 055	-	-	-
Expanded Public Works Programme Incentive Grant for Provinces	4 025	-	-	-
Economic Development and Tourism	2 025	-	-	-
Environment and Nature Conservation	2 000	-	-	-
Social Development	76 498	21 601	24 196	25 285
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	9 385	-	-	-
Early Childhood Development Grant	67 113	21 601	24 196	25 285
Total Conditional Grants	4 336 120	4 511 646	4 721 163	4 933 615

The total amount for conditional grants is projected to be R4.512 billion in 2021/22, R4.721 billion in 2022/23 and R4.934 billion in 2023/24. Health is projected to remain the largest recipient of conditional grants in the province, followed by Public Works.

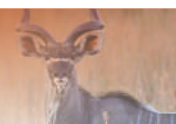
3.5 Own Receipts

A summary of the provincial own receipts by vote for the 2018/19 to 2023/24 financial years is provided in Table 3.6 below.

Table 3.6: Summary of Provincial Own Receipts by Vote 2018/19-2023/24

Vote	Outcome		Main Appropriation (R'000)	Second Adjusted Appropriation 2020/21 R'000	MTEF (R'000)		
	2018/19	2019/20	2020/21		2021/22	2022/23	2023/24
Office of the Premier	230	207	152	152	160	168	176
Provincial Legislature	1 086	1 686	3 475	3 475	3 666	3 842	4 027
Transport, Safety and Liaison	262 191	299 407	314 994	248 994	369 334	399 911	463 937
Education	7 543	7 518	9 481	9 481	8 153	8 275	8 399
Roads and Public Works	2 113	2 831	1 432	1 432	1 524	1 620	1 697
Economic Development and Tourism	30 402	30 522	31 330	21 393	21 449	34 476	36 130
Sport, Arts and Culture	284	324	296	256	307	320	335
Provincial Treasury	40 145	29 179	1 203	1 203	1 264	1 326	1 390
Co-Operative Governance, Human Settlements and Traditional Affairs	506	513	659	659	696	730	765
Health	29 842	34 160	57 656	47 656	60 423	63 263	66 299
Social Development	2 009	1 248	1 219	1 219	1 286	1 348	1 412
Agriculture, Land Reform, Rural Development, Environment and Nature Conservation	8 593	6 406	6 016	4 036	6 331	6 636	6 955
Total departmental own source receipts	384 944	414 001	427 913	339 956	474 593	521 915	591 522

The total second adjusted appropriation of provincial own receipts for the 2020/21 financial year is R339.956 million. The largest contributors to the province's own receipts are the Departments of Transport, Safety and Liaison and Health, contributing R248.994 million and R47.656 million respectively in 2020/21. The Office of the Premier is the smallest revenue collecting department, accounting for R0.152 million in 2020/21. The total own revenue is projected to be R474.593 million in 2021/22, R521.915 million in 2022/23 and R591.522 million in 2023/24.



The table below presents a summary of the provincial own receipts by economic classification for the 2020/21 to 2023/24 financial years.

Table 3.7: Summary of Provincial Own Receipts by Economic Classification, 2020/21-2023/24

Economic classification	Second Adjusted Appropriation 2020/21 R'000	MTEF (R'000)		
		2021/22	2022/23	2023/24
Tax Receipts	255 560	370 060	412 750	477 454
Casino taxes	14 745	14 745	25 607	26 836
Horse racing taxes	1 722	1 722	3 186	3 339
Liquor licences	4 148	4 148	4 810	5 041
Motor vehicle licences	234 945	349 445	379 147	442 238
Sale of goods & services other than capital assets	68 974	90 768	94 807	99 086
Transfer received	-	-	-	-
Fines, penalties and forfeits	2 354	1 810	1 889	1 974
Interest, dividends & rent on land	4 279	4 511	4 727	4 955
Sale of capital assets	4 331	3 756	3 936	4 125
Financial transactions in assets and liabilities	4 458	3 689	3 806	3 928
Total	339 956	474 593	521 915	591 522

When considering the economic classifications, the largest receipt item for the province is *Motor vehicle licences* under *Tax receipts*. In the 2020/21 financial year, it contributes R234.945 million to the second adjusted appropriation of own receipts. The second largest own receipts item is *Sale of goods and services other than capital assets*, contributing R68.974 million.

3.6 Conclusion

After the second adjustment, the total budget for the 2020/21 financial year is R18.481 billion for the province. The total conditional grants for the 2020/21 financial year after the second adjustment is R4.336 billion after national adjustments and roll-overs. The department that contributed the most to the own revenue of the province, is Transport, Safety and Liaison. The largest receipt item for the provincial own revenue is *Motor vehicle licences*.

Chapter 4: Expenditure Trends

4.1 Introduction

This chapter provides an analysis of the expenditure trends within the province. The half-year spending of the provincial departments is compared to the budget that is allocated to these departments. This analysis looks at the total spending per vote as well as the economic classifications. Infrastructure spending is also analysed.

4.2 Expenditure by Vote

Table 4.1 below presents the main budget, actual half year spending and percentage of main budget spent per vote for the 2019/20 financial year. It also provides the main budget, special adjustment budget, actual half year spending and percentage of special adjustment budget spent per vote for the 2020/21 financial year. Figure 4.1 is a visual representation of how the special adjustment budget of the 2020/21 financial year is divided between the sectors and the percentage spent of the special adjustment budget by sector on 31 September 2020/21.

Table 4.1: Main Budget, Special Adjustment Budget and Half Year Spending per Vote, 2019/20-2020/21

Vote	2019/20			2020/21			
	Main Budget R'000	Actual Half Year Spending R'000	% Spent of Main Budget	Main Budget R'000	Special Adjustment Budget R'000	Actual Half Year Spending R'000	% Spent of Special Adjustment Budget
Education	6 905 811	3 543 400	51.3%	7 222 188	7 131 982	3 494 705	49.0%
Health	5 197 311	2 635 616	50.7%	5 593 359	5 761 158	2 772 640	48.1%
Social Development	920 594	437 055	47.5%	1 011 953	1 031 953	441 632	42.8%
Provincial Legislature	273 403	146 723	53.7%	273 375	235 470	102 811	43.7%
Office of the Premier	197 929	86 223	43.6%	211 211	198 237	86 473	43.6%
Transport, Safety and Liaison	309 515	171 615	55.4%	308 038	286 873	137 755	48.0%
Roads and Public Works	1 839 387	854 771	46.5%	1 971 704	1 656 955	633 518	38.2%
Economic Development and Tourism	327 997	143 738	43.8%	351 628	255 515	122 389	47.9%
Sport, Arts and Culture	404 882	187 581	46.3%	415 885	346 287	127 971	37.0%
Provincial Treasury	313 606	142 711	45.5%	330 820	256 742	119 159	46.4%
Cooperative Governance, Human Settlements and Traditional Affairs	858 851	327 098	38.1%	719 577	674 643	361 945	53.6%
Agriculture, Land Reform and Rural Development	538 960	267 448	49.6%	559 927	457 205	177 843	38.9%
Environment and Nature Conservation	167 170	76 763	45.9%	177 662	156 497	66 917	42.8%
Total	18 255 416	9 020 742	49.4%	19 147 327	18 449 517	8 645 758	46.9%

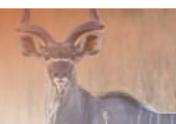
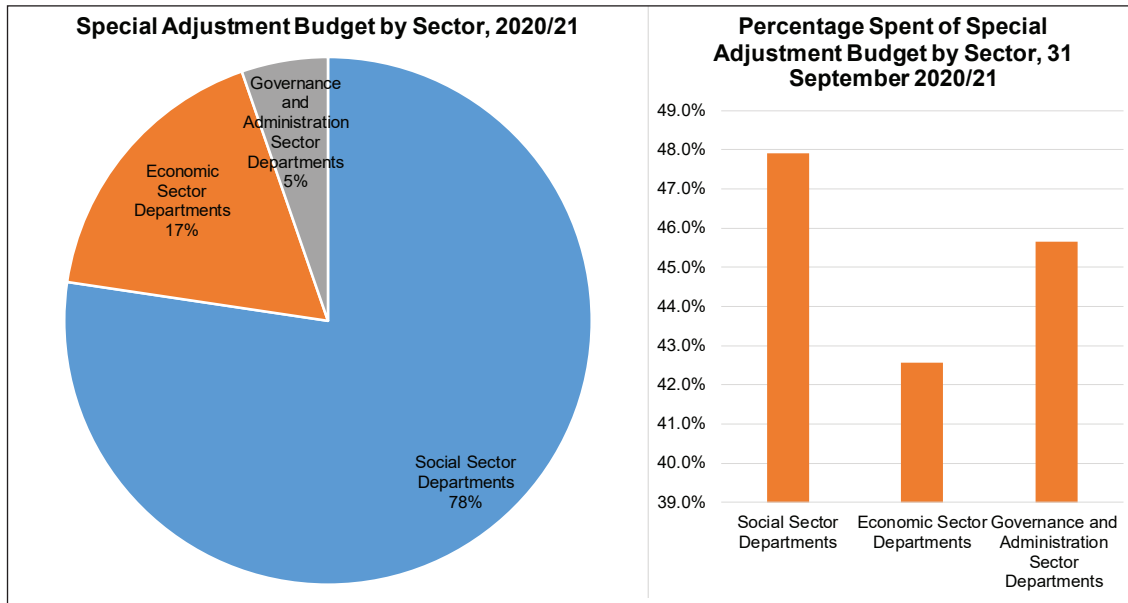


Figure 4.1: Special Adjustment Budget by Sector, 2020/21 and Percentage Spent of Special Adjustment Budget by Sector, 31 September 2020/21



During the special adjustment budget, the total budget of the province for 2020/21 decreased by R0.698 billion. The Departments of Health and Social Development received additional funding, while all of the other departments experienced budget cuts. The total special adjusted budget of the province was R18.450 billion in the 2020/21 financial year of which R8.646 billion (46.9 per cent) was spent at the end of September 2020. In the 2019/20 financial year, the half year expenditure as a percentage of main budget was slightly higher at 49.4 per cent.

When dividing the departments up in the Social, Economic and Governance and Administration sectors, the largest share of the budget is allocated to the Social Sector departments (the Departments of Education, Health, Social Development and Sport, Arts and Culture). These departments have a combined special adjustment budget of R14.271 billion for the 2020/21 financial year, making up 78 per cent of the total special adjusted budget. By the end of September 2020, these departments spent 47.9 per cent of their collective budget at R6.837 billion. None of the departments spent more than 50 per cent of their respective budgets. Sport, Arts and Culture spent the smallest share of its respective budget at 37.0 per cent, down from 46.3 per cent the at same time in the previous financial year.

The Economic Sector departments (the Departments of Agriculture, Land Reform and Rural Development; Roads and Public Works; Economic Development and Tourism; Environment and Nature Conservation and COGHSTA) have a collective special adjusted budget of R3.201 billion for the 2020/21 financial year. Of this budget, a total of R1.363 billion (42.6

per cent) was spent at the end of September 2020. These departments make up 17 per cent of the total 2020/21 special adjusted budget of the province. COGHSTA is the only department in this sector that spent more than 50 per cent of its budget by the middle of the financial year. Roads and Public Works and Agriculture, Land Reform and Rural Development both spent below 40 per cent of their respective budgets.

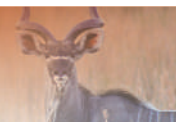
In the 2020/21 financial year, the Governance and Administration Sector departments (OTP, Provincial Legislature, Provincial Treasury and Transport, Safety and Liaison) were collectively allocated 5 per cent of the total special adjusted budget of the province. This is a total amount of R0.977 billion. Of this total, the departments collectively spent 45.7 per cent by the end of September 2020. All of the departments spent below 50 per cent of their respective budgets, with spending varying between 43.6 and 48.0 per cent of the respective budgets.

4.3 Expenditure by Economic Classification

In Table 4.2, the main budget, actual half year spending and percentage of main budget spent per economic classification for the 2019/20 financial year is reflected. It also reflects the main budget, special adjustment budget, actual half year spending and percentage of special adjustment budget spent per economic classification for the 2020/21 financial year.

Table 4.2: Main Budget, Special Adjustment Budget and Half Year Spending per Economic Classification, 2019/20-2020/21

Economic Classification	2019/20			2020/21			
	Main Budget R'000	Actual Half Year Spending R'000	% Spent of Main Budget	Main Budget R'000	Special Adjustment Budget R'000	Actual Half Year Spending R'000	% Spent of Special Adjustment Budget
Current payments	15 243 606	7 682 196	50.4%	16 428 950	15 985 214	7 615 192	47.6%
Compensation of employees	10 835 887	5 293 134	48.8%	11 599 112	11 511 823	5 393 560	46.9%
Goods and services	4 407 569	2 387 392	54.2%	4 829 613	4 472 243	2 219 275	49.6%
Interest and rent on land	150	1 670	1113.5%	225	1 148	2 357	205.3%
Current transfers and subsidies	1 783 158	837 654	47.0%	1 547 095	1 517 424	674 365	44.4%
Provinces and municipalities	177 952	63 549	35.7%	151 404	119 270	7 921	6.6%
Departmental agencies and accounts	117 378	62 748	53.5%	119 589	119 194	55 040	46.2%
Higher education institutions	3 788	-	-	2 000	2 000	-	-
Public corporations and private enterprises	103 673	23 018	22.2%	100 774	84 830	23 779	28.0%
Non-profit institutions	822 057	435 828	53.0%	764 625	789 478	314 230	39.8%
Households	558 310	252 511	45.2%	408 703	402 652	273 395	67.9%
Capital transfers and subsidies	30 813	5 555	18.0%	31 579	40	63	157.5%
Provinces and municipalities	-	143	-	-	-	-	-
Departmental agencies and accounts	-	3 902	-	-	-	-	-
Public corporations and private enterprises	29 900	-158	-1%	31 539	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	913	1 668	182.7%	40	40	63	157.5%
Payments for capital assets	1 197 839	495 338	41.4%	1 139 703	946 839	356 138	37.6%
Buildings and other fixed structures	913 489	400 920	43.9%	849 015	606 298	275 945	45.5%
Machinery and equipment	282 722	93 807	33.2%	290 609	339 809	78 803	23.2%
Heritage assets	85	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-
Software and other intangible assets	1 543	610	39.5%	79	732	1 390	189.9%
Payments for financial assets	-	-	-	-	-	-	-
Total	18 255 416	9 020 742	49.4%	19 147 327	18 449 517	8 645 758	46.9%



Current payments account for 86.6 per cent of the 2020/21 special adjustment budget. The allocation for *Compensation of employees* is 62.4 per cent of the special adjustment budget, with 24.2 per cent allocated to *Goods and services*. Of the actual half year spending, 62.4 per cent was spent on *Compensation of employees*, which is higher than the 58.7 per cent of the main budget of the 2019/20 financial year that was spent on *Compensation of employees* by the middle of that financial year. There was a reduction in the provincial budget for *Compensation of employees* of R87.289 million between the main budget and the special adjustment of 2020/21.

When considering the 2020/21 financial year, the economic classifications that had half year spending of more than 100 per cent of the special adjustment budget, are *Current payments – Interest and rent on land* (205.3 per cent), *Capital transfers and subsidies – Households* (157.5 per cent) and *Payments for capital assets – Software and other intangible assets* (189.9 per cent). *Current transfers and subsidies – Households* was above 50 per cent. None of the special adjustment budget for *Current transfers and subsidies – Higher education institutions* was spent by the end of September 2020. *Current transfers and subsidies – Provinces and municipalities* had the second highest level of underspending as only 6.6 per cent of its special adjustment budget was spent by the end of September 2020. Spending on *Payments for capital assets – Machinery and equipment* as well as *Current transfers and subsidies – Public corporations and private enterprises* were also below 30 per cent of the respective special adjustment budgets.

4.4 Infrastructure Expenditure

In Table 4.3, the infrastructure main budget and half-year spending is provided for the 2019/20 and 2020/21 financial years. For the 2020/21 financial year, the adjusted budget prior to the second adjustment is also provided.

Table 4.3: Main Budget, Adjusted Budget and Half Year Spending on Provincial Infrastructure, 2019/20-2020/21

Sector	2019/20			2020/21			
	Main Budget R '000	Actual Half Year Spending R '000	% Spent of Main Budget	Main Budget R '000	Adjusted Budget (Prior to Second Adjustment) R '000	Actual Half Year Spending R '000	% Spent of Adjusted Budget (Prior to Second Adjustment)
Agriculture and Rural Development	61 933	5 889	9.5	62 988	38 009	9 016	23.7
Education	647 537	248 873	38.4	606 267	524 198	373 823	71.3
Health	386 706	226 595	58.6	409 404	409 404	209 284	51.1
Human Settlements	470 262	131 389	27.9	319 888	300 016	191 240	63.7
Roads	1 288 994	595 562	46.2	1 400 358	1 170 012	421 761	36.0
Social Development	31 398	6 038	19.2	23 956	24 755	3 326	13.4
Sports, Arts and Culture	30 000	12 701	42.3	33 100	11 763	2 122	18.0
Total	2 916 830	1 227 047	42.1	2 855 961	2 478 157	1 210 572	48.8

Source: Infrastructure Reporting Model

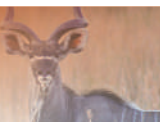
The main budget for infrastructure of 2020/21 in the province of R2.856 billion was reduced by R0.378 billion during the 2020/21 financial year prior to the second adjustment. When comparing the main budget for infrastructure of the 2019/20 financial year with the adjusted budget (prior to the second adjustment) of the 2020/21 financial year, the total budget for infrastructure decreased by R0.439 billion. The province's half-year spending on infrastructure decreased by R16.475 million from the 2019/20 financial year. Roads, Education, Health and Human Settlements were allocated significantly larger budgets than the other sectors.

The total half-year expenditure on provincial infrastructure totalled R1.211 billion, or 48.8 per cent of the adjusted budget (prior to the second adjustment) of R2.478 billion. In the 2020/21 financial year, spending of below 50 per cent of adjusted budget (prior to the second adjustment) was recorded by Agriculture and Rural Development (23.7 per cent), Roads (36.0 per cent), Social Development (13.4 per cent) and Sport, Arts and Culture (18.0 per cent). Spending of above 50 per cent was recorded by Education (71.3 per cent), Health (51.1 per cent) and Human Settlements (63.7 per cent).

4.5 Conclusion

The total budget of the province decreased by R0.698 billion during the special adjustment budget, with only the Departments of Health and Social Development receiving additional funding. The total special adjusted budget of the province was R18.450 billion in the 2020/21 financial year of which R8.646 billion (46.9 per cent) was spent at the end of September 2020. The Social Sector departments were allocated 78 per cent of the total special adjusted budget, while the Economic Sector departments were allocated 17 per cent and the Governance and Administration Sector departments were allocated 5 per cent. By the middle of the 2020/21 financial year, the Social Sector departments spent 47.9 per cent of their collective budget with none of the departments spending more than 50 per cent of their respective budgets. The Economic Sector departments spent 42.6 per cent of their collective budget, with only COGHSTA spending more than 50 per cent of their budget by the middle of the financial year. Governance and Administration Sector departments spent 45.7 per cent of their collective budget by the end of September 2020, with none exceeding 50 per cent of their respective budgets.

The only spending items that recorded half-year spending above 50 per cent of the special adjusted budget are *Current payments – Interest and rent on land*, *Current transfers and subsidies – Households*, *Capital transfers and subsidies – Households* and *Payments for capital assets – Software and other intangible assets*. Of the actual half year spending,



62.4 per cent was spent on *Compensation of Employees*.

During the 2020/21 financial year prior to the second adjustment, the main budget for infrastructure of R2.856 billion in the province was reduced by R0.378 billion. The Departments of Education, Health and Roads and Public Works received the largest respective allocations of this budget. Only Health, Education and Human Settlements had half year spending that exceeded 50 per cent of their respective budgets.





PR412/2020
ISBN: 978-0-621-49028-2

designed and printed by **the print zone**