

# BUDGET SPEECH

## 2019/20



**MS BELINDA FRANCIS SCOTT**  
MEC for Finance



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To obtain further copies of this document, please contact:

Provincial Treasury

Treasury House

5th Floor

145 Chief Albert Luthuli Road

Pietermaritzburg

3201

P.O. Box 3613

Pietermaritzburg

3200

Tel: +27 (0) 33 – 897 4310

Fax: +27 (0) 33 – 897 4617

# PROVINCE OF KWAZULU-NATAL

## Budget address by Ms B.F. Scott

MEC for Finance,

On tabling of the 2019/20 MTEF Budget in the Provincial Legislature

7 March 2019

Madame Speaker, Honourable Members.

### ***Global and national outlook***

Two weeks ago, while tabling the national budget, the Honourable Minister of Finance, Mr Tito Mboweni said that we had expected economic growth of 0.7% in 2018 and that this is still our estimate. We now expect a slower, but still steady recovery after the 2018 technical recession, with real GDP growth in 2019 expected to rise to 1.5% and to strengthen moderately to 2.1% in 2021. Similar to most developing economies, South Africa's economic outlook is vulnerable to both internal and external risks and, with world growth expected to slow down, our growth forecast will continue to be constrained.

### ***Risks to the national outlook***

The upside is that some of our risks can be managed through the steadfast implementation of reforms and positive policy directions as outlined by His Excellency the President, Mr Cyril Ramaphosa, in his State of the Nation Address (SONA) earlier last month, and by the Honourable Minister Mboweni in his budget speech. These include reforms around ESKOM, managing the growing public service wage bill, among others.

External downside risks relate to an increase in oil prices, ongoing foreign trade tensions, volatile commodity prices and so forth. Furthermore, higher interest rates in Europe and the US could affect the financial markets and the exchange rate through capital outflows. On the upside, the implementation of proposed structural reforms could reduce remaining policy uncertainties and stimulate domestic demand through higher-than-expected investment.

Honourable Minister Mboweni alluded to the challenge posed by the debt-to-GDP ratio, and indicated that this needs to be managed efficiently. He outlined ways in which government spending would be reduced, including a reduction in the government wage bill, as mentioned, while also reducing spending on specific programmes. I think we all understand how essential it is for us to control our debt, and provinces are expected to play their part, especially in areas such as controlling our wage bill and stimulating the economy.

During the tabling of the national budget last month, Honourable Minister Mboweni indicated that the budget deficit for the next financial year is estimated to be an

average of 4.3% of the country's GDP, and interest payments on government debt would amount to 3.6% of GDP. With the proposed revenue enhancements and the plan to control government spending, the budget deficit is projected to narrow slightly from 4.2% of GDP in 2018/19 to 4% in 2021/22.

### **Infrastructure**

One way of addressing our country's growth prospects is to inject more funding into infrastructure projects. Sustainable growth is of utmost importance, not only to South Africa's fiscal challenges, but also to the broader socio-economic needs of our people. Measures to stimulate the economy have been pronounced by national government, with more attention directed at *inter alia*: infrastructural development through the infrastructure fund; easing of visa regulations to enable business travel and thus stimulate the tourism sector; injecting public spending into agriculture; and, re-developing township economies. This is further supported by the recently initiated investment strategy aiming to attract both foreign and domestic private investment.

Thus, as announced by both His Excellency the President and the Honourable Minister of Finance, the infrastructure fund will be a central pillar of the budget and so will reprioritization of government spending in general. Government will accelerate R526 billion worth of on-budget projects by bringing the private sector and development finance institutions on board. In several instances, the private sector will design, build and operate critical infrastructure assets. In addition, the government will commit R100 billion over the next decade.

## **THE BUDGET CONTEXT AND FISCAL POLICY CONSIDERATIONS**

### **National context**

The National Minister of Finance, Honourable Mboweni, presented us with a plan on how we can return to "the plum years" as he so aptly put it. It is our responsibility, as provinces, to support this plan. One of the areas we must focus on is controlling our wage bill and, while this province has done a remarkable job already in managing the appointment of critical staff, more can still be done. The controls we have put in place since 2015, whereby departments only fill critical posts, have resulted in a decline in staff numbers through natural attrition. The province will continue to fill critical posts to ensure that services are delivered to our people.

Honourable Minister Mboweni also highlighted the five tasks which His Excellency the President, Mr Cyril Ramaphosa, had listed in his SONA, namely: to accelerate inclusive economic growth and create jobs; improve the education system and develop the skills that we need now and in the future; improve the quality of life for all South Africans, especially the poor; fight corruption and state capture; and strengthen the capacity and capability of the state to address the needs of the people.

We cannot be spectators in this plan, but must be active participants and enablers of these national goals. I will address some of the ways the province will contribute to this later in this address.

It is against this context that I table the provincial budget today.

### Provincial context

KwaZulu-Natal has not seen the end of budget cuts, with the main equitable share budget cut over the MTEF being as a result of the annual data updates of the equitable share formula. There is also a fairly minor cut relating to the decision taken to freeze salary increases for public office bearers. The data updates resulted in equitable share budget cuts of R444.6 million, R706.6 million and R1.3 billion over the MTEF. In addition, His Excellency, President Ramaphosa, announced that there would be minimal or no annual salary increases for public office bearers. Premiers, Members of the Executive Councils (MECs), and Speakers did not receive salary increases, while Members of Provincial Legislatures (MPLs) received a 2.5% increase. This announcement resulted in National Treasury cutting R8.8 million, R9.4 million and R9.5 million from the province's equitable share.

These are difficult times for this province as this is the seventh consecutive MTEF period where we are losing money, yet our responsibilities to our people are not diminishing.

How do we effect these budget cuts without cutting departments' budgets? How do we effect these budget cuts without impacting service delivery spending?

These questions were the focal point of a number of Ministers' Committee on the Budget, Budget Council and Provincial Executive Council discussions in the lead up to this Budget Day. Solutions are harder to find considering that we have had to find ways to deal with these budget cuts for many years.

We need to cut budgets, but we want to do so by ensuring the least impact on the citizens of this province. According to an African proverb, *"The poorest man in this world is not the one without money, but the one without people."*

The discussions culminated into a very workable solution. In the first instance, our cost-cutting measures remain in place and must be implemented with vigour so that our spend remains service delivery focussed. Secondly, it was agreed to lower the Contingency Reserve to R400 million per annum as opposed to the R650 million which we previously set as the norm. It was, however, not possible to set the Contingency Reserve at R400 million in the middle year of the MTEF at this stage and I will elaborate on this later in the speech. It was agreed that the budget cut relating to the freezing of public office bearers' salaries would be cut from those departments who budget for such salaries, and cutting this budget from the departments will not impact on service delivery. Provincial Treasury also undertook an exercise whereby the provincial own revenue budgets of all departments were assessed and, where these were found to be too conservative, these departments were engaged to increase their budgets in this respect. The final part of the solution was looking at any amounts which had been recalled into the Provincial Revenue Fund in recent years to assess whether these funds will be needed in the near future. Where it was felt that these projects would not be immediately implemented, these funds are being used to fund the budget cuts, with

the undertaking to return these funds to these projects as soon as we are able to do so, or when these projects require the funding. These include:

- An amount of R600 million has been held in the Provincial Revenue Fund as the first ear-marked amount for the Provincial Government Precinct. The current economic climate, and the constant budget cuts, have not made it possible to add any further funds to this project since the initial R600 million was ring-fenced by Provincial Treasury. Of this amount, R300 million is used to offset the budget cuts.
- The KZN Sharks Board was allocated R10.5 million in 2013/14 for the purchase of land. This transaction did not materialise and the funds were, therefore, recalled into the Provincial Revenue Fund. These funds are used to offset the budget cuts.
- In the 2018/19 Adjustments Estimate, Vote 12: Transport requested that R50 million allocated to them for the construction of a cross-border crime fighting structure be suspended from their Vote as the funds were allocated on condition that a Memorandum of Agreement be signed between the province and other national bodies responsible for border control with the aim of recouping this seed funding. This condition has not yet been met. These funds are, therefore, currently held in the Provincial Revenue Fund and are being used to offset the budget cuts.

Within this constrained fiscal environment, we did our utmost to protect the funds we spend on enhancing the lives of our people. Budget cuts always mean that tough decisions have to be taken. This government is totally committed to effect these budget cuts in areas that will have the lowest impact on our people.

#### **Additions to KZN's provincial equitable share**

On a brighter side, National Treasury is adding some funds to the provincial fiscus. These funds are earmarked for specific purposes and amount to R85.9 million, R88.2 million and R300.8 million over the MTEF. These additional allocations are as follows:

- **Social Development** receives R6.6 million and R7.1 million in 2020/21 and 2021/22. The National Department of Social Development is ceding contracts they have with 9 Provincial Food Distribution Centres and 84 Community Nutrition Development Centres to the 9 Provincial Departments of Social Development. These amounts are added from the second year onward to allow provincial departments to manage these contracts.
- **Social Development** receives R62.5 million, R66.7 million and R70.4 million over the MTEF with respect to the Social Worker Employment grant. The Social Development sector is phasing two conditional grants into the equitable share, namely the Social Worker Employment grant and the Substance Abuse Treatment grant. This is not new money, though, but merely a change in the funding stream from conditional grant to equitable share funding. KZN was not a recipient of the Substance Abuse Treatment grant so there are no revisions made for KZN in this regard.



- **Provincial Treasury** receives R5 million per year over the 2019/20 MTEF as part of ongoing efforts to increase technical capacity within infrastructure units at Provincial Treasuries.
- **Education** receives R27 million in 2019/20. The Department of Women recognises the importance of uninterrupted education for indigent schoolgirls and these funds have been added as a step to ensure that provinces improve access to sanitary products and sanitary dignity for these female scholars.
- **Health** receives an allocation in the outer year of the 2019/20 MTEF to assist in dealing with the Cuban Doctors' programme. A total of R1 billion is allocated to the health sector in 2021/22, with KZN's share of this being R208 million.
- **Co-operative Governance and Traditional Affairs (COGTA)** receives R9.6 million, R9.9 million and R10.3 million over the MTEF to assist provinces to strengthen their support interventions in municipalities as per Section 139 of the Constitution.

### FUNDING FOR SOME PROVINCIAL PRIORITIES

Due to the budget cuts, it was not possible to allocate any funds to any new provincial priorities, but departments were encouraged to reprioritise their own budgets to ensure that all key government programmes are sufficiently funded.

While no new priorities were funded from the 2019/20 MTEF baseline, some priorities were funded using funds allocated in previous budget processes. Some departments also requested funds to be suspended from their budgets in 2018/19 and to be reallocated to them in 2019/20. I have discussed these in previous budget processes and will, therefore, not go through them in detail. Some of these include the continued funding of the Treasury/Health assistance plan, as well as the provincial Archive Repository, among others.

Further information on these is provided in Chapter 3 of the *2019/20 Estimates of Provincial Revenue and Expenditure* which I am tabling today.

### FUNCTION SHIFTS BETWEEN DEPARTMENTS

There are various function shifts that will be formalised in the 2019/20 MTEF budget, listed as follows:

- The **Learner Transport function** moves from Vote 5: Education to Vote 12: Transport. The first part of this function shift was already formalised in the 2018/19 Adjustments Estimate and this is being carried through over the 2019/20 MTEF.
- The Honourable Premier signed a proclamation on 21 November 2018 giving effect to the movement of the **Gaming and Betting function** (inclusive of the KZN Gaming and Betting Board) from Vote 1: Office of the Premier to Vote 4: Economic Development, Tourism and Environmental Affairs. The proclamation also gives

effect to the **Heritage function** (inclusive of Amafa aKwaZulu-Natali) moving from Vote 1: Office of the Premier to Vote 15: Arts and Culture. Both of these function shifts are effective from 1 April 2019.

## PROVINCIAL FISCAL FRAMEWORK FOR 2019/20

The provincial fiscal framework takes into account the changes in the provincial equitable share, conditional grants and provincial own revenue allocations, as well as priorities funded using provincial cash resources.

### Summary of provincial fiscal framework

R thousand	2019/20	2020/21	2021/22
<b>1. Receipts</b>			
<b>Baseline allocation</b>	<b>129 942 556</b>	<b>139 282 630</b>	<b>145 743 551</b>
Transfer receipts from national	126 592 950	135 809 018	142 078 890
Equitable share	106 363 502	113 997 676	120 267 548
Conditional grants	20 229 448	21 811 342	21 811 342
Provincial own receipts	3 349 606	3 473 612	3 664 661
<b>Increase / (Decrease) in allocation</b>	<b>603 773</b>	<b>(605 523)</b>	<b>1 378 286</b>
Transfer receipts from national	558 211	(657 919)	1 343 044
Equitable share	(349 213)	(627 711)	56 443
Conditional grants	907 424	(30 208)	1 286 601
Provincial own receipts	45 562	52 396	35 242
<b>Revised allocation</b>	<b>130 874 221</b>	<b>139 009 436</b>	<b>147 121 837</b>
Transfer receipts from national	127 151 161	135 151 099	143 421 934
Equitable share (after update of formula data and additions)	106 014 289	113 369 965	120 323 991
Conditional grants	21 136 872	21 781 134	23 097 943
Provincial own receipts	3 395 168	3 526 008	3 699 903
Provincial cash resources	327 892	332 329	-
<b>2. Planned spending by departments</b>	<b>130 474 221</b>	<b>138 707 191</b>	<b>146 621 971</b>
<b>3. Contingency Reserve</b>	<b>400 000</b>	<b>302 245</b>	<b>499 866</b>

The revised allocation under Line 1 shows that KwaZulu-Natal's total budget allocation from National Treasury is R127.2 billion in 2019/20, R135.2 billion in 2020/21 and R143.4 billion in 2021/22. When we add our provincial own revenue and provincial cash resources to this, the total allocation over the MTEF is R130.9 billion, R139 billion and R147.1 billion.

Line 2 shows that the provincial departments are planning to spend R130.5 billion, R138.7 billion and R146.6 billion over the MTEF. Line 3 shows that the province continues to budget for a Contingency Reserve with 2019/20 showing a Contingency Reserve of R400 million and 2021/22 showing a Contingency Reserve of R499.9 million. The middle year falls short of the R400 million minimum Contingency Reserve the province has set for itself, but this will be rectified when the 2019/20 Adjustments Estimate net financial position calculations are made later this year.

As in the past, the Contingency Reserve is being kept for a number of reasons, but mainly to protect the provincial fiscus against the impact of unforeseen expenditure pressures when they arise. These funds can then be relied on to allocate to unforeseen expenditure pressures in the Adjustments Estimate.



## CONDITIONAL GRANTS

National Treasury made some changes to the conditional grant allocations with KZN's grant allocation increasing by R907.4 million in 2019/20, decreasing by R30.2 million in 2020/21, and increasing by R1.3 billion in 2021/22. Some amendments to the conditional grant allocation provide for inflationary growth, some grants are phased into the Provincial Equitable Share, some grants are absorbed by other grants, while others provide for disaster relief efforts. After these amendments, the province's conditional grant allocation amounts to R21.1 billion, R21.8 billion and R23.1 billion over the MTEF.

The following are the amendments made to the conditional grant allocations:

- The **Land Care grant** under the Department of Agriculture and Rural Development (DARD) shows inflationary growth of R721 000 in 2021/22 only, with no changes to the grant allocation in the first two years of the MTEF. The budget for the grant amounts to R12.4 million, R13.1 million and R13.8 million over the MTEF.
- The **Comprehensive Agriculture Support Programme (CASP) grant** reduces by R7.3 million and R3.3 million in 2019/20 and 2020/21, respectively, while showing inflationary growth of R14.5 million in 2021/22. The reduction is to fund the foot and mouth disease facility that will be established by the Agriculture Research Council. Furthermore, an amount of R887.3 million, which was previously unallocated at a national level in the grant, is being reprioritised and ring-fenced under the Department of Agriculture, Forestry and Fisheries (DAFF) to enable DAFF to transfer funds to the Land Bank for the blended finance mechanism. This grant amounts to R199.3 million, R217.2 million and R235 million over the MTEF.
- The **Ilima/Letsema Projects grant** under DARD only receives an inflationary increase of R4.8 million in 2021/22. This grant stands at R75.3 million, R79.4 million and R84.2 million over the MTEF.
- The province receives R120.2 million in 2019/20 (which is a slight decrease from R124.6 million received in 2018/19) with regard to the **EPWP Integrated Grant for Provinces**, allocated to various departments, as follows:
  - DARD receives R4.8 million
  - Arts and Culture receives R2.1 million
  - COGTA receives R3.9 million
  - EDTEA receives R5.5 million
  - Education receives R2 million
  - Health receives R10.3 million
  - Human Settlements receives R15.1 million
  - Public Works receives R4.7 million
  - Transport receives R71.7 million

- The province receives R90.2 million in 2019/20 (which is an increase from the R76.4 million received in 2018/19) with regard to the **Social Sector EPWP Incentive Grant for Provinces** allocated to various departments, as follows:
  - Community Safety and Liaison receives R7 million
  - Education receives R24.8 million
  - Health receives R21 million
  - Social Development receives R34.9 million
  - Sport and Recreation receives R2.4 million
- The **Education Infrastructure grant** shows an increase of R392.5 million in 2019/20, R22.1 million in 2020/21 and R177.7 million in 2021/22, with the new budget amounting to R2.2 billion, R2 billion and R2.2 billion over the MTEF. The increase in 2019/20 includes R200.3 million in terms of disaster relief funding allocated to deal with repairs of schools relating to the 10 October 2017 flood disaster that occurred in the province. The balance of the increase relates to the incentive nature of this grant. Funds were initially allocated to the province for sanitation projects at schools, but these have since been recalled by the National Department of Basic Education and centralised under the Schools Infrastructure Backlogs grant, and these funds can be accessed by all provinces.
- The **HIV and AIDS (Life-Skills Education) grant** under Education shows inflationary growth of R3.6 million in 2021/22, with the budget amounting to R62.2 million, R65.5 million and R69.1 million over the MTEF.
- The **National School Nutrition Programme grant** under Education receives an increase of R9.7 million in 2019/20, a decrease of R15.6 million in 2020/21 and an increase of R78.4 million in 2021/22, with no explanation provided by National Treasury for this fluctuating trend. The grant stands at R1.6 billion, R1.7 billion and R1.8 billion over the MTEF.
- The **Maths, Science and Technology grant** under Education shows inflationary growth of R3.6 million in 2021/22. This grant's budget amounts to R64.6 million, R67.1 million and R70.7 million over the MTEF.
- The **Learners with Profound Intellectual Disabilities grant** decreases by R1 million in 2019/20 and 2020/21, while increasing by R902 000 in 2021/22. The reduction is not explained by National Treasury, while the growth in the outer year appears to be inflationary related. The budget for this grant over the MTEF is R32.3 million, R34.6 million and R36.5 million.
- The **Health Professions Training and Development grant** under Health sees an inflationary increase of R21.5 million in 2021/22. The budget for this grant amounts to R370.9 million, R391.3 million and R412.8 million over the MTEF.
- The **Health Facility Revitalisation grant** sees an increase of R200.4 million in 2019/20, a decrease of R3.8 million in 2020/21 and an increase of R91.2 million in

2021/22. This brings the grant total to R1.3 billion, R1.2 billion and R1.3 billion over the MTEF. National Treasury indicated that this grant was being cut by R60 million in the first two years of the MTEF due to slow spending by the sector as a whole, with only 3 provinces receiving an incentive allocation. It is worth mentioning that KZN's allocation is increasing as we are one of the provinces who benefits from the incentive allocation.

- The **National Tertiary Services grant** sees an inflationary increase of R111.2 million in 2021/22. The grant budget amounts to R1.9 billion, R2 billion and R2.1 billion over the MTEF.
- The **HPV Vaccine grant** sees a minor adjustment of R1 000 in 2020/21, while showing inflationary growth of R2.8 million in 2021/22, so the grant then stands at R47.5 million, R50.1 million and R52.9 million over the MTEF.
- A new grant is introduced for Health, namely the **Human Resources Capacitation grant**. This was initially a component of the National Health Insurance (NHI) indirect grant held under the national Department of Health, but a decision was taken by the sector to make this a direct grant allocated to each province. This allocation is to assist provinces to appoint critical staff in Health, including nurses, medical interns and porters, to name a few. The amount allocated to KZN in this regard is R122.3 million, R130.4 million and R138.7 million over the MTEF.
- Some structural changes are made to the **Comprehensive HIV, AIDS and TB grant** and the grant name is amended to **HIV, TB, Malaria and Community Outreach grant**. This grant sees a reduction of R273.6 million in 2019/20 and R231.5 million in 2020/21, while showing an increase of R598.8 million in 2021/22. The grant total amounts to R5.8 billion, R6.5 billion and R7.3 billion over the MTEF. In terms of the structural changes to the grant, a separate Malaria component is being created within the grant with funds reprioritised within the grant to fund this new component. It was also decided to split the TB portion of this grant into a separate component in order to improve monitoring of spending in this area. National Treasury also indicated that R60 million is reprioritised from this grant over two years (i.e. R30 million in 2020/21 and R30 million in 2021/22) for the sector as a whole to be used for the regional co-financing project for Malaria elimination. Finally, the Community Outreach Services component is increased by R1 billion across all nine provinces to fund the minimum wage of Community Health Workers.
- Some changes are made to the grants in the Human Settlements sector. The **Title Deeds Restoration grant** comes to an end in 2020/21, and will be phased back into the **Human Settlements Development grant** (HSDG) from 2021/22. In order to promote improved coordination in support of individuals in the gap market purchasing homes, an amount of R950 million for the sector as a whole is reprioritised from the HSDG over the 2019/20 MTEF, with these funds now allocated to the National Housing Finance Corporation for the Finance Linked Individual Subsidy Programme. Funds of R1 billion and R2 billion are cut from the HSDG

across all nine provinces in 2020/21 and 2021/22, as part of government's broader set of reductions that are needed to improve the sustainability of the overall fiscus. For KZN, the HSDG increases by R210.3 million in 2019/20, while decreasing by R407.3 million and R813.3 million in 2020/21 and 2021/22, respectively. The budget for this grant amounts to R3.5 billion, R3.1 billion and R2.7 billion over the MTEF. National Treasury indicated that in 2019/20 R247 million of the HSDG budget is disaster relief funding and R400 million in 2020/21, specifically to deal with repairs to houses damaged by the 10 October 2017 storms.

- The **Title Deeds Restoration grant** reduces by R6.5 million in 2019/20 and R6.9 million in 2020/21, while the full R113 million is phased into the HSDG from 2021/22 onward. The budget for this grant is R100.6 million in 2019/20 and R106.1 million in 2020/21, while being phased into the HSDG in 2021/22.
- A new grant, namely the **Informal Settlements Upgrading Partnership grant** is introduced from the 2019/20 MTEF. From 2019/20, a new window is created within the HSDG subject to specific conditions, including that at least 15% of the grant must be spent on informal settlements upgrading. From 2020/21, this window is formalised into a separate new grant with the funds for this new grant reprioritised from the HSDG. The amounts added in this regard are R553.8 million in 2020/21 and R793.8 million in 2021/22.
- The **Mass Participation and Sport Development grant** is decreased by R191 000 in 2019/20 and by R413 000 in 2020/21, while increasing by R6.7 million in the outer year. This brings the budget for this grant to R104.7 million, R111.2 million and R118.3 million over the MTEF.
- The **Provincial Roads Maintenance grant** increases by R110 million in 2019/20, decreases by R3 million in 2020/21 and increases by R140.3 million in 2021/22. The grant total now amounts to R1.9 billion in the first two years of the MTEF and R2 billion in the outer year. National Treasury indicated that any additions to this grant are due to the incentive nature of this grant, with allocations made being based on last year's performance data. An amount of R119.5 million has been cut from this grant across all nine provinces, particularly in 2019/20 and 2020/21, to address fiscal pressures.
- The **Public Transport Operations grant** sees an inflationary increase of R68.6 million in 2021/22, with the grant's budget amounting to R1.2 billion in the first two years of the MTEF and R1.3 billion in the outer year.
- The **Early Childhood Development grant** sees upward adjustments of R2.5 million, R2.6 million and R9.5 million over the MTEF bringing the grant total to R116 million, R123.8 million and R130.6 million over the MTEF. The grant continues to have two components, namely the Maintenance component and the Subsidy component.
- The **Community Library Services grant** is increased by R500 000 in 2019/20, by R500 000 in 2020/21 and by R12.3 million in 2021/22, and the revised baseline of the grant is R184.4 million, R194.6 million and R206.4 million over the MTEF.

## INFRASTRUCTURE

According to a study undertaken by Jeffery M. Stupak dated 24 January 2018, entitled “*Economic Impact of Infrastructure Investment*”: “Infrastructure is understood to be a critical factor in the health and wealth of a country, enabling private businesses and individuals to produce goods and services more efficiently. With respect to overall economic output, increased infrastructure spending by the government is generally expected to result in higher economic output in the short-term by stimulating demand, and in the long-term by increasing overall productivity.” It is, therefore, important that the country, as well as this province, continues to invest in infrastructure development. This ties in with the tasks listed in the SONA by His Excellency President Ramaphosa – namely to accelerate economic growth and to create jobs.

The province is **budgeting to spend R13.6 billion in 2019/20, R13.6 billion in 2020/21 and R14.4 billion in 2021/22 on various infrastructure projects**. This includes both equitable share and conditional grant funded infrastructure. If we include the amount budgeted for infrastructure by Human Settlements where the asset, in the end, does not belong to government, **the total infrastructure spend increases to R16.8 billion, R16.9 billion and R17.5 billion over the MTEF**. This is a considerable injection of funds into the provincial economy. A detailed list of all infrastructure projects that will be implemented in 2019/20, as well as over the MTEF, is contained in the *Estimates of Capital Expenditure* which I am also tabling today.

### Some infrastructure projects planned for the 2019/20 MTEF:

#### Transport

The **Department of Transport will spend R23.7 billion** over the three years of the 2019/20 MTEF. Some of the projects they will be implementing include:

- Main Road P104 provides access to the Kwaqabe and Glendale Heights communities and is also a feeder road to the R74, which serves as an important link between the towns of Maphumulo and Stanger. The project entails upgrading 20.4 kilometres of gravel road to a blacktop surface. Construction is currently in progress and is anticipated to be completed in 2019/20.
- Main Road P16-2 in the uMzinyathi District Municipality is 55.6 kilometres in length, with the first 14.6 kilometres consisting of a surfaced road. The rest of the road is a gravel road. Main Road P16-2 intersects with two district roads and serves as the main link from Kranskop to Nquthu. This road is in need of upgrade from gravel to black top standards, as commuters use this road to travel to clinics and hospitals. Construction is currently in progress where 6.9 kilometres of road has been upgraded in 2018/19 and the remaining kilometres are anticipated to be completed by 2022/23.
- Main Road P711 located at Maphumulo, is an important route as it assists the surrounding communities by providing access to schools, clinics, churches,



crèches and the hospital. The project entails upgrading 29 kilometres of gravel road to a blacktop surface, as well as the construction of one major structure. To date, 15 kilometres have been completed, and the remaining 14 kilometres will be completed over the 2019/20 MTEF.

- Local Road L1633 will be upgraded from gravel to blacktop surface. This road is located in Bulwer and comprises upgrading of 3.4 kilometres in 2019/20. An estimated 150 EPWP participants will be employed.
- The department has set a target of constructing 10 new pedestrian bridges and 7 new major vehicle bridges in 2019/20. These structures will provide easier and safer access to schools, hospitals, clinics and other government facilities, while also allowing for improved economic activity. Areas where bridges will be built include Mdloti, Mfule, White uMfolozi and uPongola.

### Health

The **Department of Health's infrastructure budget is R6.3 billion over the 2019/20 MTEF**. The department will use this allocation for various projects, including the following:

- The completion of the Dr Pixley ka Isaka Seme Memorial Hospital is planned for 2019/20. In this regard, R50 million is allocated for the final completion of the super-structure of this new 500-bed regional hospital consisting of various floors and a helipad. In addition, R300 million is allocated for the procurement of the equipment needed for this facility.
- King Edward VIII Hospital will see the department spend R45.6 million in 2019/20 (with a carry-through to 2020/21) for renovations to the existing nursery, psychiatric unit, physiotherapy area and relocation of the psychology department. An additional R31 million is allocated for the equipping of these renovated areas.
- Hlabisa Hospital is allocated R48.5 million in 2019/20 (with a carry-through over the MTEF) for the construction of an out-patients' department, accident and emergency unit, pharmacy, among others.
- Addington Hospital where R34.5 million in 2019/20 (with a carry-through over the MTEF) will be spent on general renovations to the hospital, as well as the replacement of a fence/boundary wall and repairs to entrances, renovations to ablution facilities on the ground floor and refurbishment of 13 lifts.

### Education

The **Department of Education is budgeting to spend R7.6 billion** over the 2019/20 MTEF. The following are some of the infrastructure projects that will be undertaken:

- Dingukwazi Secondary School in the Zululand district will receive major upgrades amounting to R90 million.
- Pholela Special School in Harry Gwala district which entails the continued construction of a new school with a budget of R109 million allocated.



- Open Gate Special School in uMgungundlovu district which will see major upgrades being done in the amount of R59 million.
- Collingwood Primary School in Umlazi district which relates to the construction of a new school is allocated R80 million.

## COST-CUTTING

As I mentioned earlier, the cost-cutting measures remain in place and are more important now than ever. We must continue to look for efficiency savings in the face of the continuous budget cuts. Every cent saved through cost-cutting allows us to redirect these funds to service delivery spending areas. To quote Vincent Lombardi, *“The measure of who we are, is what we do with what we have.”*

I will not repeat the cost-cutting measures in this speech as they remain largely unchanged from the previous year. The full list is contained in Chapter 2 of the *Estimates of Provincial Revenue and Expenditure* which I am tabling today.

## OVERVIEW PER VOTE FOR THE 2019/20 MTEF

I will now briefly discuss what the provincial budget will buy, per department. The table below shows the 2019/20 MTEF budget per department. Departments are discussed in order of the size of their budget.

### Budgets per Vote

	Medium-Term Estimates			
	2019/20	Percentage of Total	2020/21	2021/22
1. Office of the Premier	714 004	0.5%	753 902	795 394
2. Provincial Legislature	598 756	0.5%	638 926	674 137
3. Agriculture and Rural Development	2 426 941	1.9%	2 587 375	2 736 088
4. Economic Development, Tourism and Environmental Affairs	3 235 092	2.5%	3 415 723	3 603 615
5. Education	54 021 515	41.4%	57 655 155	60 871 020
6. Provincial Treasury	721 629	0.6%	725 726	765 393
7. Health	45 036 978	34.5%	48 218 336	51 582 353
8. Human Settlements	4 006 642	3.1%	4 197 020	3 948 838
9. Community Safety and Liaison	235 054	0.2%	242 765	256 117
10. Sport and Recreation	478 958	0.4%	506 557	535 413
11. Co-operative Governance and Traditional Affairs	1 824 879	1.4%	1 900 274	2 004 717
12. Transport	10 837 076	8.3%	11 290 797	11 952 392
13. Social Development	3 519 143	2.7%	3 719 365	3 920 360
14. Public Works	1 685 317	1.3%	1 788 060	1 876 430
15. Arts and Culture	1 132 237	0.9%	1 067 210	1 099 704
<b>Total</b>	<b>130 474 221</b>	<b>100.0%</b>	<b>138 707 191</b>	<b>146 621 971</b>

## Education

As per Benjamin Franklin, *“An investment in knowledge pays the best interest.”* As such, the largest portion of the provincial budget still goes to the Department of Education at 41.4%. The budget allocation over the MTEF is R54 billion, R57.7 billion and R60.9 billion. This budget will be used for various activities as detailed below, among others. Significant effort is being made by this department to improve the education we provide in this province, as I will elaborate shortly, and this falls in line with the second task on His Excellency the President’s list as taken from the SONA, which says that we must improve our education system and develop our skills.

The largest share of the department's budget allocation is for the provision of personnel. In this province, no-fee learners currently constitute 75% of the total population of learners in public ordinary schools. The National School Nutrition Programme will provide nutritious meals to 2.3 million learners in 5 729 schools. The department will prioritise various activities to assist in transforming the schooling system. Firstly, the department will focus on rationalisation or closure of small and non-viable schools with learner enrolment of less than 50 in primary schools. In this regard, 172 primary schools were identified. In secondary schools, the focus will be schools with a learner enrolment less than 100, and the total of 76 schools was identified in this category.

The department will maintain its intervention programmes of previous years, but the main aspect of curriculum delivery and support will focus on: the role of circuit managers as curriculum delivery supervisors; the audit of curriculum delivery; re-skilling of teachers through improved teacher development strategies; as well as improving assessment strategies in the General Education and Training band. Subject Advisors and Circuit Managers will assist schools to monitor curriculum coverage. Schools will receive well prepared lesson plans, coupled with assessment exercises and memoranda. These exercises will help teachers to get feedback after teaching each aspect of work. Schools will have curriculum delivery targets which will be monitored by Circuit Managers on a monthly basis.

The supply of qualified educators remains a challenge, particularly in subjects like Mathematics and Science. In addition to the provision of bursaries to attract young people into teaching, the department will engage with the Department of Higher Education and Training to encourage more young people to register for Mathematics and Science qualifications.

Projects relating to new schools, curriculum support classrooms, laboratories, multi-purpose classrooms, as well as electrification, sanitation and water will continue so that basic functionality can be achieved in all 6 175 schools.

## **Health**

To quote Helen Keller: *"Although the world is full of suffering, it is full also of the overcoming of it."* As such, the second largest portion of the provincial budget goes to the Department of Health at 34.5%. The budget over the MTEF is R45 billion, R48.2 billion and R51.6 billion and this allows for the provision of health services primarily to the uninsured population of KZN. According to the 2017 General Household Survey, 12.6% of the KZN population are members of medical aid schemes. This means that some 1.4 million people are members of medical aid schemes while approximately 10 million, or 87.4%, are not medical aid members.

The department plans to improve Information Communication Technology with broadband connectivity established in 92.9% of hospitals and 50.2% of Primary Health Care facilities by March 2020. They also plan on conducting 3 074 435 HIV tests, to reduce the malaria case fatality rate from 0.8% to 0.54%, to perform 9 700 cataract surgeries and to increase the average number of daily operational ambulances from

179 to 200. The 2019/20 financial year will also see the commissioning of the new Dr Pixley ka Isaka Seme Memorial Hospital, as well as an increase in the number of clients on the Centralised Chronic Medicines Dispensing and Distribution from 1.7 million to 2.2 million. This entails the distribution of chronic medicines to the public, but *via* private distribution centres, with this mechanism used to allow for easier access and to reduce queuing time for the patients. This is done in an effort to improve the conditions of life for all South Africans, especially the poor. The department will endeavour to attract and retain skilled health personnel, as well as specialists to deliver acceptable health care to our people.

### **Transport**

The Department of Transport receives 8.3% of the provincial budget. The budget allocation is R10.8 billion, R11.3 billion and R12 billion over the MTEF. The bulk of the department's budget allocation is for the construction of roads, and the maintenance of the provincial road network. In 2019/20, the department will continue with construction and maintenance projects, provide subsidisation of bus services, learner transport services and undertake law enforcement campaigns to promote road safety. The department will continue with the construction of roads to link rural communities to provincial hubs of activity, in order to achieve the strategic goal of providing access and mobility within the province. The department will continue with the upgrading and rehabilitation of the provincial road network to improve and prolong the lifespan of the network. Transport's budget also provides for the Shova Kalula programme, which is an intervention to improve mobility by providing bicycles to people, including learners in rural, remote and poorly resourced areas, to enable them to access basic needs, as well as social and economic opportunities. The department will distribute 2 400 bicycles in 2019/20. This also ties up with the task we have been given to accelerate economic growth, as well as improving the conditions of life for all South Africans.

### **Human Settlements**

The Department of Human Settlements receives R4 billion, R4.2 billion and R3.9 billion over the MTEF. The main purpose of this budget allocation is for the provision of housing to various sectors of the population, including rural areas and informal settlements. This falls in line with the aim to improve the conditions of life of all South Africans, especially the poor. The department is in the process of finalising a 20-year strategy, which will guide the upgrading of all hostels and ensure that development costs are standardised. A major focus will be on the rehabilitation of hostels going forward and the commencement of 2 154 new projects in four municipalities, namely Greater Kokstad, uBuhlebezwe, Msunduzi and Newcastle. Continued focus and roll-out of slums clearance projects is a provincial priority and projects in this regard are currently at various stages of the housing delivery cycle. In terms of rural housing development, it is expected that approximately 7 850 units will be completed in areas such as uMzinyathi, Amajuba, Harry Gwala, uMkhanyakude and Ugu. Houses damaged by the flood disaster in the province on 10 October 2017 will be repaired with R247 million allocated for reconstruction and repair of houses in the eThekweni Metro for 2019/20. A total of 1 500 houses will be rehabilitated.

### **Social Development**

The Department of Social Development receives R3.5 billion, R3.7 billion and R3.9 billion over the MTEF. The bulk of the department's budget allocation is mainly for the provision of social work practitioners. The work of this department is centred around improving the conditions of life for all South Africans, especially the poor.

The department will continue to intensify and expand various care and support services to persons with disabilities. These include awareness programmes on the rights of persons with disabilities and programmes for people with albinism across all districts. The department will continue to increase access to Early Childhood Development to poor children. The department will host the Provincial Gender-based Violence and Femicide Summit and the White Door Centres of Hope will be increased from 22 to 36. Focus will also be on strengthening prevention and awareness programmes on substance abuse, including launching the Ke Moja anti-substance abuse programme, which targets youth at institutions of higher learning.

The department will continue to implement integrated youth development programmes in its youth centres and academies and will collaborate with the Department of Economic Development, Tourism and Environmental Affairs and other stakeholders in the implementation of the high impact skills development programmes. Planned new infrastructure projects in this regard are the Wentworth Youth Development Centre and the Hibiscus Coast Youth Academy, among others. The department will continue to advocate for mainstreaming and empowerment of women which is part of the Radical Agrarian Socio-economic Transformation (RASET) programme. It will also ensure that women participate in various empowerment programmes offered by NPOs in partnership with the department.

### **Economic Development, Tourism and Environmental Affairs (EDTEA)**

EDTEA receives R3.2 billion, R3.4 billion and R3.6 billion over the MTEF. The work of this department centres around stimulating economic growth in order to create jobs, as well as developing skills needed for now, as well as in the future.

The major projects for EDTEA in 2019/20 include implementation of Operation Vula and the RASET programme. This includes the KZN Gijima Local Competitiveness Fund project which will target the agro-processing value chain sector. The department will also prioritise the establishment of shared production facilities for small enterprises in support of Operation Vula commodities such as cleaning detergents, bakery products and toilet paper. The Sakhinzuzo project is another important project and is a partnership project with Tongaat Hulett whereby support is given to small-scale sugarcane growers in areas such as King Cetshwayo, iLembe, uMkhanyakude, Mandini and Jozini. Tongaat Hulett has planned for the planting of 1 203 hectares. Other important areas of focus are Industrial Economic Hubs, the Tourism Entrepreneurship Career Expo, the Tourism Homestays project, Invasive Alien Species Programme, as well as support of SMMEs and co-operative projects. The budget also provides for the KZN Youth Technical Skills Training and Placement Project, as well as the KwaMajomela Manufacturing

centre which is a planned small-scale manufacturing and value add services centre in Nongoma and aims to support local business with trading spaces, equipment and shared facilities for capital equipment incubation.

The department will continue to support the Bulk Buying project aimed at enabling local small traders to get into the mainstream of the wholesale and retail sector by collective buying power to purchase directly from the manufacturers and suppliers of fast-moving consumer goods, thereby securing a better pricing structure to enable them to be competitive and grow their businesses.

The department will finalise the review of the KZN Tourism Master Plan which will provide the latest tourism trends and plans to drive tourism planning, development and marketing for the next five years, in line with the national tourism sector strategy. A provincial Events Strategy is being finalised, to provide guidance on how various events that are key in profiling and contributing to economic development will be supported and funded.

### **Agriculture and Rural Development**

The Department of Agriculture and Rural Development receives R2.4 billion, R2.6 billion and R2.7 billion over the MTEF, and will continue to focus on providing support to food insecure communities at subsistence and household food production level. The department will focus on economic growth, job creation and improving the conditions of all South Africans, especially the poor. The department's agricultural development approach will be to transform and promote previously disadvantaged producers, ensuring their inclusion in the agricultural mainstream economy in particular to achieve household food security, increased production and productivity and promotion of competitiveness and commercialisation of agricultural enterprises, especially of smallholder producers.

The department will focus agricultural development on transforming key institutions in agriculture and the agri-business value chain through the inclusion of designated groups (women, youth and people with disabilities) in agriculture. Also, the aim is to enhance national food self-sufficiency and food supply, as well as to increase household food security. In terms of the horticulture programme, the focus will be on promoting vegetable production (including mushrooms for household food security) in line with the RASET programme, as well as sub-tropical fruits such as macadamia, citrus, mango and amarula. The interventions will include increased market access, increased extension support, and encouraging value addition to primary products, provision of capacity building to smallholder farmers, encouraging export of primary and processed products, as well as promoting partnerships with commodity organisations. Recognising the suitability of the province's natural resources for the production of grains and its competitive advantage, especially in the northern and inland parts of the province, the department will promote the development of grain crops (maize, dry beans, soya beans and groundnuts) both for household food production and the commercialisation purposes.



### **Co-operative Governance and Traditional Affairs (COGTA)**

COGTA receives R1.8 billion, R1.9 billion and R2 billion over the MTEF to co-ordinate support, promote good governance and enhance financial management in municipalities, provide support and build capacity within traditional institutions, as well as provide support interventions in various municipalities placed under administration as per Section 139 of the Constitution, and will use additional funds from National Treasury for this. The department will also continue to support the installation and recognition of *Amakhosi*. This department's focus is on accelerating economic growth, but also to strengthen the capacity of the state.

Monitoring the implementation of service delivery programmes relating to electricity, water and sanitation, indigent policies (used for keeping record of all households that qualify for free basic services), will continue to be a priority, as will supporting and maintaining functional Disaster Management Centres, and providing assistance to districts, the Metro and sector departments with disaster risk management planning. The department will also ensure that the Traditional Council elections, which are now planned to take place in December 2019, are transparent and fair.

### **Public Works**

The Department of Public Works receives R1.7 billion, R1.8 billion and R1.9 billion over the MTEF. The department will pay property rates relating to provincial properties, while also focusing on its core mandate, which is the erection and/or acquisition of buildings, structures and engineering works and the maintenance of buildings to client specifications.

In terms of job creation, the department will continue to ensure that EPWP generates more work opportunities to contribute meaningfully to poverty alleviation. The programme will be extended to more beneficiaries with disabilities and will assist beneficiaries in establishing co-operatives. The EPWP schools maintenance programme was originally established to benefit 4 000 beneficiaries in five district municipalities. It has since grown and intends to support more than 5 000 beneficiaries in over 2 000 schools across all eleven district municipalities. The department will also provide support to departments and municipalities to ensure that their set EPWP job creation targets are attained.

The KZN Entrepreneurial Development Centre project will be at construction stage in 2019/20 and it is anticipated to be completed in 2020/21. This facility will consist of workshops and training rooms which will be used to provide various training and skills development services to small and medium business enterprises. A key focus area is to develop skills, thus contributing to job creation and economic growth.

The department was overwhelmed with the excessive bookings of the Mayville conference centre since its inception and could not meet all requests received to book the centre. As a result, the department decided to provide another conference centre in Pietermaritzburg and will build a new auditorium and conference centre with expected completion by August 2020. This project consists of a main auditorium hall, seating approximately 700 people, as well as three breakaway rooms, seating 50 to 100 people.



## Arts and Culture

The Department of Arts and Culture receives R1.1 billion per annum over the MTEF. In 2019/20, the department will continue to uphold its core mandate of ensuring cultural advancement of all people in the province through hosting various cultural events and provision of reading and writing material. The department will also continue to provide for the provincialisation of libraries, as well as the construction of new libraries to increase the reach across the province.

The department will focus on Social Cohesion and Moral Regeneration through the finalisation of the establishment of a Moral Regeneration Council and the development of a social cohesion and moral regeneration strategy and implementation plan.

The Winston Churchill Theatre will be renovated and the Osizweni and uThungulu art centres will be upgraded for the promotion and development of cultural and creative industries. The department will also commence with the construction of the Music Academy in Ladysmith. The department will complete the Ngwavuma library in 2019/20 and will commence with the construction of libraries in Mtubatuba, Richmond, uMhlathuze, Nquthu and Dannhauser. In terms of the construction of the Archive Repository, the feasibility study was completed toward the end of 2018/19 and the project was handed over to the Department of Public Works who has allocated a site of approximately 10 000 square metres for building the repository at the proposed Provincial Government Precinct complex site. Construction of this facility is expected to commence in 2019/20.

## Provincial Treasury

Provincial Treasury receives R721.6 million, R725.7 million and R765.4 million over the MTEF and is largely for financial governance for general oversight of all departments, municipalities and public entities, internal audit, supply chain management, as well as support for transversal financial systems. The main aim is to attain improved provincial audit outcomes, to ensure on-budget spending, and to remain cash positive. Risk-based audits with specific focus on overall good governance will be performed. Departments will continue to be assisted in terms of ensuring that risk assessments are performed. A case management system tool will be implemented in departments and public entities to assess whether the recommendations as contained in forensic reports are being implemented. The role of Treasury in terms of the SONA tasks is to fight corruption and to strengthen the capacity and capability of the state.

Provincial Treasury has been identified as a key player in supporting the radical economic transformation programme in the province through the implementation of a progressive supply chain management regime. To this end, Provincial Treasury will closely monitor and report on the extent that departments implement the Preferential Procurement Policy Framework Act (PPPFA) in the drafting of tenders. Support will also be provided to assist departments in the interpretation and implementation of the PPPFA regulations that were promulgated in April 2017, in order to address the economic imbalances that persist in the public procurement space in KwaZulu-Natal.

### **Office of the Premier**

The Office of the Premier receives R714 million, R753.9 million and R795.4 million over the MTEF. The bulk of the department's budget allocation is for cross-cutting and transversal activities, such as Operation Sukuma Sakhe, Integrity Management, Youth Development, support to His Majesty, the King, as well as transfers to its public entity, the Royal Household Trust. The over-arching responsibilities are to encourage economic growth, to develop skills, to improve the conditions of life of all South Africans, to fight corruption and to strengthen the capacity and capability of the state.

The Provincial Planning Commission will continue to support the relevant line function departments in pursuing key interventions, such as the formalisation of rural settlements, the establishment of community service centres, renewable energy opportunities, etc. The MTEF also caters for the annual Citizen Satisfaction survey, as well as the PGDS and PGDP reviews undertaken every two years. The department will continue to co-ordinate the Gender, Disability, Senior Citizens and Children, as well as Ombudsperson activities to promote and monitor the implementation of human rights related policies by departments and municipalities. The department will also focus on the functionality of war-rooms, in as far as equipment is concerned, to support ward teams.

With regard to the Inkululeko Development project, the focus for 2019/20 will be on the second phase, namely Inkululeko Development Project Phase 2 in the uMzinyathi and uThukela districts.

### **Provincial Legislature**

The Provincial Legislature receives R598.8 million, R638.9 million and R674.1 million over the MTEF for the effective procedural and related support to the House and to committees, and to facilitate public participation. The Legislature will continue to improve its oversight over, among others, departments and public entities during the year. Public involvement initiatives like Taking Legislature to the People and sector parliaments will continue in 2019/20. The Legislature will continue to focus on procedures and processes that need to be reviewed and/or changed to achieve full implementation of the FMPPLA. The 2019 general elections, which are scheduled to be held in May 2019, are also likely to have some impact on the Legislature's activities, programmes and spending patterns (both before and after the general elections).

### **Sport and Recreation**

The Department of Sport and Recreation receives R479 million, R506.6 million and R535.4 million over the MTEF to promote sport and recreation through the provision of various programmes and construction of sport and recreation facilities. This falls in line with the aim to improve the conditions of life of all South Africans.

The department plans to construct 94 sport and recreation facilities in total, comprising two basic sport and recreation facilities, 33 play gyms, 22 multi-purpose courts, 33 children's kick-about sport facilities, as well as completing four district fitness centres.

The department will focus on the delivery of district, provincial and national school sport competitions, with these divided into Winter, Summer and Autumn Games. It is

anticipated that 20 000 learners will take part in these competitions and 400 schools will be provided with equipment and attire for intra-school activities.

The club development programme will be used to organise sport at the most basic level in order to develop age group leagues that can affiliate to the local code associations. In this regard, 135 age group leagues, primarily in football, netball and volleyball, involving 1 100 clubs, will participate.

In terms of the Healthy Lifestyle programme, the *#Ichoose to be active* campaign involves activities across all recreation activities, such as Golden Games, Indigenous Games, the Big Walk and Recreation Day. This is part of ongoing efforts to promote the fight against lifestyle diseases and obesity.

### **Community Safety and Liaison**

The Department of Community Safety and Liaison receives R235 million, R242.8 million and R256.1 million over the MTEF. The bulk of the department's budget is for ward safety committees, community safety initiatives, including the Voluntary Social Crime Prevention Programme, maintenance of Community Safety Forums and Community Policing Forums, crime awareness campaigns (prevention of violence against vulnerable groups including children and youth, rural safety and public participation in community safety), as well as the monitoring and evaluation of police performance. With regard to the 2019 general elections, the department will undertake interventions in respect of areas where instability is reported, and will monitor voting stations where required. This falls in line with the aim to improve the conditions of life of all South Africans.

### **TABLING OF BILLS**

As is customary, I am tabling the Appropriation Bill, 2019 in this House today which, when passed, gives the legal basis for departments and public entities to spend their 2019/20 budget allocation. In the event that this Bill is not passed before the beginning of the 2019/20 financial year, Section 29 of the PFMA allows departments to commence spending the amounts allocated to them before this Bill is passed. Section 29 requires provinces to pass their own Direct Charges Act, though, and this was done in 2002 when the KwaZulu-Natal Direct Charges Act No. 4 was passed. This Act, read with Section 29 of the PFMA, thus provides the legal basis for provincial departments and public entities to commence spending their allocations before the formal appropriation and voting processes have been concluded.

This Act falls in line with Section 29 (2) of the PFMA which allows for a maximum of 45% of the budget to be spent in the first four months of the year, based on the amount appropriated in the previous annual budget, and provides for a further 10% to be spent in ensuing months, but limits this expenditure to the amount appropriated in the previous annual budget. Section 29 of the PFMA explains that such expenditure would then be viewed as a direct charge against the Revenue Fund. Section 29 (4) indicates that this provision is not applicable to provinces "...unless a provincial Act provides that

the withdrawal of funds in terms of this section is a direct charge against the province's Revenue Fund." The KZN Direct Charges Act of 2002 is thus the provincial Act that makes provision for this instance.

## CONCLUSION

Despite the budget cuts, our firm commitment to the people of KwaZulu-Natal is that we will protect government's key priority programmes so that we do not lose sight of our vision of ensuring a better life for all. Provincial Treasury took very conscious and mindful steps in this budget to protect the service delivery budgets of departments from being cut.

It is important that all of us take ownership of the cost-cutting measures. We all have a role to play. We must re-direct more and more funds to core service delivery programmes for the benefit of our people, especially in the face of continual budget cuts.

I want to thank our Honourable Premier, Mr T.W. Mchunu, and my Provincial Executive Council colleagues for their support in putting together this budget in very trying times. My gratitude also goes to the Ministers' Committee on the Budget. Our focus in all decisions taken was to protect the funds allocated to departments for the improvement of the lives of our people.

I would also like to extend my gratitude to the Honourable Minister of Finance and National Treasury officials for their guidance and technical support.

I also thank members of the Provincial Legislature and, in particular, the chair, Mr. S.C. Nkosi, and members of the Finance Portfolio Committee for their support.

I thank the Heads of Departments, Chief Financial Officers and all provincial government officials for the role they play in managing their budgets.

Thank you HoD Magagula and your fantastic team for working incredibly long hours to produce such detailed budget documents. Your work ethic and dedication is truly appreciated.

Let me also express my gratitude to ABSA who the province banks with, who has graciously offered to sponsor the Post Budget Breakfast which I will be holding in Durban tomorrow.

Thank you to my family for their love and support.

I thank you.