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Department:

Treasury

**PROVINCE OF KWAZULU-NATAL**

# **BUDGET SPEECH**

**2020/21**

**Guardian of the Public Purse  
Umqaphi wezimali zomphakathi**



# **BUDGET SPEECH**

## **2020/21**



**HONOURABLE MR RAVIGASEN RANGANATHAN PILLAY, MPL**  
**MEC FOR FINANCE**

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# **PROVINCE OF KWAZULU-NATAL**

## **Budget Address by Honourable Mr Ravigasen Ranganathan Pillay MPL, MEC for Finance**

**On tabling of the 2020/21 MTEF Budget in the Provincial Legislature**

**6 March 2020**

Honourable Speaker

Honourable Premier

Deputy Minister of Finance

Honourable Members

Heads of Departments

Chief Financial Officers

Head of Provincial Treasury and Officials Present

Business, Academic, Religious and Community Leaders, Traditional Leadership

Members of the Media

Ladies and Gentlemen

Comrades and Friends

## 1. INTRODUCTION

Ben Okri, the acclaimed Nigerian poet reminds us that:

*“For we are all richly linked in hope,  
Woven in history, like a mountain rope.  
Together we can ascend to a new height,  
Guided by our heart’s clearest light.  
When perceptions are changed there’s much to gain,  
A flowering of truth instead of pain.*

*There’s more to a people than their poverty;  
There’s their work, wisdom, and creativity.”*

We are acutely aware of the poverty of too many of our people. In fact, it is calculated that one-third of our people rely on our social security net – on old age grants, on disability grants, on child-support grants. We have consciously put in place this social security net, because we are a government that cares – a government for the poor – a disciplined force of the left.

But, like Ben Okri says, we understand that this is not enough – this is not sustainable without our work, wisdom and creativity. And I accordingly make the call that in this historic year of 2020, let us, the people of KwaZulu-Natal, be defined by our work, our wisdom and our creativity. As former President Mandela said:

*“Our democratic gains will be shallow and persistently threatened if they do not find expression in food and shelter, in well-paying jobs, and rising living standards”.*

President Cyril Ramaphosa, in his 2020 State of the Nation Address, inspired by our powerful record, said:

*“Our history tells us that when we are united in peace and faith, we can conquer all obstacles and turn our country into a place in which we all feel safe and comfortable. It is in that spirit that we now approach the present moment.”*

President Ramaphosa goes on to say:

*“The greatest strength of our constitutional democracy, and the reason it has endured, is because we have been able to forge broad-based coalitions and social compacts, be they with business, labour, special interest groups or wider civil society.*

*Achieving consensus and building social compacts is not a demonstration of weakness. It is the very essence of who we are.”*

It is a choice we consciously make. We can choose to prioritize our generally narrow sectarian needs, or we can choose to genuinely work together for the collective good.

Having considered all our considerable challenges, acknowledged our mistakes and reaffirmed commitment to our basic ethical value system, President Ramaphosa directs us as follows:

*“This year, we fix the fundamentals*

*We pursue critical areas of growth*

*And we ensure excellence in planning and execution in government.”*

### **1.1. Global Economic Outlook**

Global economic activity decelerated significantly last year, with continued weakness in global trade and investment, high debt and deteriorating credit quality. Despite the signing of phase one of a trade agreement between China and the United States of America (US) earlier this year, the continued trade war, and the overall slowdown in the Chinese economy remain a threat to the global outlook.

The situation is further exacerbated by the coronavirus outbreak that has the potential to further impede the world economy. China and the US are two of South Africa’s major trading partners. The economic challenges of China and the US have a direct bearing on the economic prospects of South Africa.

### **1.2 South African Outlook**

Notwithstanding the moderate rebound in the second quarter of last year, economic growth in South Africa is estimated to have remained subdued at an average of 0.4% in 2019 and is expected to grow at about 1% this year and in 2022. As correctly pointed out by the South African Reserve Bank, IMF and the World Bank less than two months ago, a multitude of challenges constrain the country’s economic outlook. These challenges include, among others, subdued business confidence, infrastructure bottlenecks especially in electricity supply and weakening external demand, particularly from the Euro Area and China.

These issues were further echoed by the honourable President Cyril Ramaphosa, in his State of the Nation Address last month. The President was bold and frank about the financial stress on the public energy utility, the deteriorating government budget balance and increased debt sustainability concerns and debt-service costs.

The economic woes of the country are further reflected in StatsSA's data released last month showing that the total number of liquidations increased to 2 042 in 2019 compared to 1 845 in 2018. Further, government revenue in the form of taxes is negatively affected (R12 billion projected shortfall) and thus hinders service delivery and the National Development Plan's vision 2030 of increasing inclusive economic growth to above 5%.

To do this (achieve the NDP: Vision 2030), we need to remind ourselves, as Finance Minister Tito Mboweni, said in his Budget Speech:

*"Our economy has won before, and it will win again.*

*Before democracy our growth was pedestrian. Indeed, between 1990 and 1992, the economy contracted for three years in a row.*

*In the fifteen years following democracy, economic growth averaged 3.6% a year. The gross debt-to-GDP ratio declined from 46% to 26%.*

*In the five years from 2003 to 2008, growth averaged around 5%, and South Africa was amongst the fastest-growing major economies. The unemployment rate improved by 5 percentage points.*

*Now, even after a decade of weak economic performance, South Africa still boasts deep and liquid capital markets, strong institutions, the most diversified economy on the continent, and a young population.*

*Winning requires hard work, focus, time, patience and resilience.*

*Achieving economic growth and higher employment levels requires a plan."*

I believe that the 2020 State of the Nation Address and Budget Speech sets out that plan from a national perspective. Our task is to support, where necessary customise, and implement the plan for us in KwaZulu-Natal.

### 1.3 Economic activity in KwaZulu-Natal

The real economic activity in KwaZulu-Natal also shows a downward trajectory. In 2018, KwaZulu-Natal generated a regional real gross domestic product (GDP) amounting to R505.6 billion, which was equivalent to a 0.7% growth rate. The provincial economic growth is estimated to have contracted by 0.4% last year and is projected to record growth of only 0.4% this year, before expanding to 1.3% in 2021. This lethargic economic performance contributes to the overwhelming low employment rate in the province, as the economy is unable to create employment opportunities to meet the growing labour force, especially for new entrants. This represents our central challenge.

The latest data by StatsSA released last month shows that the current expanded unemployment rate in KwaZulu-Natal is high at 41.9% compared to the national average of 38.7%. This high unemployment rate is the main socio-economic challenge that contributes to high levels of poverty and inequality, thereby impacting on the overall quality of life of the people of the province. High unemployment is particularly rife among the youth. In 2018, young people aged between 25 and 34 years, experienced a high expanded average unemployment rate of 49.5%.

Despite these challenges, we continue to have some key drivers in the provincial economy, namely, *Finance* at an expected GDP contribution of 17.5% this year, followed by *Manufacturing* at 15.9% and *Trade* at 14.3%. *Tourism* is also pivotal to economic performance in the province. In 2018, the number of people directly employed in the travel and tourism sector in KwaZulu-Natal was approximately 62 649, while the industry's total contribution to employment within the province was estimated at 124 027. Over the same period, tourism's direct contribution to GDP in KwaZulu-Natal was around R10.7 billion.

The table below sets out a breakdown of the KwaZulu-Natal economy:

**Table 1**  
**Sector Contribution to the GDP in KwaZulu-Natal, 2011 to 2021**

	2011	2012	2013	2014	2015	2016	2017	2018	Outlook		
									2019	2020	2021
<b>Primary Sector</b>	<b>6.1</b>	<b>6.1</b>	<b>6.2</b>	<b>6.5</b>	<b>6.1</b>	<b>5.6</b>	<b>6.7</b>	<b>6.4</b>	<b>5.9</b>	<b>5.9</b>	<b>6.0</b>
Agriculture	4.3	4.3	4.4	4.7	4.3	3.8	4.9	4.7	4.3	4.4	4.4
Mining	1.8	1.7	1.8	1.9	1.8	1.8	1.8	1.7	1.6	1.6	1.5
<b>Secondary Sector</b>	<b>23.6</b>	<b>23.5</b>	<b>23.3</b>	<b>23.1</b>	<b>22.7</b>	<b>22.7</b>	<b>22.3</b>	<b>22.2</b>	<b>22.0</b>	<b>21.8</b>	<b>21.8</b>
Manufacturing	17.2	17.1	16.9	16.6	16.4	16.4	16.1	16.1	16.0	15.9	15.9
Electricity	2.4	2.3	2.2	2.2	2.1	2.0	2.0	2.0	1.9	1.9	1.9
Construction	4.1	4.1	4.2	4.3	4.3	4.3	4.2	4.1	4.1	4.0	4.0
<b>Tertiary Sector</b>	<b>61.3</b>	<b>61.5</b>	<b>61.5</b>	<b>61.7</b>	<b>62.3</b>	<b>62.9</b>	<b>62.3</b>	<b>62.6</b>	<b>63.4</b>	<b>63.5</b>	<b>63.5</b>
Trade	14.2	14.4	14.2	14.1	14.3	14.5	14.2	14.2	14.2	14.3	14.4
Transport	11.1	11.1	11.1	11.2	11.3	11.4	11.4	11.5	11.5	11.6	11.6
Finance	16.4	16.3	16.3	16.3	16.6	16.8	16.8	17.0	17.3	17.5	17.7
Community services	19.6	19.7	19.8	20.0	20.0	20.2	19.9	20.0	20.4	20.1	19.8

Source: HIS Markit, 2020

## 1.4 Constraints

Our province too reflects many of the nationally prevalent constraints for rapid economic growth. These have been authoritatively identified as:

- “Insufficient skills
- Highly skewed distribution of land and productive assets
- Low levels of competition and integration into global and regional value chains
- Limited or expensive connectivity and under-serviced historically disadvantaged settlements
- Risk of climate shocks.”

Our approach seeks to deal with all these critical areas which find expression in the Premier’s State of the Province Address – the line of march for us in presenting this budget. The State of the Province Address spells out the following priorities:

- Job creation in a growing economy (including SMMEs and Cooperatives)
- Basic services (especially access to clean potable water)
- Education, health, and skills development
- Human settlements and sustainable livelihood
- Build a peaceful province
- Build a caring and incorruptible government

## 2. THE BUDGET CONTEXT AND FISCAL POLICY CONSIDERATIONS

The world economic climate and the serious national economic constraints have been spelt out in the State of the Nation Address and the National Budget Speech. We accept these conditions as reality but cannot forever just lament these conditions while sinking into paralysis. The President and the Minister of Finance have set out a detailed plan.

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.

## 2.1 Provincial Context

KwaZulu-Natal sees its eighth consecutive year of budget cuts implemented against the Provincial Equitable Share allocation over the 2020/21 MTEF. These budget cuts relate particularly to the census data updates of the Provincial Equitable Share formula, as well as fiscal consolidation budget cuts implemented by National Treasury. There are also some additions made to the Provincial Equitable Share for specific purposes, and these are discussed later. The bulk of our budget cuts emanate from the data updates of the Provincial Equitable Share formula which result in budget cuts of R998.2 million, R1.6 billion and R2.8 billion over the 2020/21 MTEF. This is one of the largest losses we have suffered, with only the 2013/14 Census data updates budget cuts being higher than these. KwaZulu-Natal's share of the fiscal consolidation cuts amount to R1 billion, R1.1 billion and R513.4 million over the MTEF.

The equitable share of all provinces sees an aggregate fiscal consolidation cut of R4.8 billion in 2020/21, R5.2 billion in 2021/22 and R2.6 billion in 2022/23 with KwaZulu-Natal's share already indicated earlier. The total budget cut for KwaZulu-Natal, taking into consideration the budget cuts as a result of the data updates to the formula, as well as fiscal consolidation, amount to R2 billion, R2.7 billion and R3.3 billion over the MTEF.

National Treasury indicated that the fiscal consolidation cuts are aimed at reducing spending levels across all three spheres of government as a result of lower projected national government revenues and the need to stabilise growth in national debt, while providing support to Eskom. These budget cuts were calculated two-fold with a portion relating to *Compensation of Employees* and the cuts are made as a result of lower CPI inflation projections, while the other portion was given effect to by reducing the Provincial Equitable Share by an amount equivalent to 2% of the non-cost of employment spending funded from the equitable share. The cut against *Compensation of Employees* is based on a decision by National Treasury as published in the Medium Term Budget Policy Statement that CPI inflation is to be provided for at 4.8% in 2020/21 and 2021/22, whereas provinces were previously told to budget for a 5.5% CPI in 2020/21 and 2021/22.

It needs to be stressed that as President Ramaphosa puts it, "*State wage bill savings will stem from lower wage growth, not job cuts.*" Of course national attrition must be looked at too to achieve our objectives.

It is quite difficult to find solutions for such budget cuts, in view of the fact that KwaZulu-Natal has seen budget cuts for eight consecutive years. At the same

time, we have important priorities that require additional funding, such as security in schools, learner transport, water provision, shortfalls in meeting our provincial property rates obligations, to mention a few. On the one hand we need to look at ways of cutting the budget, on the other hand we must not lose sight of these important priorities.

How do we effect these budget cuts while minimising, as far as possible, the impact on service delivery spending? Do we keep the level of the Contingency Reserve unchanged? These questions were the focal points of a number of Ministers' Committee on the Budget, Budget Council and Provincial Executive Council discussions in the lead up to this Budget Day. The old adage that one should never let a crisis go to waste becomes relevant. It is an opportunity to do things that were not possible before.

The budget cuts over the past few years have made us focus our attention on improving efficiencies to ensure we continue funding the developmental priorities.

The solution to this latest set of budget cuts was found in numerous ways. As a foundation to these solutions, the cost-cutting measures remain in place. It was also decided to not do away with the Contingency Reserve which has been set at around the R400 million mark over the last MTEF. In this budget, there are proposals to lower the Contingency Reserve but that the level should not reduce below R350 million and I will discuss this in more detail later.

Provincial Treasury assessed the provincial own revenue budgets of all departments and this resulted in a slight upward revision to the provincial own revenue budget over the 2020/21 MTEF. This upward revision helps to offset the budget cuts to a limited extent given the size of our own revenue sources. When the 2019/20 budget was presented, the 2020/21 financial year had a Contingency Reserve in excess of R400 million, and this excess amount was also used to offset the budget cuts. The budget cuts after they were offset thus amount to R1.9 billion, R2.5 billion and R2.7 billion. These budget cuts are being funded as follows:

- The 2020/21 budget cut is offset by the remaining positive 2019/20 Net Financial Position. This amount was R1.1 billion when the 2019/20 Adjustments Estimate was tabled, but the Provincial Executive Council agreed that an amount of R200 million should be kept aside for possible allocation for water provision solutions. As such, R869.2 million is used to offset the budget cut.

- Cutting departments who have high expenditure on non-core activities with R30 million per annum called back from various departments in this regard.
- Cutting departments who showed significant under-spending on *Compensation of Employees* in the 2019/20 December IYM by R50 million in aggregate per annum.
- Allocating funds which have been kept in the Provincial Revenue Fund for the past few years, namely for the cross-border crime fighting structure, funds returned to the fiscus by the KwaZulu-Natal Sharks Board in 2013/14, and funds returned to the fiscus by EDTEA in 2013/14. In aggregate, this allows R91.3 million to be allocated to offset the budget cuts in 2020/21.
- Having reviewed the public entities' 2019/20 mid-year reports, R50 million in aggregate is cut from various public entities per annum over the MTEF, with these cuts especially effected against those entities who showed low expenditure at the end of 2018/19. Funds are also recalled from entities where these were transferred to the entity, but the entity has shown no or limited spending against these funds.
- The *Compensation of Employees* budget cut based on lower CPI projections is cut proportionately against all Votes based on the size of their equitable share-funded personnel budget.
- The balance of the budget cut, after it has been offset by the amounts discussed here, is cut proportionately from all 15 Votes based on the size of their equitable share budget.

Budget cuts always mean that tough decisions have to be taken but rest assured that, within this difficult fiscal environment, we did our utmost to protect the funds we spend on enhancing the lives of our people. This government remains totally committed to implement these budget cuts, as far as possible, where the cut will have the lowest service delivery impact.

## 2.2 Additions to KwaZulu-Natal's Provincial Equitable Share

On the other hand, National Treasury is adding some funds to the provincial fiscus. These funds are earmarked for specific purposes and amount to R74.6 million, R82.1 million and R85.5 million over the MTEF. These additional allocations are as follows:

- **Social Development** receives R8.8 million, R10.3 million and R10.8 million over the MTEF. These funds are for provinces to continue to employ the additional Social Workers recruited in 2019/20 to deal with the high prevalence of gender-based violence, substance abuse and issues affecting children.
- **Social Development** receives R16.9 million, R20.9 million and R21.9 million over the MTEF for the province to continue to support NPOs implementing Social Behaviour Change programmes to address the social and structural drivers of diseases such as HIV, TB and sexually transmitted infections.
- **Education** receives R48.9 million, R50.8 million and R52.8 million over the MTEF and this relates to the continued roll-out of the Sanitary Dignity Project.

### 3. FUNDING FOR SOME PROVINCIAL PRIORITIES

Some priorities were funded from the 2019/20 Net Financial Position, but with these funds allocated in the 2020/21 MTEF. In this regard, learner transport under Vote 12: Transport received R136.6 million to fund the shortfall in providing this service to 58 908 learners from 326 schools. Vote 1: Office of the Premier received R50 million for the KwaZulu-Natal Youth Empowerment Fund, while R8 million in 2020/21 and R8 million in 2021/22 was allocated to Vote 2: Provincial Legislature to implement the Job Evaluation results.

Additional funding is provided over the 2020/21 MTEF to Vote 2: Provincial Legislature from the Contingency Reserve. In this regard, R10 million was allocated in 2020/21, with carry-through, to ease the pressure on the Legislature's budget resulting from increasing the Political Parties Fund from R30 million to R40 million since 2017/18. The additional funding was allocated to assist with pressures relating to public participation costs and to offset pressure on the secretarial allowances paid to political parties.

Due to the budget cuts, departments were encouraged to reprioritise their own budgets to ensure that all key government programmes are sufficiently funded.

### 4. PROVINCIAL FISCAL FRAMEWORK FOR 2020/21

The provincial fiscal framework shows the amounts the province receives in terms of the provincial equitable share, conditional grants and provincial own revenue allocations, as well as priorities funded using provincial cash resources.

**Table 2****Summary of provincial fiscal framework**

R thousand	2020/21	2021/22	2022/23
<b>1. Receipts</b>			
2020/21 MTEF allocation	138 572 164	144 126 939	151 052 462
Transfer receipts from national	133 453 039	140 347 001	147 162 468
<i>Provincial Equitable Share</i>	111 441 977	117 754 878	123 544 256
<i>Conditional grants</i>	22 011 062	22 592 123	23 618 212
Provincial own receipts	3 552 929	3 726 614	3 889 994
Provincial cash resources	1 566 196	53 324	-
<b>2. Planned spending by departments</b>	<b>138 182 164</b>	<b>143 737 639</b>	<b>150 663 562</b>
<b>3. Contingency Reserve</b>	<b>390 000</b>	<b>389 300</b>	<b>388 900</b>

The transfers received from national are the Provincial Equitable Share and the conditional grant allocations. The Provincial Equitable Share amounts to R111.4 billion, R117.8 billion and R123.5 billion over the MTEF, while the conditional grant allocation amounts to R22 billion, R22.6 billion and R23.6 billion over the MTEF. KwaZulu-Natal's total budget allocation from National Treasury is thus R133.5 billion in 2020/21, R140.3 billion in 2021/22 and R147.2 billion in 2022/23. When we add our provincial own revenue and provincial cash resources to this, the total allocation over the MTEF is R138.6 billion, R144.1 billion and R151.1 billion as shown in Line 1.

Line 2 shows that the provincial departments are planning to spend R138.2 billion, R143.7 billion and R150.7 billion over the MTEF. Line 3 shows that the province continues to budget for a Contingency Reserve at amounts of R390 million, R389.3 million and R388.9 million over the MTEF.

## **5. CONTINGENCY RESERVE**

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 allocated in the Adjustments Estimate.

Areas that have often received funding in-year from the Contingency Reserve were learner transport, disaster repairs, security in schools and the KwaZulu-Natal Youth Empowerment Fund, to name a few. This Contingency Reserve also allows us to allocate funds in-year in line with Section 31 of the PFMA which deals with what may be included in an Adjustments Budget. The three areas that possibly need to be included in the Adjustments Budget, as the exact costings

were not ready for inclusion in the main budget, are funds needed for the hybrid decentralisation of the Internal Audit function in the province, renovations to the Legislature building, as well as various capital requirements of His Majesty, the King. Once these costings have been finalised, they will be presented to the Ministers' Committee on the Budget and the Provincial Executive Council for consideration in the 2020/21 Adjustments Budget.

## 6. CONDITIONAL GRANTS

National Treasury indicated that direct grants, in aggregate, are reduced by R13 billion across the 9 provinces over the 2020/21 MTEF in line with fiscal consolidation efforts. There are some changes to the conditional grant allocations for KwaZulu-Natal with the grant allocation increasing by R229.9 million in 2020/21, decreasing by R505.8 million in 2021/22 and increasing by R520.3 million in 2022/23, when compared to the 2019/20 MTEF baseline. Some amendments appear to provide for inflationary growth in the outer year, some grants are absorbed by other grants, while others are new grants but the components of the new grants were previously standalone grants. After these amendments, KwaZulu-Natal's conditional grant allocation amounts to R22 billion, R22.6 billion and R23.6 billion over the MTEF. The largest conditional grant continues to be the **HIV, TB, Malaria, Community Outreach and HPV Vaccine grant** with a budget of R6.5 billion, followed by the **Human Settlements Development grant** at R3.4 billion. Other significant grants in terms of budget allocation are the **Provincial Roads Maintenance grant** with a budget of R2.1 billion, and the **Education Infrastructure grant** with a budget of R2 billion.

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

- The **Comprehensive Agriculture Support Programme grant** reduces by R10.7 million, R15.4 million and R8.4 million over the MTEF. These funds are allocated to the national Department of Agriculture, Land Reform and Rural Development in order to support animal and plant health to sustain the country's exports. These funds will be used for improved laboratory capacity, border controls and inspections by the national department. The grant amounts to R206.4 million in 2020/21.
- The **Ilima/Letsema Projects grant** sees a reduction of R6.2 million in 2020/21 and R2.3 million in 2021/22, while increasing marginally by R94 000 in 2022/23. An indirect Ilima/Letsema Projects grant was created in the 2019/20 Adjustments Budget to fund the National Food and Nutrition Survey aimed at setting the baseline for poverty, vulnerability and food insecurity in the country. This survey is being conducted by the Human Sciences Research Council. This survey will continue in 2020/21

and the funds are shifted to enable the completion of the survey. The reduction in 2021/22 then relates to fiscal consolidation budget cuts. The grant amounts to R73.2 million in 2020/21.

- The province receives R104.5 million in 2020/21 with regard to the **EPWP Integrated Grant for Provinces**, allocated to various departments, as follows:
  - DARD receives R4.6 million
  - COGTA receives R2.8 million
  - EDTEA receives R5 million
  - Education receives R2.2 million
  - Health receives R10.9 million
  - Human Settlements receives R11.6 million
  - Public Works receives R4.2 million
  - Transport receives R63.1 million
- The province receives R78.9 million in 2020/21 with regard to the **Social Sector EPWP Incentive Grant for Provinces** allocated to various departments, as follows:
  - Community Safety and Liaison receives R7.9 million
  - Education receives R22.8 million
  - Social Development receives R48.1 million
- The **Education Infrastructure grant** shows a decrease of R17.2 million, R123.6 million and R28.4 million over the MTEF due to fiscal consolidation budget cuts, with the grant amounting to R2 billion in 2020/21. The budget cuts effected against this grant were offset by increases made to it relating to the incentive nature of this grant.
- The **Health Professions Training and Development grant** and the **Human Resource Capacitation grant** are merged into a new grant, namely the **Statutory Human Resources and Health Professions Training and Development grant**. The new grant amounts to R593.8 million in 2020/21 and the grant was increased by R72.2 million, R63.5 million and R86.3 million over the MTEF. This grant will have two components, with the Health Professions Training and Development component continuing to fund the training of health science trainees and the Statutory Human Resources component will fund interns and community service posts. When the HR Capacitation grant was introduced, it was primarily to fund shortfalls in paying interns and community service posts.

- The **National Health Insurance (NHI) grant** will be used to contract health professionals in the former NHI pilot districts. This is the continuation of an arrangement introduced in the 2019/20 Adjustments Budget, where funds were shifted from the indirect NHI grant to the direct NHI grant. The amount allocated in this regard is R55.3 million, R57.4 million and R59.6 million over the MTEF.
- Some changes are made to the **HIV, TB, Malaria and Community Outreach grant**. The first change is that the Human Papillomavirus (HPV) Vaccine grant is absorbed into this grant as a new component of this grant and the grant's name is changed to **HIV, TB, Malaria, Community Outreach and HPV Vaccine grant**. Funds have also been reprioritized within the grant from the HIV and AIDS component to the Community Outreach Services component to cover a shortfall in salaries. In aggregate, this grant decreases by R16.2 million in 2020/21, while increasing by R44.3 million in 2021/22 and R432.7 million in 2022/23. The grant total in 2020/21 is R6.5 billion.
- The **Human Settlements Development grant** sees an increase of R278.1 million in 2020/21 while seeing reductions of R231.4 million and R147.5 million over the two outer years. There are two specific components to this grant with R400 million allocated within the grant to the Disaster Recovery component and R446.9 million to the Informal Settlements Upgrade Partnership component. The grant amounts to R3.4 billion in 2020/21.
- The **Informal Settlements Upgrading Partnership Grant for Provinces** was initially allocated R553.8 million in 2020/21, but this now forms part of the Human Settlements Development grant. From 2021/22, this grant has an allocation of R714.4 million and R756.9 million in 2022/23, which is a decrease when compared to the amount previously allocated of R79.4 million and R36.9 million, respectively with this grant affected by fiscal consolidation budget cuts.
- The **Title Deeds Restoration grant** receives an allocation of R106.1 million in 2020/21 and is absorbed into the **Human Settlements Development grant** from 2021/22.
- The **Mass Participation and Sport Development grant** is decreased by R23.2 million, R26.1 million and R22.4 million over the MTEF due to fiscal consolidation budget cuts. The grant amounts to R88 million in 2020/21 after these reductions.

- The **Provincial Roads Maintenance grant** sees an increase of R209.5 million in 2020/21, while decreasing by R167.3 million and R79.4 million in the two outer years. National Treasury notes that R500 million is deducted from all provinces in 2020/21 to be set aside as a provisional allocation for disaster recovery. For KwaZulu-Natal, there is an increase in the first year (because of the incentive nature of this grant), while there are reductions in the two outer years. The grant amounts to R2.1 billion in 2020/21 after these amendments.
- The **Early Childhood Development grant** under Social Development sees upward adjustments of R69.6 million, R84.5 million and R116.1 million over the MTEF. The grant continues to have two components, namely the Maintenance and the Subsidy component. The additions to this grant are to provide for an increase in the subsidy that is paid for children attending ECD centres and to provide access for additional children to attend ECD centres. This grant amounts to R193.4 million in 2020/21.
- The **Community Library Services grant** is decreased by R13.5 million, R11 million and R1.5 million over the MTEF in line with the fiscal consolidation cuts. The grant amounts to R181.1 million in 2020/21 after these budget cuts.

## 7. INFRASTRUCTURE

It has been said that *“advancing equal opportunity and economic empowerment is both morally right and good economics, because discrimination, poverty and ignorance restrict growth, while investments in education, infrastructure and scientific and technological research increase it, creating more good jobs and new wealth for all of us.”* While there have been budget cuts effected against this province, every effort was made to not effect these cuts against the infrastructure budgets of the departments. KwaZulu-Natal therefore continues to invest in infrastructure development with the budget over the MTEF amounting to **R13.9 billion in 2020/21, R13.9 billion in 2021/22 and R14.6 billion in 2022/23**. 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 R17 billion, R16.1 billion and R16.9 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 over the 2020/21 MTEF, is contained in the *Estimates of Capital Expenditure* which I am also tabling today.

## **7.1 Some infrastructure projects planned for the 2020/21 MTEF:**

### **7.1.1 Transport**

The **Department of Transport will spend R24.3 billion** over the three years of the MTEF, with the bulk of this budget relating to the maintenance and rehabilitation of the provincial road network. Some of the projects they will be implementing include:

- The upgrade of 4.5 kilometres of the Main Road P700 corridor between Ulundi and Empangeni, Hluhluwe and uMfolozi Game Park. The road provides an important economic mobility route connecting these centres.
- The upgrade of 7.4 kilometres of Main Road P318-1 in Harry Gwala at the foot of the Drakensberg Mountains in the Sani Pass area. One of the main objectives of upgrading the road is to improve access between South Africa (KwaZulu-Natal) and Lesotho, thereby stimulating economic growth in the two regions.
- The upgrade of 4.92 kilometres of Main Road P711 in Maphumulo, which serves about nine secondary and primary schools, three crèches, two health facilities including the Mthandeni Hospital, four places of worship, as well as agricultural lands. This is also an important feeder road to the R74, which serves as an important link between the towns of Maphumulo and Stanger.
- The construction of the 150 metre Mhlalane River Pedestrian Bridge crossing over the Mhlalane River. The bridge is in the vicinity of the Kameelhoek Primary School, the Trustfeed Crèche, the New Hanover Pre-Primary School and the New Hanover Farm School.
- The construction of the Nseleni River Bridge in Ulundi, which serves the Ntambanana and Nseleni communities.

### **7.1.2 Health**

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

- The construction of out-patient, emergency, and pharmacy facilities at Hlabisa Hospital at a value of R155.1 million over the MTEF.
- The renovation of staff accommodation, as well as construction of additional parking and recreational areas at King Dinuzulu Hospital with a budget of R267.3 million over the MTEF.

- A new decentralised MDR-TB unit at Osindisweni Hospital with R133.5 million over the MTEF budgeted for this project.
- A new psychiatric unit, new forensic wards and upgrade of staff accommodation at uMzimkhulu Hospital at a cost of R105 million over the MTEF.

### 7.1.3 Education

The **Department of Education is budgeting to spend R7.7 billion on infrastructure** over the MTEF. The following are some of the infrastructure projects that will be undertaken:

- The department has committed some of its infrastructure budget to the establishment of focus schools, namely the Agricultural School of Excellence in uMgungundlovu, the Maritime School of Excellence in uMlazi and the Autism School in uMlazi, as follows:
  - The Agricultural School of Excellence has an estimated project cost of R250 million. Land for this school has been identified and a professional team has been appointed. Construction will commence in 2020/21.
  - The Maritime School of Excellence has an estimated project cost of R210 million, and a professional team has been appointed. Construction will commence in 2020/21.
  - The School of Autism has a project value of R70 million and construction will start in 2020/21.
- Focus will also be on the establishment of boarding schools as part of the process of consolidating small and non-viable schools. In this regard, boarding schools will be developed in Harry Gwala (at a cost of R220 million), Zululand (at a cost of R103 million) and King Cetshwayo (at a cost of R180 million).
- To ensure a conducive environment for learners with special needs, various upgrades of existing special schools will be undertaken, with the Tongaat Special School benefiting from an upgrade of R38 million, the YWCA Special School in Amajuba benefiting from an upgrade of R75 million and the Musa Special School in Zululand benefiting from an upgrade of R110 million.
- Dingukwazi Secondary School in the Zululand district will continue to receive major upgrades amounting to R90 million. This project is 50% complete.

- Pholela Special School in Harry Gwala district, which entails the continued construction of a new school with a budget of R109 million allocated, is currently 90% complete.
- Open Gate Special School in uMgungundlovu district which relates to major upgrades being done in the amount of R59 million. These upgrades are at 78% completion.
- Collingwood Primary School in Umlazi district which relates to the construction of a new school is allocated R80 million and is 20% complete.

## 8. COST-CUTTING

The cost-cutting measures remain in place and are more important now than ever. We have to continue to look for efficiency savings in the face of the budget cuts. Every cent saved through cost-cutting allows us to redirect these funds to service delivery. As one world leader put it, *“Beware of little expenses. A small leak will sink a great ship.”* The full list of cost-cutting measures is contained in Chapter 2 of the *Estimates of Provincial Revenue and Expenditure* which I am tabling today.

## 9. OVERVIEW PER VOTE FOR THE 2020/21 MTEF

I will now briefly discuss the provincial budget, per department. The table below shows the 2020/21 MTEF budget per department. Departments are discussed in order of the size of their budget.

**Table 3**

### Budgets per Vote

	Medium-Term Estimates			
	2020/21	Percentage of Total	2021/22	2022/23
1. Office of the Premier	800 198	0.6%	775 388	812 290
2. Provincial Legislature	653 102	0.5%	682 180	706 764
3. Agriculture and Rural Development	2 548 157	1.8%	2 662 634	2 785 139
4. Economic Development, Tourism and Environmental Affairs	3 346 813	2.4%	3 489 635	3 650 507
5. Education	57 246 803	41.4%	59 649 720	62 627 493
6. Provincial Treasury	718 763	0.5%	749 437	785 279
7. Health	48 057 681	34.8%	50 892 076	53 394 118
8. Human Settlements	3 929 897	2.8%	3 629 485	3 775 130
9. Community Safety and Liaison	249 103	0.2%	251 506	263 532
10. Sport and Recreation	481 217	0.3%	502 219	525 077
11. Co-operative Governance and Traditional Affairs	1 879 146	1.4%	1 957 001	2 050 847
12. Transport	11 635 486	8.4%	11 619 298	12 090 463
13. Social Development	3 836 327	2.8%	3 965 056	4 174 669
14. Public Works	1 778 409	1.3%	1 840 449	1 927 199
15. Arts and Culture	1 021 062	0.7%	1 071 555	1 095 055
<b>Total</b>	<b>138 182 164</b>	<b>100.0%</b>	<b>143 737 639</b>	<b>150 663 562</b>

## 9.1 Education

As Confucius said, *“If your plan is for one year, plant rice. If your plan is for ten years, plant trees. If your plan is for 100 years, educate children.”* As such, the largest portion of the provincial budget still goes to the Department of Education at 41.4%. The budget over the MTEF is R57.2 billion, R59.6 billion and R62.6 billion. President Ramaphosa said in his State of the Nation Address that “the most significant contribution we can make to inclusive economic growth is in the development of appropriate skills and capabilities” and this starts at the schooling level. KwaZulu-Natal received good results in 2019 with a total of 116 829 candidates sitting for the National Senior Certificate, with 94 930 passing. The province improved from the 2018 pass rate of 76.2% to 81.3% in 2019.

The department plans to complete four new and replacement schools in 2020/21. The priority will be on schools with over-crowding, creating new teaching and learning spaces and those requiring specialist classrooms. The department will also be investing significantly in upgrading, repairing, renovating and maintaining existing facilities to meet the minimum norms and standards. Further, the department will implement focus schools and establish boarding schools as part of the plan to consolidate small and non-viable schools. The 2020/21 MTEF will also prioritise programmes such as focus schools, which will see the establishment of an Agricultural School of Excellence in the uMgungundlovu district, with the aim of promoting agricultural activities for economic growth. A Maritime School of Excellence is planned to be established in uMlazi district, as well as a School of Autism. In terms of supporting learners with special needs, 15 additional buses will be procured to assist in transporting these children to the 72 special schools.

As mentioned, the department received additional funding for the sanitary dignity project. The department will continue to participate in the national transversal contract to purchase the sanitary towels. The targeted number of learners is 956 000 from quintiles 1–3, but there are also requests from some quintiles 4 and 5 schools.

The National School Nutrition Programme will continue to provide nutritious meals to 2.3 million learners in approximately 5 342 schools throughout the province including primary, secondary and special schools in quintiles 1–3 and approximately 233 751 learners from quintiles 4 to 5. The budget allocated toward this is R1.7 billion.

## **9.2 Health**

The second largest portion of the provincial budget goes to the Department of Health at 34.8%. The budget over the MTEF is R48.1 billion, R50.9 billion and R53.4 billion. The bulk of the department's budget allocation is for the delivery of Primary Health Care services to the approximately 87.4% uninsured population of KwaZulu-Natal toward the achievement of optimal health status of all communities in the province. The department plans to monitor access to health services by mapping the percentage of the population within a 5km radius of a health service. They also plan on reducing the HIV incidence from 0.61% in 2018/19 to 0.52% and to increase the number of clients on ARV treatment from 1 387 688 in 2018/19 to 1 701 694 in 2020/21. The plan is also to increase the average number of daily operational ambulances to 210. The department will also develop a patient record management system using in-house resources with the initial pilot sites being Prince Mshiyeni and Madadeni Hospitals, with another ten hospitals to follow thereafter.

The department plans to complete 35 upgrade and addition projects by March 2021, including the 192-bed surgical ward block at Ngwelezane Hospital, the installation of monkey barriers at RK Khan Hospital, and the replacement of perimeter fencing at Wentworth Hospital and 26 clinics in the Zululand District, among others. The Dr. Pixley ka Isaka Seme Memorial Hospital is a 74 000m<sup>2</sup>, 500-bed, regional hospital, which is almost complete, with progress to date at 98%. The completion date is set for 1 June 2020 with commissioning of the facility planned for September 2020.

## **9.3 Transport**

The Department of Transport receives 8.4% of the provincial budget at R11.6 billion, R11.6 billion and R12.1 billion over the MTEF. The bulk of the department's budget is for the construction of roads and the maintenance of the provincial road network, and I have mentioned some of the projects the department will implement in the infrastructure section of this speech. The budget caters for various projects, including the construction of new gravel roads, new blacktop roads, new causeways, new pedestrian and vehicle bridges, etc. The department will continue with road infrastructure development in rural areas.

Through the EPWP programme, the department plans to create 4 600 000 person days of employment, equating to 58 260 jobs to be created, which includes 42 000 women and 9 000 youth. This programme contributes to the alleviation of poverty and the creation of meaningful employment opportunities

for the unemployed. The focus areas for EPWP include safety maintenance, routine maintenance and special maintenance. The department will continue to implement the Youth Vukayibambe Routine Road Maintenance Programme, which is a progressive intervention aimed at uplifting unemployed youth, where 3 200 youth employment work opportunities were created to participate in various routine road maintenance projects across the province. The department will also continue to employ 43 000 Zibambele contractors who undertake road maintenance work for the department.

The department will continue to administer the learner transport services with the total budget for this in 2020/21 being R366.8 million. This will see 58 908 learners from 326 schools being transported.

#### **9.4 Human Settlements**

The Department of Human Settlements receives R3.9 billion, R3.6 billion and R3.8 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.

The department finalised the 20-year strategy in 2019/20, which will guide the upgrading of all hostels across the province and ensure that development costs are standardised and delivery is upscaled. A major focus of the Community Residential Units (CRU) programme will be on the redevelopment of hostels and the construction of new CRU projects in four municipalities, namely Greater Kokstad Municipality with a total of 300 units, uBuhlebezwe Municipality with a total of 150 units, Msunduzi Municipality with a total of 1 164 units and Newcastle Municipality with a total of 540 units. The planning phase for these municipalities commenced in 2019/20.

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. There are a total of 743 informal settlements throughout the province including the eThekweni Metro which has also identified and documented all its informal settlements and has a plan to gradually upgrade informal settlements including relocating additional families to greenfield projects.

The department will continue implementing strategies to address core challenges that impede the achievement of targets set for fast-tracking the transfer of title deeds, such as challenges associated with beneficiary administration/formalisation and regularisation, township establishment and opening of township registers, and dispute resolutions.

The repairing of houses damaged by flood disasters in the province will continue and R400 million is allocated for reconstruction and repair of houses in the eThekweni Metro for 2020/21, with this amount forming part of the Human Settlements Development grant.

## **9.5 Social Development**

The Department of Social Development receives R3.8 billion, R4 billion and R4.2 billion over the MTEF. A large portion of the department's budget is for the provision of social work practitioners. As mentioned earlier, the budget includes additional funding for the fight against gender-based violence and sexually transmitted infections, as well as for additional social workers.

The department is leading government's response to gender-based violence. In this regard, psychosocial support, implementation of prevention, education and awareness programmes, as well as the implementation of economic opportunities for women, are being prioritised. The department will also focus on the continued establishment of White Door Centres of Hope. The department will continue to establish fully functional therapy rooms in state facilities. Social workers rendering services in these therapy rooms will be capacitated with specialised skills and training in therapy and trauma management. The departmental call centre will be strengthened through the placement of social workers to respond to all customer care issues, including those of gender-based violence and rape.

The department will continue with the screening of individuals and stakeholders working with children to ensure clearance in terms of the child protection register, and also partner with the Department of Education to capacitate educators on the management of child abuse.

The department will continue to increase access to ECD for poor children through conditional grant funding. The mobile ECD programme, which is aimed at expanding access to ECD in poor communities with little or no access to formal ECD centres, will continue to be implemented in the Ugu and uMkhanyakude Districts. The main component of the ECD grant is transferred directly to NPOs to subsidise their services, with the second component to assist with the maintenance of 59 ECD facilities.

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

EDTEA receives R3.3 billion, R3.5 billion and R3.7 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 now, as well as in the future.

The budget provides for the Operation Sakhinzuzo project which supports small-scale sugarcane growers. This includes the planting of 600 hectares in 2020/21. The establishment of the Edendale Auto Service Hub, which is the first pilot project in this regard, will be a priority. The project has been adopted and approved by the Msunduzi Municipality who donated the land earmarked for the construction of this hub and the department reprioritised funding in 2020/21 for this project.

The implementation of the Aerotropolis development, aviation and the regional airports strategy continue to be focal areas, as well as the implementation of Operation Vula. With regard to Operation Vula, the department will continue to work with municipalities to identify regional economic opportunities for implementation through the Operation Vula project policy. The department will promote innovation and technology development from two fronts, namely the innovation stream under the Operation Vula project will focus on developing grassroots innovation in communities, while the University Technology Transfer programme will focus on assisting the university community with translating their research outputs into tangible products, applications, and systems. The Operation Vula project provides grant funding in areas such as manufacturing, SMME development, tourism, economic infrastructure development and job creation, with the focus on providing these types of skills and business opportunities at a local level.

The department will continue with capacity building initiatives with existing and new partners. The existing agreement with TVET colleges will continue and includes training co-operatives in technical, business management and co-operative governance skills. The department will prioritise providing comprehensive business and technical support to small enterprises operating within the Operation Vula commodities, such as cleaning detergents, clothing and textile, bakery products, pulp and paper products. The support will include the establishment of shared production facilities and economic infrastructure for small enterprises. The department will also promote and support secondary marketing co-operatives to create marketing platforms for the goods and services produced by the primary co-operatives.

Furthermore, support will be given to municipalities in ensuring sustainability of tourism structures and providing guidance on the development of tourism sector strategies. In this regard, support will be given to municipalities on key infrastructure projects emanating from municipal consultations such as visitor information centres, as well as tourism signage. In partnership with the Tourism Grading Council of South Africa, the department will support Small and Medium

Enterprises to become star graded establishments to improve their service and quality standards.

In line with the Fourth Industrial Revolution (4IR), the department, in partnership with its public entities, will continue with the digitisation drive with the intention to set up digital centres in the following identified sites: Isithebe Industrial park, eThekweni Metro, KwaMashu township, Kokstad township, uMfolozi service centre, Jozini, Ingwavuma, oKhahlamba, Amajuba, Newcastle and eDumbe. The digital centres will provide access to ICT.

EDTEA will aim to provide more pronounced support with respect to the development of alternative and/or renewable energy in the province. Projects will range from the urban alternative energy programme, to the focused rural renewable energy programme, including support of biofuel initiatives that are aimed at using sugarcane.

The department will broaden environmental awareness and capacitation of all sectors of society, which will culminate in the commemoration of World Environment Day taking place on 5 June 2020. The department will continue to provide support to recycling entrepreneurs in KwaZulu-Natal, so as to reduce the volume of waste that is being disposed of, and will continue to partner with municipalities to improve the operations of waste disposal sites.

## **9.7 Agriculture and Rural Development**

The Department of Agriculture and Rural Development receives R2.5 billion, R2.7 billion and R2.8 billion over the MTEF. The agricultural development approach for the province remains premised on the transformation and promotion of previously disadvantaged producers, ensuring their inclusion in the agricultural mainstream economy, in particular to achieve household food security, increased production, productivity, and promotion of competitiveness and commercialisation of agricultural enterprises, especially of smallholder producers.

The overarching interest remains the transformation of key institutions in agriculture and the agri-business value chain through the inclusion of designated groups (women, youth and people with disabilities) in agriculture. The aim of this transformation is to promote agricultural growth and to offer multiple economic opportunities. Furthermore, the department plans to enhance household food security and food supply through efficient utilisation of agricultural land, expansion of irrigable land, improve market access and agro-processing of agricultural products. The initiatives implemented in 2020/21 will be strategically

integrated with the agri-parks concept in terms of processing and marketing of agricultural products.

The horticulture programme will continue promoting vegetable production (including mushrooms for household food security) in line with the Radical Agrarian Socio-Economic Transformation (RASET) programme, as well as sub-tropical products 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.

The department will continue to support initiatives to improve market access for communal cattle through livestock auctions, improve traceability (animal identification), provide training on nutrition, provide livestock related infrastructure and improve the livestock genetic pool.

The Provincial Executive Council took a resolution that this department must develop a plan to produce its own seeds and seedlings in partnership with relevant institutions. This plan will see the department supplying its own seeds and seedlings to qualifying farmers as part of RASET. The department plans to use its own six research stations by establishing nurseries with the department's own seedlings, agronomic seeds and fruit tree propagation. These research stations are geographically spread, under different bio-resource groups and can specialise in producing different seeds and seedlings.

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

COGTA receives R1.9 billion, R2 billion and R2.1 billion over the MTEF. The department will continue to support local government to promote good governance and to enhance financial management in municipalities for improved service delivery, as well as provide support and build the capacity of traditional institutions.

In terms of local governance, the main focus for 2020/21 includes the implementation of the District Delivery Model which advances the idea of One Budget, One Plan for district municipalities, providing support to municipalities in the development of their Integrated Development Plans (IDPs) through capacity building sessions, workshops, IDP forums and IDP assessments, as well as the implementation of an audit outcome strategy to support municipalities to improve their audit status, among others.

The NDP stipulates that, for the country to support its long-term economic objectives and development goals, South Africa needs to focus on investing in basic services, such as electricity, water, sanitation, telecommunications and public transport. In this regard, the department will co-ordinate stakeholders to develop provincial Water and Energy Master Plans which will indicate the strategies to meet the water demand in the province. The department will also monitor the implementation of service delivery programmes relating to electricity, water and sanitation, indigent policies, as well as operational and maintenance plans. The department will continue with the water, sanitation and electricity backlog study which focuses on existing backlogs, as well as assessing the state of existing infrastructure in the province. The backlog study is anticipated to be completed in May 2020. The information obtained from the backlog study will be used to identify gaps and challenges in water, sanitation and electricity supply in all districts. The result of this study will inform the interventions to be implemented.

The department will also provide support to municipalities to develop nodal plans for new towns and to accommodate growth in small towns with the aim of attracting investment and creating employment in these towns. They will also continue to map data in respect of climate related incidents to enhance the province's response to climate change. In this regard, the department will be installing an integrated disaster communication system to ensure timeous warnings to disaster centres in the province.

The municipal space will be an area of priority focus for our provincial government. We are very mindful that it is in this arena that our crisis of governance, of financial management and of implementation, finds its most acute expression.

## **9.9 Public Works**

The Department of Public Works receives R1.8 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 infrastructure delivery. All infrastructure to be delivered will be planned and implemented in line with the Infrastructure Delivery Management System (IDMS) processes. The department is expected to roll out the implementation of the Infrastructure Progression Model Implementation Plan, as prescribed by National Treasury. The role of Provincial Treasury will be to assess the Infrastructure Progression Model Implementation Plan budget.

The department will continue implementing the KwaZulu-Natal Infrastructure Master Plan (KZN-IMP) utilising its Infrastructure Programme Management

unit. The department will maintain and update the consolidated data relating to infrastructure on a virtual spatial platform, which will be hosted in a publicly accessible platform to assist decision makers. The department will continue to register and capture catalytic projects for monitoring on a quarterly basis, and will undertake an annual review of the KZN-IMP.

The KwaZulu-Natal Entrepreneurial Development Centre project will be at construction stage in 2020/21 and it is anticipated to be completed by October 2021. 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.

In terms of job creation, the department will continue to implement the EPWP schools maintenance programme. It is anticipated that this programme will be implemented in over 2 000 schools across all districts, and it is anticipated that more than 5 000 beneficiaries will be supported through this programme in 2020/21. The department will provide technical support to all provincial departments and municipalities in order to achieve the targets of EPWP work opportunities. The department, as the provincial co-ordinator of EPWP, will ensure that 54 municipalities and 12 provincial departments, are reporting on EPWP in 2020/21.

#### **9.10 Arts and Culture**

The Department of Arts and Culture receives R1 billion in 2020/21 and R1.1 billion in the two outer years of the MTEF. The department will ensure cultural advancement in the province through hosting various cultural events and by providing reading and writing material. The department will construct new libraries to increase the reach across the province.

The Social Cohesion and Moral Regeneration Strategy will continue to be a priority and is aimed at eradicating social ills by increasing community participation in various community based structures, increasing advocacy, instilling acceptable morals and values and supporting various programmes that seek to unite South Africans with a common identity. The school culture programme will also be rolled out in partnership with the Department of Education in an effort to curb the increasing rate of drop-outs, teenage/learner pregnancy, substance and drug abuse and other social ills prevalent among the youth. The department will support a reading and understanding programme for children under 10 years of age in various districts through procurement of books, while hosting reading and writing competitions in collaboration with the Department of Education.

The construction of various libraries will commence in 2020/21, for example the uMzumbe, Mbali, Ndaleni, Dukuduku (Mtubatuba), and KwaMdakane (Dannhauser) libraries. The department will establish 10 modular libraries to address the service delivery gap in terms of the provision of library services. The department will continue with the provision of free internet services to 141 community libraries.

The renovation of the KwaDukuza Museum has been budgeted for in 2020/21 and 2021/22, and it is envisaged that the history of heroes, such as King Shaka, Chief Albert Luthuli, among others, will be safely preserved at the museum.

### **9.11 Office of the Premier**

The Office of the Premier receives R800.2 million, R775.4 million and R812.3 million over the MTEF. The department has set itself four outcomes, namely improved governance and accountability, improved co-ordination, integration and efficiency in government, inclusive stakeholder engagement and improved partnerships, as well as a professional and ethical provincial administration.

The Provincial Planning Commission will continue to support the relevant line function departments in pursuing key interventions, such as the formalisation of rural settlements, renewable energy opportunities, and improving information and interventions relating to water.

Since its inception in 2009, Operation Sukuma Sakhe (OSS) has continued to grow and develop as a provincial integrated service delivery model for the community and serve as a community mobilisation vehicle where communities come together and address challenges facing them. The department has strengthened war-rooms as part of ensuring that communities have functional focal points (war-rooms) to support mobilisation and integrated service delivery. OSS Cabinet Days are used to meet the community, communicate and assess the status of service delivery and impact thereof at community level, as well as inculcate and strengthen integration and public participation. Focus will be on ensuring that OSS is integrated into the District Development Model launched by the President in 2019.

The Premier initiated the *Siyahlola* (We Inspect) programme where he will be conducting unannounced site visits to projects throughout the province in order to monitor the implementation thereof and to provide timeous interventions as and when necessary, and this will continue in 2020/21.

With regard to the Inkululeko Development project phase 2, the focus for 2020/21 will continue to be on the uMzinyathi and uThukela districts, the Umvoti Local Municipality, and including Weenen and Muden. The project is going to be integrated into the District Development Model.

The KwaZulu-Natal Youth Empowerment Fund will continue in 2020/21 and will be increased by a second tranche of R50 million. The fund will continue to support youth businesses and is targeting to support 60 youth businesses in 2020/21.

### **9.12 Provincial Treasury**

Provincial Treasury receives R718.8 million, R749.4 million and R785.3 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 key focus areas include improved audit outcomes across the province, as well as on-budget spending, and for the province to remain cash positive.

Continued focus will be on hands-on engagement and support to departments and public entities to enhance their financial accounting and reporting performance, as well as continued staff development and training programmes to develop and retain the requisite financial management skills and expertise. A significant role in the Operation Clean Audit campaign will be played, with the main aim being to attain improved provincial audit outcomes.

Risk-based audits with specific focus on overall good governance will be performed. Areas that require internal audit process enhancements will be identified. Departments will be assisted in redesigning these processes to ensure all risks are well controlled. There will be continued focus on IT audit reviews, transversal reviews of SCM, transfer payments, asset management, as well as performance information.

In terms of municipal financial management, there will be continued focus on improving technical support to delegated municipalities on the preparation of multi-year budgets, as well as the monthly outcomes of those budgets. More focus will be placed on in-year monitoring including statutory returns, as well as the preparation of monthly, quarterly, mid-year and annual consolidated reports on the state of financial performance. The focus will be on assisting, supporting and monitoring municipalities with financial management and compliance with the annual reporting framework. This will be achieved by providing accounting services and support, as well as implementing systems and processes to improve sound financial management and audit outcomes.

### **9.13 Provincial Legislature**

The Provincial Legislature receives R653.1 million, R682.2 million and R706.8 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 its oversight role over departments and public entities. Public involvement initiatives like Taking Legislature to the People and sector parliaments will continue, including Youth Parliament, Women's Parliament and People with Disability Parliament.

### **9.14 Sport and Recreation**

The Department of Sport and Recreation receives R481.2 million, R502.2 million and R525.1 million over the MTEF to promote sport and recreation through the provision of various programmes to promote an active and healthy lifestyle and talent optimisation, with an emphasis on delivering programmes at a ward level through a ward intervention programme.

The department will facilitate the provision of new sport and recreation facilities and repairs to existing facilities. The department plans to construct 61 sport and recreation facilities in total, comprising three basic sport and recreation facilities, in municipalities such as uMvoti, uMfolozi and Mtubatuba, 33 children's play-gyms across the province and 22 multi-purpose courts. The department also aims to complete phase two of three district fitness complexes in uMzimkhulu, uThukela and King Cetshwayo. In addition, the department will deliver 12 new rural cricket hub centres.

The department will continue to focus on the delivery of district, provincial and national school sport competitions targeting 35 000 learners. These competitions are divided into Winter, Summer and Autumn Games, to coincide with the sport code seasons. The department will provide 400 schools with sport equipment and sport attire to conduct school sport activities.

The club development programme is an essential part of the mass participation programme, which is aimed at increasing participation in sport and recreation at local levels, at the most basic levels, in order to develop age-group leagues that can affiliate to the local code associations. The department is targeting 225 wards for provision of equipment and attire to 1 100 clubs. In addition, the department is targeting 150 age-group leagues, primarily in football, netball and volleyball.

### 9.15 Community Safety and Liaison

The Department of Community Safety and Liaison receives R249.1 million, R251.5 million and R263.5 million over the MTEF. The department will undertake police oversight programmes through the development of improvement plans for each police station, focusing mainly on 130 police stations that were flagged as a serious concern during the national census project. The department will continue to solidify community police relations through the establishment of safety and crime fighting structures and will further capacitate community structures through a number of programmes for monitoring and evaluation and crime prevention. Crime prevention initiatives which are part of the safety promotion programmes will be continued, and emphasis will be placed on programmes aimed at addressing gender-based violence in communities.

## 10. TABLING OF BILLS

I am tabling the Appropriation Bill, 2020 in this House today which, when passed, gives the legal basis for departments and public entities to spend their 2020/21 budgets. The Appropriation Bill is prepared in three languages, namely English, isiZulu and Afrikaans.

**Table 4**

### Budgets per Vote

<b>Vote</b>		<b>2020/21 '000</b>
01	Office of the Premier	800 198
02	Provincial Legislature	653 102
03	Agriculture and Rural Development	2 548 157
04	Economic Development Tourism and Environmental Affairs	3 346 813
05	Education	57 246 803
06	Provincial Treasury	718 763
07	Health	48 057 681
08	Human Settlements	3 929 897
09	Community Safety and Liaison	249 103
10	Sport and Recreation	481 217
11	Co-operative Governance and Traditional Affairs	1 879 146
12	Transport	11 635 486
13	Social Development	3 836 327
14	Public Works	1 778 409
15	Arts and Culture	1 021 062
<b>TOTAL</b>		<b>138 182 164</b>

## 11. 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.

I wish to conclude by calling on all of us to step up to face the challenge that history has placed before us. It is a crucial phase. We dare not fail, for we will be judged harshly by posterity for any shortcomings.

This challenge we face today is different from that of Luthuli and OR Tambo and Mandela. We are not required to face bullets or go to jail. We are simply asked to be sober, determined, disciplined and focussed and work hard every day for as long as we are called upon to do so.

I want to thank our Honourable Premier, Mr Sihle Zikalala, 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 SC 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 team for working incredibly long hours to produce such detailed budget documents. Your work ethic and dedication is truly appreciated.

Finally, I thank my organisation, the African National Congress and of course my family for their steadfast and unwavering support.

I thank you.





