BUDGET SPEECH

2017/18

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MEC for Finance

Budget Address by Finance MEC Belinda Scott on 7 March 2017:
2017/18 MTEF Budget in the Provincial Legislature

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PROVINCE OF KWAZULU-NATAL

Budget address by Ms B.F. Scott

MEC for Finance,

On tabling of the 2017/18 MTEF Budget in the Provincial Legislature

7 March 2017

ECONOMIC OUTLOOK

Global and national outlook

Madame Speaker, Honourable Members. It is an honour to present the budget of the Province of KwaZulu-Natal in the House today. The economic outlook sets the foundation for the budget and provides the context in which the provincial budget is being tabled.

As indicated by the National Minister for Finance, Honourable Pravin Gordhan, in his budget speech two weeks ago, the South African economy is still growing at a very slow pace. Although a moderate recovery is forecast over the 2017/18 MTEF, National Treasury expects the South African economy to remain fragile, growing at 1.3% in 2017 and 2% in 2018. You will know that this projected growth falls short of the growth required to meet the goals of the National Development Plan and the PGDP.

Government debts and fiscal consolidation

As correctly indicated by Hon. Gordhan, low economic growth results in lower tax revenue collection by government. This means that we have to borrow money to balance the budget. In 2017/18, the budget deficit will be at 3.1% of GDP. It, therefore, goes without saying that we need to continue with the fiscal consolidation programme so that we can stabilise our debt portfolio. If we don't, our debt service costs will be so high, it will crowd out service delivery. As we speak, the country spends R162.4 billion annually on debt service costs. This is unsustainable.

Debt stabilisation is one of the ingredients that will ensure that our country maintains its investment grade from rating agencies. In this regard, KwaZulu-Natal will continue to play its part in supporting South Africa's fiscal consolidation programme.

Despite the fiscal consolidation programme, the country continues to increase its budget allocation to social services, such as basic education, health, human settlements, and so on. We also continue to invest in infrastructure development.

Economic outlook in KZN

Our provincial economic growth performance has not been that different from the rest of the country and globally. We predict a 1.1% growth rate in 2016 and a 1.5% growth rate in 2017. This sluggish provincial economic performance is, to a large extent, influenced by the contractions in the agriculture, forestry and fishing industries, mining and quarrying, electricity, as well as trade.

Given the sluggish economic performance, our unemployment rate remains high at 25.9%. What is even more worrying is that 50% of the unemployed are youth.

While the economic outlook remains bleak, there is hope that the tide is turning. We are already seeing improvements in commodity prices. The local currency has also gained strength among the major currencies. Although the strength of the local currency may affect our exports, it will ensure that imported inflation is kept in check.

In the province, there are several programmes that are being implemented that will help boost the economy and result in proper economic transformation. One of these is the Radical Agrarian Socio-Economic Transformation (RASET) led by the MEC for Economic Development, Tourism and Environmental Affairs, and if there is a need for additional financial support, this will be considered in-year. He will elaborate more on this programme when he tables Vote 4's budget.

While government has made significant progress in transforming the economy over the past 23 years, more needs to be done in this regard, as the pace of transformation has been too slow. It is therefore imperative to embark upon a process of radical economic transformation. Growth without transformation would mean that inequality will increase which goes against what government wants to achieve. National Treasury has indicated that revised preferential procurement policy regulations will take effect from 1 April 2017 and includes provisions that tenders can be targeted to empower specific groups, such as African women, among others. I reiterate that the province is committed to transformation and more meaningful participation of African people in the economy. As the Honourable Premier mentioned in his State of the Province Address last week, Provincial Treasury has been called upon to ensure that SCM processes are reviewed to advance radical transformation in this province, and a circular is in the process of being finalised to be issued to all departments and municipalities to amend their SCM policies accordingly.

THE BUDGET CONTEXT AND FISCAL POLICY CONSIDERATIONS

National context

As a result of this subdued economic outlook, as well as the need to provide additional funding to new social spending priorities, it was necessary to intensify the fiscal consolidation programme, alongside additions to the budget, while also ensuring the protection of basic social services as far as possible. Despite the fiscal consolidation and the data updates budget cuts, which I will explain shortly, the Provincial Equitable Share allocation to all 9 provinces grows by an average of 7.2% over the 2017/18 MTEF, therefore not compromising the stability of the national budget deficit.

While the 2016/17 MTEF saw significant fiscal consolidation budget cuts implemented against provinces, the 2017/18 MTEF sees these fiscal consolidation cuts being kept to a minimum.

Similarly, some fiscal consolidation cuts are also implemented against the conditional grant allocation to provinces, but these have also been kept to a minimum. Reductions on grants had to be made to support the government-wide fiscal consolidation efforts. Having said this, though, National Treasury advised that reductions to the conditional grants over the 2017/18 MTEF compared to previous fiscal consolidation efforts, have focused on poor performing grants, as well as grants which have higher than average growth rates so that a reduction in their baselines will not severely affect service delivery.

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

Provincial context

KwaZulu-Natal has suffered substantial budget cuts over the last few MTEF periods. Some of these cuts related to the annual data update of the equitable share formula, while others relate to National Treasury's fiscal consolidation plan. As mentioned, unfortunately we are not spared from budget cuts over the 2017/18 MTEF.

There are two types of budget cuts effected against the Provincial Equitable Share, as well as reductions made in terms of the Provincial Own Revenue budgets. Besides this, there are also fiscal consolidation cuts effected against the province's conditional grant allocation and this is discussed in more detail a little later.

Table 1: Provincial Equitable Share and Own Revenue Reductions

Description	2017/18	2018/19	2019/20
1. PES reduction due to data updates	(188 708)	(231 760)	(454 884)
2. PES Fiscal Framework reductions	(105 980)	(111 828)	(117 862)
3. Total PES reductions	**(294 688)**	**(343 588)**	**(572 746)**
4. Provincial Own Revenue reductions	(144 944)	(145 405)	(216 364)
5. Total PES and OR reductions	**(439 632)**	**(488 993)**	**(789 110)**

The first Provincial Equitable Share cut relates to the data updates of the Provincial Equitable Share formula and this is shown in Line 1 of Table 1. This formula has been updated with new data from the Census 2011 age cohorts, 2016 mid-year population estimates, 2016 School Realities Survey (SNAP Survey), the 2014 GDP-R, District Health Information Services for patient load data (2014/15 – 2015/16), 2012 risk adjusted index (risk equalization fund), insured population (2015 GHS), and the 2010 Income and Expenditure Survey. The new shares are phased in over three years, as is normal practice in this regard. The impact of this is a 0.22% reduction of KZN's share of the Provincial Equitable Share and, as such, the province loses R188.708 million, R231.760 million and R454.884 million over the 2017/18 MTEF.

The second Provincial Equitable Share cut relates to National Treasury's continued roll-out of their fiscal consolidation plan. These cuts are shown in Line 2 of Table 1. National Treasury indicated that these cuts have been kept to a minimum for provinces over the 2017/18 MTEF. The cuts are largely due to the 2017/18 budget being informed by weak economic growth, with a downward revision to the growth forecasts. A subdued economic growth implies the same for tax revenue growth. Moreover, new priorities requiring further additions for social spending have further necessitated fiscal consolidation alongside additions to the budget (discussed in more detail shortly). The fiscal consolidation cuts amount to R105.980 million, R111.828 million and R117.862 million over the MTEF.

Adding these two reductions, the total Provincial Equitable Share cuts are R294.688 million, R343.588 million and R572.746 million over the 2017/18 MTEF, as shown in Line 3 of Table 1.

Besides these Provincial Equitable Share cuts, departments are, in aggregate, anticipating to reduce their Provincial Own Revenue budgets by R144.944 million, R145.405 million and R216.364 million over the 2017/18 MTEF, as shown against Line 4 of Table 1. The main contributors to this reduction are Provincial Treasury and Health. For Provincial Treasury, the reduction relates to the fact that Treasury has reviewed the daily cash balances held in the provincial bank account and has noted a decline in the balances held compared to the same time last year. As such, it is felt prudent to decrease the interest revenue budget that was anticipated to be earned. For Health, the decrease relates to the widening of income scales for free services by the National Department of Health, translating into an increased number of patients who qualify for free public health care.

When the Provincial Equitable Share reductions and Own Revenue reductions are added, the province loses a total of R439.632 million, R488.993 million and R789.110 million over the 2017/18 MTEF. These reductions on the revenue side directly impact on the resources that are available for allocation to all departments. In this regard, all departments were requested to prepare a plan that shows against which programmes or projects these budget cuts are to be effected, while ensuring that key government programmes which have a major impact on economic spend and job creation are protected.

To quote Winston Churchill: *“A pessimist sees the difficulty in every opportunity, an optimist sees the opportunity in every difficulty.”* In this difficulty, let us strive to see the positive by eliminating inefficiencies in our spending so as to free resources for service delivery.

Additions to Education and Health

On the other hand, National Treasury is adding some funds to the provincial baseline for Education and Health. In this regard, Education receives R634.605 million in 2018/19 and R686.110 million in 2019/20, with no additional funding given for the first year of the 2017/18 MTEF. These funds are allocated to provinces as budget pressures over the past few years have not allowed for the filling of some of the posts that have become vacant or to employ additional teachers to respond to increasing enrolment. This has resulted in an increase in class size over time in some instances. In this regard, Education has been requested to undertake a comprehensive HR plan to see how many posts the department can afford to fill before allocating these funds to its various programmes. KZN is currently funding learners at below the national norm and these funds will assist us to begin to correct this anomaly.

Health receives additional funding in 2019/20 for the amount of R211.111 million for the exchange rate pressures in the procurement of medicines and medical supplies.

National Treasury provides an amount of R1.498 billion in 2019/20 and this offsets the budget cuts in the outer year, and this is discussed in more detail shortly.

Remuneration of *Izinduna*

The other major impact on the provincial fiscus is the remuneration of *Izinduna* in this province. This is a matter that the province has grappled with over the past few years since the first Presidential proclamation was signed in February 2014 that

Izinduna should be remunerated. While this proclamation was signed determining the amounts at which the *Izinduna* should be remunerated, no funds were added to the provincial fiscus to pay for this and this, therefore, remains an unfunded mandate. All efforts to secure funding for this unfunded mandate from the national fiscus have failed, and it is clear that the province is expected to deal with this unfunded mandate from within the provincial fiscus. It was agreed by the Provincial Executive Council that the Department of Co-operative Governance and Traditional Affairs (COGTA) will fund 50% of the amount needed for the remuneration of the *Izinduna* from within their baseline through reprioritisation, while the balance of 50% is proportionately cut from all remaining Votes. The amount that is required to fund the *Izinduna* is calculated at R252.328 million, R266.206 million and R280.847 million over the 2017/18 MTEF. This means that COGTA has to fund R126.164 million, R133.103 million and R140.424 million over the 2017/18 MTEF from within their budget, while the other half is deducted proportionately from the other Votes.

Changes to departments' budgets

Table 2 shows how the Provincial Equitable Share cuts and Own Revenue reductions are proportionalised across all 15 Votes, while a portion of the Own Revenue reductions are effected against the province's Contingency Reserve. Table 2 also shows the proportional cuts against the Votes, with regard to the amount needed for the remuneration of *Izinduna,*the additions being made to Education and Health's budgets, as well as to the other Votes relating to the additional funding that has been given to the province.

Table 2: Budget Cuts and Additions per Vote

	PES, OR & Izinduna Cuts			Education & Health			Additions from NT			Total		
R thousand	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
1. Office of the Premier	(3 766)	(4 214)	(6 692)	-	-	-	-	-	7 223	(3 766)	(4 214)	530
2. Prov. Legislature	(2 910)	(3 256)	(5 170)	-	-	-	-	-	5 580	(2 910)	(3 256)	410
3. Agric. & Rural Dev.	(10 313)	(11 541)	(18 326)	-	-	-	-	-	19 779	(10 313)	(11 541)	1 452
4. EDTEA	(15 360)	(17 188)	(27 293)	-	-	-	-	-	29 457	(15 360)	(17 188)	2 163
5. Education	(238 347)	(266 716)	(423 527)	-	634 605	686 110	-	-	457 095	(238 347)	367 889	719 677
6. Provincial Treasury	(3 558)	(3 982)	(6 323)	-	-	-	-	-	6 824	(3 558)	(3 982)	501
7. Health	(116 240)	(130 076)	(206 551)	-	-	211 111	-	-	222 922	(116 240)	(130 076)	227 482
8. Human Settlements	(1 766)	(1 938)	(3 210)	-	-	-	-	-	3 753	(1 766)	(1 938)	544
9. Comm Safety & Liais.	(1 058)	(1 184)	(1 880)	-	-	-	-	-	2 029	(1 058)	(1 184)	149
10. Sport & Rec	(1 851)	(2 072)	(3 290)	-	-	-	-	-	3 550	(1 851)	(2 072)	261
11. COGTA	(5 728)	(6 548)	(11 614)	-	-	-	-	-	15 134	(5 728)	(6 548)	3 519
12. Transport	(37 270)	(41 706)	(66 226)	-	-	-	-	-	71 475	(37 270)	(41 706)	5 249
13. Social Dev.	(15 725)	(17 597)	(27 942)	-	-	-	-	-	30 157	(15 725)	(17 597)	2 215
14. Public Works	(8 119)	(9 086)	(14 428)	-	-	-	-	-	15 571	(8 119)	(9 086)	1 143
15. Arts and Culture	(3 681)	(4 119)	(6 541)	-	-	-	-	-	7 060	(3 681)	(4 119)	518
Reduction to Cont. Res.	(100 000)	(100 000)	(100 000)	-	-	-	-	-	-	(100 000)	(100 000)	(100 000)
Total	**(565 693)**	**(621 222)**	**(929 015)**	**-**	**634 605**	**897 221**	**-**	**-**	**897 608**	**(565 693)**	**13 383**	**865 814**

It should be noted that Table 2 only allocates R897.608 million of the additional R1.498 billion provided by National Treasury, with the balance of R600 million not allocated to any department at this stage. The reason for this, is that 2017/18 is the third year of the current wage agreement, with negotiations for the next three-year period estimated to take place in 2018/19. It is, therefore, considered prudent to leave the R600 million unallocated at this stage and for it to be added to the province's Contingency Reserve in 2019/20 in case the wage agreement is reached at an amount higher than the amount departments have budgeted for. This allows the province to add to departments' budgets in the event that the wage adjustment is agreed to at an amount higher than currently budgeted, while it would be preferable to allocate these funds to direct service delivery programmes.

Interesting to note is that, while the budget cuts are significant in 2017/18 and 2018/19, there is a positive allocation to all departments in the outer year, albeit a small increase for most. Education sees good increases in 2018/19 and 2019/20, while Health receives a good increase in 2019/20.

It is important to realise that budget cuts of this magnitude will no doubt have some impact on departments' service delivery programmes. This is especially so for KwaZulu-Natal as these budget cuts come on top of all the other cuts we have experienced, as well as the fact that departments have applied the cost-cutting measures in our province for a number of years and they have really become 'a way of life'. The Provincial Executive Council directed departments to protect government's priority programmes as far as possible.

FUNDING FOR SOME PROVINCIAL PRIORITIES

Table 3 is included as a reminder of various provincial priorities that were allocated additional funding when the 2016/17 Adjustments Estimate was tabled, but with the understanding that these would receive additional funds over the 2017/18 MTEF.

Table 3: Allocations from 2016/17 Net Financial Position

Vote	Description	2017/18	2018/19	2019/20
2016/17 Adjustments Budget				
1. Provincial Legislature	Zero-base adjustment	-	-	34 569
2. Community Safety and Liaison	Carry-through for new structure	8 109	8 515	-
3. Transport	Cross-border crime fighting	48 000	-	-
4. Public Works	Mayville conference centre	4 776	-	-
5. Arts and Culture	Archive Repository	20 881	52 925	93 544
6. Sport and Recreation	Susp from 16/17 - Sport Dev Centre	10 000	-	-
Total allocated		**91 766**	**61 440**	**128 113**

Provincial Legislature

Line 1 shows that Vote 2: Provincial Legislature receives R34.569 million in 2019/20 being the carry-through amount relating to the **Zero-based budget adjustment** that was undertaken in the 2016/17 MTEF. When the funds were allocated to the Legislature, it was for three years only (i.e. R30.536 million, R32.063 million and R32.923 million in 2016/17, 2017/18 and 2018/19 respectively), whereas this allocation now provides for a further year.

Community Safety and Liaison

Line 2 shows that Vote 9: Community Safety and Liaison receives R16.624 million allocated over two years, with R8.109 million allocated in 2017/18 and R8.515 million in 2018/19. When the **Civilian Secretariat for Police Services Act** was enacted, it required that the department implement a revised organisational structure which included being visible in all districts in the province. As such, to assist with this expanded structure, funds were allocated to the department from 2013/14, but these funds did not carry-through beyond 2016/17. This allocation gives the department certainty of funding for another two years.

Transport

Line 3 shows that Vote 12: Transport receives R48 million for the **Cross-border crime fighting initiative** and provides for a cross border crime fighting structure on the KZN/ Mozambique border, as resolved at the Provincial Executive Council Lekgotla held in September 2016. These funds are allocated to the department over two years, with R2 million allocated in 2016/17 and R48 million in 2017/18, but with the understanding that a MOA be entered into with the Department of Home Affairs which is responsible for border infrastructure so that the funds can be recouped. Similarly, a MOA with the SANDF will be entered into, for the border to be patrolled.

Public Works

Line 4 shows that Vote 14: Public Works receives R4.776 million in 2017/18 for the **Mayville Conference Centre** to sound-proof the main facility, and to convert an existing building on the premises into a dining facility. Currently when conferences are held at the facility, a marquee needs to be hired to provide the space required for a dining facility, and this comes at an added cost.

Arts and Culture

Line 5 shows that Vote 15: Arts and Culture receives R169.350 million over four years (i.e. R2 million in 2016/17, R20.881 million in 2017/18, R52.925 million in 2018/19 and R93.544 million in 2019/20) for the construction of an **Archive Repository in Pietermaritzburg** at a total cost of R300 million, with the planning for this project commencing in 2016/17 and construction expected to be finalised in 2022/23. This facility is required so that the heritage of the province is preserved. The repository will store and care for documents of unique and enduring cultural, historical and evidentiary value. Currently, KZN's archives are stored between three repositories in Pietermaritzburg, Durban and Ulundi. Both the Pietermaritzburg and Durban repositories are full to capacity and the Ulundi Archives accommodation does not comply with any minimal standards in which valuable documents may be housed. Funds will have to be added to this project in future years as the construction end-date is in 2022/23.

Sport and Recreation

Line 6 shows that Vote 10: Sport and Recreation requested to suspend R10 million from their 2016/17 budget relating to the construction of a **Sport Development Centre in Durban**. The eThekwini Metro has had some legal issues with regard to the site identified for this centre and the funds are now only required in 2017/18. These funds are, therefore, formally appropriated back to the department as part of the 2017/18 MTEF process.

PROVINCIAL FISCAL FRAMEWORK FOR 2017/18

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.

Table 4 : Summary of provincial fiscal framework

R thousand	2017/18	2018/19	2019/20
1. Receipts			
Baseline Allocation	**116 267 339**	**123 404 132**	**129 160 259**
Transfer receipts from national	113 083 767	120 065 693	125 634 867
Equitable share	*94 051 218*	*99 449 582*	*105 018 756*
Conditional grants	*19 032 549*	*20 616 111*	*20 616 111*
Provincial own receipts	3 183 572	3 338 439	3 525 392
Increase / (Decrease) in allocation	**(648 528)**	**(491 763)**	**2 469 593**
Transfer receipts from national	(503 584)	(346 358)	2 685 957
Equitable share	*(294 688)*	*291 018*	*1 822 086*
Conditional grants	*(208 896)*	*(637 376)*	*863 871*
Provincial own receipts	(144 944)	(145 405)	(216 364)
Revised allocation	**115 908 467**	**123 029 712**	**131 758 844**
Transfer receipts from national	112 580 183	119 719 335	128 320 824
Equitable share	*93 756 530*	*99 740 600*	*106 840 842*
Conditional grants	*18 823 653*	*19 978 735*	*21 479 982*
Provincial own receipts	3 038 628	3 193 034	3 309 028
Provincial cash resources	289 656	117 343	128 992
2. Planned spending by departments	**115 258 467**	**122 379 712**	**130 471 844**
3. Contingency Reserve	**650 000**	**650 000**	**1 287 000**

As mentioned, the equitable share and the conditional grant allocations are affected by the cuts implemented by National Treasury, while also taking into account the funds National Treasury provided towards priorities in Education and Health, as well as funding in the outer year which was used to offset the budget cuts in that year. Also, as already mentioned, the province has made an aggregate downward revision to its Provincial Own Revenue allocations, with the main contributor to this reduction being Provincial Treasury and Health. Table 4 shows the fiscal framework for the 2017/18 MTEF.

KwaZulu-Natal’s total budget allocation from National Treasury is R112.580 billion in 2017/18, R119.719 billion in 2018/19 and R128.321 billion in 2019/20. When we add our Provincial Own Revenue and provincial cash resources to this, the total allocation over the MTEF is R115.908 billion, R123.030 billion and R131.759 billion.

Line 2 shows that the provincial departments are planning on spending R115.258 billion, R122.380 billion and R130.472 billion over the MTEF. Line 3 shows that the province continues to budget for a **Contingency Reserve** which is now set at R650 million per annum in 2017/18 and 2018/19, while increasing to R1.287 billion in 2019/20. Table 4, therefore, shows the provincial fiscus after the budget cuts by National Treasury, additional funding from National Treasury, Own Revenue reductions and the budget cuts to provide for the remuneration of *Izinduna*. The Contingency Reserve in the outer year is made up largely of the R650 million Contingency Reserve, as well as a portion of the R1.498 billion funding which National Treasury has allocated to the province remaining unallocated at this stage. As mentioned, it is felt that this is a prudent approach as the outcome of the next round of wage negotiations is unknown and this allows the province to add funding to departments in that year should the wage agreement be reached at an amount higher than budgeted.

The Contingency Reserve is being kept for a number of reasons, but mainly to protect the province against the impact of unforeseen expenditure pressures should they arise.

CONDITIONAL GRANTS

As mentioned, National Treasury advised that changes to conditional grants are limited. Some reductions are made against the conditional grant allocation as a result of the fiscal consolidation efforts. In addition to fiscal consolidation, a number of grants benefit from additions, while **two new grants** are incorporated into the fiscal framework as part of the expansion of social spending. Reductions to conditional grants over the 2017/18 MTEF have focused on poor performing grants, as well as grants which have higher than average growth rates.

At a high level, the total change in the province's conditional grant allocation is a decrease of R208.896 million in 2017/18, a decrease of R637.376 million in 2018/19 and an increase of R863.871 million in 2019/20.

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

- The **Land Care grant** under the Department of Agriculture and Rural Development (DARD) sees an increase of R682 000 in 2017/18 and R1.387 million in 2019/20, with no additions or reductions in 2018/19. This grant's allocation amounts to R12.012 million, R12.016 million and R13.403 million over the MTEF.
- The **Comprehensive Agriculture Support Programme** (CASP) grant under DARD reduces by R26.114 million, R25.497 million and R6.354 million over the 2017/18 MTEF. A part of this budget cut relates to fiscal consolidation, while the balance of the reduction relates to capacitating the National Department of Agriculture, Forestry and Fisheries to conduct an agriculture and rural census, which will contribute to ongoing efforts to define rurality, and the extent of rurality across provinces. The cut also relates to the fact that disaster funding intended for the Northern Cape was inadvertently allocated to all 9 provinces, and this is being rectified. The CASP grant allocation is R209.598 million, R223.975 million and R243.118 million over the 2017/18 MTEF.
- The **Ilima/Letsema Projects grant** under DARD receives an inflationary increase of R3.990 million in 2019/20. This grant stands at R67.356 million, R71.263 million and R75.253 million over the MTEF.
- The province receives R78.211 million in 2017/18 with regard to the **EPWP Integrated Grant for Provinces**, allocated to various departments, as follows:
  - DARD receives R8.466 million;
  - Arts and Culture receives R2 million;
  - COGTA receives R3.338 million;
  - EDTEA receives R6.149 million;
  - Education receives R2 million;
  - Health receives R8.400 million;
  - Human Settlements receives R5.625 million;
  - Public Works receives R6.588 million;
  - Sport and Recreation receives R2 million; and
  - Transport receives R33.645 million.

- The province receives R85.016 million in 2017/18 with regard to the **Social Sector EPWP Incentive Grant for Provinces** allocated to various departments, as follows:
  - Community Safety and Liaison receives R1.487 million;
  - Education receives R4.808 million;
  - Health receives R47.058 million;
  - Social Development receives R19.498 million; and
  - Sport and Recreation receives R12.165 million.
- The **Education Infrastructure grant** shows an increase of R149.166 million in 2017/18, a reduction of R24.585 million in 2018/19 and an increase of R83.176 million in 2019/20. The allocation letter from National Treasury explains that the reduction against this grant is due to some funds being redirected to the School Infrastructure grant (held by the National Department of Basic Education). This allows for the completion of existing School Infrastructure Backlogs projects. There are also some fiscal consolidation cuts against this grant. On the other hand, KZN benefits from the incentive nature of this grant in 2017/18 having scored 76% in the assessment, and this contributes to the increase shown in 2017/18. This grant's allocation amounts to R1.993 billion, R1.924 billion and R2.032 billion.
- The **HIV and AIDS (Life-Skills Education) grant** under Education shows inflationary growth of R3.325 million in the outer year with the allocation amounting to R56.115 million, R59.369 million and R62.694 million over the MTEF.
- The allocation letter from National Treasury indicated that the **National School Nutrition Programme (NSNP) grant** under Education increases over the MTEF to provide for inflationary pressures related to food prices. The addition is made to alleviate this pressure and to ensure that the programme can continue to provide a nutritious meal to qualifying learners on school days. As such, the grant increases by R27.078 million, R29.334 million and R106.078 million over the 2017/18 MTEF and, therefore, stands at R1.450 billion, R1.535 billion and R1.612 billion over the MTEF.
- The **Maths, Science and Technology grant** under Education is reduced by R2.223 million, R4.607 million and R1.060 million over the 2017/18 MTEF due to slow spending against this grant and this grant's allocation, therefore, amounts to R61.660 million, R62.980 million and R66.527 million over the MTEF.
- A new grant is introduced under Education over the 2017/18 MTEF, namely the **Learners with Profound Intellectual Disabilities grant** and the department

receives R5.558 million, R14.739 million and R17.545 million over the 2017/18 MTEF in this regard. The purpose of the grant is to provide educational opportunities to learners with severe and profound intellectual disabilities.

- The **Health Professions Training and Development grant** under Health sees an increase of R1 000 in 2017/18 and 2018/19, while increasing by R19.667 million in the outer year. The allocation to this grant amounts to R331.944 million, R351.197 million and R370.863 million over the MTEF.

- The **Health Facility Revitalisation grant** sees some reductions over the MTEF due to fiscal consolidation. National Treasury indicated that this reduction should not impact on the implementation of current projects, but rather new projects, where possible, will need to be rescheduled to commence later in the future. On the other hand, KZN benefits from the incentive nature of this grant in 2017/18 having scored 72% in the assessment. As such, this grant increases by R53.445 million in 2017/18, decreases by R25.689 million in 2018/19 and increases by R37.479 million in 2019/20. The grant's allocation, therefore, amounts to R1.149 billion, R1.128 billion and R1.191 billion over the MTEF.

- A decision has been taken to centralise the direct **National Health Insurance (NHI) grant** under the national Department of Health from 2017/18 and the grant is therefore no longer allocated to the province from 2017/18 onward. The grant will be used by the national department in line with the valuable insights derived from the 11 NHI pilot sites, as well as the commitment to achieve universal health coverage.

- The **National Tertiary Services grant** and the **HPV grant** see inflationary increases of R100.500 million and R2.519 million in 2019/20 respectively. The National Tertiary Services grant allocation amounts to R1.696 billion, R1.795 billion and R1.895 billion over the MTEF, while the HPV grant stands at RNil, R44.976 million and R47.495 million over the MTEF.

- Although the **Comprehensive HIV, AIDS and TB grant** is reduced over the MTEF due to fiscal consolidation, the grant still shows good growth. This growth rate preserves the capacity of the grant to deliver treatment services to the same number of patients. To make provision for the continued expansion of ARV coverage in response to the national universal test-and-treat policy, substantial additional funds are added to the grant in 2019/20. As such, this grant reduces by R37.369 million in 2017/18 and by R69.194 million in 2018/19, while increasing substantially by R556.599 million in 2019/20. The allocation to this grant is R4.852 billion, R5.486 billion and R6.112 billion over the MTEF.

- The **Human Settlements Development grant** sees a reduction over the 2017/18 MTEF. Of this, some funding is reprioritised to the Social Housing Regulatory Authority to promote subsidies for social housing, and some funds are reprioritised to assist the Housing Development Agency in operationalising catalytic projects. Part of the reduction relates to fiscal consolidation. As such, this grant reduces by R365.661 million in 2017/18, R361.193 million in 2018/19 and R118.213 million in 2019/20. The grant's reduced allocation is, therefore, R3.478 billion, R3.731 billion and R3.974 billion over the MTEF.
- The **Mass Participation and Sport Development grant** is increased over the 2017/18 MTEF with R2.649 million added in 2017/18, R30.888 million in 2018/19 and R37.296 million in 2019/20, bringing the budget for this grant to R98.427 million, R132.031 million and R138.439 million over the MTEF.
- The **Provincial Road Maintenance grant** decreases by R209.982 million in 2017/18, R224.228 million in 2018/19 and R86.444 million in 2019/20. The formula used to allocate this grant to provinces includes a visual condition indicator (VCI), which measures the percentage of a province's road network that is in good condition or not, and this increases from 45% in the 2016/17 MTEF to 55% for the 2017/18 MTEF. It is necessary to change this criterion in order to ensure a progressive improvement in the condition of the entire road network. Although the national Department of Transport (NDOT) had signalled this pending change, the shift to the higher VCI threshold destabilized provincial allocations in terms of this grant. Through consultation with NDOT, it was agreed that the new VCI threshold will be phased in at 45, 50 and 55% over the 2017/18 MTEF. In addition, the grant transitions to using actual traffic volumes instead of projected traffic volumes to match actual road usage patterns.
- The **Public Transport Operations grant** sees a minor increase of R1 000 in 2018/19, and an increase in 2019/20 of R62.805 million, bringing the budget to R1.071 billion, R1.122 billion and R1.184 billion over the MTEF.
- The **Early Childhood Development grant** comes into effect from 2017/18 and seeks to address both the access of young children to early childhood education, while also ensuring the adequacy of facilities that house these young minds during these crucial education years. The grant sees a fiscal consolidation reduction over the MTEF with R20.501 million, R32.601 million and R26.319 million cut from this grant over the 2017/18 MTEF and the reduced budget, therefore, amounts to R71.879 million, R112.347 million and R118.629 million over the MTEF.

- A new grant, called the **Social Worker Employment grant** is introduced in the Social Development sector. The aim of the grant is to address the need of social workers in the sector and reduce the backlog in the number of social worker graduates that remain unemployed after completion of their government subsidised education. The department receives R53.459 million, R58.855 million and R62.522 million over the 2017/18 MTEF with regard to this new grant.
- The **Community Library Services grant** is reduced in 2017/18 and 2018/19 by R2.311 million and R2.600 million respectively, while showing inflationary growth of R7.373 million in the outer year. Due to slow spending on this grant across the sector, this grant has been reduced and the reduced budget is R173.093 million, R182.722 million and R192.695 million over the MTEF.

INFRASTRUCTURE

The development of a Provincial Infrastructure Master Plan for the province is well underway and is being developed with all the infrastructure related authorities. The key infrastructure areas to be focused on are harbours, airports, road, rail, water, sanitation, electricity, ICT, school and health facilities, human settlements, as well as specialist infrastructure to support lead economic sectors in the province. Infrastructure development is the foundation for poverty reduction and economic growth in developing countries.

The province is budgeting to spend R12.041 billion in 2017/18, R12.250 billion in 2018/19 and R13.264 billion in 2019/20 on various infrastructure projects. This includes both equitable share and conditional grant funded infrastructure. Not included in this are the amounts budgeted for infrastructure by Human Settlements where the asset, in the end, does not belong to government and these are, therefore, excluded from the infrastructure table. If they are added **the total infrastructure spend increases to R15.084 billion in 2017/18, R15.541 billion in 2018/19 and R16.799 billion in 2019/20**. This is a considerable injection of funds into the economy and acts as a major stimulus to growth and development.

Having said this, it is important that departments do not construct new infrastructure facilities unless they have sufficient funds to operationalise these when the facilities are completed. Departments are urged to ensure that existing facilities are well maintained and rehabilitated to ensure that our existing government assets, which are essential in delivering government services at grassroots level, do not become dilapidated.

Some infrastructure projects planned for the 2017/18 MTEF

Transport

The **Department of Transport will spend R21.576 billion** over the 2017/18 MTEF on numerous infrastructure projects, including the following:

- Main Road P700, located from Ulundi to Empangeni, comprising the upgrade of 93.5 kilometres from gravel to blacktop surface. Of this, 79.5 kilometres has been constructed to date. In 2017/18, the department plans to construct a further 5 kilometres, and the remaining 9 kilometres will be completed in future MTEFs.
- Mdloti river bridge, located on Main Road P713 in the iLembe District Municipality which commenced in October 2016, is anticipated to be completed in 2017/18.
- The Mboza Pongola vehicle river bridge is a new bridge being constructed over the Pongola River. The bridge site is located in the uMhlabuyalingana Municipality. The construction started toward the end of 2015/16 and is anticipated to be completed in 2017/18.
- Main Road P443 extends approximately 13 kilometres southwest of the Pongola River and forms part of the Inkululeko development projects in Ndumo, and continues in a south-westerly direction toward Ingwavuma near the Swaziland border. The project entails the rehabilitation and upgrading of 23.26 kilometres, including the widening of the road shoulders, the blasting and widening of narrow sections, the construction of a new base layer and a black top weatherproof surface. The planned output for 2017/18 is 8 400 square metres, with completion anticipated over the 2017/18 MTEF.

Health

The **Department of Health's infrastructure budget is R5.234 billion over the 2017/18 MTEF.** The department will use this allocation for various projects, for example:

- The department's main infrastructure project over the MTEF is the continued construction of the Dr Pixley ka Seme Hospital with an allocation of R512.406 million, R410.289 million and R361.504 million over the MTEF.
- Smaller projects include the construction of a 192 bed surgical ward block at Ngwelezane Hospital, with an allocation of R50 million and R58.879 million in 2017/18 and 2018/19 respectively, as well as new offices at Town Hill Hospital with R30 million allocated per year in 2017/18 and 2018/19.

Education

The **Department of Education is budgeting to spend R6.885 billion** over the 2017/18 MTEF. The following are some of the infrastructure projects that will be undertaken:

- The department will increase the number of ECD classrooms by 120 so that more schools that offer Grade R will have appropriate facilities.
- The department will continue to focus on the provision of special schools' infrastructure in order to grant access to education for learners with special needs. This includes projects such as the construction of new special schools, namely Vulekani special school in the Harry Gwala district, Tongaat special school in the Pinetown district, Pholela special school and Ntuthuko special school in the uThukela district, which include boarding facilities.
- The department will continue to implement the norms and standards guidelines for school infrastructure. The initial focus was on schools with no water and sanitation, electricity, as well as schools with 100% inappropriate structures which started in 2013 and ended in 2016. The focus now will be on schools with inadequate toilets, overcrowding and those requiring specialist classrooms.
- Projects relating to new schools, curriculum support classrooms, laboratories, multi-purpose classrooms, as well as electrification, will continue so that basic functionality can be achieved in all 5 957 schools in KZN.
- The roll-out of repairs to storm damaged schools and upgrades and additions will continue to receive emphasis. The construction of 34 new schools which started in previous MTEFs will be completed over the 2017/18 MTEF.
- Additional funding of R50 million was allocated to the department, and this will be utilised for the improvement of water and sanitation for 150 schools. These projects are part of the 453 schools identified out of a backlog of 1 206.
- The department also aims to increase the maintenance portfolio through the creation of a maintenance directorate, and an increase in the maintenance allocation to 20% of the allocated budget in line with the Education Infrastructure grant framework.

COST-CUTTING

The cost-cutting measures which were first implemented in KZN in 2009/10 remain in place. Provincial Treasury will re-issue these to all departments and public entities as we have done for the past few years as a reminder to focus our resources on service delivery spending. The provincial cost-cutting measures and those issued by National Treasury must, therefore, continue to be adhered to over the 2017/18 MTEF.

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, while National Treasury's cost-cutting measures can be found on their website.

OVERVIEW PER VOTE FOR THE 2017/18 MTEF

This section indicates the amounts budgeted per department over the 2017/18 MTEF and provides a broad overview of what these funds will buy. Departments appear in order of the size of their budget.

Table 5 : Summary of provincial payments and estimates by vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
1. Office of the Premier	766 981	767 752	728 464	658 644	690 318	689 883	742 125	787 137	822 568
2. Provincial Legislature	460 929	476 027	436 137	518 652	556 331	556 331	535 300	565 214	600 520
3. Agriculture and Rural Development	2 005 528	2 003 044	2 199 187	2 170 644	2 216 742	2 216 742	2 197 144	2 316 800	2 467 494
4. Economic Dev., Tourism & Enviro Affairs	3 311 354	2 955 803	2 983 585	2 702 992	2 604 611	2 604 611	2 784 403	3 005 556	3 180 694
5. Education	37 156 042	39 146 083	42 887 911	45 464 373	45 653 119	45 680 527	47 476 599	50 631 848	53 791 211
6. Provincial Treasury	578 426	630 949	604 520	675 280	651 306	631 844	607 844	636 900	677 272
7. Health	29 531 410	31 245 510	34 110 724	36 578 637	37 039 000	37 391 656	39 548 473	41 959 574	44 992 728
8. Human Settlements	3 617 002	3 873 178	4 131 025	3 485 112	3 530 377	3 530 377	3 843 870	4 112 605	4 379 544
9. Community Safety and Liaison	171 922	179 239	190 811	210 123	210 123	210 123	204 486	214 628	228 047
10. Sport and Recreation	414 968	451 245	437 496	426 479	427 536	427 536	463 590	481 833	510 277
11. Co-operative Gov. & Traditional Affairs	1 242 496	1 482 587	1 518 088	1 545 923	1 616 068	1 616 068	1 585 226	1 673 030	1 777 022
12. Transport	8 055 187	9 051 949	9 338 492	9 571 940	9 577 620	9 577 620	9 847 024	10 313 722	10 970 256
13. Social Development	2 329 906	2 487 432	2 610 357	2 778 162	2 782 299	2 774 885	3 041 364	3 181 765	3 382 158
14. Public Works	1 270 253	1 388 082	1 406 247	1 432 608	1 460 688	1 449 526	1 506 951	1 581 909	1 681 234
15. Arts and Culture	698 686	710 027	763 542	786 472	811 424	811 424	874 068	917 191	1 010 819
Total	**91 611 090**	**96 848 907**	**104 346 586**	**109 006 041**	**109 827 562**	**110 169 153**	**115 258 467**	**122 379 712**	**130 471 844**

Table 5 provides information on departmental spending and budgets over the period 2013/14 – 2019/20, and shows the budget per department after taking into account the budget cuts effected against the departments' baselines.

Education

As our beloved Madiba once said: *"Education is the most powerful weapon which we can use to change the world."* As such, the largest portion of the provincial budget still goes to the Department of Education which receives 41.2%. The budget allocation over the MTEF is R47.477 billion, R50.632 billion and R53.791 billion. The budget allocated to Education provides for various activities, among others.

The focus over the MTEF will be on improving curriculum delivery, particularly through ensuring access to high quality Learner Teacher Support Material (LTSM). In this regard, an estimated R2.127 billion is budgeted for norms and standards, of which R1.288 billion is for LTSM for all public ordinary schools. An amount of R114 million is provided for transfers to ECD classes, as well as procurement of LTSM for these schools. All learners in quintiles 1, 2 and 3 schools will continue to be fed through the NSNP grant. The grant framework includes a deworming programme, and allows for the inclusion of learners from quintile 4 and 5 primary schools who come from impoverished families, but are attending these schools.

Health

The second largest portion of the provincial budget goes to the Department of Health which receives 34.3%. The budget allocation over the MTEF is R39.548 billion, R41.960 billion and R44.993 billion over the 2017/18 MTEF.

The bulk of the department's budget allocation is for the delivery of Primary Health Care (PHC) services to the approximately 87% uninsured population of KZN. The main services rendered at PHC level include preventive, promotive and screening services for communicable and non-communicable services at community level and preventive, promotive, rehabilitative, and curative services delivered in mobile and fixed clinics and Community Health Centres and services rendered in district hospitals.

Out of a total budget of R11.829 billion for *Goods and services*, the department has allocated more than 73% towards four major items, namely medicines, NHLS, medical supplies and property payments. The latter item includes water, lights, security, cleaning and catering costs. An ongoing item of procurement is for capital infrastructure with the continuation of the building of the Dr Pixley ka Seme Hospital, as mentioned. The department has planned to procure *Machinery and equipment* in the form of replacement vehicles. The budget for this is R147.079 million and includes provision for ambulances and laundry vehicles. There is also planned procurement amounting to R475.099 million of medical equipment, including X-ray machines and CT scanners. The department has also budgeted to procure non-medical equipment including trolleys, patient beds, etc.

Transport

The Department of Transport receives 8.5% of the provincial budget. The budget allocation is R9.847 billion, R10.314 billion and R10.970 billion over the 2017/18 MTEF. The bulk of the department's budget allocation is for the construction of roads, and the maintenance of the provincial road network. In 2017/18, the department will continue with construction and maintenance projects which include Main Roads P700 located from Ulundi to Empangeni, P127 located from Impendle to Himeville and P577 Duffs Road. In addition, the department will continue with the provision of learner transport services and the subsidisation of bus services in the province. The department will continue to undertake law enforcement campaigns to promote road safety through programmes such as Operation Shanela.

The department commenced with the planning of the cross-border crime fighting project commissioned by the Honourable Premier, for which R2 million was allocated in the 2016/17 Adjustments Estimate. The project relates to the construction of a cross-border crime fighting structure on the border between KZN and Mozambique. A further R48 million has been allocated to the department in 2017/18 for the construction of the structure, as mentioned. The department has indicated that this project will become the responsibility of the planned Border Management Agency, which is expected to be established in April 2017.

Human Settlements

The Department of Human Settlements receives R3.844 billion, R4.113 billion and R4.380 billion over the 2017/18 MTEF. The main purpose of the department's budget allocation is for the provision of housing to various sectors of the population including rural areas and informal settlements, with the bulk of the funding being provided *via* the Human Settlements Development grant. In 2017/18, the department will continue with the provision of housing, with some of the projects detailed here.

Continued focus and roll-out of slums clearance projects is a provincial priority. Currently 116 projects are at various stages of the housing delivery cycle. Four projects are 100% complete, namely: Louisiana in Hibiscus: Ugu District, Trennance Park: eThekwini Metro, Franklin in Greater Kokstad and Gingindlovu Slums in Umlalazi: King Cetshwayo District. It is anticipated that these projects will provide alternative and permanent housing for 134 601 families currently living in slums, with 24 522 units expected to be built over the 2017/18 MTEF. In 2017/18, it is expected that approximately 3 912 units will be completed.

The department will continue with the implementation of the Cornubia Integrated Residential Project north of Durban as a national priority catalytic project in 2017/18. Over the 2017/18 MTEF a total of 2 830 units will be built, accommodating the same number of families.

Social Development

The Department of Social Development receives R3.041 billion, R3.182 billion and R3.382 billion over the 2017/18 MTEF. The bulk of the department's budget allocation is for the provision of personnel in line with the nature of the work done by the social workers. In line with this, the Social Worker Employment grant, which relates to social worker graduate employment, will be used to reduce the backlog of the number of social worker graduates that remain unemployed, thereby reducing the case load per social worker, and so ensuring effective service delivery.

As mentioned, the department receives significant additional funding in the form of a conditional grant, namely the ECD grant to fund NGOs, with some funding to assist in the maintenance of ECD facilities. The department will continue the process of rationalisation in 2017/18 to ensure that the funding needed for the carry-through costs of the 6% increase given to NGOs in 2015/16 is funded in 2018/19.

The department will continue to provide services in areas such as services to older persons, persons with disabilities, care and services to families, as well as child care and protection services, among others.

Economic Development, Tourism and Environmental Affairs

EDTEA receives R2.784 billion, R3.006 billion and R3.181 billion over the 2017/18 MTEF. The bulk of the department's budget allocation caters for transfers to its entities such as Dube TradePort Corporation, Ezemvelo KZN Wildlife (EKZNW), Tourism KZN, Trade and Investment KZN, Richards Bay IDZ and the KZN Liquor Authority, among others. EKZNW is facing serious financial constraints following the budget cuts effected against the entity in 2016/17. EDTEA and Provincial Treasury are engaged in discussions on how to assist the entity in this regard. The budget provides for the RASET strategy, the One Village One Product Craft Enterprise, implementation of Industrial Economic Hubs in all districts, the World Economic Summit, as well as the Invasive Alien Species programme. The department will provide support to SMMEs and co-operatives and will administer the KZN Youth Technical Short Skills Training programme.

Agriculture and Rural Development

The Department of Agriculture and Rural Development receives R2.197 billion, R2.317 billion and R2.467 billion over the 2017/18 MTEF. With the 2017/18 budget allocation, the department will focus on providing support to food insecure communities at subsistence and household food production level. Continued support will be provided to commercial farmers with the aim to continue to improve agricultural production, as well as focus on the development of rural communities through agri-villages and a co-ordinated approach to rural development.

The department will focus on food security at household level while continuing to implement the agrarian transformation strategy, and will participate in RASET in identifying, approving and implementing various programmes and projects to work towards household food security for poor households. The department will be procuring mechanisation equipment, tractors and relevant equipment that will be suitable to support the focus on household food security interventions. The department's strategy focuses on four pillars. The Communal Estate pillar will continue with the already established estates, but the focus will be on extension support in respect of crop production and farm business management. The Communal Estates will be further developed to enable these estates to become self-sufficient and economically viable entities. The River Valley pillar, which focuses on developing agricultural land along rivers that can be utilised for irrigation, aims to lead to the development of 36 irrigation schemes and the rehabilitation of a further 14 irrigation schemes. The third pillar focuses on the development of agri-villages, which will contribute to the upliftment of rural communities. The Land Reform pillar provides for post-settlement support and recapitalisation of land reform farms.

Public Works

The Department of Public Works receives R1.507 billion, R1.582 billion and R1.681 billion over the 2017/18 MTEF. The bulk of the department's budget allocation is for municipal property rates payments and the Government Immovable Asset Management Act (GIAMA) implementation projects. As mentioned, the department receives once-off additional funding for the Mayville Conference Centre in 2017/18 for sound proofing the main facility, and conversion of an existing building on the premises into a dining facility. Since the Conference Centre is used by all departments, an improved facility will enable the province to save on rental and hiring of venues and facilities.Provision is also made for the provincial EPWP co-ordination function and infrastructure support to other departments.

Co-operative Governance and Traditional Affairs (COGTA)

COGTA receives R1.585 billion, R1.673 billion and R1.777 billion over the MTEF. In 2017/18, the department will continue to co-ordinate support, promote good governance and enhance financial management in municipalities, as well as provide support and build the capacity of traditional institutions. The department will also support the installation and recognition of *Amakhosi*. 2017 also marks the year of holding Traditional Council (TC) elections, and the focus of the department will be to support the smooth running of the process. Any additional support required in this regard will be assessed in-year. The department will also administer the remuneration of the *Izinduna* in the province, in line with Presidential proclamations in this regard. The department has indicated that such payments will be effected following a verification exercise.

Arts and Culture

The Department of Arts and Culture receives R874.068 million, R917.191 million and R1.011 billion over the 2017/18 MTEF. In 2017/18, the department will continue to ensure cultural advance in the province through hosting various cultural events and provision of reading and writing material. The department also provides for the provincialisation of libraries, as well as the construction of new libraries to increase the reach across the province. Through the war-room intervention package, the department will place emphasis on programmes aimed at promoting moral regeneration in order to achieve social cohesion guided by the Social Cohesion Strategy in the province.

The department receives funding amounting to R167.350 million over the MTEF in respect of the construction of the Archive Repository in Pietermaritzburg. The department anticipates completing the Archive Repository in 2022/23.

The 2017/18 MTEF includes the last tranche of funding in respect of the construction of the Arts and Culture Academy. The department is in the process of formalising partnerships with various stakeholders, such as the Department of Higher Education and Training, Department of Basic Education and the National School of Government in this regard.

Office of the Premier

The Office of the Premier receives R742.125 million, R787.137 million and R822.568 million over the 2017/18 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, Nerve Centre, support to His Majesty, the King, as well as transfers to its three public entities, Amafa, KZN Gaming and Betting Board and the Royal Household Trust.

Provincial Treasury

Provincial Treasury receives R607.844 million, R636.900 million and R677.272 million over the 2017/18 MTEF. The bulk of the department’s budget allocation is for financial management (for general oversight of all departments, municipalities and public entities’ budget processes), internal audit, SCM, as well as support for transversal and interlinked financial systems. In addition, the department will continue to implement a number of transversal projects, such as Operation Pay-on-Time, Operation Clean Audit, elimination of irregular expenditure, Municipal Support Programme, among others.

Provincial Legislature

Provincial Legislature receives R535.300 million, R565.214 million and R600.520 million over the 2017/18 MTEF. The bulk of the Legislature's budget relates to the areas of law-making and oversight, as well as public participation. The Legislature will aim to improve its oversight over, among others, departments and public entities during the year. Also, the Legislature will continue to focus on procedures and processes that need to be reviewed and/or changed to facilitate the roll-out of the Financial Management for Parliament Amendment Act.

Sport and Recreation

The Department of Sport and Recreation receives R463.590 million, R481.833 million and R510.277 million over the 2017/18 MTEF. In 2017/18, the department will continue to promote sport and recreation through the provision of various programmes and the construction of sport and recreation facilities.

The department plans to construct 68 sport and recreation facilities in 2017/18, comprising two basic sport and recreation facilities, 11 outdoor gyms, 11 combination courts, 11 kick-about sport facilities, 33 children's play gyms and two new resourced hub fitness centres. The department will appoint 26 caretakers to maintain sport facilities constructed in municipalities.

Eight identified sport focus schools will form part of the academy system and be supported to nurture and develop talented athletes identified through the school sport league programme. A total of 16 150 learners are anticipated to participate in tournaments and leagues from a district to national level.

In partnership with the PRIME Human Performance Institute, the department will continue to promote transformation in sport through the implementation of talent optimisation, high performance programmes, scientific and medical support to identified talented athletes. The department will offer the programme to 115 athletes representing 18 codes of sport and will provide high performance screening, testing and training, dietary and medical care.

Community Safety and Liaison

The Department of Community Safety and Liaison receives R204.486 million, R214.628 million and R228.047 million over the 2017/18 MTEF. During 2017/18 the department will continue with the roll-out of the Civilian Secretariat for Police Services Act. The bulk of the department's budget over the 2017/18 MTEF is for community safety initiatives, including the Volunteer Social Crime Prevention Programme, maintenance of Community Safety Forums and Community Policing Forums, crime awareness campaigns, police station evaluations, among others.

CONCLUSION

Despite the budget cuts, our commitment to the people of KwaZulu-Natal is that we will protect government's key priority programmes that are aimed at bringing a better life to all. This is in line with the province's commitment to achieving the vision of KwaZulu-Natal as a **"Prosperous province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the world"**. As we have always said, the growth and development of the province is a shared responsibility among government and key social partners, namely organised business, organised labour and the organised community sector. This becomes even more succinct in view of the impact that the fiscal consolidation programme continues to have on our equitable share and conditional grant allocations.

Our proven fiscal discipline will help us deal with the budget cuts while remaining focused on our key priority programmes. I want to emphasize that adhering to the cost-cutting measures is not only the responsibility of Provincial Treasury. We all have a role to play to ensure that these cuts are first directed at 'nice-to-have' spending areas and thereby try to avoid cutting core service delivery areas. We must improve efficiencies in our spending so that we can re-direct more and more funds to core service delivery programmes for the benefit of our people.

When I delivered my budget speech last year, I indicated that the province would be undertaking a rationalisation of public entities study and that a task team comprising the Office of the Premier, Provincial Treasury, EDTEA and the Department of Agriculture and Rural Development had been formed. A lot of work has taken place over the past year and various recommendations have been proposed by the task team, which will be presented to the Provincial Executive Council shortly. I want to emphasize that this exercise is aimed at improving service delivery and the impact of all our entities.

I want to thank our Honourable Premier, Mr T.W.Mchunu, and my Provincial Executive Council colleagues for their support. My gratitude also goes to the Ministers' Committee on the Budget (MinComBud). We had to take a number of really tough decisions in preparing the 2017/18 MTEF budget.

I would also like to extend my gratitude to Minister Pravin Gordhan and National Treasury officials for their guidance and technical support during these difficult times. 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.

To my Provincial Treasury team, you are first class!

Thank you HOD Magagula and your team for working incredibly long hours, under very tight deadlines to produce top class budget documents – I am very proud of you!

I thank you.