

BUDGET SPEECH

2019/20

The 6th Democratic Administration



HONOURABLE
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PROVINCE OF KWAZULU-NATAL

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

**On Reviving the 2019/20 MTEF Budget in the Provincial Legislature
9 July 2019**

Honourable Speaker
Honourable Members
Heads of Departments
Chief Financial Officers
Head of Provincial Treasury and Officials Present
Business, Academic, Religious and Community Leaders
Members of the Media
Ladies and Gentlemen
Comrades and Friends

INTRODUCTION

We present this budget at a time when a positive mood is sweeping through our beautiful province. That mood is induced by the 6th administration's visible energy and vigour in articulating a coherent plan for inclusive economic growth and social transformation, fighting corruption and accelerating service delivery.

Buoyed by this, as the Provincial Treasury, an institution historically tasked with being the guardians of the public purse, we are determined to play our part as a contributor to an environment conducive to investments and job creation.

More than ever as the provincial government we are determined to continue on our path of fiscal discipline and fiscal consolidation. For the past eight years this province has not deviated from its budget by more than 1% and this will continue. There is no place in our plan of action for fraud and corruption and neither is there room for failure.

Human Rights activist and Nobel Prize laureate, Rigoberta Menchú, reminds us that "Without strong watchdog institutions, impunity becomes the very foundation upon which systems of corruption are built. And if impunity is not demolished, all efforts to bring an end to corruption are in vain."

We are cognisant that as the Provincial Government we have to lead by example because what we do impacts directly the livelihoods of our people. As we tackle the challenges facing us we will be creative but not reckless, we will be imaginative but not overzealous, we will be ambitious but remain realistic.

Our efforts as Provincial Treasury must go beyond a bookkeeping exercise. We will focus substantially on the principle of value for money. We will want to dig deeper to look at the impact in society of the money we spend and the alignment with our priority objectives.

This budget is of course a revival of the 2019/2020 MTEF Appropriation Bill which was tabled by my predecessor on the 7th of March 2019. I will explain the precise legal framework around this revival later on. It is however new information for almost half of this House who are new members.

In reviving this Appropriation Bill we are aware of the urgency with which our people want things to be done but also cognisant of the internal and external factors that limit us.

It is in times of difficulty like this that the true character of a nation and of its leaders get tested. Unfortunately adversity also tends to breed populism whereby false Messiahs who go around promising quick-fixes to complex problems. We will not go that route. Our people have placed their trust in us, we dare not play with their emotions.

As President Ramaphosa warned in his response to the SONA debate that while the current state of affairs requires greater urgency and focus, there are no quick fixes.

In President Ramaphosa's words "Now is the time to focus on implementation. It is time to make choices. Some of these choices may be difficult and some may not please everyone... at a time when public finances are limited, we will not be able to do everything at one time."

In his State of the Province Address Premier Sihle Zikalala made a frank assessment of the many challenges facing KwaZulu-Natal. These include high levels of unemployment, unbearable cost of living for the employed, poor state of local government and growing social ills such as drug abuse and violence in schools.

Honourable Premier we are encouraged by your pronouncement during the State of the Province Address that more attention will be given to all municipalities in the province especially those that are struggling.

The latest report on municipalities for the year ended on June 2018 is worrying as it paints a grim picture about the financial wellbeing of our municipalities. It is a picture largely characterised by a regression in audit outcomes, a decline in accountability and poor internal controls.

The Auditor General noted that in many municipalities across KwaZulu-Natal, vital internal controls were ignored. Because local government is at the coalface of service delivery we realise its importance and therefore the Provincial Treasury we will also focus more attention on this sphere.

As directed by the Premier, working together with COGTA, we will be developing a very specific intervention programme to deal with this issue. The Premier has made it clear to us that consequence management is a fundamental part of the remedial action.

Through the Provincial Treasury's Municipal Support Programme (MSP), we will continue assisting and providing technical support to municipalities with the primary aim of ensuring compliance with the Municipal Finance Management Act (MFMA) and other relevant legislation.

The MFMA and its associated regulations impose very specific duties and responsibilities on Provincial Treasury in this regard.

Through the Supply Chain Management (SCM) Unit, the Provincial Treasury will continue to provide hands-on support and will undertake comprehensive compliance assessments of departments, municipalities and public entities to help reduce irregular expenditure on SCM-related processes.

We will also intensify the fight against fraud and corruption related to the subversion of the SCM processes while ensuring the lawful use of SCM to advance inclusive growth.

Specific to the latter is the proper understanding and implementation of the Preferential Procurement Regulations of April 2017. These regulations expressly authorise and empower SCM processes and institutions of government to do the following:

- To negotiate with a successful bidder to reduce the price tendered to be better aligned with market related prices and if negotiations, held in good faith, are unsuccessful institutions can proceed to the next bidder and repeat the negotiation exercise. In our Monitoring & Evaluation system we should develop an indicator to demonstrate the extent to which we have been able to make effective use of this regulation.
- To specifically target SMMEs as beneficiaries of the procurement process
- To use geographic demarcation combined with other objective criteria, such as the deprivation index, to achieve the imperatives of economic transformation.

- To use more effectively pre-qualification criteria in identified tenders to advance designated groups on the basis of B-BBEE Status of contributor, Exempted Micro Enterprise (EME) or Qualifying Small Enterprise (QSE) or on the basis of subcontracting with EMEs or QSEs which are at least 51% owned by Black youth, Black women, people with disabilities, people living in rural or underdeveloped areas or townships, cooperatives and military veterans
- Provide for tenders based on a stipulated minimum threshold for local production and content
- Effective use of subcontracting as a condition of tender

Members of this august House, we will also be monitoring the implementation of the Municipal Cost Containment Regulations as gazetted by the National Treasury in June 2019.

These regulations are aimed at promoting better governance and management of finances by municipalities and municipal entities through eliminating wastage of public resources on non-service delivery items.

While the primary responsibility for enforcement of these regulations lies with COGTA, we will take a keen interest in the implementation of the new regulations within the framework of cooperative governance.

Over the next five years we will be guided by the key government priorities. These are:

- Economic Transformation and Job Creation
- Education, Skills and Health
- Consolidating the Social Wage Through Reliable and Quality Basic Services
- Spatial Integration and Human Settlements
- Social Cohesion and Safe Communities
- A Capable, Ethical and Developmental State
- A better Africa and World

Within this broad framework there are very specific priorities set out in the Premier's State of the Province Address. These will find expression in the various budgets by the departments. All departments are currently working on this reprioritization exercise and we expect to deal with the outcomes of that exercise in the adjustment budget later this year.

We agree with Premier Zikalala when he said: "Indeed, we are faced with extreme difficulties and serious restraining socio-economic challenges. But because of our

conviction with the genuine course of our liberation, democracy and development, we have no doubt that we will triumph. Definitely, light will prevail over darkness, good over evil, friendship and human solidarity will defeat greed and exploitation, just as growth and prosperity must win over underdevelopment and social decay. Because our cause is genuine and our mission entails noble goals, we have no doubt that victory is certain.”

Economic Outlook

The International Monetary Fund (IMF)¹ and the World Bank predicted that the global economy would grow by 3.3% and 2.9%, respectively in 2019, with South Africa’s growth predictions by these institutions being lower at around the 1.2% per cent mark. In the first quarter of 2019, South Africa’s economy shrank by more than 3% compared to the last quarter, with this poor performance largely attributed to load shedding, a strike at gold mines, and weak levels of investment. The mining, manufacturing and agriculture sectors all saw concerning declines, with the export of goods from our country also falling sharply, with the latter being partly due to the effects that the global trade war between the United States (US) and China is having on global growth. The country is holding its breath, once again, to see what the second quarter will bring.

KZN is not immune from the sluggish economic performance with the provincial economy growing far below the 5% envisioned in the Provincial Growth and Development Plan. Between 2011 and 2017, the economy of KZN grew at a moderate average of 2%. The forecast for this year is that growth for the provincial economy will be at 1.8%.

KZN has a huge number of non-economically active population which is estimated at 3.5 million in the fourth quarter of 2018.

As at the fourth quarter of 2018 the province had high expanded unemployment rate (41.3%).

Furthermore, unemployment in the province is high among district municipalities that are in rural areas due to limited economic activities, lack of economic infrastructure and highly unskilled labour force, among others.

The Honourable Premier Sihle Zikalala has given us the above stated priorities precisely to respond to these challenges.

As we enter this new chapter and begin in earnest to focus on our new priorities, the Provincial Executive Council will have discussions on how new priorities will be funded. Most will have to be funded through reprioritization of existing budgets, while others, if possible, may be considered for additional funding when we prepare the Adjustments Budget in a few months’ time.

¹ IMF, World Bank, SARB, StatsSA and IHS Markit, 2019

Revival of the 2019/20 MTEF Appropriation Bill

In order for this new administration to hit the ground running, we need to ensure that the budgets that were tabled in this House on 7 March 2019 are adopted and that the Appropriation Bill is revived in this 6th Legislature. Standing Rule 250 indicates that all business before the House or any Committee on the last Sitting day of the Term of the Legislature lapses at the end of the day. In other words, the Appropriation Bill tabled on 7 March 2019 lapsed in the last Term, and it is thus required that this House revives the Bill that was tabled on 7 March 2019.

When my predecessor tabled the 2019/20 MTEF budget in this House on 7 March 2019, it was prior to the elections and, as in any election year, the budget processes could not all be finalised prior to the 5th Legislature being dissolved. As this was to be expected, the provision of Section 29 of the PFMA become important in that this section allows departments to commence spending the amounts allocated to them before the Appropriation Bill for 2019 is passed. Section 29 requires provinces to pass their own Direct Charges Act, though, and this was done in 2002 when the KwaZulu-Natal Direct Charges Act No. 4 was passed. This Act, read with Section 29 of the PFMA, thus provides the legal basis for provincial departments and public entities to commence spending their allocations before the formal appropriation and voting processes have been concluded. Section 29 (2) of the PFMA states that a maximum of 45% of the budget may be spent in the first four months of the year, based on the amount appropriated in the previous annual budget, and provides for a further 10% to be spent in ensuing months, but limits this expenditure to the amount appropriated in the previous annual budget.

By reviving the Appropriation Bill today, we are taking the next step in finalizing the process that commenced on 7 March 2019, with today's session to be followed by each Vote's budget being tabled to the Committee of the Whole House, in line with Standing Rule 224(1)(b), followed by a debate on each Vote's budget. This will culminate in a General Budget Debate on all 15 Votes and, finally, voting on the Appropriation Bill.

THE FISCAL FRAMEWORK

The budget I am tabling today is summarized in the table below and indicates that KwaZulu-Natal receives R106 billion in equitable share funding from the national fiscus in 2019/20, with a further R21.1 billion received in conditional grant funding. Provincial Own Revenue and cash resources amount to R3.7 billion. This means that a total of R130.9 billion is available for KwaZulu-Natal to implement its programmes and projects. Of the R130.9 billion, an amount of R130.5 billion is allocated to the 15 Votes, and the balance of R400 million is kept as a Contingency Reserve. While budgeting

for a Contingency Reserve has become a norm for this province, the amount of the Contingency Reserve is set at R400 million, whereas this was previously set at around the R650 million mark, and I will explain why shortly.

Summary of provincial fiscal framework

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

There were two equitable share budget cuts effected against KwaZulu-Natal. The data updates of the equitable share formula resulted in budget cuts of R444.6 million, R706.6 million and R1.3 billion over the MTEF. It is worth mentioning that this is the seventh consecutive year that the province loses money as a result of these data updates. In addition, President Ramaphosa, announced that there would be minimal or no annual salary increases for public office bearers. Premiers, Members of the Executive Councils (MECs), and Speakers did not receive salary increases, while Members of Provincial Legislatures (MPLs) received a 2.5% increase. This announcement resulted in National Treasury cutting R8.8 million, R9.4 million and R9.5 million from the province's equitable share.

These budget cuts were absorbed in a number of ways. The Contingency Reserve was lowered to R400 million, as mentioned. It was agreed that the budget cut relating to the freezing of public office bearers' salaries would be cut from those departments who budget for such salaries. An exercise was also undertaken to ensure that Provincial Own Revenue growth was not too conservative and this resulted in increases in the Provincial Own Revenue budgets. Amounts that had previously been recalled into the Provincial Revenue Fund were assessed to see whether these funds will be needed in the near future. Where it was felt that these projects would not be immediately implemented, these funds are being used to fund the budget cuts, but with the understanding that these funds might be returned to these projects when possible.

These include:

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

These measures were adopted so as to protect departments from the budget cuts and to ensure continued service delivery.

Additions to KwaZulu-Natal's provincial equitable share

Besides the budget cuts, there were also some additions made to KwaZulu-Natal's equitable share. The additional funds amount to R85.9 million, R88.2 million and R300.8 million over the MTEF. The funds are ear-marked by National Treasury, as follows:

- **Social Development** receives R6.6 million and R7.1 million in 2020/21 and 2021/22. This relates to contracts for Provincial Food Distribution Centres and Community Nutrition Development Centres ceded to the Provincial Departments of Social Development by the National Department of Social Development.
- **Social Development** receives R62.5 million, R66.7 million and R70.4 million over the MTEF with respect to the Social Worker Employment grant. The Social Development sector is phasing this grant into the equitable share, and this is, thus, not new money but merely a change in the funding stream from conditional grant to equitable share funding.
- **Provincial Treasury** receives R5 million per year over the 2019/20 MTEF to increase the technical capacity within its infrastructure unit.

- **Education** receives R27 million in 2019/20 and these funds are added to improve access to sanitary products and sanitary dignity for female scholars.
- **Health** receives an allocation in the outer year of the 2019/20 MTEF to assist in dealing with the Cuban Doctors' programme. A total of R1 billion is allocated to the health sector in 2021/22, with KwaZulu-Natal's share of this being R208 million.
- **COGTA** receives R9.6 million with carry-through over the MTEF for provinces to strengthen their support interventions in municipalities as per Section 139 of the Constitution.

FUNCTION SHIFTS BETWEEN DEPARTMENTS

The 2019/20 MTEF gives effect to three function shifts. The first function shift entails the movement of the **Learner Transport function** from Education to Transport which was already initiated when the 2018/19 Adjustments Estimate was tabled in this House. Secondly, the **Gaming and Betting function** moves from Office of the Premier to the Department of Economic Development, Tourism and Environmental Affairs, Thirdly, the **Heritage function** (inclusive of the entity Amafa) moves from Office of the Premier to the Department of Arts and Culture.

CONDITIONAL GRANTS

KwaZulu-Natal is the recipient of 24 conditional grants over the 2019/20 MTEF. Conditional grants are given to provinces for a specific purpose and the use of these funds is regulated by a grant framework as contained in the Division of Revenue Act. In aggregate, KwaZulu-Natal's grant allocation increases by R907.4 million in 2019/20, decreasing by R30.2 million in 2020/21, and increasing by R1.3 billion in 2021/22. KwaZulu-Natal's total conditional grant budget is thus R21.1 billion, R21.8 billion and R23.1 billion over the MTEF. The largest of these grants are the HIV, TB, Malaria and Community Outreach grant (R5.8 billion) under Health, the Human Settlements Development grant (R3.5 billion) under Human Settlements, the Education Infrastructure grant (R2.2 billion) under Education, the National Tertiary Services grant (R1.9 billion) under Health and the Provincial Roads Maintenance grant (R1.9 billion) under Transport.

The detail of all these grants is contained in the Estimates of Provincial Revenue and Expenditure (EPRE) or the Green Book, as we refer to it. This speech will thus only focus on those grants that show the biggest increases and decreases so that Members are aware of these.

- The **Education Infrastructure grant** shows an increase of R392.5 million in 2019/20, R22.1 million in 2020/21 and R177.7 million in 2021/22, with the new budget amounting to R2.2 billion, R2 billion and R2.2 billion over the MTEF. The increase in 2019/20 includes R200.3 million in terms of disaster relief funding allocated to deal with repairs of schools relating to the 10 October 2017 flood disaster that occurred in the province. The balance of the increase relates to the incentive nature of this grant.
- The **Health Facility Revitalisation grant** sees an increase of R200.4 million in 2019/20, a decrease of R3.8 million in 2020/21 and an increase of R91.2 million in 2021/22. This brings the grant total to R1.3 billion, R1.2 billion and R1.3 billion over the MTEF. National Treasury indicated that this grant was being cut by R60 million in the first two years of the MTEF due to slow spending by the sector as a whole, with only three provinces receiving an incentive allocation. KwaZulu-Natal is one of the provinces who benefits from the incentive allocation.
- A new grant is introduced for Health, namely the **Human Resources Capacitation grant**. This was initially a component of the National Health Insurance (NHI) indirect grant held under the national Department of Health, but a decision was taken by the sector to make this a direct grant allocated to each province. This is to assist provinces to appoint critical staff in Health, including nurses, medical interns and porters, to name a few. The amount allocated to KwaZulu-Natal in this regard is R122.3 million, R130.4 million and R138.7 million over the MTEF.
- Some structural changes are made to the **Comprehensive HIV, AIDS and TB grant** and the grant name is amended to the **HIV, TB, Malaria and Community Outreach grant**. This grant sees a reduction of R273.6 million in 2019/20 and R231.5 million in 2020/21, while increasing by R598.8 million in 2021/22. The grant amounts to R5.8 billion, R6.5 billion and R7.3 billion over the MTEF. In terms of the structural changes to the grant, a separate Malaria component is created with funds reprioritised within the grant to fund this new component. It was also decided to split the TB portion of this grant into a separate component in order to improve monitoring of spending in this area. The Community Outreach Services component increases by R1 billion across all nine provinces to fund the minimum wage of Community Health Workers.
- Some changes are made to the grants in the Human Settlements sector. The **Title Deeds Restoration grant** comes to an end in 2020/21, and will be phased back into the **Human Settlements Development grant** (HSDG). To promote improved co-ordination in support of individuals in the gap market purchasing homes, an amount of R950 million for the sector as a whole is reprioritised from the HSDG over the 2019/20 MTEF, with these funds

allocated to the National Housing Finance Corporation for the Finance Linked Individual Subsidy Programme. Funds of R1 billion and R2 billion are cut from the HSDG across all nine provinces in 2020/21 and 2021/22, as part of government's broader set of fiscal consolidation. In KwaZulu-Natal, the HSDG increases by R210.3 million in 2019/20, while decreasing by R407.3 million and R813.3 million in 2020/21 and 2021/22, respectively. The budget for this grant amounts to R3.5 billion, R3.1 billion and R2.7 billion over the MTEF. An amount of R247 million is earmarked in 2019/20 and R400 million in 2020/21, being disaster relief funding, specifically to deal with repairs to houses damaged by the 10 October 2017 storms.

- A new grant, namely the **Informal Settlements Upgrading Partnership grant** is introduced from the 2019/20 MTEF with the funds for this new grant reprioritised from the HSDG. This grant is specifically for informal settlements upgrading. The amounts allocated to this grant are R553.8 million in 2020/21 and R793.8 million in 2021/22.

OVERVIEW PER VOTE FOR THE 2019/20 MTEF

We now turn to the 2019/20 MTEF budget per Vote. What will the R130.5 billion deliver? The table shows all 15 Votes, their budgets in 2019/20 and the percentage of the provincial budget allocated to each Vote in that year, as well as the budget for the outer two years of the MTEF.

Budgets per Vote

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

As mentioned, KwaZulu-Natal will be spending R130.5 billion in 2019/20. The largest share of the provincial budget goes to Education who receives 41.4%, followed by Health at 34.5%. This means that these two departments jointly receive nearly 76% of the budget, with the balance of 24% allocated to the remaining 13 departments.

Important to note is that R13.6 billion of the provincial budget is spent on infrastructure which is about 10% of the provincial budget. It is well known that infrastructure

spending by government generally results in higher economic output in the short-term by stimulating demand, but also in the long-term as it increases the overall productivity of a country. This type of investment will contribute towards economic growth and job creation.

Departments are discussed in order of the size of their budget, with the information provided here extracted from each department's chapter in the Green Book. I encourage Members to study the Green Book carefully, as it gives a great deal of information on each department and on what they intend to do with the budget allocated to them. The information in the Green Book is provided at programme and sub-programme level, as well as at economic classification level (so that you can see how much is spent on capital versus current). Information is given on personnel numbers per department, infrastructure, transfers to other organisations, conditional grants, service delivery targets, among others. The Green Book published in this province is the most detailed of all the 9 provinces, thus providing you with as much information as possible, to oversee what departments do with the budgets allocated to them. This thus assists Members in their oversight role, and also provides as much transparency as possible to the citizens of our country. The contents of this book are posted on both the National and Provincial Treasury websites and are therefore also accessible to the public.

Education

The budget allocation over the MTEF is R54 billion, R57.7 billion and R60.9 billion and relates to the provincial priority of education and skills development.

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

The department will maintain its intervention programmes of previous years, with the main aspect of curriculum delivery and support focussing on the role of circuit managers as curriculum delivery supervisors; the audit of curriculum delivery; re-skilling of teachers through improved teacher development strategies; as well as improving assessment strategies in the General Education and Training band. Subject Advisors and Circuit Managers will assist schools to monitor curriculum coverage. Schools will receive well prepared lesson plans, coupled with assessment exercises and

memoranda. These exercises will help teachers to get feedback after teaching each aspect of work. Schools will have curriculum delivery targets which will be monitored by Circuit Managers on a monthly basis.

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

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

Health

The budget over the MTEF is R45 billion, R48.2 billion and R51.6 billion. This budget provides for health services primarily to the uninsured population of KwaZulu-Natal. According to the 2017 General Household Survey, 12.6% of the population in KwaZulu-Natal are members of medical aid schemes. This means that some 1.4 million people are members of medical aid schemes while approximately 10 million, or 87.4%, are not medical aid members. This fits into the provincial priority of ensuring that good health services are provided.

The department plans to improve Information Communication Technology with broadband connectivity established in 92.9% of hospitals and 50.2% of Primary Health Care facilities by March 2020. They also plan on conducting 3 074 435 HIV tests, to reduce the malaria case fatality rate from 0.8% to 0.54%, to perform 9 700 cataract surgeries and to increase the average number of daily operational ambulances from 179 to 200.

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

Transport

The Department of Transport receives 8.3% of the provincial budget. The budget allocation is R10.8 billion, R11.3 billion and R12 billion over the MTEF. The bulk of the department's budget is for the construction of roads, and the maintenance of the provincial road network. In this regard, the department will continue with the construction of roads to link rural communities to provincial hubs of activity, in order to achieve the strategic goal of providing access and mobility within the province. The upgrading and rehabilitation of the provincial road network to improve and prolong the lifespan of the network will also continue to be a priority. This ties up with the provincial priority of transforming and growing the economy, growing SMMEs, as well as improving the conditions of life for all South Africans.

The department will also continue with the subsidisation of bus services, learner transport services and undertake law enforcement campaigns to promote road safety. Transport's budget also provides for the Shova Kalula programme, which is an intervention to improve mobility by providing bicycles to people, including learners in rural, remote and poorly resourced areas, to enable them to access basic needs, as well as social and economic opportunities. The department will distribute 2 400 bicycles in 2019/20.

Human Settlements

The Department of Human Settlements receives R4 billion, R4.2 billion and R3.9 billion over the MTEF. The main purpose of this budget allocation is for the provision of housing to various sectors of the population, including rural areas and informal settlements. This falls in line with the aim to improve the conditions of life of all South Africans, especially the poor, and is thus also in line with the provincial priority of human settlements and sustainable livelihoods.

The department is in the process of finalising a 20-year strategy, which will guide the upgrading of all hostels and ensure that development costs are standardised. Continued focus and roll-out of slums clearance projects is a provincial priority and projects in this regard are currently at various stages of the housing delivery cycle. In terms of rural housing development, it is expected that approximately 7 850 units will be completed in areas such as uMzinyathi, Amajuba, Harry Gwala, uMkhanyakude and Ugu. Houses damaged by the flood disaster on 10 October 2017 will be repaired with R247 million allocated for reconstruction and repair of houses in the eThekweni Metro for 2019/20. A total of 1 500 houses will be rehabilitated.

Social Development

The Department of Social Development receives R3.5 billion, R3.7 billion and R3.9 billion over the MTEF. The bulk of the department's budget allocation is for the

provision of social work practitioners. The work of this department is centred around improving the conditions of life for all South Africans, especially the poor and thus fits into the provincial priority of providing good basic services, as well as sustainable livelihoods.

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

The department will continue to implement integrated youth development programmes in its youth centres and academies and will collaborate with the Department of Economic Development, Tourism and Environmental Affairs and other stakeholders in the implementation of the high impact skills development programmes, thus contributing to the provincial priority of skills development, job creation and growing the economy. Planned new infrastructure projects in this regard are the Wentworth Youth Development Centre and the Hibiscus Coast Youth Academy, among others. The department will continue to advocate for mainstreaming and empowerment of women which is part of the Radical Economic Transformation programme.

Economic Development, Tourism and Environmental Affairs (EDTEA)

EDTEA receives R3.2 billion, R3.4 billion and R3.6 billion over the MTEF. The work of this department centres around stimulating economic growth in order to create jobs, as well as developing skills needed for now, as well as in the future. This therefore fits in with the provincial priorities of job creation, transforming and growing the economy, skills development, as well as growing SMMEs and co-operatives.

The major projects for EDTEA in 2019/20 include Operation Vula and the Radical Economic Transformation programme. This includes the KZN Gijima Local Competitiveness Fund project which will target the agro-processing value chain sector. The department will also prioritise the establishment of shared production facilities for small enterprises in support of Operation Vula commodities such as cleaning detergents, bakery products and toilet paper. The Sakhinzuzo project is another important project and is a partnership project with Tongaat Hulett whereby support is given to small-scale sugarcane growers. Other important areas of focus are Industrial

Economic Hubs, the Tourism Entrepreneurship Career Expo, the Tourism Homestays project, Invasive Alien Species Programme, as well as support of SMMEs and co-operative projects. The budget also provides for the KZN Youth Technical Skills Training and Placement Project, as well as the KwaMajomela Manufacturing centre which is a planned small-scale manufacturing and value add services centre in Nongoma and aims to support local business with trading spaces, equipment and shared facilities for capital equipment incubation.

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

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

Agriculture and Rural Development

The Department of Agriculture and Rural Development receives R2.4 billion, R2.6 billion and R2.7 billion over the MTEF, and will continue to focus on providing support to food insecure communities at subsistence and household food production level. The department will focus on economic growth, job creation and improving the conditions of all South Africans, especially the poor. This therefore fits in with the provincial priorities of job creation, transforming and growing the economy and skills development, while also growing SMMEs and co-operatives and ensuring sustainable livelihoods.

The agricultural development approach will be to transform and promote previously disadvantaged producers, ensuring their inclusion in the agricultural mainstream economy in particular to achieve household food security, increased production and productivity and promotion of competitiveness and commercialisation of agricultural enterprises, especially of smallholder producers.

The department will focus agricultural development on transforming key institutions in agriculture and the agri-business value chain through the inclusion of designated groups (women, youth and people with disabilities) in agriculture. Also, the aim is to enhance national food self-sufficiency and food supply, as well as to increase household food security. In terms of the horticulture programme, the focus will be

on promoting vegetable production in line with the Radical Agrarian Socio-economic Transformation programme, as well as sub-tropical fruits such as macadamia, citrus, mango and amarula. The interventions will include increased market access, increased extension support, and encouraging value addition to primary products, provision of capacity building to smallholder farmers, encouraging export of primary and processed products, as well as promoting partnerships with commodity organisations. Recognising the suitability of the province's natural resources for the production of grains and its competitive advantage, especially in the northern and inland parts of the province, the department will promote the development of grain crops (maize, dry beans, soya beans and groundnuts) both for household food production and for commercialisation purposes.

Co-operative Governance and Traditional Affairs (COGTA)

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

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

Public Works

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

In terms of the provincial priority of job creation, the department will continue to ensure that EPWP generates more work opportunities to contribute meaningfully to poverty alleviation. The programme will be extended to more beneficiaries with disabilities and will assist beneficiaries in establishing co-operatives, thus contributing to the provincial

priority of growing SMMES and co-operatives. The EPWP schools maintenance programme was originally established to benefit 4 000 beneficiaries in five district municipalities. It has since grown and intends to support more than 5 000 beneficiaries in over 2 000 schools across all eleven district municipalities. The department will also provide support to departments and municipalities to ensure that their EPWP job creation targets are attained.

The KwaZulu-Natal Entrepreneurial Development Centre project will be at construction stage in 2019/20 and it is anticipated to be completed in 2020/21. This facility will consist of workshops and training rooms which will be used to provide various training and skills development services to small and medium business enterprises. A key focus area is to develop skills, thus contributing to the provincial priorities of job creation, transforming and growing the economy, growing SMMEs and co-operatives, as well as skills development.

The department has the Mayville conference centre in its care and this centre is used by all government departments to host various conferences, meetings and so forth. The demand for this facility is very high and, as a result, the department decided to provide another conference centre in Pietermaritzburg and will build a new auditorium and conference centre, with expected completion by August 2020. This project consists of a main auditorium hall, seating approximately 700 people, as well as three breakaway rooms, seating 50 to 100 people.

Arts and Culture

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

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

The Winston Churchill Theatre will be renovated and the Osizweni and uThungulu art centres will be upgraded for the promotion and development of cultural and creative industries. The department will also commence with the construction of the Music Academy in Ladysmith. The department will complete the Ngwavuma library in 2019/20 and will commence with the construction of libraries in Mtubatuba, Richmond, uMhlathuze, Nquthu and Dannhauser. In terms of the construction of the Archive

Repository, the feasibility study was completed toward the end of 2018/19 and the project was handed over to the Department of Public Works who has allocated a site of approximately 10 000 square metres for building the repository at the proposed Provincial Government Precinct complex site. Construction of this facility is expected to commence in the 2019/20 MTEF.

Provincial Treasury

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

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

Office of the Premier

The Office of the Premier receives R714 million, R753.9 million and R795.4 million over the MTEF. The bulk of the department's budget allocation is for cross-cutting and transversal activities, such as Operation Sukuma Sakhe, Integrity Management, Youth Development, support to His Majesty, the King, as well as transfers to its public entity, the Royal Household Trust. The over-arching responsibilities are to encourage economic growth, to increase job creation and to develop skills, while remaining committed to building a caring, honest and incorruptible government.

The Provincial Planning Commission will continue to support the relevant line function departments in pursuing key interventions, such as the formalisation of rural settlements, the establishment of community service centres, renewable energy opportunities, etc.

The MTEF also caters for the annual Citizen Satisfaction survey, as well as the PGDS and PGDP reviews undertaken every two years. The department will continue to coordinate the Gender, Disability, Senior Citizens and Children, as well as Ombudsperson activities to promote and monitor the implementation of human rights related policies by departments and municipalities. The department will also focus on the functionality of war-rooms, in as far as equipment is concerned, to support ward teams.

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

Provincial Legislature

The Provincial Legislature receives R598.8 million, R638.9 million and R674.1 million over the MTEF for the effective procedural and related support to the House and to committees, and to facilitate public participation. The Legislature will continue to improve its oversight over, among others, departments and public entities during the year. Public involvement initiatives like Taking Legislature to the People and sector parliaments will continue in 2019/20.

Sport and Recreation

The Department of Sport and Recreation receives R479 million, R506.6 million and R535.4 million over the MTEF to promote sport and recreation through the provision of various programmes and construction of sport and recreation facilities.

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

The department will focus on the delivery of district, provincial and national school sport competitions, with these divided into Winter, Summer and Autumn Games. It is anticipated that 20 000 learners will take part in these competitions and 400 schools will be provided with equipment and attire for intra-school activities.

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

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

Community Safety and Liaison

The Department of Community Safety and Liaison receives R235 million, R242.8 million and R256.1 million over the MTEF. The bulk of the department's budget is for ward safety committees, community safety initiatives, including the Voluntary Social Crime Prevention Programme, maintenance of Community Safety Forums and Community Policing Forums, crime awareness campaigns, as well as the monitoring and evaluation of police performance. The activities of this department in controlling the crime in this province will contribute to the provincial priority of growing the economy, while the key focus is on the provincial priority of building a peaceful province.

CONCLUSION

The priorities mentioned earlier will be our guide and our mantra over the next five years. They are our call to action. The budget we are reviving today gives each department and each public entity significant financial capacity to advance our agenda.

Our commitment to ensure that we spend this budget carefully and correctly has not diminished. As a result, the cost-cutting measures remain in place. These measures allow us to focus our budget on where it is needed the most so that we achieve the provincial priorities set for us by our Honourable Premier.

As our President called on us to imagine the South Africa we want, I implore all of us here to work towards the realisation of a KwaZulu-Natal we want.

It is often said, and rightly so, that for South Africa to work, KwaZulu-Natal has to work. That is our collective responsibility – all of us. For the country to grow and prosper, KwaZulu-Natal must grow and prosper.

We can only make this province work if we build a capable state and ensure good governance at both the provincial and local government tiers.

The sheer size of our population, our contribution to the GDP and the strategic location and resources this province has, means we can fundamentally influence the direction of the country over the next few years.

As the Premier said during his State of the Province Address, no matter the challenges we face “we are not helpless victims. Through our own agency and active citizenry we are consciously crafting our collective future which must be truly democratic, equal, non-racial, non-sexist and prosperous”.

Honourable members of this House, we can make KwaZulu-Natal better. Just like we were able to pull ourselves from the devastation of political violence, I have no doubt that we can pull ourselves out of the economic doldrums.

Let us build a powerful social compact that reflects the patriotism of all sectors. As KwaZulu-Natal we have our own historic mission to lead South Africa. We have powerful competitive advantages in the form of our harbours, our fertile land, our relatively abundant water resources, our wonderful climate and most importantly our resilient and disciplined people.

However, to turn things around swiftly we will need all the help we can get from the private sector, labour and civil society. We must commend the provincial banker, Absa, for partnering with the provincial government by allocating a R70 million loan to complement the Youth Business Fund and also setting aside a fund of R500 million to help SMMEs and Cooperatives doing business with the provincial government. We challenge other institutions within the private sector to be our partners in developing and growing the economy of the province.

I am humbled by the responsibility bestowed upon me and I promise to take my role as the MEC for Finance in KwaZulu-Natal very seriously.

I take this opportunity to express my gratitude to the Honourable Premier, Mr Sihle Zikalala and the entire Provincial Executive for support given to me in the lead up to this day. We as a team have committed to the call by our President to ensure that there is action, as this is what our province and our country needs.

We are also indebted to Team Finance at National Treasury for their continued guidance and support.

To the Chairperson and members of the Finance Portfolio Committee, we look forward to engaging with you on the 2019/20 MTEF budget and give our commitment to assist you in your oversight role as far as possible.

I wish to thank all the officials in under the leadership of the HOD, Mr Simiso Magagula for ensuring that the budget documentation is of its customary high quality.

It is now my honour to revive the Appropriation Bill, 2019 for the Province of KwaZulu-Natal for consideration in this House to be read with the *Estimates of Provincial Revenue and Expenditure* and the *Estimates of Capital Expenditure*. I trust that the debate and vote on this revived Appropriation Bill will be constructive and fruitful.

I thank you.