



PROVINCE OF KWAZULU-NATAL

**ESTIMATES
OF
PROVINCIAL REVENUE AND
EXPENDITURE**

2018/19

for the
financial year ending 31 March 2019

**Presented to Provincial Legislature
16 March 2018**

Quantity Printed 600

ISBN: 1-920041-21-4

To obtain further copies of this document, please contact:

Provincial Treasury

5th Floor

Treasury House

145 Chief Albert Luthuli Road

3201

P.O. Box 3613

Pietermaritzburg

3200

Tel: +27 (0) 33 – 897 4310

Fax: +27 (0) 33 – 897 4617

FOREWORD

South Africa's economy is not expected to contract over the 2018/19 MTEF, but it is expected to remain muted. Global and local economic risks remain, particularly around projected revenue collection, while our debt service burden remains high. It is against this background that the continued roll-out of the fiscal consolidation programme remains a priority. The 2018/19 MTEF budget seeks to balance the complex factors of achieving the primary deficit target while funding new priorities, growing the economy, as well as protecting the provision of basic services. The fiscal consolidation cuts effected against all three spheres of government over the 2018/19 MTEF are necessary to keep our country's finances on a sustainable path. For provinces, the cuts are effected against both the equitable share and the conditional grant allocations, with National Treasury indicating that they have tried to keep the equitable share cuts to a minimum for provinces. In this regard, a fair portion of the provincial contribution to fiscal consolidation is borne by poor performing conditional grants and infrastructure grants that are generally better positioned to absorb a delay in the implementation of planned projects.

Some of the budget cuts implemented against the province over the MTEF relate to the annual data updates of the equitable share formula, while some cuts relate to National Treasury's fiscal consolidation plan. On the other hand, the Provincial Own Revenue sees a small upward revision when compared to the previous MTEF. Besides the equitable share budget cuts, National Treasury is also adding some funds to the provincial fiscus, namely for priorities in the Social Development sector, as well as funds in the outer year for the above-budget wage agreement.

As a result of these significant budget cuts, the Provincial Executive Council held a Finance *Lekgotla* in February 2018 to decide how these budget cuts should be effected, while trying not to compromise the province's priority spending areas and keeping our eye on protecting the delivery of frontline services. Due to the lateness of the finalisation of these budget cuts, it was agreed that the budget cuts for 2018/19 would be proportionately allocated against all 15 Votes. While the departments were notified of the quantum of the cut immediately after the *Lekgotla*, they only need to effect these budget cuts in the 2018/19 Adjustments Estimate. This was done so that the departments had time to go back and to properly plan where and how they would effect these budget cuts. In the meantime, pending the finalisation of this planning exercise, the budget cuts in the 2018/19 main budget were funded by the Contingency Reserve which is reduced to R174.054 million. The Contingency Reserve was used to offset the budget cuts in the two outer years, and these will thus not be effected against the departments' budgets.

It is my honour to present the 2018/19 *Estimates of Provincial Revenue and Expenditure (EPRE)* which gives details of the provincial fiscal framework to the people of KwaZulu-Natal (KZN) and beyond. These estimates are presented in two parts, the first being aggregates of revenue and expenditure, including the budget strategy adopted and the fiscal framework in general. Part two provides a detailed account of budget allocations per department. These estimates provide an opportunity for the Provincial Legislature and citizens to hold the provincial government departments and public entities accountable for the public funds they spend.



Ms B.F. Scott
MEC: KwaZulu-Natal Provincial Treasury

CONTENTS

FOREWORD	i
CONTENTS	iii
LIST OF ANNEXURES	v
LIST OF ABBREVIATIONS	vii

OVERVIEW OF PROVINCIAL REVENUE AND EXPENDITURE

1. Socio-economic Outlook	1
2. Budget Strategy and Aggregates	11
3. Budget Process and Medium Term Expenditure Framework	17
4. Receipts	23
5. Payments	33
6. Measuring Performance in Government	47

ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE

Departmental Estimates

Vote 1: Office of the Premier	1
Vote 2: Provincial Legislature	41
Vote 3: Agriculture and Rural Development	69
Vote 4: Economic Development, Tourism and Environmental Affairs	117
Vote 5: Education	193
Vote 6: Provincial Treasury	245
Vote 7: Health	285
Vote 8: Human Settlements	345
Vote 9: Community Safety and Liaison	383
Vote 10: Sport and Recreation	407
Vote 11: Co-operative Governance and Traditional Affairs	441
Vote 12: Transport	489
Vote 13: Social Development	529
Vote 14: Public Works	575
Vote 15: Arts and Culture	607

LIST OF ANNEXURES

Overview of Provincial Revenue and Expenditure	49
Estimates of Provincial Revenue and Expenditure	
Vote 1: Office of the Premier	33
Vote 2: Provincial Legislature	65
Vote 3: Agriculture and Rural Development	101
Vote 4: Economic Development, Tourism and Environmental Affairs	167
Vote 5: Education	231
Vote 6: Provincial Treasury	277
Vote 7: Health	329
Vote 8: Human Settlements	371
Vote 9: Community Safety and Liaison	401
Vote 10: Sport and Recreation	431
Vote 11: Co-operative Governance and Traditional Affairs	473
Vote 12: Transport	519
Vote 13: Social Development	565
Vote 14: Public Works	599
Vote 15: Arts and Culture	635

LIST OF ABBREVIATIONS

Abbreviation	Full description
AACL	Animal Anti-Cruelty League
ADA	Agri-business Development Agency
AEPRE	Adjustments Estimate of Provincial Revenue and Expenditure
AET	Adult Education and Training
AFS	Annual Financial Statements
A-G	Auditor-General
APP	Annual Performance Plan
ARRUP	African Renaissance Roads Upgrading Programme
ART	Anti-retroviral Therapy
ARV	Anti-retroviral
ASP	Automotive Supplier Park
AWGs	Action Work Groups
BAS	Basic Accounting System
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BPCP	Black Producer Commercialisation Programme
BRICS	Brazil, Russia, India, China and South Africa
BRT	Bus Rapid Transit
CANE	Child Abuse Neglect and Exploitation
CAPS	Curriculum and Assessment Policy Statements
CARA	Conservation of Agricultural Resources Act
CARC	Cluster Audit and Risk Committee
CASP	Comprehensive Agricultural Support Programme
CBD	Central Business District
CBOs	Community-Based Organisations
CCC	Community Care Centre
CCGs	Community Care-Givers
CCMDD	Central Chronic Medicine Dispensing and Distribution
CDW	Community Development Worker
CED	Civil Engineering Designer
CETA	Construction Education Training Authority
CFO	Chief Financial Officer
CHC	Community Health Centre
CIA	Certified Internal Auditors
CiDP	Communities-in-Dialogue Programme
CIPC	Companies and Intellectual Property Commission
CMP	Contract Management Project
CNDC	Community Nutrition and Development Centre
COGTA	Co-operative Governance and Traditional Affairs
CPA	Commonwealth Parliamentary Association
CPF	Community Policing Forum
CPI	Consumer Price Index
CRU	Community Residential Unit
CSC	Community Service Centre
CSD	Central Supplier Database
CSIRD	Centre for Sustainable and Integrated Rural Development
CSIR	Council for Scientific and Industrial Research
CSFs	Community Safety Forums
CWP	Community Work Programme
CYCC	Child and Youth Care Centres
CSFs	Community Safety Forums
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DARD	Department of Agriculture and Rural Development
DBE	Department of Basic Education

List of Abbreviations

Abbreviation	Full description
DBSA	Development Bank of South Africa
DCSL	Department of Community Safety and Liaison
DHA	Department of Home Affairs
DHET	Department of Higher Education and Training
DHIS	District Health Information System
DHS	District Health Services
DOE	Department of Education
DOH	Department of Health
DOHS	Department of Human Settlements
DOPW	Department of Public Works
DORA	Division of Revenue Act
DOSR	Department of Sport and Recreation
DOT	Department of Transport
DPLG	Department of Provincial and Local Government
DPME	Department of Performance, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DREAMS	Determined Resilience Empowered Aids Free Mentored and Safe
DRH	Department of Royal Household
DSD	Department of Social Development
DTI	Department of Trade and Industry
DTPC	Dube TradePort Corporation
DUT	Durban University of Technology
DVA	Domestic Violence Act
EADP	Elite Athlete Development Programme
ECD	Early Childhood Development
ECE	Estimates of Capital Expenditure
EDTEA	Department of Economic Development, Tourism and Traditional Affairs
EEDBS	Extended Enhanced Discount Benefit Scheme
EIAs	Environmental Impact Assessments
EIG	Education Infrastructure grant
EKZWN	Ezemvelo KZN Wildlife
ELRC	Education Labour Relations Council
EMF	Environmental Management Framework
EMIS	Education Management Information System
EMS	Emergency Medical Services
EPHP	Enhanced People's Housing Process
EPRE	Estimates of Provincial Revenue and Expenditure
EPWP	Expanded Public Works Programme
eQPRS	Electronic Quarterly Performance Reporting System
ERP	Extension Recovery Plan
ETDP	Education, Training and Development Practices
EU	European Union
FBO	Faith-based Organisation
FET	Further Education and Training
FLA	Financial Literacy Association
FLISP	Finance Linked Individual Subsidy Programme
FLP	Financial Literacy Programme
FMCM	Financial Management Capability Maturity Model
FMD	Foot and Mouth Disease
FMPAA	Financial Management of Parliament Amendment Act
FMPPLA	Financial Management of Parliament and Provincial Legislatures Act
FPSU	Farmer Production Support Units
FTE	Full-time Equivalent
GDCSC	Gender, Disability, Children and Senior Citizens
GDP	Gross Domestic Product
GEMS	Government Employees Medical Scheme
GEPF	Government Employees Pension Fund
GHS	General Household Survey
GIAMA	Government Immoveable Asset Management Act
GIS	Geographical Information System

Abbreviation	Full description
HCBC	Home Community-Based Care
HDA	Housing Development Agency
HDI	Human Development Index
HOD	Head of Department
HPV	Human Papillomavirus
HR	Human Resources
HRM&D	Human Resource Management and Development
HSDG	Human Settlements Development grant
HTS	Health Technology Services
HR	Human Resources
HRM&D	Human Resource Management and Development
HSDG	Human Settlements Development grant
HWSETA	Health and Welfare Sector Education Training Authority
IA	Implementing Agent
IALCH	Inkosi Albert Luthuli Central Hospital
IASP	Invasive Alien Species Programme
IBTM	Institute of Business Travel Management
ICCA	International Congress and Convention Association
ICT	Information Communication Technology
IDIP	Infrastructure Delivery Improvement Programme
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plan
IDT	Independent Development Trust
IDZ	Industrial Development Zone
IGCC	Inter-Governmental Cash Co-ordination
IGR	Inter-Governmental Relations
IMF	International Monetary Fund
IMP	Infrastructure Master Plan
IPM	Infrastructure Progression Model
IPMP	Infrastructure Programme Management Plan
IPP	Independent Power Producers
IPTN	Integrated Public Transport Networks
IRDP	Integrated Residential Development Programme
IRM	Infrastructure Reporting Model
ISOCARP	International Society of City and Regional Planners
ISU	Informal Settlements Upgrade
IT	Information Technology
IYM	In-Year Monitoring
JME	Joint Medical Establishment
KSIA	King Shaka International Airport
KUMISA	KwaZulu-Natal Music Cluster
KZN	KwaZulu-Natal
KZNCCPA	KwaZulu-Natal Community Crime Prevention Association
KZNFC	KwaZulu-Natal Film Commission
KZNGBB	KwaZulu-Natal Gaming and Betting Board
KZNGFT	KwaZulu-Natal Growth Fund Trust
KZN-IDMS	KZN Infrastructure Delivery Management System
KZNLA	KwaZulu-Natal Liquor Authority
KZNPDH	KwaZulu-Natal Property Development Holdings
KZNSB	KwaZulu-Natal Sharks Board
LA	Legislature Assembly
L:E	Learner: Educator
LED	Local Economic Development
LexCo	Legislature Executive Committee
LG	Local Government
LGSETA	Local Government Sector Education and Training Authority
LP	Limpopo
LPBL	Living Below the Poverty Line
LPM	Limited Payout Machines
LTSM	Learner Teacher Support Material
LURITS	Learner Unit Record Information and Tracking System

List of Abbreviations

Abbreviation	Full description
MBAT	Municipal Bid Appeals Tribunal
MBRR	Municipal Budget and Reporting Relations
MCOE	Maritime Centre of Excellence
MEC	Member of Executive Council
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure grant
MKI	Moses Kotane Institute
MMC	Male Medical Circumcision
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MPAC	Municipal Public Accounts Committee
MPAT	Monitoring Performance Assessment Tool
MPRA	Municipal Property Rates Act
MPSD	Mass Participation and Sport Development
MRR	Municipal Rapid Response
MSA	Municipal Structures Act
MSP	Municipal Support Programme
MST	Mathematics, Science and Technology
MTEC	Medium-Term Expenditure Committee
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MuniMEC	Municipalities and Members of the Executive Council
MUT	Mangosuthu University of Technology
NACH	National Anti-Corruption Hotline
NCNC	Non-compensation non-capital
NCOP	National Council of Provinces
NCS	National Curriculum Statement
NDA	National Development Agency
NDAC	National Department of Arts and Culture
NHBRC	National Home Builders Registration Council
NDOH	National Department of Health
NDOHS	National Department of Human Settlements
NDOPW	National Department of Public Works
NDOSR	National Department of Sport and Recreation
NDP	National Development Plan
NEMA	National Environmental Management Act
NEWF	Nature, Environment and Wildlife Filmmakers
NGO	Non-Government Organisation
NHFC	National Housing Finance Corporation
NHI	National Health Insurance
NHLS	National Health Laboratory Service
NPI	Non-Profit Institution
NPOs	Non-Profit Organisations
NSC	National Senior Certificate
NSF	National Skills Fund
NSNP	National School Nutrition Programme
NURCHA	National Urban Reconstruction and Housing Agency
NYDA	National Youth Development Agency
NYSP	National Youth Service Programme
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
OPRE	Overview of Provincial Revenue and Expenditure
OSCA	Owen Sithole College of Agriculture
OSD	Occupational Specific Dispensation
OSS	Operation Sukuma Sakhe
OTP	Office of the Premier
OVCY	Orphans, Vulnerable Children and Youth
PARMED	Parliamentary Medical Aid
PCF	Premier's Coordinating Forum
PDA	Planning and Development Act

Abbreviation	Full description
PDE	Patient-day Equivalent
PDMC	Provincial Disaster Management Centre
PEIP	Prevention and Early Intervention programme
PEMP	Poverty Eradication Master Plan
PEPFAR	President's Emergency Plan for AIDS Relief
PES	Provincial Equitable Share
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
PGDS	Provincial Growth and Development Strategy
PHC	Primary Health Care
PHP	Private Hospital Patient
PILIR	Policy on Incapacity Leave and Ill Health Retirement
PIMP	Provincial Infrastructure Master Plan
PMG	Pay Master-General
PMSC	Provincial Medical Supply Centre
PMS	Performance Management System
PMU	Project Management Unit
PPC	Provincial Planning Commission
PPF	Political Parties' Fund
PPN	Post Provisioning Norm
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PPSD	Provincial Pharmaceutical Supply Depot
PRE	Provincial Regulatory Entity
PRMG	Provincial Roads Maintenance grant
PSC	Provincial Steering Committee
PSCBC	Public Service Co-ordinating Bargaining Council
PSETA	Public Sector Education and Training Authority
PT	Provincial Treasury
PTOG	Public Transport Operations grant
QLTC	Quality Learning and Teaching Committees
QPR	Quarterly Performance Report
QSE	Qualifying Small Business Enterprise
RAF	Road Accident Fund
RASET	Radical Agrarian Social Economic Transformation
RBIDZ	Richards Bay Industrial Development Zone
RFID	Radio Frequency Identification
RHT	Royal Household Trust
RLED	Regional and Local Economic Development
RTI	Road Traffic Inspectorate
RTMC	Road Traffic Management Corporation
SA	South Africa
SAAMBR	SA Association for Marine Biological Research
SACCI	South African Chamber of Commerce and Industry
SACPLAN	South African Council of Planners
SALGA	South African Local Government Association
SANParks	South African National Parks
SANRAL	South African National Roads Agency Limited
SANTACO	South African National Taxi Council
SAP	Systems, Applications and Products
SAPI	South African Planning Institute
SAPS	South African Police Service
SARB	South African Reserve Bank
SA-SAMS	South African-Schools Administration Management System
SASSA	South African Social Security Agency
SASRI	South African Sugarcane Research Institute
SBGE	Small Business Growth Enterprise
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SCOPA	Standing Committee on Public Accounts
SDF	Spatial Development Framework

List of Abbreviations

Abbreviation	Full description
SDFs	State Domestic Facilities
SEAs	Strategic Environmental Assessments
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SEZ	Special Economic Zones
SGB	School Governing Body
SHRA	Social Housing Regulatory Authority
SIPDM	Standard for Infrastructure Procurement and Delivery Management
SITA	State Information Technology Agency
SIU	Special Investigation Unit
SLA	Service Level Agreement
SLIMS	SITA Library Information Management System
SMME	Small, Medium and Micro Enterprise
SMT	School Management Teams
SOC	State-owned company
SPLUMA	Spatial Planning and Land Use Management Act
SRD	Social Relief of Distress
SSETA	Services Sector Education and Training Authority
STACOV	Standing Committee on Oversight
StatsSA	Statistics South Africa
STEM	Science, Technology, Engineering and Mathematics
TAC	Traditional Administrative Centre
TAF	Technical Assistance Fund
TC	Traditional Council
TDRG	Title Deeds Restoration grant
TETA	Transport Education and Training Authority
THETA	Tourism, Hospitality, Education and Training Authority
TIA	Traffic Impact Assessment
TIK	Trade and Investment KwaZulu-Natal
TKZN	KwaZulu-Natal Tourism Authority
TLTP	Taking Legislature to the People
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates
UAGYP	Unemployed Agricultural Graduates Youth Programme
UAS	uMgungundlovu Academy of Sport
UISP	Upgrade of Informal Settlements Programme
UKZN	University of KwaZulu-Natal
UNFPA	United Nations Population Fund
UNIZULU	University of Zululand
UPFS	Uniform Patient Fee Structure
US	United States
UTT	Universal Test-and-Treat
VECA	Vukuzakhe Emerging Contractors Association
VSCPP	Volunteer Social Crime Prevention Programme
WC	Western Cape
WESSA	Wildlife and Environmental Society of South Africa
WHO	World Health Organisation
WTO	World Trade Organisation
WULA	Water Use Licence Application

Zulu words	English translation
Amakhosi (pl.)	Traditional leaders or chiefs
Isibindi	Courage
I(zi)nduna (pl.)	Head men
Inkululeko	Freedom
Izandla Ziyagezana	People helping one another
Sakhisizwe	Build a nation
Siyadlala	We are playing
Umkhosi Wamaganu/Umthayi	Amarula Festival
Umkhosi Wesivivane	First Fruit ceremony
Umkhosi Womhlanga	Royal Reed Dance
Umkhosi Woselwa	Thanksgiving
Vukuzakhe	Wake up and build
Vulindlela	Open the way
Zibambeke	Do it yourself
Zimele	Be independent

Other words	English translation
Batho Pele	People first
Lekgotla	Executive Council Forum
Phakisa	Accelerate

**OVERVIEW
OF
PROVINCIAL REVENUE
AND
EXPENDITURE**

1. SOCIO-ECONOMIC OUTLOOK

1.1. Introduction

The Overview of Provincial Revenue and Expenditure (*OPRE*) gives a review of the socio-economic landscape and provides an analysis of the demographics of KZN, the global, national and provincial economic outlook, as well as a sector analysis including manufacturing, travel and tourism, construction and transport. The provincial labour market is analysed, as are developmental indicators, namely poverty and human development, household income and inequality, grant beneficiaries, health and education.

The demographic analysis focuses on migration patterns in KZN. In this regard, KZN has experienced a high level of out-migration, whereby a large proportion of the economically active population is leaving the province for better job opportunities in other provinces, especially Gauteng (GP). Furthermore, the population distribution of KZN in 2017 indicated that the largest populace group was that of children and youth, which accounted for approximately 69.3 per cent of the total population.

On the economic front, the global economic outlook is experiencing a cyclical recovery, reflecting a rebound in investment, manufacturing activity and trade. The global moderate recovery estimated in 2017 is expected to be sustained in 2018 and 2019 across the regions, including the advanced countries, emerging markets and developing economies, Sub-Saharan Africa and in South Africa (SA). The sector analysis in KZN illustrates that manufacturing and travel and tourism are two of the key industries that contribute to Gross Domestic Product (GDP) and hence employment, while construction and transport are two of the fastest growing sectors.

SA's economy continues to experience a high rate of unemployment, especially among the youth who lack essential skills required in the labour market. Although KZN's level of unemployment is less than the national average, developmental indicators reveal that the province has a Human Development Index¹ (HDI) lower than that of the national average, which is an indication of relatively low levels of education, health and other basic social services.

The lack of the above has a direct result on poverty levels. While KZN is the largest recipient of social grants, it is a concern that the food and lower poverty lines show a marginal increase over the three years 2006, 2011 and 2016 in KZN. As indicated by Statistics South Africa (StatsSA), 2017 most households earn less than R54 000 per annum. Low levels of education have a direct impact on the high unemployment rate. This is especially evident in KZN where a low literacy rate still exists, thus attainment of a senior certificate is low.

1.2 Provincial population dynamics

Population dynamics exert a tremendous influence over various aspects of economic development which include, among others, standard of living, levels of literacy and education standards, as well as the levels of healthcare. Recognising and planning for a demographic transition is an essential prerequisite for the welfare of a society. This will ensure efficient allocation of available resources for the benefit of current and future generations.

In analysing the population dynamics, it is essential to focus on factors such as urbanisation and migration patterns, fertility and mortality rates, life expectancy, infant and child mortality rates, as well as the gender and age structure of the population. These factors have an influence on the economy of the country in terms of changes in labour market structure, dependency ratio and the government fiscus. The analysis of the demographic structure plays an important role in the efficient allocation of resources in all spheres of government.

¹ HDI is the measure of standard of living in respect of health, education and life expectancy.

1.2.1 Total population

The 2017 mid-year population estimates by StatsSA² show that the country’s population is currently estimated at 56.5 million. Table 1 shows that KZN is home to an estimated 11.1 million people which is 19.6 per cent of the country’s total population. KZN is the second most populated province after GP, which has an estimated 14.3 million people constituting 25.3 per cent of the total national population.

Table 1 : South African population by province in 2006, 2011 and 2017

	2006		2011		2017		Average population growth rate (2011 - 2017)
	Population	% Share of national population	Population	% Share of national population	Population	% Share of national population	
South Africa	47 390 900	100	50 586 757	100	56 521 900	100	11.7
Eastern Cape	6 894 300	14.5	6 829 958	13.5	6 498 700	11.5	-4.9
Free State	2 958 800	6.2	2 759 644	5.5	2 866 700	5.1	3.9
Gauteng	9 526 200	20.1	11 328 203	22.4	14 278 700	25.3	26.0
KwaZulu-Natal	9 924 000	20.9	10 819 130	21.4	11 074 800	19.6	2.4
Limpopo	5 365 400	11.3	5 554 657	11.0	5 778 400	10.2	4.0
Mpumalanga	3 508 000	7.4	3 657 181	7.2	4 444 200	7.9	21.5
North West	3 374 200	7.1	3 253 390	6.4	3 856 200	6.8	18.5
Northern Cape	1 094 500	2.3	1 096 731	2.2	1 214 000	2.1	10.7
Western Cape	4 745 500	10.0	5 287 863	10.5	6 510 300	11.5	23.1

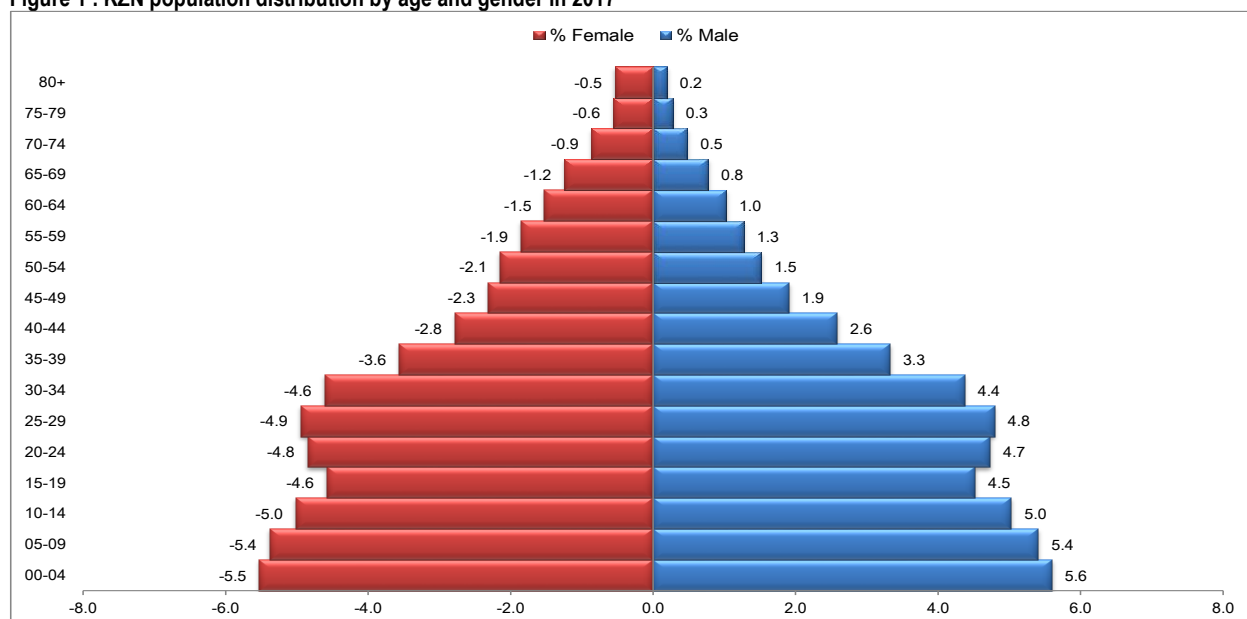
Source: StatsSA, 2006, 2011 and 2017

The average growth rate in the population of KZN between 2011 and 2017 was 2.4 per cent, which is the second lowest after the Eastern Cape (-4.9 per cent). This shows that inter-provincial migration has taken place in the country in this period. As a result, this migration has affected KZN negatively, where out-migration exceeded in-migration by a revised estimate of 62 360 people over the same period. It is also projected that out-migration between the year 2016 and 2021 will exceed in-migration by 53 707 people (StatsSA, 2017). The major determinants of the declining population growth are the migration rate, a high mortality rate coupled with a low fertility rate and a high morbidity rate in the province. The implication of the high migration rate in KZN is visible in the decline in the proportion of the Provincial Equitable Share (PES) allocation.

1.2.2 Population distribution by age and gender

Figure 1 shows the population distribution of KZN by age and gender in 2017.

Figure 1 : KZN population distribution by age and gender in 2017



Source: StatsSA, 2017

² StatsSA (2017): *Mid-year population estimates 2017*, Statistical Release P0302 (31 July 2017). Pretoria, Government Printer, available from www.statssa.gov.za, accessed on 9/01/2018.

An estimated 31.9 per cent of the population are children between 00 and 14 and about 37.4 per cent are youth that are economically active (15-34). Collectively, children and young people account for an estimated 69.3 per cent of the total provincial population. The total provincial dependent population is estimated at 4 080 277, while the economically active population is estimated at 6 994 504. The implication of these estimates is a high dependency ratio of 58.3³ per cent in 2017. This is still high, but lower than the 65.2 per cent recorded in 2016.

A high dependency ratio burdens the working age population as it bears greater responsibility of paying for public services. However, if it is dominated by the youth dependency ratio, as is the case with SA at 50.6 per cent, it can yield a demographic dividend⁴ in the long-run. This can be done by implementing quality early childhood development (ECD), basic education, technical and vocational education and training, as well as higher education. The long-term result of a quality education system is an increase in productive citizens which is then anticipated to improve the average income per capita in the country.

If government is unable to reduce the high dependency ratio or formulate and implement policies that empower young people while making older persons self-supporting, there could be pressures on the fiscus. This can lead to higher borrowing or an increase in taxes which, in turn, crowds out private sector investment and reduces consumers' disposable income.

1.3 Global, national and provincial economic outlook

1.3.1 Global economic review and outlook

The projections by the World Bank (2018)⁵, International Monetary Fund (IMF) 2018⁶, and the Organisation for Economic Co-operation and Development (OECD) 2017⁷, indicate that the global economy is experiencing a cyclical recovery, reflecting a rebound in investment and manufacturing activity. The IMF (2018) expects global economic growth to have increased to 3 per cent in 2017 and to remain the same at 3.9 per cent in both 2018 and 2019 (Table 2).

Advanced economies

Table 2 shows that the growth rate in *Advanced Economies* is estimated to have rebounded to 2.3 per cent in 2017. GDP growth in the *United States (US)* was estimated at 2.3 per cent in 2017 but is expected to gain momentum and reach 2.7 per cent in 2018. This is, however, projected to slide down slightly to 2.5 per cent in 2019. The growth rate for the *Euro Area* gained substantial momentum in 2017 when it reached an estimated 2.4 per cent, which is slightly up from 1.8 per cent in 2016. However, this growth is expected to be at a more restrained pace of 2.2 per cent and 2 per cent in 2018 and 2019, respectively. *Japan's* growth rate picked up to 1.7 per cent in 2017, but is projected to slow down to 1.2 per cent and 0.9 per cent in 2018 and 2019, respectively.

Emerging market and developing economies

The economic performance in *Emerging Countries* is also estimated to have picked up marginally from 4.7 per cent in 2017 to 4.9 per cent and 5 per cent in 2018 and 2019, respectively. This improvement reflects a recovery in commodity exporters amid continued robust activity in commodity importers. In *India*, economic growth has decelerated to 6.7 per cent in 2017. The economic performance of the country is, however, projected to strengthen to 7.4 per cent in 2018, before expanding slightly to 7.8 per cent in 2019.

³ Dependency Ratio = $[(\text{Number of people under 15 years}) + (\text{Number of people aged 65 and over})] \div (\text{Number of people between 15 and 64}) \times 100 = (4\,080\,277 \div 6\,994\,504) \times 100 = 58.3 \text{ per cent}$. The dependency ratio is an age population ratio of those not in the labour force.

⁴ Demographic dividend refers to the growth in an economy that is the resultant effect of a change in the age structure of a country's population. The change in age structure is typically brought on by a decline in fertility and mortality rates.

⁵ World Bank (2018) *Global Economic Prospects, Broad-Based Upturn, but for How Long?* Available online: <http://documents.worldbank.org/curated/en/965861515772893243/pdf/GEP2018a-embargoed-01092018.pdf>, accessed on 24.01.2018.

⁶ IMF (January 2018): *World Economic Outlook Update*, an update of the key WEO projections, Brighter Prospects, Optimistic Markets, Challenges Ahead; available from www.imf.org, accessed on 25.01.2018.

⁷ OECD (2017) OECD Economic Outlook, The policy challenge: Catalyse the private sector for stronger and more inclusive growth, presentation by Ángel Gurría OECD Secretary-General (28/11/2017), available online: <http://www.oecd.org/eco/outlook/catalyse-the-private-sector-for-stronger-inclusive-growth-EO-11-2017-presentation.pdf>, accessed 30.11.2017.

Table 2 : Percentage change in global economic performance measured in GDP, 2015 to 2019

	Estimates						Projections			
	IMF			World Bank			IMF		World Bank	
	2015	2016	2017	2015	2016	2017	2018	2019	2018	2019
World	3.2	3.1	3.7	2.7	2.3	3.0	3.9	3.9	3.1	3.0
Advanced Economies	2.1	1.6	2.3	2.1	1.6	2.3	2.3	2.2	2.2	1.9
United States (US)	2.6	1.6	2.3	2.6	1.6	2.3	2.7	2.5	2.5	2.2
Euro Area	2.0	1.7	2.4	2.0	1.6	2.4	2.2	2.0	2.1	1.7
Japan	1.2	0.9	1.8	1.2	1.0	1.7	1.2	0.9	1.3	0.8
Emerging Countries	4.1	4.1	4.7	3.5	3.4	4.3	4.9	5.0	4.5	4.7
Russia	-3.7	-0.6	1.8	-3.7	-0.6	1.7	1.7	1.5	1.7	1.8
China	6.9	6.7	6.8	6.9	6.7	6.8	6.6	6.4	6.4	6.3
India	7.6	6.6	6.7	7.6	7.0	6.7	7.4	7.8	7.3	7.5
Brazil	-3.8	-3.5	1.1	-3.8	-3.4	1.0	1.9	2.1	2.0	2.3
Sub-Saharan Africa	3.4	1.6	2.7	3.1	1.5	2.4	3.3	3.5	3.2	3.5
South Africa	1.3	0.3	0.9	1.3	0.4	0.8	0.9	0.9	1.1	1.7

Source: IMF and World Bank (2018)

Following the 0.6 per cent contraction in 2016, *Russia* has emerged from recession and is estimated to have moderated to 1.8 per cent in 2017. Growth in GDP is projected to continue at a restrained pace of 1.7 per cent in 2018 and 1.5 per cent in 2019, largely as a result of stable oil prices, better business sentiment and improved credit conditions which are expected to support investment and consumption.⁸

In *China*, economic growth is estimated to have strengthened and reached 6.8 per cent in 2017, slightly up from 6.7 per cent in 2016. This robust growth rate was mainly driven by services and some strategic industries. The economic performance in *China* is, however, projected to soften to 6.6 per cent in 2018 and 6.4 per cent in 2019, as exports decelerate. Among the largest commodity exporters, growth in *Brazil* rebounded to an estimated 1.1 per cent in 2017, following two years (2015 and 2016) of contraction. Growth is expected to strengthen further to 1.9 per cent in 2018 and 2.1 per cent in 2019, but is expected to remain sensitive to political developments.⁹

Sub-Saharan Africa

Economic growth in *Sub-Saharan Africa* also strengthened to 2.4 per cent in 2017, partly reflecting a softer-than-expected recovery in Nigeria. The economy of the region is expected to gain momentum and rise to 3.3 per cent in 2018 and 3.5 per cent in 2019. An upturn in metal prices, along with a recovery in the agricultural sector, supported a modest rebound in metal exports. Disturbingly, despite these improvements, regional growth remained negative in per capita terms in 2017 (World Bank, 2018).

1.3.2 National economic review and outlook

SA continues to record slow economic growth. According to data from StatsSA (2017)¹⁰, growth has averaged an estimated 3 per cent since 1994, which is considerably lower than the 5 per cent required in the National Development Plan (NDP), 2011¹¹. The South African Reserve Bank (SARB), 2018¹² expects the economy of the country to expand to 1.4 per cent and 1.5 per cent in 2018 and 2019, respectively. Meanwhile, National Treasury (2018)¹³ has revised its growth estimate for SA to 1 per cent in 2017 and projects moderate growth rates of 1.5 per cent in 2018 and 1.8 per cent in 2019, mainly due to the expected increase in private investment as a result of improved business and consumer confidence. These projections are slightly higher than the conservative 0.9 per cent by the IMF (Table 2).

The forecast by the SARB indicates that the national growth prospects are showing some signs of improvement, *albeit* at a slow pace. This follows encouraging and moderate growth rates of 2.5 per cent

⁸ OECD (2017): Russian Federation - Economic forecast summary (November, 2017) <http://www.oecd.org/eco/outlook/economic-forecast-summary-russia-oecd-economic-outlook.pdf>, accessed on 20/12/2017.

⁹ OECD (2017): Brazil - Economic forecast summary (November 2017), available online: <http://www.oecd.org/eco/outlook/economic-forecast-summary-brazil-oecd-economic-outlook.pdf>, accessed on 20/11/2018.

¹⁰ StatsSA (2017) *Gross domestic product, Third quarter 2017*, Statistical Release P0441 (05 December 2017). Pretoria, Government Printer, available online: <http://www.statssa.gov.za/publications/P0441/P04413rdQuarter2017.pdf>, accessed on 05/12/ 2017.

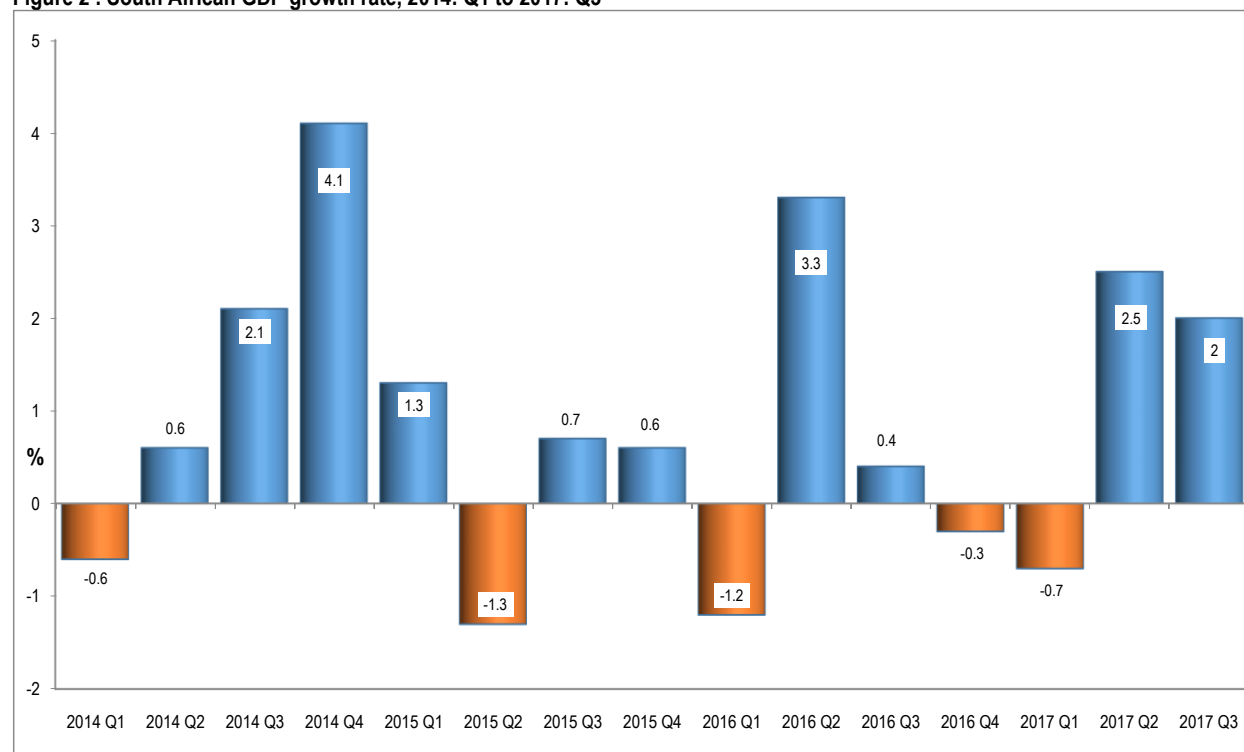
¹¹ National Development Plan (NDP), 2011 is a long-term plan articulating SA's vision to eliminate poverty and reduce inequality by 2030.

¹² SARB (2018) Statement of the Monetary Policy Committee, Press statement delivered by the Governor of the SARB. Available online: <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/8213/MPC20Statement%20January%202018.pdf> accessed on 18.01.2018.

¹³ Treasury (2018) Budget Review, 2018, available: <http://www.treasury.gov.za/documents/national%20budget/2018/review/FullIBR.pdf>, accessed on 21.02.2018.

and 2 per cent in the second and third quarters of 2017, driven to a significant degree by the exceptional recovery in the agricultural sector, which increased by 44.2 per cent in the third quarter (Figure 2 and StatsSA, 2017). The report by StatsSA further indicates that the mining and manufacturing industries also contributed significantly, increasing by 6.6 per cent and 4.3 per cent, respectively, in the third quarter of 2017. Subsequently, SA emerged out of its technical recession which had resulted from two consecutive contractions in the last quarter of 2016 and the first quarter of 2017.

Figure 2 : South African GDP growth rate, 2014: Q1 to 2017: Q3



Source: StatsSA, 2017

The prospect of rising mineral prices and the African National Congress elective conference in December 2017, which resulted in new political leadership, are generally cited as contributing factors to the improved outlook for the national economy (SARB, 2018). Optimism has improved and there is more positive investor and business confidence in the economy of SA.

This optimism is also supported by the OECD (2017)¹⁴, which projects a moderate upswing in the country's growth in 2018 and 2019. The OECD cites stronger activity in trading partners, which is expected to boost exports, as well as investment to support growth in 2019 on the assumption that business confidence increases and policy uncertainty is declining. The OECD also notes that, despite a persistently high unemployment rate, private consumption is expected to expand as wages increase moderately and food prices stabilise. However, the long-term challenges facing the country include the creation of a stronger, more inclusive and resilient economy.

The projected recovery in the national economic performance is further confirmed by the seasonally adjusted Barclays Purchasing Managers' Index (PMI)¹⁵, which rose to 49.9 index points in January 2018. A score above 50 indicates an expanding manufacturing sector. The January PMI suggests that the local manufacturing sector started the year on relatively solid ground compared to previous readings.

The healthier PMI reading is also reinforced by the South African Chamber of Commerce and Industry's (SACCI) business confidence index (BCI), which increased to 96.4 in December 2017 from 95.1 in

¹⁴ OECD (2017): South Africa - Economic forecast summary (November 2017). Available online: <http://www.oecd.org/eco/outlook/economic-forecast-summary-south-africa-oecd-economic-outlook.pdf>, accessed on 20/12/2017.

¹⁵ Barclays PMI is an indicator of activity in the manufacturing sector. The index provides leading indications of business conditions in the sector, where a level below 50 suggests a contraction in activity while one above 50 points suggests expansion, available online: <https://www.ber.ac.za/BER%20Documents/ABSA-PMI/?doctypeid=1066>, accessed on 07/02/2018.

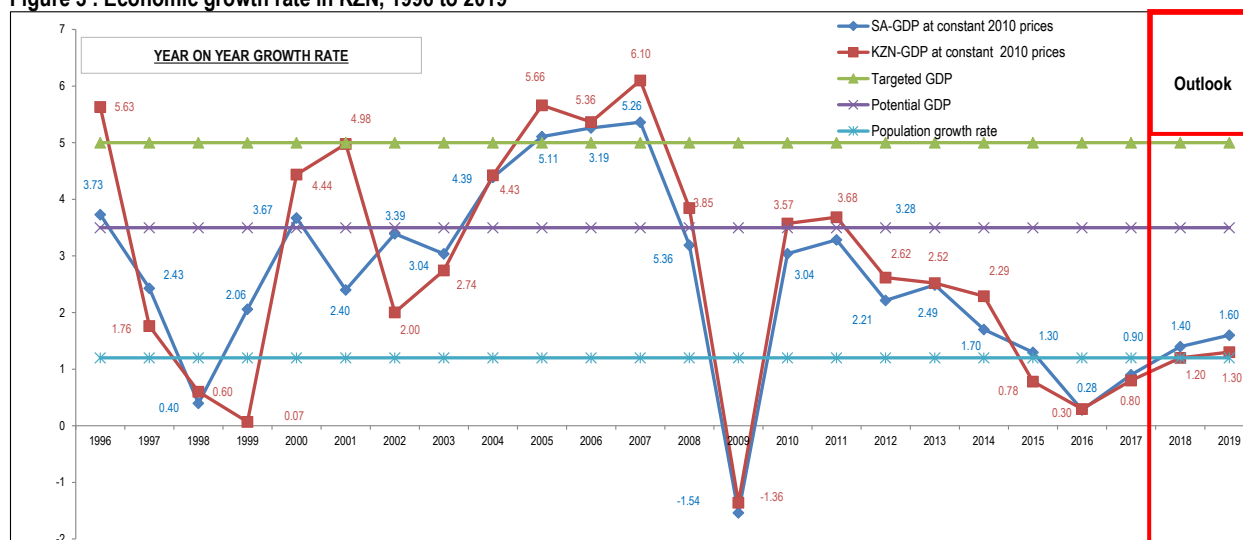
November 2017.¹⁶ The SACCI BCI is expected to improve substantially, particularly as political developments have vastly improved the business mood.¹⁷

According to the SARB (2018), despite being relatively constrained, the outlook for household consumption expenditure has improved. The bank expects consumer expenditure to be the main driver of GDP growth in the short to medium term. The central bank further states that, although consumers are likely to be adversely affected by possible further tax increases, expenditure is expected to be underpinned by lower inflation and positive real wage increases.

1.3.3 KZN economic review and outlook

Following both global and national trends, the provincial economy is also picking up, but at a marginal rate. The economy of KZN is estimated to have recorded a seasonally adjusted growth rate of 0.8 per cent in 2017, compared to a mere 0.3 per cent registered in 2016. Similar to the national projections, the provincial economic outlook is also on an upward trajectory and expected to grow at 1.2 per cent and 1.3 per cent in 2018 and 2019, respectively, as shown in Figure 3. These growth rates are, however, below the targeted 5 per cent required to achieve job creation as outlined in the NDP and the Provincial Growth and Development Plan (PGDP), 2018¹⁸. The PGDP aims for an inclusive, expanded and sustained economic output, which is the fundamental driver for job creation and economic growth.

Figure 3 : Economic growth rate in KZN, 1996 to 2019



Source: StatsSA, 2017 and IHS Markit, 2017

A regional comparison indicates that KZN is one of the key provinces in the national economy in terms of GDP contribution. The estimated real GDP generated by the province amounted to approximately R490.663 billion in 2016, making KZN the second largest contributor to the national economy at 16 per cent, after GP with 35.4 per cent. KZN was moderately above the 13.9 per cent recorded in the Western Cape (WC).

Given the economic activities that take place within eThekweni¹⁹, the total provincial output is predominantly concentrated in the Metro at 61.3 per cent. This is followed by uMgungundlovu with 10.2 per cent and King Cetshwayo with 6.8 per cent. The least contributing districts are uMzinyathi, Harry Gwala and uMkhanyakude at estimated rates of 1.5 per cent, 1.7 per cent and 2.4 per cent, respectively.

¹⁶ See BCI available online: <http://www.sacci.org.za/press-releases>, accessed on 07/02/2018.

¹⁷ The index is composed by thirteen sub-indices, including energy supply, manufacturing, exports, imports, vehicle and retail sales, construction, inflation, share prices, private sector borrowing, financing cost, precious metal prices and exchange rate. See Trading Economics (2018): South Africa SACCI Business Confidence Index, available online: <https://tradingeconomics.com/south-africa/coincident-index> accessed on 07/02/2018.

¹⁸ KZN Provincial Planning Commission (2018) Provincial Growth and Development Plan, 2018, available online: <http://www.kznppc.gov.za/images/downloads/PGDP%202018.pdf>, accessed on 07.02.2018.

¹⁹ KZN province has one metro (eThekweni) and ten district municipalities which are: Ugu, uMgungundlovu, uThukela, uMzinyathi, Amajuba, Zululand, uMkhanyakude, King Cetshwayo, Harry Gwala and iLembe.

Sector analysis

Manufacturing is one of the key contributing industries in the KZN economy. The industry grew moderately at 1 per cent between 2006 and 2016. Similar to most industries, a substantial proportion of manufacturing production towards the provincial total GDP is from eThekweni. The sub-industries with a major contribution to manufacturing's average growth rate are *electronic, sound/vision, medical and other appliances, electrical machinery, apparatus and textile, clothing and other leather goods*.²⁰

Construction was the fastest growing sector (5.1 per cent) from 2006 to 2016 but recorded a mere 1.2 per cent growth rate in 2016, while *trade* showed a positive average growth rate of 2.7 per cent over the ten year period under review. The moderate performance in construction over the latter period was cushioned by growth in *retail trade and repairs of goods, hotels and restaurants and wholesale and commission*.

Transport (2.8 per cent) has also been one of the fastest growing industries in the province over the 2006 to 2016 period. The *Post and telecommunication* sub-industry led the growth trajectory, followed by *air transport and transporting* activities. At 3.1 per cent each, *finance* and *government* were the second fastest growing sectors in the province over the past decade. The robust performance in the finance sector was by far supported by growth in the *finance and insurance* sub-sector.

In terms of sector contribution towards provincial real GDP, the government makes up an estimated 20.3 per cent. It is also important to note that, at both the national level and in KZN, a large proportion of GDP and employment emanates from the tertiary sector. This sector grew between 2006 and 2016, while the primary and secondary sector's contributions to GDP and employment were declining. This indicates that the economy is converging towards being a tertiary sector-based economy, which is skilled-labour intensive, but a large majority of the SA population lack skills.

Travel and tourism in KZN

Out of 185 countries, SA is ranked 35th in terms of tourism's direct contribution to GDP in absolute terms, with travel and tourism contributing a total of R127.9 billion in 2016 rising to R131.3 billion in 2017. Travel and tourism's total contribution to total GDP was R412.2 billion in 2017 and is expected to show annual growth of 4.2 per cent over the period 2017 to 2027. In terms of employment, the country directly supported some 716 500 jobs in 2016, rising to 742 294 in 2017. In SA, travel and tourism supported 1.636 million jobs in the tourism industry in 2017 and this is projected to reach around 2.5 million in 2027 (WTTC, 2017).²¹

KZN had 3.2 million visitors and this constituted SA's third top domestic tourism destination market in 2016 after GP with 6.6 million and Limpopo (LP) with 6.3 million (SAT, 2017)²². KZN boasts some of the most popular tourist attractions in SA including the spectacular Drakensberg Mountains, the beaches of the Indian Ocean, Ushaka Marine World, game reserves, the iSimangaliso wetlands, Oribi Gorge and historic battle fields.

Travel and tourism is one of the major contributors to KZN's employment. In 2016, the number of people directly employed in the sector was approximately 82 175, while the industry's total contribution to employment was estimated at 175 142. In the same year, tourism's direct contribution to GDP in KZN was estimated at R9 billion and the total contribution was approximately R18 billion (Zulu Kingdom, 2016)²³.

1.4 Provincial labour market

The SA labour market continues to experience a high unemployment rate, which is undoubtedly the result of structural factors including slow economic performance, shortage of skills and low productivity, among others. The domestic economy has been growing at a slow pace since the global financial crisis²⁴,

²⁰ KZN Treasury (2018): Socio-Economic Review and Outlook, 2017/2018, KwaZulu-Natal Provincial Government.

²¹ World Travel & Tourism Council (2017) Economic Impact 2017 South Africa. Available online: <http://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/southafrica2017.pdf>, accessed on 19.01.2018.

²² SAT (2017) Tourist arrivals aligned to StatsSA Tourism & Migration reports, available online: <https://live.southafrica.net/media/48836/tourists-table-b-june-2017.pdf/downloadId=83272>, accessed on 02.02.2018.

²³ Zulu Kingdom (2017) Statistics of Our Tourism Sector. Available online: <http://www.zulu.org.za/files/images/files/Stats%20Brochure%202016%284%29.pdf>, accessed on 02.02.2018.

²⁴ Global financial crisis of 2009 resulted in a contraction of 1.3 per cent in the country and thus left the legacy of a slow economic growth.

thereby negatively affecting the labour market in terms of job creation. It is a fact that employment cannot grow enough to absorb the workforce, especially new entrants, if the economy is underperforming. Disturbingly, the level of unemployment is exceedingly high among the youth as opposed to the older people of working-age²⁵.

The national unemployment rate was estimated at 26.7 per cent in the fourth quarter of 2017, moderately lower than 27.7 per cent recorded in the second and third quarters of the year (StatsSA, 2018)²⁶. The unemployment rate has remained high at approximately 25 per cent for the past two decades without a significant decline. Furthermore, unemployment in the country is above the average of other Emerging Market Economies (EME) including the other BRICS²⁷ countries.

The scourge of high unemployment is pertinent to provinces across the country including KZN. StatsSA (2018) shows that KZN's unemployment rate, currently estimated at 24.1 per cent, is slightly lower than the national average and that of other provinces, except for the WC and LP at 19.5 per cent and 19.6 per cent, respectively. The largest proportion of employment in KZN emanates from *community services* at 23.8 per cent. This is followed by *trade* and *finance* at 21.3 per cent and 12.6 per cent, respectively.

1.5 Development Indicators

1.5.1 Poverty and human development

Table 3 shows that the percentage share of people living below the food poverty line (FPL)²⁸ stood at 31.8 per cent in 2016 (an increase of 4 percentage points from 27.8 per cent in 2011) while the proportion of those living below the lower poverty line (LBPL)²⁹ increased by 0.9 percentage points to 46 per cent over the same period. A proportion of 61.4 per cent was living below the upper poverty line (UBPL)³⁰ in 2016. The Poverty headcount and Poverty intensity (which are measurements of multidimensional deprivation) for 2016 indicate that poverty in KZN is at higher than average levels in comparison to other provinces. High poverty levels impact negatively on the level of human development as more people are unable to access quality services in the health and education sectors for a better quality of life. The HDI in KZN was estimated at 0.61 in 2016, which was lower than the national average of 0.65.

Table 3 : Development indicators for SA and KZN, 2006 - 2016

Indicator	South Africa			KwaZulu-Natal		
	2006	2011	2016	2006	2011	2016
Unemployment rate, official definition (%)	25.8%	24.9%	29.9%	29.9%	20.2%	23.1%
Human Development Index (HDI)	0.55	0.61	0.65	0.48	0.55	0.61
Gini coefficient	0.65	0.63	0.63	0.64	0.62	0.63
Share below the food poverty line (StatsSA defined)	22.3%	21.4%	25.1%	27.5%	27.8%	31.8%
Share below the lower poverty line (StatsSA defined)	38.8%	36.8%	38.4%	45.9%	45.1%	46.0%
Share below the upper poverty line (StatsSA defined)	56.9%	54.0%	53.8%	64.3%	62.4%	61.4%
Functional literacy: age 15+, completed grade 7 or higher	77.9%	82.1%	83.5%	75.1%	79.3%	80.9%
Poverty headcount (StatsSA defined)	-	-	7.5%	-	10.9%	7.70%
Poverty intensity (StatsSA defined)	-	-	42.4%	-	42%	42.50%

Source: IHS Markit, 2018 and StatsSA, 2017³¹

Note dash (-) in the table represents unavailability of data

²⁵ The unemployment rate was high among the youth aged between 15 and 24 years at 51.1 per cent, followed by those aged between 25 and 34 years at 33.4 per cent in the fourth quarter of 2017 (StatsSA, 2018).

²⁶ StatsSA (2018): *Quarterly Labour Force Survey*, Quarter four 2017, Statistical release P0211, available online: <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2017.pdf>, accessed on 14.02.2018.

²⁷ BRICS – a group of countries including Brazil, Russia, India, China and South Africa (see trading economics, available online: <https://tradingeconomics.com/country-list/unemployment-rate>, accessed on 09/01/2018).

²⁸ The FPL is the Rand value below which individuals are unable to purchase or consume enough food to supply them with minimum per-capita-per-day energy requirement for good health (which is about 2 100 kilocalories).

²⁹ Individuals at the LBPL do not have command over enough resources to consume or purchase both adequate food and non-food items and are therefore forced to sacrifice food to obtain essential non-food items.

³⁰ The UBPL group are still considered in poverty, but can generally purchase both food and non-food items.

³¹ StatsSA (2017) *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2015*. Available online: <http://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-062015.pdf>, accessed 05.02.2018.

1.5.2 Household income and income inequality

Table 4 shows that in 2016, a concerning 40.2 per cent of KZN households were categorised as lower income earners (R0 – R54 000 per annum), where 97.7 per cent of these were African households, 17.8 per cent were Coloured, and 3 per cent were White. Approximately 20.4 per cent were categorised as a low emerging middle class, earning an annual income of between R54 000 and R96 000. This is in contrast with 6.4 per cent of households in the province categorised as realised middle-class earners (R360 000 – R600 000). Only 1.5 per cent of KZN households were considered as affluent, earning in excess of R1.200 million per annum.

The large gap between the incomes of the four population groups clearly depicts the level of income inequality that exists within the province, where 47 per cent of African households are lower income earners and none are considered affluent. This large disparity is further supported by KZN's Gini coefficient of 0.63, which is categorised as a highly unequal distribution of income.

Table 4 : Income distribution by proportion of households in KZN, 2016

Income category	Income level (R'000)	African	White	Coloured	Asian	Grand total
Lower income	0 - 54	47%	3%	17.8%	4.9%	40.2%
Low emerging middle income	54 - 96	23%	3%	15.5%	11.1%	20.4%
Emerging middle class	96 - 360	24%	34%	40.7%	51.2%	27.1%
Realised middle class	360 - 600	4%	25%	13.1%	17.1%	6.4%
Upper middle class	600 - 1 200	2%	23%	10.4%	11.3%	4.4%
Affluent	1 200 +	0%	11%	3%	4.4%	1.5%
Grand total		100%	100%	100%	100%	100%

Source: HIS Markit, 2018

1.5.3 Grant beneficiaries

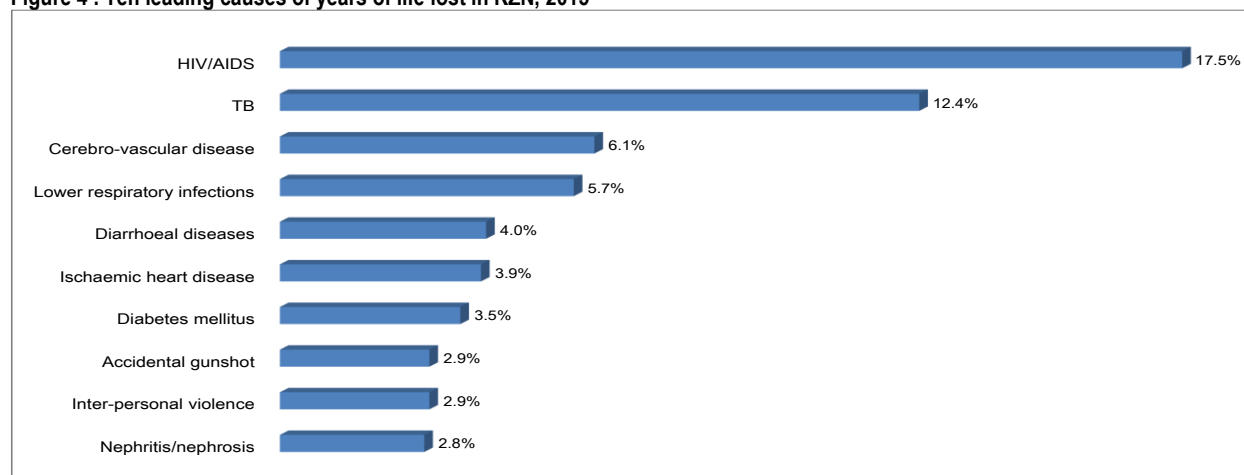
KZN had the highest number of social grant beneficiaries as at 31 December 2017 on a national scale, with a total number of 3 857 958 which equates to about 22.2 per cent. This was slightly lower than the 3 898 803 beneficiaries recorded in the previous month, as well as the 3 885 396 beneficiaries recorded at 31 December 2016. The province had the highest share of recipients of the Old Age Grant (673 793 beneficiaries, 19.9 per cent), Disability Grant (229 458 beneficiaries, 21.5 per cent), Grant-in-Aid (54 098 beneficiaries, 29.3 per cent), Care Dependency Grant (39 123 beneficiaries, 26.7 per cent) and the Child Support Grant (2 782 071 beneficiaries, 22.8 per cent).

In terms of growth in beneficiary numbers since 31 December 2016, the Old Age Grant (2.5 per cent) and Grant-in-Aid (5.2 per cent) experienced increases, while the other grant types experienced a decline in numbers. The most notable decline was in the number of War Veterans' Grant beneficiaries (28 per cent), followed by Foster Child Grant beneficiaries (11.1 per cent).

1.5.4 Health

Figure 4 shows the ten leading causes of years of life lost in KZN in 2015.

Figure 4 : Ten leading causes of years of life lost in KZN, 2015



Despite the strides that have been made in reducing mortality rates in KZN, the province seems to be grappling with obstinate HIV and AIDS prevalence rates, as well as TB. These two communicable diseases were the leading causes of years of life lost in 2015.

1.5.5 Education

Education is essential for the enhancement of human capital, in terms of providing better prospects for people to generate an income. One of the Department of Education's (DOE) strategic objectives is to extend a better quality of life to children of school-going age. According to Calman and Tarr-Whelan (2005)³², investing in early education generates economic development for communities in the short-term in the form of jobs, the purchase of goods and services and a more efficient workforce. In the long-term, quality early education builds an employable and educated workforce.

Heckman, Pinto and Savelyev (2013)³³ further state that the holistic development of young children (physical, socio-emotional, language and cognitive) plays a critical role in shaping their subsequent school attainment, performance, health, and future earnings, as well as assists in discouraging anti-social behaviour. These studies provide evidence that ECD gives a good basic education foundation. It is from this backdrop that quality basic education is one of the 14 national outcomes as indicated in the Medium Term Strategic Framework (MTSF) of SA. It is therefore not surprising that education is receiving the largest allocation in the national budget.

1.5.5.1 Literacy rate

According to the World Bank, literacy rate³⁴ means people who are aged 15 and above, who can read and write with understanding a short simple statement on their everyday life. The literacy rate has an influence on human capital and the ability of individuals, social institutions and nations to adapt and change along with technology and other developments in the global market. The literacy rate in KZN increased from 72.4 per cent in 2006 to 80.9 per cent in 2016.

1.5.5.2 National senior certificate (NSC) achievements

Learner achievement rates in KZN increased by 6.5 per cent from 66.4 per cent in 2016 to 72.9 per cent in 2017. KZN had the second highest number of progressed learners after LP. The province achieved the third highest pass rate after the Free State (63.2 per cent) and GP (68.7 per cent) at 56.5 per cent. This is a significant improvement of 21.9 per cent from 34.6 per cent recorded in 2016.

The socio-economic status of the community affects the percentage of passes in different categories (quintiles) of schools. In line with this, the performance of lower quintile (1 to 3) schools, most of which are rural, achieved much lower percentage passes than quintile 4 and 5 schools which are mostly urban. Approximately 30 per cent of schools in the lower quintiles achieved more than an 80 per cent pass rate, compared to 55 per cent and 82.4 per cent of quintiles 4 and 5.

Nevertheless, there has been improvement in all the core subjects such as Mathematics, Physical Science and Accounting in KZN when comparing the results from 2016 and 2017. Mathematics improved from 37.9 per cent to 41.6 per cent, Physical Science from 57.8 per cent to 65.1 per cent and Accounting from 59.7 per cent to 62.4 per cent in KZN.

³² Calman L.J. and Tarr-Whelan L. Early childhood education for all. A wise investment. Available online: [http://web.mit.edu/workplace_center/docs/ Full%20Report.pdf](http://web.mit.edu/workplace_center/docs/Full%20Report.pdf).

³³ Heckman J., Rodrigo P. and Peter S. (2013) "Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes." *American Economic Review* 103 (6): 2052–2086

³⁴ Literacy rate is calculated by dividing the number of literate individuals aged 15 years and over by the corresponding age group population and multiplying the result by 100. Available on: <http://data.worldbank.org/indicator/SE.ADT.LITR.ZS> accessed 30/01/2017.

2. BUDGET STRATEGY AND AGGREGATES

2.1 Introduction: Budget strategy – An overview

KZN has suffered substantial budget cuts over the last few MTEF periods. Some of these cuts related to the annual data update of the PES formula, while others related to National Treasury's fiscal consolidation plan. Unfortunately, KZN is not spared from budget cuts over the 2018/19 MTEF and the PES was cut due to data updates of the PES formula, as well as National Treasury's fiscal consolidation plan. There are also fiscal consolidation cuts against the conditional grant allocation. On the other hand, National Treasury is adding some funds to the province in the outer year to compensate the province for the wage shortfall, and some funds for the Social Development sector. However, the new wage agreement will be applicable from 2018/19, implying that if the wage agreement is above-budget, the shortfall in 2018/19 and 2019/20 will have to be borne by the province.

In view of these reductions, instead of allocating funds to departments, KZN had to find ways to deal with these reductions. The total amount to be reduced from the baseline, net of the Provincial Own Revenue upward adjustment, was R475.947 million, R542.072 million and R878.677 million over the 2018/19 MTEF. A Finance *Lekgotla* was held in February 2018 and it was determined that in the first year the cut would be absorbed by the Contingency Reserve with an understanding that the budget cuts would be proportionally allocated to all departments in the 2018/19 Adjustments Estimate. The Contingency Reserve thus amounts to R174.054 million, R744.930 million and R650 million over the MTEF.

2.2 Aligning provincial budgets to achieve government's prescribed outcomes

In preparing the 2018/19 budget, departments were requested to focus on the national outcomes, the NDP, PGDS and PGDP, as in previous budget processes. The 14 national outcomes are listed below:

1. Quality basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Comprehensive rural development and land reform.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Create a better South Africa and contribute to a better and safer Africa and World.
12. An efficient, effective and development oriented public service.
13. An inclusive and responsive social protection system.
14. Nation building and social cohesion.

2.3 Summary of budget aggregates

Table 2.1 provides an analysis of the overall provincial budget performance by comparing total receipts against total payments, resulting in a surplus or deficit before financing over the seven-year period. The table also provides the details on financing to provide the net position after financing for each year.

In aggregate, KZN recorded a surplus after financing in 2014/15, 2015/16 and 2016/17. Careful cash and budget management has meant that the province has spent very close to on-budget for the past few years, and has remained cash positive in terms of the provincial bank balance.

Table 2.1 : Provincial budget summary

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2014/15	2015/16	2016/17	Appropriation	Appropriation	Estimate	2018/19	2019/20	2020/21
Provincial receipts									
Transfer receipts from national	94 195 075	100 318 136	105 493 465	112 580 183	112 780 183	112 780 183	119 016 716	126 592 950	135 809 018
Equitable share	78 138 477	83 131 565	87 897 580	93 756 530	93 756 530	93 756 530	99 263 681	106 363 502	113 997 676
Conditional grants	16 056 598	17 186 571	17 595 885	18 823 653	19 023 653	19 023 653	19 753 035	20 229 448	21 811 342
Provincial own receipts	3 148 995	3 260 603	3 202 020	3 038 628	3 038 628	3 233 005	3 236 438	3 349 606	3 473 612
Total provincial receipts	97 344 070	103 578 739	108 695 485	115 618 811	115 818 811	116 013 188	122 253 154	129 942 556	139 282 630
Provincial payments*									
Current payments	76 464 772	83 023 232	89 942 087	95 981 012	96 441 429	97 249 920	102 806 421	109 195 323	117 535 970
Transfers and subsidies	12 146 645	12 511 265	11 561 270	11 580 777	11 988 499	12 172 266	11 851 129	12 386 369	13 067 927
Payments for capital assets	8 229 007	8 640 102	7 869 102	7 557 177	8 070 640	8 050 079	7 834 104	7 718 694	8 054 641
Payments for financial assets	5 983	172 117	222 392	139 501	140 412	141 066	-	-	-
Total provincial payments	96 846 407	104 346 716	109 594 851	115 258 467	116 640 980	117 613 331	122 491 654	129 300 386	138 658 538
Surplus/(deficit) before financing	497 663	(767 977)	(899 366)	360 344	(822 169)	(1 600 143)	(238 500)	642 170	624 092
Financing	1 235 152	2 099 338	2 127 529	289 656	1 231 343	1 231 343	412 554	102 760	25 908
Provincial roll-overs	145 541	97 260	152 234	-	177 567	177 567	-	-	-
Provincial cash resources	1 091 595	2 002 434	2 006 057	289 656	1 101 947	1 101 947	357 554	102 760	25 908
Surplus Own Revenue surrendered	(2 247)	(2 603)	(6 829)	-	-	-	-	-	-
Surplus Own Revenue from prior year	263	2 247	2 603	-	6 829	6 829	-	-	-
Suspension to ensuing years	-	-	-	-	(55 000)	(55 000)	55 000	-	-
Allocations from the Contingency Reserve	-	-	(26 536)	-	-	-	-	-	-
Surplus/(deficit) after financing	1 732 815	1 331 361	1 228 163	650 000	409 174	(368 800)	174 054	744 930	650 000

* Estimated actual expenditure for 2017/18 is as at 31 December 2017

The 2017/18 Revised Estimate in Table 2.1, which is based on the December 2017 IYM, indicates that the province will end the year with a deficit of R368.800 million. Departments showing projected over-expenditure have been instructed to prepare turnaround plans to avoid this projected over-expenditure.

As mentioned above, KZN continues to budget for a Contingency Reserve over the MTEF. The Contingency Reserve is being kept for a number of reasons, but mainly to protect the province against the impact of unforeseen expenditure pressures when they arise.

2.4 Financing

Contingency Reserve

The total provincial receipts exceeds total provincial payments over the MTEF, thereby reflecting a surplus budget before and after financing. This indicates that not all financial resources available to the province have been allocated to the 15 provincial Votes for spending.

Sources of financing

The paragraphs below aim to provide an explanation of some of the terms contained in Table 2.1. The province has three sources of financing available, namely provincial roll-overs, provincial cash resources, and suspensions to the ensuing financial year.

Provincial roll-overs refer to funds that were appropriated and committed but not spent in that financial year. These unspent funds are then re-allocated to the relevant department during the Adjustments Estimate in the following year.

Provincial cash resources refer to surplus funds in the provincial revenue fund, after taking into account all commitments and roll-overs. This includes unspent appropriated funds in departments that were not rolled over to the ensuing financial year, as well as surplus provincial own revenue that was collected in prior financial years. This category also includes unspent funds which were surrendered in one financial year and allocated back to the same department in ensuing years. This source of financing also relates to any internal provincial reprioritisation that is undertaken to finance provincial commitments.

Suspension to ensuing years relates to funds suspended from a Vote in one year and allocated back to the same Vote in ensuing years.

Surplus own revenue surrendered/ from prior year relates only to the Provincial Legislature and occurs when, in terms of S22(1) of the PFMA, as well as the Financial Management of Parliament and Provincial Legislatures Act (FMPPLA), the Legislature retains its own revenue.

Implementation of Section 34(2) of the PFMA (First charge rule)

The province implemented the first charge rule (in terms of Section 34(2) of the PFMA) for the first time in 2009/10. This meant that the affected departments saw a reduction in their budgets available for spending, in order to pay back the over-expenditure they had incurred in prior years. Important to note and understand, though, is that these amounts are not removed from their budgets, but are allocated to *Payments for financial assets* to allow for the necessary accounting treatment thereof.

Cost-cutting measures

Cost-cutting has been in place in KZN since 2009/10. The aim of cost-cutting is to reduce expenditure on “frills” and “nice to haves” and to re-direct these funds into service delivery areas. The cost-cutting measures are updated and re-issued to departments each year and remain in place as they are critical elements of good governance. National Treasury issued Instruction Note 03 of 2017/18 which lists the national cost-cutting measures which all departments must adhere to. This Instruction Note is available on National Treasury’s website (www.treasury.gov.za). The latest provincial cost-cutting measures are:

1. Vacant non-OSD posts are frozen for both departments and public entities. Departments and entities are permitted to fill critical vacant posts, as long as they remain within their baselines and receive permission to fill these posts from the Premier and the MEC for Finance.
2. Where posts become vacant through natural attrition, or where departments and entities elect to fill critical posts from within their baselines, these may not be filled without receiving approval from the Premier and MEC for Finance.
3. Any revised organograms which have the effect of increasing a department’s or entity’s total staff number may not be implemented. Any revisions to organograms must be approved by the Premier and MEC for Finance.
4. A detailed assessment must be done of each department’s and each entity’s personnel in order to move non-productive staff to productive, critical service delivery posts. PERSAL should only reflect the number of posts that the department can afford to fill, i.e. budgeted posts.
5. Departments and public entities must ensure total enforcement of the current cost-cutting measures. Lavish and expensive events will not be approved by Provincial Treasury. Furthermore, events should be limited to service delivery events or campaigns only and the costs associated with such events should be rationalised.
6. Procurement and/or hiring of VIP services and facilities such as marquees, toilets and catering, etc. for events is strictly prohibited.
7. Donations and sponsorships to be made by departments and public entities towards events must be submitted to Provincial Treasury prior to making such donations or sponsorships. The submission must indicate what value for money will be achieved and what aspects of the proposed events are being sponsored.
8. New expenditure items/projects/mandates will be permitted only if they are funded through internal reprioritisation by the department and/or entity. Motivation for items/projects/mandates that require new funding from the provincial fiscus must be submitted to Provincial Treasury who will assess these critically.
9. All requests for equitable share roll-overs will be critically assessed by Provincial Treasury prior to being submitted to the Provincial Executive Council for approval.

Compensation of employees related:

10. As mentioned, there is a moratorium on the filling of non-critical posts. Accounting Officer and CFO to determine which posts are critical and may be filled.
11. Departments to ensure that only funded vacant posts appear on PERSAL.
12. No leave conversion payments (leave to be taken) – this does not apply to leave pay-outs when staff are exiting the public service.
13. Strict control of overtime.

Procurement related:

14. Budgets for non-essential goods and services to be kept at 2017/18 levels.
15. Furniture and equipment purchases to be approved by the Accounting Officer and the CFO. All furniture and equipment to be purchased should be standardised according to staff designations.
16. Energy saving projects to be explored with an aim of reducing electricity and water usage.
17. Timeous planning to be undertaken to ensure market related prices are charged by service providers.
18. Database of local service providers per municipality and fixed prices per commodity to be compiled to ensure exorbitant prices are not charged.
19. Cell phone, landline and data bundle costs to be reviewed and limitations in respect of usage and approval of these services to be effected. Stricter cell phone limits to be introduced.
20. Hiring of offices: government-owned properties to be utilised as far as possible to avoid costs.
21. Transversal contracts to be used for inventory items such as stationery, nappies, baby food, medication, etc.
22. Essential training to be done in-house (exceptions to be approved by the HOD).
23. Catering for meetings to be stopped (exceptions to be approved by the HOD, but there should be no catering for internal meetings).
24. When printing APPs, SPs, Annual Reports, etc., the use of colour pages to be minimised and lighter weight of pages and covers to be used. Feasibility of using electronic distribution (e.g. compact discs) to be looked at to reduce costs. Gold and silver embossed letterheads may not be used.
25. No bottled water may be procured for meetings, etc. Where it is not practically possible to provide water in jugs, Provincial Treasury approval must be sought.
26. All newspapers and other publications purchased for employees must be discontinued. Such purchases must be limited in line with National Treasury's Instruction Note.

Travelling related:

27. S&T – only essential trips to be undertaken.
28. Monthly mileage restrictions to be adhered to and officials to use one hired car for meetings outside KZN (synergy between departments attending same meetings).
29. Responsibility managers to ensure co-ordinated travel to reduce costs, and officials to travel together unless absolutely unavoidable.
30. Meetings and workshops to be held where the majority of the officials reside/work (50 per cent + 1).
31. Departments and public entities to develop an integrated annual calendar so that meetings and workshops are properly co-ordinated to reduce travel costs.
32. Meetings need to start at reasonable time to reduce need to sleep over. Unnecessary overnight accommodation needs to be cut down.
33. Assessment to be done between road travel to end destination vs distance to airport (e.g. cheaper for a person from Newcastle to travel to Johannesburg by road than to drive to Durban to take flight to Johannesburg).
34. Overseas trips to be rationalised with the number of delegates being kept to a minimum.
35. Business class travel only for MECs and HODs (and MPLs, where applicable).
36. Car hire bookings – class of vehicle to be lowered.
37. Kilometre controls to be implemented on travelling (average of 2 500 kilometres per month per official unless there are exceptional circumstances – exceptions to be approved by the HOD).
38. Departments and public entities to plan meetings carefully and rationalise the number of meetings held (it seems that staff from regions/districts are sometimes called to head office meetings organised by different units on various different days, requiring them to travel to and from the regions/districts frequently. These meetings must be co-ordinated and planned between the various units to reduce the wastage of time and money).

39. Where there are one-day meetings in other provinces, officials to travel there and back on the same day (where possible).

Events related (including workshops/meetings, etc.):

40. No. of service delivery events held by departments and public entities must be strictly kept at no more than 24 per annum, as approved by the Provincial Executive Council (for an event with 3 500 community members, this event should not cost more than R1 million to host. For events where 1 500 to 2 000 community members attend, these events may not cost more than R500 000 – R700 000 per event). The cost per event to be adhered to, as per guidelines given. Requests for events must reach Provincial Treasury five (5) working days before the event is planned to take place to allow sufficient time for Provincial Treasury to assess the requests, and should be accompanied by the following:

- Three quotations.
- Date of the event.
- Venue of the event.

Total cost of the event – with the breakdown cost of each item. The submission should be reviewed by the CFO's office before forwarding to Provincial Treasury for approval.

41. Musicians and other performing artists to be sourced from a database administered by the Department of Arts and Culture (DAC). The Arts Development unit can be contacted on 033 – 341 3608/09 in this regard. DAC will ensure that the rate charged by the musicians and performing artists falls in line with the rates set out in Provincial Government's "Departmental Honoraria and Special Payment Policy". While the artists will be selected by DAC, the payment to these artists is the responsibility of the department or public entity requesting the services of the artist/s. Provincial Treasury will ensure that the amount to be paid to the artist/s falls in line with the policy when departments submit the request for an event to be held to Provincial Treasury.
42. No tracksuits, t-shirts, caps, bags or other promotional materials to be purchased or handed out at events (exceptions to be approved by Provincial Treasury).
43. Departments to share databases for government and community venues to minimise use of private venues.
44. Marquees and catering costs for events to be reduced through timeous procurement (departments should end fixed contracts with just one service provider – look at panel of event co-ordinators instead).
45. Proper planning of events to be undertaken to reduce costs. Core planning team to co-ordinate all events in the department to ensure value for money.
46. Number of departmental/public entity officials attending events to be kept at an absolute minimum.
47. Internal meetings, strategic planning sessions and workshops to be held in departments' and public entities' offices instead of private venues (exceptions to be approved by Provincial Treasury). Where Provincial Treasury approval is requested, proof must be given that all other avenues have been exhausted before a private venue will be approved.
48. External meetings, workshops and events to be held in government facilities instead of private venues (exceptions to be approved by Provincial Treasury). Use of marquees to only be considered where such events could not be held in municipal halls, school halls, FET College facilities, etc. Where Provincial Treasury approval is being requested, proof must be provided that all other avenues have been exhausted before a private venue will be approved.
49. No team building exercises or year-end/Christmas functions to be held (only permitted if paid for by the staff themselves).

3. BUDGET PROCESS AND MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF)

3.1 The 2018/19 MTEF budget process in brief

3.1.1 Treasury Guidelines

The 2018/19 MTEF budget process began with the Treasury Guidelines workshop. KZN's budget was cut again over the MTEF due to data updates of the PES formula, as well as National Treasury's continued roll-out of the fiscal consolidation programme. Fiscal consolidation cuts are also effected against the conditional grant allocation. A Finance *Lekgotla* was held on 7 February 2018 where it was determined that the PES budget cuts would be effected proportionately against all Votes in 2018/19 (but with the cut to be effected in the 2018/19 Adjustments Estimate), while the 2019/20 and 2020/21 budget cuts were offset by the Contingency Reserve exceeding R650 million in those two years and this excess amount was therefore used to absorb the budget cuts. It was decided to effect these budget cuts in the 2018/19 Adjustments Estimate due to the lateness of finalising the provincial budget, as well as the magnitude of the budget cuts. This gives departments ample time to decide on how to effect the budget cuts. National Treasury is adding some funds to the provincial baseline for Social Development, as well as an allocation in the outer year to provide for the wage agreement.

3.1.2 Initiative measurement criteria

The measurement tool used in prior budget processes was again used to assess requests for additional funding, as an indication of whether requests for additional funding should be supported in principle, or not. Each initiative was therefore rated against the following six criteria:

- Evidence that the initiative contributes to government policy priorities, as well as being clearly aligned to the PGDP/Poverty Eradication Master Plan (PEMP).
- Alignment of the initiative to the core functions of the department/public entity.
- Evidence of credible service delivery information.
- Is the costing/initiative realistic?
- Was there adequate political involvement in the budget formulation process?
- Evidence that the department/public entity underwent thorough reprioritisation with a view to fund part of the initiative from within its budget.

In terms of the rating exercise, each of the criteria translated to '2' points if complied with, and a '0' if not. An initiative therefore could score a maximum of 12 points or 100 per cent. The Medium-Term Expenditure Committee (MTEC) then reviewed each and every funding request. These requests were discussed further at the Finance *Lekgotla* but, due to the budget cuts, there was no additional funding available to allocate to any of these initiatives.

3.1.3 Allocation process

In September 2017, MTEC met with various provincial departments and public entities who had submitted initiatives for funding. In terms of the FMPPLA, the KZN Legislature is not required to submit additional funding requests to Provincial Treasury *via* the MTEC process. Instead, the KZN Legislature's additional funding requirements were discussed between the Speaker and the MEC for Finance. This meeting was informed by inputs provided by both Legislature and Provincial Treasury officials. MTEC indicated that the meetings were taking place during difficult economic times and that further fiscal consolidation cuts were very likely.

National Treasury advised that they are adding some funds to the provincial baseline for Social Development, with a total of R92.630 million being allocated over the MTEF towards the impact that the NAWANGO Court Case Judgment taken in the Free State could have on the other provinces. Also, R165.970 million is allocated over the MTEF towards the prevention and early intervention programmes

to fight violence against women and children. National Treasury provides an amount of R2.031 billion in 2020/21 for the carry-through costs of the wage agreement and this was used partially to offset the budget cut in the outer year, while the balance was allocated proportionately to all Votes.

Table 3.1 indicates the requests for additional funding as submitted as part of the 2018/19 MTEF process.

Table 3.1 : Summary of additional funding requested by departments and public entities

R thousand	Amounts requested			Total
	2018/19	2019/20	2020/21	
1. Office of the Premier	17 900	-	-	17 900
2. Provincial Legislature	83 535	117 953	101 540	303 028
3. Agriculture and Rural Development	148 300	186 589	282 743	617 632
4. Economic Development, Tourism & Enviro. Affairs	312 826	38 912	38 912	390 650
5. Education	509 800	509 800	509 800	1 529 400
6. Provincial Treasury	-	-	-	-
7. Health	314 000	139 000	121 000	574 000
8. Human Settlements	-	-	-	-
9. Community Safety and Liaison	22 016	9 200	9 400	40 616
10. Sport and Recreation	157 222	97 222	97 222	351 666
11. Co-operative Governance and Traditional Affairs	60 236	42 230	52 384	154 850
12. Transport	506 563	470 221	268 313	1 245 097
13. Social Development	18 702	-	-	18 702
14. Public Works	20 000	220 000	239 000	479 000
15. Arts and Culture	3 764	3 952	4 148	11 864
Total	2 174 864	1 835 079	1 724 462	5 734 405

Note: The public entities' requests are included in their parent departments' totals

With the exception of Provincial Treasury and the Department of Human Settlements (DOHS), all departments submitted requests for additional funds. While Office of the Premier (OTP) and Economic Development, Tourism and Environmental Affairs (EDTEA) did not submit initiatives, entities under these departments submitted requests for funding resulting in amounts reflected against these departments in Table 3.1. The total amount requested was R2.175 billion, R1.835 billion and R1.724 billion over the MTEF. Many of the requests for additional funding were based on sound principles and fared well when assessed in terms of the criteria mentioned above. Unfortunately, due to the budget cuts, none of the initiatives received additional funding.

3.2. Provincial fiscal framework

Table 3.2 summarises the provincial fiscal framework for the 2018/19 MTEF budget. The PES formula was updated with new data as described in Chapter 4 of this *OPRE*. The impact of this is a 0.1 per cent reduction of KZN's share of the PES and the province thus loses R216.033 million, R249.029 million and R507.354 million over the MTEF.

Table 3.2 : Summary of provincial fiscal framework

R thousand	2018/19	2019/20	2020/21
1. Receipts			
Baseline allocation	122 912 369	131 629 852	137 688 095
Transfer receipts from national	119 719 335	128 320 824	134 197 070
Equitable share	99 740 600	106 840 842	112 717 088
Conditional grants	19 978 735	21 479 982	21 479 982
Provincial own receipts	3 193 034	3 309 028	3 491 025
Increase / (Decrease) in allocation	(659 215)	(1 687 296)	1 594 535
Transfer receipts from national	(702 619)	(1 727 874)	1 611 948
Equitable share	(476 919)	(477 340)	1 280 588
Conditional grants	(225 700)	(1 250 534)	331 360
Provincial own receipts	43 404	40 578	(17 413)
Revised allocation	122 665 708	130 045 316	139 308 538
Transfer receipts from national	119 016 716	126 592 950	135 809 018
Equitable share (after update of formula data & fiscal consolidation cuts)	99 263 681	106 363 502	113 997 676
Conditional grants	19 753 035	20 229 448	21 811 342
Provincial own receipts	3 236 438	3 349 606	3 473 612
Provincial cash resources	412 554	102 760	25 908
2. Planned spending by departments	122 491 654	129 300 386	138 658 538
3. Contingency Reserve	174 054	744 930	650 000

National Treasury indicated that they are implementing a further round of fiscal consolidation cuts to place the country's finances on a sustainable path. The fiscal consolidation reductions amount to R303.318 million, R333.621 million and R353.910 million over the MTEF.

National Treasury advised that some changes were also being made to the conditional grant allocations, largely due to the fiscal consolidation programme. At a high level, the province's conditional grant allocation shows a decrease of R225.700 million, a decrease of R1.251 billion and an increase of R331.360 million over the MTEF. While the aggregate position shows a decrease in 2018/19 and 2019/20, some grants see an increase in their allocations. The following amendments are made to the conditional grant allocation:

The **Land Care grant** sees a minor cut of R985 000 and R302 000 in 2019/20 and 2020/21, respectively.

The **Comprehensive Agriculture Support Programme (CASP) grant** reduces by R36.468 million in 2019/20 and by R22.622 million in 2020/21. The National Department of Agriculture, Forestry and Fisheries (DAFF) has decided on an approach to grow and transform the sector, including the commercialisation of black farmers that display such potential. Funds are therefore cut from the provincial CASP grants to form a fund held under DAFF. This is a co-funding model aimed to assist potential commercial farmers to leverage both public and private funds, and the exact mechanism will be communicated to provinces by DAFF.

The **Ilima/Letsema Projects grant** receives an inflationary increase of R4.139 million in 2020/21. The Department of Agriculture and Rural Development (DARD) also receives R7.308 million in 2018/19 for the **EPWP Integrated Grant for Provinces**.

EDTEA receives R3.740 million in 2018/19 with regard to the **EPWP Integrated Grant for Provinces**.

The **Education Infrastructure grant (EIG)** is cut by R57.867 million, R237.419 million and R40.730 million over the MTEF as a result of the fiscal consolidation budget cuts.

The **HIV and AIDS (Life-Skills Education) grant** is cut by R447 000 in 2018/19 and by R539 000 in 2019/20, while showing inflationary growth of R2.756 million in 2020/21.

The **National School Nutrition Programme (NSNP) grant** shows inflationary growth of R114.482 million in the outer year of the MTEF and is not affected by the fiscal consolidation cuts.

The **Maths, Science and Technology (MST) grant** is reduced by R1.777 million and R1.889 million in 2018/19 and 2019/20 while increasing marginally by R552 000 in 2020/21.

The **Learners with Profound Intellectual Disabilities grant** was first introduced in 2017/18 and now receives increases of R12.491 million, R15.734 million and R18.041 million over the MTEF. The Department of Basic Education (DBE) amended provincial allocations to ensure that allocations between provinces reflect the actual burden of learners needing the services provided for by the grant. DOE receives funds in 2018/19 for the **EPWP Integrated Grant for Provinces** (R2 million), and the **Social Sector EPWP Incentive Grant for Provinces** (R27.004 million).

The **Health Professions Training and Development grant** sees an inflationary increase of R20.397 million in 2020/21.

The **Health Facility Revitalisation grant** sees an increase of R74.462 million in 2018/19, a decrease in 2019/20 of R38.137 million and an increase of R25.281 million in 2020/21. Some fiscal consolidation cuts were effected but, on the other hand, KZN benefits from the incentive nature of this grant in 2018/19.

The **National Tertiary Services grant** and the **Human Papillomavirus Vaccine (HPV) grant** see inflationary increases of R126.975 million and R2.612 million in 2020/21, respectively.

The **Comprehensive HIV, AIDS and TB grant** increases over the MTEF by R191.344 million, R2.544 million and R589.999 million. National Treasury indicated that a new grant component has been added to this grant, namely the Community Outreach Services component and this is covered in more detail in Vote 7: Health's chapter.

The Department of Health (DOH) also receives funds in 2018/19 for the **EPWP Integrated Grant for Provinces** (R8.896 million), and the **Social Sector EPWP Incentive grant** (R24.182 million).

The **Human Settlements Development grant (HSDG)** sees a reduction of R578.274 million, R698.886 million and R465.806 million, partly due to fiscal consolidation cuts and partly due to the creation of two new grants in the sector, namely the **Title Deeds Restoration grant (TDRG)** and the Emergency Housing grant (held by the national DOHS). The **TDRG** is a new grant and receives R101.422 million, R107.140 million and R113.028 million over the MTEF. These funds were previously ring-fenced in the HSDG for the eradication of backlogs in title deeds registration. Human Settlements receives R11.484 million in 2018/19 for the **EPWP Integrated Grant for Provinces**.

Community Safety and Liaison receives R10.321 million in 2018/19 for the **Social Sector EPWP Incentive Grant for Provinces**.

The **Mass Participation and Sport Development (MPSD) grant** sees a fiscal consolidation cut of R33.292 million, R33.575 million and R26.840 million over the 2018/19 MTEF.

Sport and Recreation receives an allocation in 2018/19 with respect to the **EPWP Integrated Grant for Provinces** (R2 million) and the **Social Sector EPWP Incentive Grant for Provinces** (R1.412 million).

Co-operative Governance and Traditional Affairs (COGTA) receives R4.552 million in 2018/19 for the **EPWP Integrated Grant for Provinces**.

The **Provincial Roads Maintenance grant (PRMG)** sees a reduction of R106.254 million, R297.991 million and R200.752 million over the 2018/19 MTEF. The sector took a decision to protect the Public Transport Operations grant from budget cuts as far as possible, with the sector's fiscal consolidation cuts therefore predominantly effected against the PRMG.

The **Public Transport Operations grant (PTOG)** thus sees fairly minor reductions of R15.353 million in 2018/19 and R16.212 million in 2019/20, while growing by R62.051 million in 2020/21.

The Department of Transport (DOT) receives R76.562 million in 2018/19 for the **EPWP Integrated Grant for Provinces**.

The **Early Childhood Development (ECD) grant** came into effect from 2017/18 and now sees a reduction of R4.804 million and R5.073 million in 2018/19 and 2019/20, while increasing by R2.534 million in 2020/21. The budget cuts are effected as a result of fiscal consolidation. This grant has two components, namely a Maintenance Component and a Subsidy Component.

The **Social Worker Employment grant** was first introduced in 2017/18 and now receives an inflationary allocation of R4.188 million in the outer year of the MTEF.

The Department of Social Development (DSD) receives R13.490 million in 2018/19 for the **Social Sector EPWP Incentive Grant for Provinces**.

The Department of Public Works (DOPW) receives R6.023 million in 2018/19 for the **EPWP Integrated Grant for Provinces**.

The **Community Library Services grant** sees a fiscal consolidation reduction of R8.325 million and R8.778 million in 2018/19 and 2019/20, respectively, while increasing by R1.377 million in 2020/21.

DAC receives R2 million in 2018/19 for the **EPWP Integrated Grant for Provinces**.

Various provincial priorities that were allocated additional funding when the 2017/18 Adjustments Estimate was tabled, but with the understanding that these would receive the additional funds over the 2018/19 MTEF, are shown in Table 3.2.1. Details of the additional allocations over the 2018/19 MTEF, per department, are provided in Table 3.4 in Section 3.3.2. This table indicates the amounts allocated to departments in addition to their baseline allocations, from provincial cash resources.

Table 3.2.1 : Provincial priorities funded using provincial cash resources

Description	2018/19	2019/20	2020/21
Funded from 2016/17 Net Financial Position	61 440	128 112	-
V2: Zero-base adjustment	-	34 569	-
V9: Carry-through for new structure	8 515	-	-
V15: Archive Repository	52 925	93 543	-
2016/17 Main Budget	55 082	-	-
V1: Poverty Eradication Master Plan	12 919	-	-
V2: Zero-base budget adjustment	32 923	-	-
V4: Rhino anti-poaching	9 240	-	-
In 2017/18 MTEF	821	879	-
V1: KZNGBB offices	821	879	-
Changes from 2017/18 Net Financial Position	295 211	(26 232)	25 908
V15: Archive rescheduling	(52 925)	(93 543)	-
V15: Archive rescheduling	73 130	67 311	25 908
V15: Arts Academy rescheduled and change in purpose (Winston Churchill Theatre)	18 500	-	-
V15: Arts Academy rescheduled and change in purpose (Ladysmith Black Mambazo Music Academy)	13 000	-	-
V13: Suspension from 17/18 for infrastructure, IT initiative and tools of trade	55 000	-	-
V5: Disaster relief Sept 2017 wind storms	20 000	-	-
V5: Disaster relief October 2017 flooding	63 800	-	-
V7: Disaster relief October 2017 flooding	50 450	-	-
V6: Treasury/ Health assistance plan	15 500	-	-
V7: Treasury/ Health assistance plan	38 756	-	-
Total	412 554	102 759	25 908

3.3 Summary of additional allocations for the 2018/19 MTEF

3.3.1 Existing growth in the 2017/18 MTEF baseline allocation

Table 3.3 shows the baseline budgets for the 2017/18 MTEF before any changes made as part of the 2018/19 budget process. This serves as a reminder that all departments' baselines for the MTEF showed positive rates of growth, although this may differ in terms of level.

Table 3.3 : Existing growth rates in 2017/18 MTEF baseline budgets

R thousand	Main Appropriation	Medium-term baseline budgets			Ann. % growth 17/18-20/21
	2017/18	2018/19	2019/20	2020/21	
1. Office of the Premier	742 125	787 137	822 568	867 813	5.4
2. Provincial Legislature	535 300	565 214	600 520	633 549	5.8
3. Agriculture and Rural Development	2 197 144	2 316 800	2 467 494	2 584 959	5.6
4. Economic Development, Tourism & Enviro. Affairs	2 784 403	3 005 556	3 180 694	3 355 632	6.4
5. Education	47 476 599	50 631 848	53 791 211	56 771 455	6.1
6. Provincial Treasury	607 844	636 900	677 272	714 522	5.5
7. Health	39 548 473	41 959 574	44 992 728	46 938 428	5.9
8. Human Settlements	3 843 870	4 112 605	4 379 544	4 401 849	4.6
9. Community Safety and Liaison	204 486	214 628	228 047	240 590	5.6
10. Sport and Recreation	463 590	481 833	510 277	530 729	4.6
11. Co-operative Governance and Traditional Affairs	1 585 226	1 673 030	1 777 022	1 874 758	5.8
12. Transport	9 847 024	10 313 722	10 970 256	11 164 388	4.3
13. Social Development	3 041 364	3 181 765	3 382 158	3 558 213	5.4
14. Public Works	1 506 951	1 581 909	1 681 234	1 773 702	5.6
15. Arts and Culture	874 068	917 191	1 010 819	967 719	3.5
Total	115 258 467	122 379 712	130 471 844	136 378 306	5.8

3.3.2 Summary of changes to baselines

The additional provincial equitable share allocations to departments and any budget cuts are summarised in Table 3.4. The 2018/19 budget cuts are not included in this table, though, as departments will only be effecting these in the 2018/19 Adjustments Estimate. The detail can be found under each Vote's chapter in the *EPRE*.

Table 3.4 : Summary of changes to allocations, 2018/19 MTEF

	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
	R thousand			Percentage share		
Vote 1 : Office of the Premier	-	-	6 886	-	-	0.4
Addition for above-budget wage agreement	-	-	6 886	-	-	0.4
Vote 2 : Provincial Legislature	-	-	7 248	-	-	0.4
Addition for above-budget wage agreement	-	-	7 248	-	-	0.4
Vote 3 : Agriculture and Rural Development	-	-	25 188	-	-	1.3
Addition for above-budget wage agreement	-	-	25 188	-	-	1.3
Vote 4 : Economic Development, Tourism & Enviro. Affairs	-	-	7 611	-	-	0.4
Addition for above-budget wage agreement	-	-	7 611	-	-	0.4
Vote 5 : Education	290 430	218 201	1 244 256	86.0	275.9	63.8
Learner Transport function shift from Transport	206 630	218 201	230 202	61.2	275.9	11.8
Disaster relief - Wind storms in September 2017	20 000	-	-	5.9	-	-
Disaster relief - Flooding of 10 October 2017	63 800	-	-	18.9	-	-
Addition for above-budget wage agreement	-	-	1 014 054	-	-	52.0
Vote 6 : Provincial Treasury	14 000	-	6 886	4.1	-	0.4
Susp. of Mandela Day Marathon to Vote 11	(1 500)	-	-	(0.4)	-	-
Treasury/ Health assistance plan	15 500	-	-	4.6	-	-
Addition for above-budget wage agreement	-	-	6 886	-	-	0.4
Vote 7 : Health	89 206	-	620 284	26.4	-	31.8
Treasury/ Health assistance plan	38 756	-	-	11.5	-	-
Disaster relief - Flooding of 10 October 2017	50 450	-	-	14.9	-	-
Addition for above-budget wage agreement	-	-	620 284	-	-	31.8
Vote 8 : Human Settlements	-	-	8 336	-	-	0.4
Addition for above-budget wage agreement	-	-	8 336	-	-	0.4
Vote 9 : Community Safety and Liaison	-	-	2 175	-	-	0.1
Addition for above-budget wage agreement	-	-	2 175	-	-	0.1
Vote 10 : Sport and Recreation	-	-	3 081	-	-	0.2
Addition for above-budget wage agreement	-	-	3 081	-	-	0.2
Vote 11 : Co-operative Governance and Traditional Affairs	1 500	-	16 309	0.4	-	0.8
Susp. of Mandela Day Marathon from Vote 6	1 500	-	-	0.4	-	-
Addition for above-budget wage agreement	-	-	16 309	-	-	0.8
Vote 12 : Transport	(206 630)	(218 201)	(191 604)	(61.2)	(275.9)	(9.8)
Learner Transport function shift to Education	(206 630)	(218 201)	(230 202)	(61.2)	(275.9)	(11.8)
Addition for above-budget wage agreement	-	-	38 598	-	-	2.0
Vote 13 : Social Development	97 431	105 309	145 833	28.9	133.2	7.5
Funds from NT relating to NAWANGO Court Judgement	-	45 126	47 504	-	57.1	2.4
Funds from NT to support No Violence Against Women	42 431	60 183	63 355	12.6	76.1	3.3
Funds susp from 17/18 for infrastructure, IT initiative & tools of trade	55 000	-	-	16.3	-	-
Addition for above-budget wage agreement	-	-	34 974	-	-	1.8
Vote 14 : Public Works	-	-	15 040	-	-	0.8
Addition for above-budget wage agreement	-	-	15 040	-	-	0.8
Vote 15 : Arts and Culture	51 705	(26 233)	31 343	15.3	(33.2)	1.6
Archive Repository - remove from baseline	(52 925)	(93 544)	-	(15.7)	(118.3)	-
Archive Repository - reschedule over the MTEF	73 130	67 311	25 908	21.7	85.1	1.3
Arts Academy change in purpose - Winston Churchill Theatre	18 500	-	-	5.5	-	-
Arts Academy change in purpose - Ladysmith Black Mambazo Music Acad.	13 000	-	-	3.9	-	-
Addition for above-budget wage agreement	-	-	5 435	-	-	0.3
Total	337 642	79 076	1 948 872	100.0	100.0	100.0

Table 3.5 shows the revised budgets of departments for the 2018/19 MTEF, after taking into account the adjustments to the allocations mentioned above, as well as changes in respect of conditional grants. The provincial budget grows by 6.3 per cent in 2018/19 (excluding the budget cut of R475.947 million) from the 2017/18 Main Appropriation. The high growth in DOE and relatively low growth in DOT from 2017/18 to 2018/19 is as a result of the Learner Transport function shift between these two departments.

Table 3.5 : Summary of revised budgets by department, 2018/19 MTEF

R thousand/ percentage	Main Appropriation	Medium-term Estimates			Annual Percentage Growth		
	2017/18	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
1. Office of the Premier	742 125	787 137	822 568	874 699	6.1	4.5	6.3
2. Provincial Legislature	535 300	565 214	600 520	640 797	5.6	6.2	6.7
3. Agriculture and Rural Development	2 197 144	2 324 108	2 430 041	2 591 362	5.8	4.6	6.6
4. Economic Development, Tourism and Environmental Affairs	2 784 403	3 009 296	3 180 694	3 363 243	8.1	5.7	5.7
5. Education	47 476 599	50 903 682	53 785 299	57 880 610	7.2	5.7	7.6
6. Provincial Treasury	607 844	650 900	677 272	721 408	7.1	4.1	6.5
7. Health	39 548 473	42 347 664	44 957 135	48 323 976	7.1	6.2	7.5
8. Human Settlements	3 843 870	3 647 237	3 787 798	4 057 407	(5.1)	3.9	7.1
9. Community Safety and Liaison	204 486	224 949	228 047	242 765	10.0	1.4	6.5
10. Sport and Recreation	463 590	451 953	476 702	506 970	(2.5)	5.5	6.3
11. Co-operative Governance and Traditional Affairs	1 585 226	1 679 082	1 777 022	1 891 067	5.9	5.8	6.4
12. Transport	9 847 024	10 062 047	10 437 852	11 064 285	2.2	3.7	6.0
13. Social Development	3 041 364	3 287 882	3 282 394	3 710 768	8.1	5.9	6.6
14. Public Works	1 506 951	1 587 932	1 681 234	1 788 742	5.4	5.9	6.4
15. Arts and Culture	874 068	962 571	975 808	1 000 439	10.1	1.4	2.5
Total	115 258 467	122 491 654	129 300 386	138 658 538	6.3	5.6	7.2

4. RECEIPTS

4.1 National Fiscal Framework and Division of Revenue for the 2018/19 MTEF

4.1.1 Background

Section 214(1) of the Constitution requires that the equitable division of nationally raised revenue between national government, the nine provinces and all municipalities be determined annually in the Division of Revenue Act (DORA). This process takes into account the powers and functions assigned to each sphere of government, as well as various factors, including national interest, debt provision, resource allocation for basic services and developmental needs, fiscal capacity and efficiency of government, obligations of national legislation, economic disparities, stability and predictability, among others.

The Intergovernmental Fiscal Relations (Act No. 97 of 1997) prescribes the process for determining the equitable sharing and allocation of nationally raised revenue and sets out the consultation process to be followed, including consideration of recommendations made by the Financial and Fiscal Commission. In terms of this Act, the Division of Revenue Bill must be tabled when the annual budget is tabled in the National Assembly.

4.1.2 Division of revenue and fiscal framework

4.1.2.1 Fiscal policy and trends

The fiscal objectives over the MTEF continue to focus on reducing the budget deficit, stabilising growth of debt as a share of GDP and adhering to the planned expenditure ceiling. The budget sets out a programme of expenditure cuts of R85 billion over the MTEF, and reprioritises spending programmes that help the poor, contribute to growth and generate employment. The 2018/19 budget proposes major spending adjustments and tax measures, including a value-added tax increase expected to raise an additional R36 billion in 2018/19 and, together with faster economic growth, these measures serve to reduce the budget deficit from 4.3 per cent of GDP in 2017/18 to 3.5 per cent in 2020/21. The budget also responds to new policy initiatives, including an allocation of R57 billion for fee-free higher education.

4.1.2.2 Division of revenue

The 2018/19 MTEF strikes a balance between the need to make reductions to accommodate the lower expenditure ceiling, and the need to ensure real growth in transfers to provinces and municipalities so that they can provide services to growing populations. These allocations take into account government's spending priorities, each sphere's revenue-raising capacity and responsibilities, and input from various intergovernmental forums and the Financial and Fiscal Commission.

Table 4.1 sets out the division of nationally raised revenue between the three spheres of government.

Excluding debt-service costs and the Contingency Reserve, allocated expenditure shared between the three spheres amounts to R1.318 trillion, R1.425 trillion and R1.531 trillion over the MTEF. Reductions to the PES baselines were minimised, and the biggest cuts were effected against poor performing conditional grants and infrastructure grants that can absorb a delay in the implementation of projects.

In 2018/19, national departments receive 47.7 per cent of available funds, provinces 43.3 per cent and local government 9 per cent. At R599.886 billion in 2017/18, and increasing to R736.551 billion in 2020/21, national departments continue to receive the largest share of funding to support sustained real growth in social grant provisions, public infrastructure and employment programmes. The provincial share decreases from 43.1 per cent in 2017/18 to 42.9 per cent in 2020/21, whereas the local government share increases from 8.9 per cent in 2017/18 to 9 per cent in 2020/21.

Table 4.1 : Division of revenue between spheres of government, 2014/15 – 2020/21

R million	Audited Outcome			Revised Estimate 2017/18	Medium-term Estimates		
	2014/15	2015/16	2016/17		2018/19	2019/20	2020/21
National departments	489 987	546 065	555 738	599 886	628 621	685 927	736 551
Of which:							
Indirect transfers to provinces	5 413	3 458	3 636	3 813	3 776	4 366	4 744
Indirect transfers to local government	8 052	10 370	8 112	7 803	6 896	7 265	7 664
Provinces	439 544	471 424	500 384	538 160	570 997	611 758	657 455
Equitable share	359 922	386 500	410 699	441 331	470 287	505 020	542 447
Conditional grants	79 623	84 924	89 685	96 829	100 711	106 739	115 008
Local government	87 570	98 338	102 867	110 728	118 458	126 914	137 462
Equitable share	41 592	49 367	50 709	55 312	62 732	68 973	75 683
Conditional grants	35 788	38 313	40 934	43 631	43 258	44 773	47 752
General fuel levy sharing with metros	10 190	10 659	11 224	11 785	12 469	13 167	14 027
Total	1 017 102	1 115 827	1 158 989	1 248 774	1 318 076	1 424 599	1 531 468
Provisional allocation not assigned to Votes	-	-	-	-	6 000	2 308	2 125
Non-interest allocations	1 017 102	1 115 827	1 158 989	1 248 774	1 324 076	1 426 907	1 533 593
Percentage increase	7.5%	9.7%	3.9%	7.7%	6.0%	7.8%	7.5%
Debt-service costs	114 798	128 796	146 497	163 155	180 124	197 664	213 859
Contingency reserves	-	-	-	-	8 000	8 000	10 000
Main budget expenditure	1 131 900	1 244 623	1 305 486	1 411 930	1 512 200	1 632 571	1 757 452
Percentage increase	8.0%	10.0%	4.9%	8.2%	7.1%	8.0%	7.6%
Percentage shares							
National departments	48.2%	48.9%	48.0%	48.0%	47.7%	48.1%	48.1%
Provinces	43.2%	42.2%	43.2%	43.1%	43.3%	42.9%	42.9%
Local government	8.6%	8.8%	8.9%	8.9%	9.0%	8.9%	9.0%

Source: National Treasury

Table 4.2 shows how the changes to the baselines are distributed across the three spheres of government.

Table 4.2 : Changes to baselines, 2018/19 – 2019/20

R million	2018/19	2019/20	Total	% Share
National departments	(2 827)	4 327	1 500	6.3
Of which: Higher education	12 355	25 050	37 406	157.6
Provinces	(7 617)	(9 237)	(16 854)	(71.0)
Local government	(3 012)	(5 363)	(8 375)	(35.3)
Net reduction	(13 456)	(10 273)	(23 729)	-

The combined baseline decreases by R13.456 billion in 2018/19 and R10.273 billion in 2019/20, compared to indicative figures published in the 2017 Medium-term Budget Policy Statement (MTBPS). In 2018/19 and 2019/20, the provincial baseline decreases by R16.854 billion, which accounts for 71 per cent of the total reduction. National departments gain R1.500 billion over the next two years, which is the net result of a reduction in the baseline, offset by an increase to accommodate fee-free higher education. Local government baselines decline by R8.375 billion, due to fiscal consolidation.

4.1.3 Provincial Equitable Share (PES)

Provincial revenue is made up of the PES, conditional grants and Provincial Own Revenue. The PES is the main source of provincial revenue and is allocated *via* a formula using objective data. The formula is designed to ensure fair, stable and predictable revenue shares, and to address economic and fiscal disparities.

Although the division is based on the equitable shares as outlined in Table 4.3, provinces have a prerogative to allocate funds in line with their specific provincial priorities. The formula is reviewed and updated with new data annually. For the 2018/19 MTEF, the formula was updated with data from the 2017 mid-year population estimates published by StatsSA and the 2017 preliminary data published by the DBE on school enrolment from the Learner Unit Record Information Tracking System (LURITS) database. Data from the 2016 General Household Survey (GHS) for medical aid coverage and data from the health sector and the Council for Medical Schemes' Risk Equalisation Fund for the risk-adjusted capitation index were also updated.

The formula consists of six components that capture the relative demand for services between provinces and take into account specific provincial circumstances, as outlined in Table 4.3.

Table 4.3 : Equitable share components and weighting

Component	Share (weighting) %
Education share - based on the size of the school-age population (ages 5 - 17) and the number of learners (Grade R to 12) enrolled in public ordinary schools	48
Health share - based on estimated demand for health services according to age and gender, as well as data obtained from District Health Information System	27
Basic share - derived from each province's share of the total population of the country	16
Institutional component - divided equally among the provinces	5
Poverty component - used to reinforce the redistributive bias of the formula	3
Economic activity component - based on the final GDP by Region (province) data	1

The formula is largely population-driven, hence the allocations capture shifts in population across provinces, which lead to changes in the relative demand for public services and expenditure assignments across these areas. The effect of these updates on the PES is phased in over three years (2018/19 to 2020/21), to ensure that provinces have some stability in their revenue stream to allow for proper planning. The data updates impacted as follows:

Education component (48 per cent)

The education component uses the school-age population (5 to 17 years), based on the 2011 Census age cohorts, and data from DBE's new data collection system, LURITS, which allows for data to be verified and learners' progress to be tracked, thereby improving the integrity of the data. Each of these elements is assigned a weight of 50 per cent. From 2015 to 2016, the school enrolment in KZN decreased by 4 741, resulting in the weighted average for KZN being revised downward by 0.01 per cent.

Health (27 per cent)

The health component uses a risk-adjusted capitation index, using data from the Risk Equalisation Fund and output data from public hospitals to estimate each province's share of the health component. These methods work together to balance needs (risk-adjusted capitation) and demands (output component). The percentage of the population with medical aid, as per the 2016 GHS, is deducted from the 2016 mid-year population estimates to approximate the uninsured population.

The risk-adjusted index estimates the risk health profile of each province, which is applied to the uninsured population to estimate the weighted population, which in turn, is used to estimate the province's share of the risk-adjusted sub-component. The KZN share of the risk-adjusted component, which accounts for 75 per cent of the health component, decreased from 20.9 per cent in 2017 to 20.8 per cent in 2018. The output sub-component uses patient load data from the District Health Information Services (DHIS). The average number of visits at primary healthcare clinics in 2015/16 and 2016/17 is calculated to estimate their share of this sub-component, making up 5 per cent of the health component. For hospitals, each province's share of the total patient-day equivalents from public hospitals in 2015/16 and 2016/17 is used to determine their share of this sub-component, which makes up 20 per cent of the health component. The updated data shows that KZN's output share for primary health care visits is 24 per cent and the share of the hospital workload patient-day is 23.3 per cent.

The composite result of data updates applied to the health component result in a decrease in the weighted share of 21.7 per cent in 2017 to 21.5 per cent in 2018, a reduction of 0.26 per cent.

Basic component (16 per cent)

The basic component is derived from the proportion of each province's share of the national population. For the 2018/19 MTEF, population data is drawn from the 2017 mid-year population estimates. Although the updated data shows that KZN's population decreased marginally by 2 000, the province's share of the population decreases from 19.8 per cent in 2017/18 to 19.7 per cent in 2018/19, i.e. the basic component share decreased by 0.11 per cent.

Institutional component (5 per cent)

The institutional component recognises that some costs associated with running a provincial government and providing services are not directly related to the size of the population and other factors included in the other PES components. Hence, the institutional component is distributed equally between provinces.

Poverty component (3 per cent)

The poverty component introduces a redistributive element to the formula and is assigned a weight of 3 per cent. The estimated size of the poor population in each province is calculated by multiplying the

proportion in that province that fall into the poorest 40 per cent of SA households by the population figure for the province from the 2017 mid-year population estimates. The proportion of poor households in KZN from the 2010/11 Income and Expenditure Survey is 45.3 per cent. Based on the data updates, the poor population is equal to 5 019 households, which represents a weighted share of 22.2 per cent, unchanged from the previous year.

Economic activity component (1 per cent)

The economic activity component is a proxy for provincial tax capacity and expenditure assignments and, for the 2018/19 MTEF, 2016 GDP-R data is used. KZN’s weighted share of the economic activity component declines by 0.12 per cent, from 16.1 per cent to 16 per cent.

Phasing in of changes to the data updates

Table 4.4 shows the full impact of the data updates on the PES per province. It compares the shares for the 2017/18 and 2018/19 MTEF periods.

Table 4.4 : Full impact of data updates on the equitable share

	2017/18 MTEF weighted	2018/19 MTEF weighted	Difference
Eastern Cape	14.0%	13.7%	-0.30%
Free State	5.6%	5.6%	-0.01%
Gauteng	19.8%	20.1%	0.31%
KwaZulu-Natal	21.1%	21.0%	-0.10%
Limpopo	11.7%	11.7%	-0.02%
Mpumalanga	8.1%	8.2%	0.07%
Northern Cape	2.7%	2.7%	0.00%
North West	6.9%	6.9%	0.00%
Western Cape	10.1%	10.1%	0.05%
Total	100.0%	100.0%	0.00%

Due to changes in the data used in the PES formula, the weighted average share of KZN decreased by 0.1 per cent from the 2017/18 to the 2018/19 MTEF. To mitigate the impact of annual data updates on the PES, the new shares are phased-in, as mentioned. Table 4.5 shows that KZN receives 21 per cent of the PES in 2020/21, down from the indicative 21.1 per cent in 2017/18.

Table 4.5 : Implementation of the equitable share weights, 2018/19 – 2020/21

Percentage	2018/19	2018/19	2019/20	2020/21
	Indicative weighted shares from 2017/18 MTEF	2018/19 MTEF weighted shares 3-year phasing		
Eastern Cape	14.0%	13.9%	13.8%	13.7%
Free State	5.6%	5.6%	5.6%	5.6%
Gauteng	19.7%	19.9%	20.0%	20.1%
KwaZulu-Natal	21.2%	21.1%	21.1%	21.0%
Limpopo	11.7%	11.7%	11.7%	11.7%
Mpumalanga	8.2%	8.2%	8.2%	8.2%
Northern Cape	2.7%	2.7%	2.7%	2.7%
North West	6.9%	6.9%	6.9%	6.9%
Western Cape	10.1%	10.1%	10.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%

Table 4.6 reflects the weighted share distribution of each of the PES formula’s components, given the weighted average share of 21 per cent for KZN when the data updates are implemented fully over the 2018/19 MTEF.

Table 4.6 : Distributing the equitable shares by province, 2018/19 MTEF

	Education	Health	Basic share	Poverty	Economic activity	Institutional	Weighted average
	48%	27%	16%	3%	1%	5%	100%
Eastern Cape	14.9%	13.1%	12.1%	15.6%	7.8%	11.1%	13.7%
Free State	5.3%	5.2%	5.1%	5.2%	5.1%	11.1%	5.6%
Gauteng	18.1%	22.4%	24.7%	17.7%	34.1%	11.1%	20.1%
KwaZulu-Natal	22.3%	21.5%	19.7%	22.2%	16.0%	11.1%	21.0%
Limpopo	13.1%	10.2%	10.3%	13.5%	7.2%	11.1%	11.7%
Mpumalanga	8.4%	7.4%	7.8%	9.2%	7.5%	11.1%	8.2%
Northern Cape	2.3%	2.1%	2.1%	2.2%	2.1%	11.1%	2.7%
North West	6.5%	6.7%	6.8%	8.1%	6.5%	11.1%	6.9%
Western Cape	9.1%	11.4%	11.4%	6.2%	13.6%	11.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The phase-in mechanism provides a smooth path to achieving these new weighted shares by the third year of the MTEF. It takes the difference between the target weighted share for each province at the end of the MTEF and the indicative allocation for 2018/19 that was published in the 2017/18 MTEF, and closes the gap between these shares by a third in each year of the 2018/19 MTEF.

Table 4.7 depicts the revisions to the KZN PES for the 2018/19 MTEF. The PES is revised upward by a total of R326.326 million, which is the net effect of adjustments to the baseline due to data updates, fiscal consolidation cuts, plus Social Development and wage inflation additions to the PES.

Table 4.7 : Revisions to the KZN PES – 2018/19 MTEF

R thousand	2018/19 MTEF			Total Revisions
	2018/19	2019/20	2020/21	
PES as per 2017/18 MTEF allocation letter	99 740 600	106 840 842	112 717 088	319 298 530
Adjustments to baseline due to data updates in PES formula (phased-in)	(216 033)	(249 029)	(507 354)	(972 416)
Less: Fiscal consolidation cuts to PES	(303 318)	(333 621)	(353 910)	(990 849)
Total: Technically adjusted PES before adjustments to baselines	99 221 249	106 258 192	111 855 824	317 335 265
Adjustments to baseline	42 431	105 309	2 141 851	2 289 591
Plus: Social Development related, NAWANGO Court Case Judgement	-	45 126	47 504	92 630
Plus: Social Development related, No Violence Against Women	42 431	60 183	63 355	165 969
Plus: Baseline adjustment for wage inflation	-	-	2 030 992	2 030 992
Total PES for 2018/19 MTEF	99 263 681	106 363 502	113 997 676	319 624 856
Variance 2017/18 MTEF vs 2018/19 MTEF	(476 919)	(477 340)	1 280 588	326 326

Adjustment to baseline due to impact of data updates in the PES formula (R972.416 million)

As discussed, the PES formula has been updated with new data. The new shares are phased in over three years. The impact of these data updates is a reduction of KZN's share of the PES of R216.033 million, R249.029 million and R507.354 million over the 2018/19 MTEF.

Fiscal framework reductions to PES (R990.849 million)

National Treasury implemented a further round of fiscal consolidation cuts, largely due to the 2017/18 budget being informed by weak economic growth. The fiscal consolidation cuts amount to R303.318 million, R333.621 million and R353.910 million over the MTEF.

Adjustment to baseline to accommodate new priorities (R258.599 million)

New priorities requiring additions for social spending necessitated additions to the budget. As such, DSD receives R45.126 million and R47.504 million in 2019/20 and 2020/21 to ensure adequate funding for services needed as identified during the NAWANGO court case judgement. Also, amounts of R42.431 million, R60.183 million and R63.355 million were allocated over the MTEF toward the prevention and early intervention programmes to fight the abuse of women and children.

Adjustment for wage inflation

The province receives an additional R2.031 billion in 2020/21 to compensate for wage inflation.

Total transfers to provinces

Table 4.8 reflects total transfers to the nine provinces for 2018/19, after the revisions. KZN receives the highest share of PES at R99.264 billion, whereas GP receives the highest share of conditional grants. Overall, KZN is still the biggest recipient of transfer funding from national government, with a total of R119.017 billion in 2018/19.

Table 4.8 : Total transfers to provinces, 2018/19

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	65 500	11 263	76 763
Free State	26 178	7 561	33 739
Gauteng	93 384	21 511	114 895
KwaZulu-Natal	99 264	19 753	119 017
Limpopo	55 179	8 544	63 723
Mpumalanga	38 468	7 937	46 404
Northern Cape	12 475	4 387	16 862
North West	32 392	7 467	39 859
Western Cape	47 447	11 904	59 351
Unallocated	-	384	384
Total	470 287	100 711	570 997

4.1.4 Conditional grants to provinces

Table 4.9 reflects the conditional grant baseline allocations at a national level for 2018/19 to 2020/21.

Table 4.9 : Conditional grants to provinces 2017/18 – 2020/21

R million	Revised Est.	Medium-term Estimates			MTEF total
	2017/18	2018/19	2019/20	2020/21	
Agriculture, Forestry and Fisheries	2 242	2 381	2 542	2 704	7 627
Comprehensive Agriculture Support Programme grant	1 646	1 751	1 876	2 002	5 629
Ilima/Letsema Projects grant	522	552	583	615	1 751
Land Care grant	74	78	82	87	247
Arts and Culture	1 420	1 424	1 501	1 584	4 509
Community Library Services grant	1 420	1 424	1 501	1 584	4 509
Basic Education	17 154	17 519	18 369	20 089	55 977
Education Infrastructure grant	10 046	9 918	10 314	11 467	31 699
HIV and AIDS (Life-Skills Education) grant	245	243	257	271	771
Learners with Profound Intellectual Disabilities grant	72	185	221	243	649
Maths, Science and Technology grant	365	370	391	413	1 175
National School Nutrition Programme grant	6 426	6 802	7 186	7 696	21 684
Co-operative Governance	123	124	131	138	393
Provincial Disaster Relief grant	123	124	131	138	393
Health	37 570	41 123	44 423	48 212	133 758
Comprehensive HIV, AIDS and TB grant	17 578	19 922	22 039	24 438	66 399
Health Facility Revitalisation grant	5 684	5 816	6 047	6 380	18 242
Health Professions Training and Development grant	2 632	2 784	2 940	3 102	8 827
Human Papillomavirus Vaccine grant	-	200	211	223	634
National Tertiary Services grant	11 676	12 401	13 186	14 069	39 655
Human Settlements	19 969	18 945	19 657	20 975	59 577
Human Settlements Development grant	19 969	18 167	18 833	20 102	57 101
Title Deeds Restoration grant	-	519	548	578	1 644
Provincial Emergency Housing grant	-	260	277	295	832
Public Works	781	824	882	931	2 637
EPWP Integrated Grant for Provinces	396	416	452	476	1 344
Social Sector EPWP Incentive Grant for Provinces	386	408	431	454	1 293
Social Development	556	758	806	859	2 423
Substance Abuse Treatment grant	57	71	75	79	225
Early Childhood Development grant	318	491	518	553	1 562
Social Worker Employment grant	182	197	213	227	636
Sport and Recreation	586	587	620	654	1 861
Mass Participation and Sport Development grant	586	587	620	654	1 861
Transport	16 477	17 026	17 807	18 862	53 696
Provincial Roads Maintenance grant	10 754	11 036	11 482	12 113	34 630
Public Transport Operations grant	5 723	5 990	6 326	6 750	19 066
Total direct conditional allocations¹	96 879	100 711	106 739	115 008	322 458
Indirect transfers	3 813	3 776	4 366	4 744	12 886
Basic Education	2 180	1 472	1 327	969	3 768
School Infrastructure Backlogs Indirect grant	2 180	1 472	1 327	969	3 768
Health	1 633	2 304	3 039	3 775	9 118
National Health Insurance Indirect grant	1 633	2 304	3 039	3 775	9 118

1. Excludes provisional allocations

Taking into account the muted economic growth projections, the global and local economic risks around projected revenue collection, and the high debt-service burden, fiscal consolidation cuts were effected to the baselines of a number of poor performing conditional grants and infrastructure grants that can absorb a delay in the implementation of planned projects. Grants directly linked to service delivery were largely protected from the cuts. More detailed information for each grant is provided in the chapter in the *EPRE* that deals with the relevant Vote.

Agriculture

In order to improve the performance of the sector, the commercialisation of black farmers that display potential was prioritised. The proposed mechanism is discussed under Section 6.3 of Vote 3's chapter. As such, just under R600 million of the CASP grant is moved to DAFF for the co-funding of the financing model that will identify and help potential commercial farmers.

The Ilima/Letsema Projects grant and the Land Care grant do not show significant cuts over the MTEF.

Arts and Culture

The Community Library Services grant is reduced over the 2018/19 MTEF due to fiscal consolidation.

Basic Education

Over the 2018/19 MTEF, three education sector grants are reduced as a result of fiscal consolidation. The biggest revision is made to the EIG which was reduced by R3.584 billion. The HIV and AIDS (Life-Skills Education) grant was reduced by R51.920 million, and the MST grant was reduced by R50.500 million.

The baseline for the Learners with Profound Intellectual Disabilities grant remained the same over the 2018/19 MTEF, however, provincial allocations have been revised to ensure that allocations between provinces reflect the actual burden of learners needing the services provided for by the grant.

Co-operative Governance and Traditional Affairs

The Provincial Disaster Relief grant was reduced by R21 million over the MTEF and is unallocated and allows the National Disaster Management Centre to release funds in-year after a disaster is declared.

Health

There were no baseline reductions to the Comprehensive HIV, AIDS and TB grant. However, a new sub-component is introduced in 2018/19, namely the Community Outreach Services component, with an additional R4.400 billion over the MTEF to ensure that this cadre of workers is better integrated into national health services and to make provision for the continued expansion of anti-retroviral treatment in response to the universal test-and-treat policy.

The Health Facility Revitalisation grant's baseline was reduced due to fiscal consolidation cuts.

The HPV grant, a previous component of the National Health Insurance (NHI) Indirect Grant, becomes a standalone direct grant to provinces from 2018/19 onward.

The National Tertiary Services grant's baseline is preserved over the MTEF, however, funds which were previously budgeted for within the national department are reprioritised toward the WC, to enable the province to expand its Diagnostic Related Group project and assist in the capacitation of other provinces.

Human Settlements

The HSDG was reduced significantly by R7.168 billion (R2 billion, R2.500 billion and R2.668 billion over the 2018/19 MTEF) partly due to fiscal consolidation and partly due to the creation of two new grants, namely the TDRG and the Provincial Emergency Housing grant. A total of R3 billion is ring-fenced over the MTEF to upgrade human settlements in mining towns in six provinces.

Public Works

The EPWP Integrated Grant for Provinces and the Social Sector EPWP Incentive Grant for Provinces were not affected by fiscal consolidation cuts over the 2018/19 MTEF.

Social Development

The Substance Abuse Treatment grant's focus in 2018/19 shifts from being a capital grant to supplement the operationalisation of the treatment centres. This grant, the ECD grant and the Social Worker Employment grant are not cut over the MTEF.

Sport and Recreation

The MPSD grant was reduced over the MTEF as a result of fiscal consolidation cuts.

Transport

The baseline of the PTOG is preserved, while the baseline of the PRMG was cut as a result of fiscal consolidation cuts.

Indirect transfers

With regard to the indirect transfers, the School Infrastructure Backlog grant is reduced over the MTEF.

From 2018/19 onward, the focus of the NHI Indirect grant is on three components instead of five, in order to ensure a more integrated approach. The components are health facilities revitalisation, personal services and non-personal services.

4.2 Provincial receipts

4.2.1 Overall provincial position

Table 4.10 shows the actual and projected total revenue for 2014/15 to 2020/21, while *Annexure I.A* provides more detail.

Table 4.10 : Analysis of total receipts

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2014/15-2017/18	2017/18-2020/21
R thousand									
Transfers from national	94 195 075	100 318 136	105 493 465	112 780 183	119 016 716	126 592 950	135 809 018		
Equitable share	78 138 477	83 131 565	87 897 580	93 756 530	99 263 681	106 363 502	113 997 676		
Conditional grants	16 056 598	17 186 571	17 595 885	19 023 653	19 753 035	20 229 448	21 811 342		
Own revenue	3 148 995	3 260 603	3 202 020	3 038 628	3 236 438	3 349 606	3 473 612		
Total receipts	97 344 070	103 578 739	108 695 485	115 818 811	122 253 154	129 942 556	139 282 630		
% of total revenue									
Transfers from national	96.8	96.9	97.1	97.4	97.4	97.4	97.5		
Equitable share	80.3	80.3	80.9	81.0	81.2	81.9	81.8		
Conditional grants	16.5	16.6	16.2	16.4	16.2	15.6	15.7		
Own revenue	3.2	3.1	2.9	2.6	2.6	2.6	2.5		
Nominal growth (%)									
Transfers from national		6.5	5.2	6.9	5.5	6.4	7.3	6.2	6.4
Equitable share		6.4	5.7	6.7	5.9	7.2	7.2	6.3	6.7
Conditional grants		7.0	2.4	8.1	3.8	2.4	7.8	5.8	4.7
Own revenue		3.5	(1.8)	(5.1)	6.5	3.5	3.7	(1.2)	4.6
Total		6.4	4.9	6.6	5.6	6.3	7.2	6.0	6.3
Real growth (%)									
Transfers from national		1.2	(1.1)	1.9	0.0	1.0	1.7	0.2	0.7
Equitable share		1.1	(0.5)	1.7	0.4	1.8	1.6	0.3	1.1
Conditional grants		1.7	(3.7)	3.1	(1.6)	(2.7)	2.2	(0.1)	(0.9)
Own revenue		(1.6)	(7.6)	(9.5)	1.0	(1.7)	(1.7)	(6.7)	(1.0)
Total receipts		1.1	(1.3)	1.6	0.1	0.9	1.6	(0.0)	0.7

In 2018/19, national transfers to KZN, which include PES and conditional grants, make up 97.4 per cent of provincial receipts. Provincial Own Revenue consists of revenue collected by provincial departments, and contributes 2.6 per cent. The PES is the most significant portion of national transfers amounting to R99.264 billion, R106.364 billion and R113.998 billion over the MTEF. Conditional grant funding provides a further R19.753 billion, R20.229 billion and R21.811 billion over the MTEF. The balance of the total receipts emanates from Provincial Own Revenue which grows from R3.236 billion to R3.474 billion over the MTEF.

4.2.2 Provincial Equitable Share (PES)

The weighting of the various PES components is a policy decision that takes a number of factors into account, including the historical expenditure patterns and relative demand for particular services. The components of the formula are updated annually with the release of official data. The equitable share allocation is based on demographic and economic statistics that attempt to capture the relative demand for public services. Over the 2018/19 MTEF, KZN is impacted by the use of school enrolment data from the LURITS database which shows a reduction in the number of learners in the province, hence further cuts to the equitable share.

4.2.3 National conditional grants

National conditional grants aim to promote national priorities and to compensate provinces for the provision of specialised services across provincial boundaries. Subsequent to this, several conditional grants were introduced with varying purposes, conditions and outcomes. Relative to the PES, conditional grants are thus used for more specific purposes.

Table 4.11 shows conditional grant transfers per Vote and more detail is given in *Annexure I.C*.

Table 4.11 : Summary of national conditional grant transfers by Vote

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2014/15	2015/16	2016/17	Appropriation	Appropriation	Estimate	2018/19	2019/20	2020/21
Vote 3 : Agriculture and Rural Development	319 760	308 524	300 503	297 432	297 432	297 432	314 562	294 321	312 989
CASP grant	212 632	226 161	222 155	209 598	209 598	209 598	223 975	206 650	220 496
Ilima/Letsema Projects grant	92 093	69 401	63 876	67 356	67 356	67 356	71 263	75 253	79 392
Land Care grant	10 854	10 666	10 632	12 012	12 012	12 012	12 016	12 418	13 101
EPWP Integrated Grant for Provinces	4 181	2 296	3 840	8 466	8 466	8 466	7 308	-	-
Vote 4 : Econ. Dev., Tourism and Environ. Affairs	16 827	7 027	6 927	6 149	6 149	6 149	3 740	-	-
EPWP Integrated Grant for Provinces	16 827	7 027	6 927	6 149	6 149	6 149	3 740	-	-
Vote 5 : Education	2 796 382	3 395 026	3 554 651	3 573 374	3 573 374	3 573 374	3 577 672	3 566 338	3 885 552
Education Infrastructure grant	1 385 781	1 978 683	2 045 211	1 993 146	1 993 146	1 993 146	1 866 435	1 794 644	1 991 333
HIV and AIDS (Life-Skills Education) grant	61 988	50 588	53 096	56 115	56 115	56 115	58 922	62 155	65 450
National School Nutrition Programme (NSNP) grant	1 237 534	1 287 034	1 363 783	1 450 087	1 450 087	1 450 087	1 534 878	1 611 622	1 726 104
Maths, Science and Technology (MST) grant	64 848	59 998	62 453	61 660	61 660	61 660	61 203	64 638	67 079
OSD for Education Sector Therapists grant	41 581	13 079	-	-	-	-	-	-	-
Learners with Profound Intellectual Disabilities grant	-	-	-	5 558	5 558	5 558	27 230	33 279	35 586
Social Sector EPWP Incentive Grant for Provinces	2 580	3 000	27 318	4 808	4 808	4 808	27 004	-	-
EPWP Integrated Grant for Provinces	2 070	2 644	2 790	2 000	2 000	2 000	2 000	-	-
Vote 7 : Health	6 428 886	6 903 596	7 306 804	8 085 518	8 085 518	8 085 518	9 103 605	9 580 774	10 381 631
Health Professions Training and Development grant	292 837	299 513	312 377	331 944	331 944	331 944	351 197	370 863	391 260
Health Facility Revitalisation grant	1 362 469	1 229 775	1 114 693	1 149 355	1 149 355	1 149 355	1 202 480	1 153 049	1 216 467
National Tertiary Services grant	1 496 427	1 530 246	1 596 286	1 696 266	1 696 266	1 696 266	1 794 649	1 895 149	2 022 124
Comprehensive HIV, AIDS and TB grant	3 257 992	3 812 972	4 244 243	4 852 495	4 852 495	4 852 495	5 677 225	6 114 218	6 701 673
Social Sector EPWP Incentive Grant for Provinces	2 580	13 000	13 000	47 058	47 058	47 058	24 182	-	-
EPWP Integrated Grant for Provinces	2 581	3 682	7 122	8 400	8 400	8 400	8 896	-	-
National Health Insurance grant	14 000	14 408	19 083	-	-	-	-	-	-
Human Papillomavirus Vaccine grant	-	-	-	-	-	-	44 976	47 495	50 107
Vote 8 : Human Settlements	3 509 045	3 550 432	3 139 896	3 483 192	3 683 192	3 683 192	3 265 663	3 382 265	3 621 233
Human Settlements Development grant	3 509 045	3 543 852	3 124 702	3 477 567	3 677 567	3 677 567	3 152 757	3 275 125	3 508 205
Title Deeds Restoration grant	-	-	-	-	-	-	101 422	107 140	113 028
EPWP Integrated Grant for Provinces	-	6 580	15 194	5 625	5 625	5 625	11 484	-	-
Vote 9 : Community Safety and Liaison	2 580	1 000	11 043	1 487	1 487	1 487	10 321	-	-
Social Sector EPWP Incentive Grant for Provinces	2 580	1 000	11 043	1 487	1 487	1 487	10 321	-	-
Vote 10 : Sport and Recreation	95 595	93 633	106 324	112 592	112 592	112 592	102 151	104 864	111 599
Mass Participation and Sport Development grant	85 435	90 131	98 090	98 427	98 427	98 427	98 739	104 864	111 599
EPWP Integrated Grant for Provinces	2 102	2 000	2 000	2 000	2 000	2 000	2 000	-	-
Social Sector EPWP Incentive Grant for Provinces	8 058	1 502	6 234	12 165	12 165	12 165	1 412	-	-
Vote 11 : Co-op. Governance and Traditional Affairs	3 471	4 119	3 667	3 338	3 338	3 338	4 552	-	-
EPWP Integrated Grant for Provinces	3 471	4 119	3 667	3 338	3 338	3 338	4 552	-	-
Vote 12 : Transport	2 752 384	2 759 623	2 992 479	2 934 054	2 934 054	2 934 054	3 009 461	2 940 891	3 116 393
Provincial Roads Maintenance grant	1 788 158	1 779 255	1 925 378	1 828 970	1 828 970	1 828 970	1 826 745	1 772 792	1 870 031
Public Transport Operations grant	904 783	924 766	1 011 046	1 071 439	1 071 439	1 071 439	1 106 154	1 168 099	1 246 362
EPWP Integrated Grant for Provinces	59 443	55 602	56 055	33 645	33 645	33 645	76 562	-	-
Vote 13 : Social Development	5 746	3 000	3 958	144 836	144 836	144 836	178 888	176 078	187 873
Social Sector EPWP Incentive Grant for Provinces	3 746	3 000	3 958	19 498	19 498	19 498	13 490	-	-
EPWP Integrated Grant for Provinces	2 000	-	-	-	-	-	-	-	-
Early Childhood Development grant	-	-	-	71 879	71 879	71 879	107 543	113 556	121 163
Social Worker Employment grant	-	-	-	53 459	53 459	53 459	57 855	62 522	66 710
Vote 14 : Public Works	3 168	3 056	4 471	6 588	6 588	6 588	6 023	-	-
EPWP Integrated Grant for Provinces	3 168	3 056	4 471	6 588	6 588	6 588	6 023	-	-
Vote 15 : Arts and Culture	122 754	158 969	165 162	175 093	175 093	175 093	176 397	183 917	194 072
Community Library Services grant	122 754	157 569	163 162	173 093	173 093	173 093	174 397	183 917	194 072
EPWP Incentive Grant for Provinces	-	1 400	2 000	2 000	2 000	2 000	2 000	-	-
Total	16 056 598	17 188 005	17 595 885	18 823 653	19 023 653	19 023 653	19 753 035	20 229 448	21 811 342

The conditional grant allocation for KZN increases from R19.753 billion in 2018/19 to R21.811 billion in 2020/21. This growth is despite the fact that National Treasury effected significant fiscal consolidation cuts against provinces. These cuts amounted to R225.700 million in 2018/19 and R1.250 billion in 2019/20, while increasing by R331.360 million in 2020/21. Various grants were cut, with the most significant cuts being against the HSDG and the PRMG and the detail is provided in each department's chapter in the *EPRE*. A new grant is introduced over the MTEF, with these funds moved from the HSDG to form the new TDRG, as mentioned.

4.2.4 Total provincial own receipts (own revenue)

Table 4.12 summarises Provincial Own Revenue by economic classification. The bulk of Provincial Own Revenue is collected against *Tax receipts* which comprises *Motor vehicle licences*, *Casino taxes*, *Horse racing taxes* and *Liquor licences*.

Tax receipts shows that the major revenue sources in this category are *Motor vehicle licences* and *Casino taxes*. Over the MTEF, this category is projected to increase from R2.320 billion in 2018/19 to R2.468 billion in 2020/21.

Table 4.12 : Summary of provincial own receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20
	Tax receipts	2 045 246	2 081 369	2 206 455	2 212 785	2 212 785	2 259 000	2 319 835	2 394 219
Casino taxes	467 319	487 788	502 243	510 227	510 227	510 874	518 570	524 843	531 391
Horse racing taxes	71 205	78 102	80 225	76 497	76 497	81 273	81 715	82 817	83 973
Liquor licences	25 596	25 306	24 456	28 898	28 898	28 898	25 500	26 500	27 500
Motor vehicle licences	1 481 126	1 490 173	1 599 531	1 597 163	1 597 163	1 637 955	1 694 050	1 760 059	1 825 350
Sale of goods and services other than capital assets	460 875	419 939	456 481	476 323	476 323	454 598	468 145	493 394	525 859
Transfers received	-	1 535	365	-	-	280	-	-	-
Fines, penalties and forfeits	44 808	46 493	48 665	41 615	41 615	39 273	58 441	61 894	59 674
Interest, dividends and rent on land	313 851	399 059	298 951	218 406	218 406	337 041	296 961	301 329	316 696
Sale of capital assets	48 899	23 034	50 782	30 466	30 466	69 652	30 443	32 584	33 413
Transactions in financial assets and liabilities	235 316	289 174	140 321	59 032	59 032	73 161	62 613	66 186	69 756
Total	3 148 995	3 260 603	3 202 020	3 038 628	3 038 628	3 233 005	3 236 438	3 349 606	3 473 612

Sale of goods and services other than capital assets is the next highest revenue collection item and shows a steady increase over the MTEF largely related to inflationary increments.

Interest, dividends and rent on land is the third highest revenue category and fluctuates over the seven-year period. This revenue category mainly relates to interest earned on the provincial bank account and the high projected collection in 2017/18 resulted in the 2018/19 MTEF budget being adjusted upwards.

Table 4.13 provides a detailed analysis of revenue per Vote.

Table 4.13 : Summary of provincial own receipts by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20
	1. Office of the Premier	540 248	567 020	582 934	587 336	587 336	593 337	601 138	608 531
2. Provincial Legislature	2 950	3 338	7 603	813	813	3 943	860	907	956
3. Agriculture and Rural Development	32 267	23 712	20 023	24 476	24 476	25 224	24 580	25 039	26 367
4. Economic Development, Tourism and Enviro Affairs	135 161	63 726	32 053	32 104	32 104	32 808	28 863	30 041	31 234
5. Education	96 705	93 518	123 639	92 392	92 392	97 625	97 751	103 224	108 901
6. Provincial Treasury	312 443	396 415	288 888	217 645	217 645	312 214	296 056	300 343	315 660
7. Health	289 933	243 594	298 104	260 508	260 508	285 295	277 909	295 480	314 952
8. Human Settlements	28 920	168 075	16 063	4 499	4 499	55 429	4 809	5 126	5 407
9. Community Safety and Liaison	76	756	538	101	101	194	107	114	120
10. Sport and Recreation	399	979	1 170	413	413	693	432	452	477
11. Co-operative Governance and Traditional Affairs	23 471	13 710	4 766	4 418	4 418	4 788	4 812	5 110	5 381
12. Transport	1 656 407	1 664 980	1 784 229	1 790 761	1 790 761	1 792 384	1 877 791	1 952 487	2 023 983
13. Social Development	8 954	6 858	24 944	8 234	8 234	12 407	8 710	8 946	9 438
14. Public Works	19 486	12 996	16 115	14 009	14 009	15 262	11 640	12 777	13 479
15. Arts and Culture	1 575	926	951	917	917	1 402	980	1 029	1 003
Total	3 148 995	3 260 603	3 202 020	3 038 628	3 038 628	3 233 005	3 236 438	3 349 606	3 473 612
Provincial Legislature receipts not surrendered to PRF	2 950	3 338	7 603	813	813	3 943	860	907	956
Total adjusted provincial own receipts	3 146 045	3 257 265	3 194 417	3 037 815	3 037 815	3 229 062	3 235 578	3 348 699	3 472 656

The most significant revenue contributors are the Department of Transport (DOT), OTP, DOH, Provincial Treasury and DOE. Details of these departments' revenue collections are provided in each Vote's chapter in the *EPRE* and largely relate to motor vehicle licences, casino taxes, health patient fees, interest collected on the provincial bank account, as well as a concerted effort made to improve debt collection.

4.2.5 Donor and agency funding

Table 4.14 indicates donor and agency funding, per department, over the 2018/19 MTEF. More detail is provided in *Annexure 1.F* and in each Vote's chapter in the *EPRE*.

Table 4.14 : Donor and agency funding

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20
	Donor funding	1 478	10 791	57 227	78 400	102 942	102 942	155 383	-
Agriculture and Rural Development	-	2 895	-	-	-	-	-	-	-
Provincial Treasury	-	7 073	57 227	78 400	102 942	102 942	155 383	-	-
Health	125	60	-	-	-	-	-	-	-
Co-operative Governance and Traditional Affairs	1 353	763	-	-	-	-	-	-	-
Agency funding	97 358	63 222	49 336	10 962	10 962	38 974	3 922	3 922	3 922
Office of the Premier	38 020	21 700	8 870	6 800	6 800	14 875	-	-	-
Provincial Treasury	-	-	131	240	240	240	-	-	-
Health	802	1 857	5 311	-	-	1 306	-	-	-
Co-operative Governance and Traditional Affairs	-	990	-	-	-	-	-	-	-
Transport	58 536	38 675	35 024	3 922	3 922	22 553	3 922	3 922	3 922
Total	98 836	74 013	106 563	89 362	113 904	141 916	159 305	3 922	3 922

5. PAYMENTS

5.1 Overall position

Total provincial payments increased from R96.846 billion in 2014/15 to an estimated R117.613 billion in 2017/18. This positive growth is set to continue over the 2018/19 MTEF, with aggregated estimates of R122.492 billion in 2018/19 growing to R138.659 billion in 2020/21. The additions and budget cuts implemented over the MTEF are detailed in Chapter 3 of this *OPRE*.

5.2 Payments by Vote

Table 5.1 illustrates the summary of provincial payments by Vote.

Table 5.1 : Summary of provincial payments and estimates by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17	2017/18			2018/19	2019/20	2020/21
1. Office of the Premier	765 252	728 464	707 561	742 125	763 471	763 471	787 137	822 568	874 699
2. Provincial Legislature	476 027	436 137	475 374	535 300	617 808	617 808	565 214	600 520	640 797
3. Agriculture and Rural Development	2 003 044	2 199 187	2 216 366	2 197 144	2 197 144	2 210 644	2 324 108	2 430 041	2 591 362
4. Economic Development, Tourism and Enviro Affairs	2 955 803	2 983 585	2 596 897	2 784 403	2 796 453	2 788 507	3 009 296	3 180 694	3 363 243
5. Education	39 289 076	43 096 534	45 960 452	47 476 599	47 900 093	48 286 416	50 903 682	53 785 299	57 880 610
6. Provincial Treasury	630 949	604 650	596 115	607 844	631 369	619 187	650 900	677 272	721 408
7. Health	31 245 510	34 110 724	37 026 397	39 548 473	39 930 478	40 430 163	42 347 664	44 957 135	48 323 976
8. Human Settlements	3 873 178	4 131 025	3 529 003	3 843 870	4 066 734	4 066 734	3 647 237	3 787 798	4 057 407
9. Community Safety and Liaison	179 239	190 811	206 646	204 486	204 486	204 486	224 949	228 047	242 765
10. Sport and Recreation	451 245	437 496	423 298	463 590	463 953	463 953	451 953	476 702	506 970
11. Co-operative Governance and Traditional Affairs	1 482 587	1 518 088	1 603 365	1 585 226	1 626 726	1 667 463	1 679 082	1 777 022	1 891 067
12. Transport	8 908 956	9 129 869	9 251 796	9 847 024	10 074 270	10 165 666	10 062 047	10 437 852	11 064 285
13. Social Development	2 487 432	2 610 357	2 754 077	3 041 364	2 986 364	2 947 202	3 287 882	3 482 394	3 710 768
14. Public Works	1 388 082	1 406 247	1 454 165	1 506 951	1 542 817	1 542 817	1 587 932	1 681 234	1 788 742
15. Arts and Culture	710 027	763 542	793 339	874 068	838 814	838 814	962 571	975 808	1 000 439
Total	96 846 407	104 346 716	109 594 851	115 258 467	116 640 980	117 613 331	122 491 654	129 300 386	138 658 538

National Treasury effected cuts against the provincial budget over the 2018/19 MTEF and the Finance *Lekgotla* on 7 February 2018 decided that the budget cuts for 2018/19 would be proportionately allocated against all 15 Votes but, while the departments would be notified of the quantum of the cut immediately after the *Lekgotla*, they would only need to effect these budget cuts in the 2018/19 Adjustments Estimate.

As a result, all departments, except for four departments, namely Provincial Legislature, DOHS, Department of Sport and Recreation (DOSR) and DOT, had positive growth in the outer year, *albeit* a small increase for most. The reduction in the baseline for the three departments in 2018/19, is largely due to once-off allocations received in 2017/18, movement of the learner transport function from DOT to DOE, as well as reductions against the conditional grant allocations, explained in detail in the departmental sections of the *EPRE*.

All other departments' baselines show an increase when compared to the 2017/18 Revised Estimate. This increase, however, is marginal as it relates to inflationary adjustments over the MTEF. In addition, as mentioned, National Treasury provides an amount for the carry-through costs of the wage inflation adjustment and some departments also received allocations for provincial priorities.

Table 5.2 shows an analysis of payments and estimates by major Votes.

DOE continues to have the highest budget allocation in the province, with this department taking up 41.6 per cent of the provincial budget in 2018/19.

DOH remains the second highest spending provincial department, with a 34.6 per cent share of the provincial budget in 2018/19, rising to 34.9 per cent in 2020/21.

DSD reflects a steady share of total expenditure, at 2.7 per cent over the 2018/19 MTEF having received additional funding for various national priorities, as mentioned in Chapter 3 of this *OPRE*.

Other Functions constitutes all the other departments and remains fairly steady over the MTEF at around the 21.2 per cent mark.

Table 5.2 : Analysis of payments and estimates by major Vote

	Audited Outcome			Adjusted Appropriation 2017/18	Medium-term Estimates			Average Annual Growth	
	2014/15	2015/16	2016/17		2018/19	2019/20	2020/21	2014/15- 2017/18	2017/18- 2020/21
R thousand									
Education	39 289 076	43 096 534	45 960 452	47 900 093	50 903 682	53 785 299	57 880 610		
Health	31 245 510	34 110 724	37 026 397	39 930 478	42 347 664	44 957 135	48 323 976		
Social Development	2 487 432	2 610 357	2 754 077	2 986 364	3 287 882	3 482 394	3 710 768		
Other Functions	23 824 389	24 529 101	23 853 925	25 824 045	25 952 426	27 075 558	28 743 184		
Total expenditure	96 846 407	104 346 716	109 594 851	116 640 980	122 491 654	129 300 386	138 658 538		
% of total expenditure									
Education	40.6	41.3	41.9	41.1	41.6	41.6	41.7		
Health	32.3	32.7	33.8	34.2	34.6	34.8	34.9		
Social Development	2.6	2.5	2.5	2.6	2.7	2.7	2.7		
Other Functions	24.6	23.5	21.8	22.1	21.2	20.9	20.7		
Nominal growth (%)									
Education		9.7	6.6	4.2	6.3	5.7	7.6	6.8	6.5
Health		9.2	8.5	7.8	6.1	6.2	7.5	8.5	6.6
Social Development		4.9	5.5	8.4	10.1	5.9	6.6	6.3	7.5
Other Functions		3.0	(2.8)	8.3	0.5	4.3	6.2	2.7	3.6
Total expenditure		7.7	5.0	6.4	5.0	5.6	7.2	6.4	5.9
Real growth (%)									
Education		4.3	0.3	(0.6)	0.7	0.3	2.0	0.8	0.9
Health		3.8	2.1	2.8	0.5	0.8	1.9	2.4	0.9
Social Development		(0.2)	(0.7)	3.4	4.4	0.6	1.0	0.3	1.8
Other Functions		(2.1)	(8.5)	3.2	(4.7)	(0.9)	0.6	(3.1)	(1.9)
Total expenditure		2.4	(1.2)	1.5	(0.5)	0.2	1.6	0.4	0.3

5.3 Payments by economic classification

5.3.1 Provincial summary of payments and estimates by economic classification

Table 5.3 presents a summary of payments and estimates by economic classification. *Annexure 1.B* provides more detail in this regard.

Table 5.3 : Summary of provincial payments and estimates by economic classification

R thousand	Audited Outcome			Main Appropriation 2017/18	Adjusted Appropriation 2017/18	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2018/19	2019/20	2020/21
Current payments	76 382 678	82 946 028	89 864 086	95 892 956	96 353 373	97 107 525	102 716 170	109 101 879	117 436 693
Compensation of employees	57 608 600	62 313 286	67 307 573	73 154 096	72 037 059	72 264 101	77 110 688	82 346 568	88 972 886
Goods and services	18 770 083	20 492 911	22 552 424	22 736 654	24 312 772	24 838 443	25 601 370	26 753 169	28 461 534
Interest and rent on land	3 995	139 831	4 089	2 206	3 542	4 981	4 112	2 142	2 273
Transfers and subsidies to:	12 146 645	12 511 265	11 561 270	11 580 777	11 988 499	12 229 087	11 851 129	12 386 369	13 067 927
Provinces and municipalities	1 365 806	1 417 730	1 262 221	1 164 447	1 251 420	1 292 898	1 269 843	1 356 492	1 390 193
Departmental agencies and accounts	1 962 754	2 112 825	1 909 947	2 045 030	2 067 132	2 067 943	2 133 888	2 208 133	2 332 886
Higher education institutions	3 046	2 000	13 617	10 980	13 024	13 024	31 138	32 695	34 494
Foreign governments and international organisations	207	292	181	228	228	228	241	255	269
Public corporations and private enterprises	1 687 664	1 707 464	1 579 867	1 371 149	1 532 725	1 532 825	1 463 896	1 533 481	1 629 624
Non-profit institutions	3 116 896	3 196 732	3 190 821	3 264 633	3 028 592	3 027 320	3 226 229	3 412 487	3 583 875
Households	4 010 272	4 074 222	3 604 616	3 724 310	4 095 378	4 294 849	3 725 894	3 842 826	4 096 586
Payments for capital assets	8 229 007	8 640 102	7 869 102	7 557 177	8 070 640	8 048 079	7 834 104	7 718 694	8 054 641
Buildings and other fixed structures	7 524 475	7 917 113	7 171 680	6 545 682	6 943 296	6 982 704	6 652 716	6 415 826	6 740 384
Machinery and equipment	665 046	698 211	685 262	987 203	1 110 658	1 046 323	1 162 031	1 282 735	1 293 279
Heritage assets	2 608	3 682	805	4 594	2 055	2 036	4 819	5 099	5 379
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	145	350	169	668	872	872	550	570	570
Land and sub-soil assets	23 000	-	-	-	-	-	-	-	-
Software and other intangible assets	13 733	20 746	11 186	19 030	13 759	16 144	13 988	14 464	15 029
Payments for financial assets	5 983	172 117	222 392	139 501	140 412	140 584	-	-	-
Total	96 764 313	104 269 512	109 516 850	115 170 411	116 552 924	117 525 275	122 401 403	129 206 942	138 559 261
Statutory payments (Members' remuneration)	82 094	77 204	78 001	88 056	88 056	88 056	90 251	93 444	99 277
Total economic classification (incl. stat. payment)	96 846 407	104 346 716	109 594 851	115 258 467	116 640 980	117 613 331	122 491 654	129 300 386	138 658 538

Current payments consumes the bulk of the total provincial spending, and is set to increase from R97.108 billion in the 2017/18 Revised Estimate to R117.437 billion in 2020/21. The largest portion of this category relates to *Compensation of employees*, driven mainly by DOE and DOH, due to the high number of employees in these departments.

Transfers and subsidies shows a fluctuating trend between 2014/15 and 2020/21. A substantial portion of this category is allocated against *Households* and *Non-profit institutions* and largely relates to the HSDG under DOHS, as well as transfers to public schools for norms and standards, respectively. Fluctuations in transfers to public entities also impact on this category.

Buildings and other fixed structures reflects fluctuations over the 2018/19 MTEF, mainly due to the fiscal consolidation cuts made by National Treasury against various infrastructure-related conditional grants.

Payments for financial assets mainly reflects the first charge amounts (in line with S34 (2) of the PFMA) in respect of unauthorised expenditure. Also included, although to a lesser extent, are the write-offs of irrecoverable debts by various departments.

Table 5.4 provides an analysis of payments and estimates by economic classification, looking at average annual growth, and percentage share of various categories when compared to total expenditure.

Table 5.4 : Analysis of payments and estimates by economic classification

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2014/15-2017/18	2017/18-2020/21
R thousand									
Current	76 464 772	83 023 232	89 942 087	96 441 429	102 806 421	109 195 323	117 535 970		
Transfers	12 146 645	12 511 265	11 561 270	11 988 499	11 851 129	12 386 369	13 067 927		
Capital	8 229 007	8 640 102	7 869 102	8 070 640	7 834 104	7 718 694	8 054 641		
Financial assets	5 983	172 117	222 392	140 412	-	-	-		
Compensation	57 690 694	62 390 490	67 385 574	72 125 115	77 200 939	82 440 012	89 072 163		
Non-compensation	39 155 713	41 956 226	42 209 277	44 515 865	45 290 715	46 860 374	49 586 375		
Non-compensation (excl. transfers)	27 009 068	29 444 961	30 648 007	32 527 366	33 439 586	34 474 005	36 518 448		
Non-compensation non-capital (NCNC)	30 926 706	33 316 124	34 340 175	36 445 225	37 456 611	39 141 680	41 531 734		
NCNC (excl. transfers)	18 780 061	20 804 859	22 778 905	24 456 726	25 605 482	26 755 311	28 463 807		
Total expenditure	96 846 407	104 346 716	109 594 851	116 640 980	122 491 654	129 300 386	138 658 538		
% of total expenditure									
Current	79.0	79.6	82.1	82.7	83.9	84.5	84.8		
Transfers	12.5	12.0	10.5	10.3	9.7	9.6	9.4		
Capital	8.5	8.3	7.2	6.9	6.4	6.0	5.8		
Financial assets	0.0	0.2	0.2	0.1	-	-	-		
Compensation	59.6	59.8	61.5	61.8	63.0	63.8	64.2		
Non-compensation	40.4	40.2	38.5	38.2	37.0	36.2	35.8		
Non-compensation (excl. transfers)	27.9	28.2	28.0	27.9	27.3	26.7	26.3		
Non-compensation non-capital (NCNC)	31.9	31.9	31.3	31.2	30.6	30.3	30.0		
NCNC (excl. transfers)	19.4	19.9	20.8	21.0	20.9	20.7	20.5		
Nominal growth (%)									
Current		8.6	8.3	7.2	6.6	6.2	7.6	8.0	6.8
Transfers		3.0	(7.6)	3.7	(1.1)	4.5	5.5	(0.4)	2.9
Capital		5.0	(8.9)	2.6	(2.9)	(1.5)	4.4	(0.6)	(0.1)
Financial assets		2 776.8	29.2	(36.9)	(100.0)	-	-	186.3	(100.0)
Compensation		8.1	8.0	7.0	7.0	6.8	8.0	7.7	7.3
Non-compensation		7.2	0.6	5.5	1.7	3.5	5.8	4.4	3.7
Non-compensation (excl. transfers)		9.0	4.1	6.1	2.8	3.1	5.9	6.4	3.9
Non-compensation non-capital (NCNC)		7.7	3.1	6.1	2.8	4.5	6.1	5.6	4.5
NCNC (excl. transfers)		10.8	9.5	7.4	4.7	4.5	6.4	9.2	5.2
Real growth (%)									
Current		3.2	1.9	2.2	1.0	0.9	2.0	2.0	1.2
Transfers		(2.1)	(13.1)	(1.1)	(6.3)	(0.7)	0.0	(6.0)	(2.5)
Capital		(0.2)	(14.3)	(2.2)	(8.0)	(6.4)	(1.1)	(6.2)	(5.4)
Financial assets		2 634.6	21.6	(39.8)	(100.0)	(5.0)	(5.2)	170.2	(100.0)
Compensation		2.8	1.6	2.0	1.5	1.4	2.4	1.7	1.6
Non-compensation		1.9	(5.4)	0.5	(3.6)	(1.7)	0.3	(1.5)	(1.8)
Non-compensation (excl. transfers)		3.6	(2.1)	1.2	(2.6)	(2.1)	0.4	0.4	(1.6)
Non-compensation non-capital (NCNC)		2.4	(3.0)	1.2	(2.6)	(0.8)	0.6	(0.3)	(1.1)
NCNC (excl. transfers)		5.3	3.0	2.4	(0.8)	(0.8)	0.8	3.1	(0.4)

Current expenditure is the largest category, and the percentage of total expenditure, grows from 79 per cent in 2014/15 to 84.8 per cent in 2020/21. The increase is mainly attributable to the carry-through costs of above-budget wage agreements, as well as the provision made by some departments for filling critical vacant posts. However, some departments have under-budgeted when compared to National Treasury's prescribed wage increments, and this will have to be reviewed in-year.

The share of total expenditure for *Transfers* reflects a declining trend, from 12.5 per cent in 2014/15 to 9.4 per cent in 2020/21. These fluctuations are largely influenced by fluctuations in the HSDG.

The expenditure trend for *Capital* fluctuates, and shows a declining trend in terms of its share of total expenditure, with its share being 8.5 per cent in 2014/15, before declining to 6.9 per cent in 2017/18 and further declining to 5.8 per cent in 2020/21. This category was affected by the fiscal consolidation cuts

implemented over the 2018/19 MTEF as the cuts were also effected against infrastructure-related conditional grants, namely the PRMG and the EIG.

5.3.2 Analysis of payments and estimates by economic classification – Education

Table 5.5 shows DOE’s summary of payments and estimates by economic classification.

Table 5.5 : Analysis of payments and estimates summary by economic classification - Education

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2014/15-2017/18	2017/18-2020/21
R thousand									
Current	35 409 049	38 715 581	41 765 226	44 234 596	47 154 751	49 965 643	53 740 170		
Transfers	1 857 892	1 908 152	1 945 524	1 752 699	1 988 164	2 102 860	2 220 718		
Capital	2 022 135	2 440 909	2 217 809	1 880 905	1 760 767	1 716 796	1 919 722		
Financial assets	-	31 892	31 893	31 893	-	-	-		
Compensation	32 037 938	34 527 080	37 608 395	39 991 963	42 890 943	45 488 215	49 002 786		
Non-compensation	7 251 138	8 569 454	8 352 057	7 908 130	8 012 739	8 297 084	8 877 824		
Non-compensation (excl. transfers)	5 393 246	6 661 302	6 406 533	6 155 431	6 024 575	6 194 224	6 657 106		
Non-compensation non-capital (NCNC)	5 229 003	6 128 545	6 134 248	6 027 225	6 251 972	6 580 288	6 958 102		
NCNC (excl. transfers)	3 371 111	4 220 393	4 188 724	4 274 526	4 263 808	4 477 428	4 737 384		
Total expenditure	39 289 076	43 096 534	45 960 452	47 900 093	50 903 682	53 785 299	57 880 610		
% of total expenditure									
Current	90.1	89.8	90.9	92.3	92.6	92.9	92.8		
Transfers	4.7	4.4	4.2	3.7	3.9	3.9	3.8		
Capital	5.1	5.7	4.8	3.9	3.5	3.2	3.3		
Financial assets	-	0.1	0.1	0.1	-	-	-		
Compensation	81.5	80.1	81.8	83.5	84.3	84.6	84.7		
Non-compensation	18.5	19.9	18.2	16.5	15.7	15.4	15.3		
Non-compensation (excl. transfers)	13.7	15.5	13.9	12.9	11.8	11.5	11.5		
Non-compensation non-capital (NCNC)	13.3	14.2	13.3	12.6	12.3	12.2	12.0		
NCNC (excl. transfers)	8.6	9.8	9.1	8.9	8.4	8.3	8.2		
Nominal growth (%)									
Current		9.3	7.9	5.9	6.6	6.0	7.6	7.7	6.7
Transfers		2.7	2.0	(9.9)	13.4	5.8	5.6	(1.9)	8.2
Capital		20.7	(9.1)	(15.2)	(6.4)	(2.5)	11.8	(2.4)	0.7
Financial assets		-	0.0	-	(100.0)	-	-	-	(100.0)
Compensation		7.8	8.9	6.3	7.2	6.1	7.7	7.7	7.0
Non-compensation		18.2	(2.5)	(5.3)	1.3	3.5	7.0	2.9	3.9
Non-compensation (excl. transfers)		23.5	(3.8)	(3.9)	(2.1)	2.8	7.5	4.5	2.6
Non-compensation non-capital (NCNC)		17.2	0.1	(1.7)	3.7	5.3	5.7	4.8	4.9
NCNC (excl. transfers)		25.2	(0.8)	2.0	(0.3)	5.0	5.8	8.2	3.5
Real growth (%)									
Current		3.9	1.5	1.0	1.0	0.6	1.9	1.6	1.0
Transfers		(2.4)	(4.1)	(14.1)	7.5	0.4	0.1	(7.4)	2.5
Capital		14.7	(14.5)	(19.2)	(11.3)	(7.4)	6.0	(7.9)	(4.7)
Financial assets		(4.9)	(5.9)	(4.7)	(100.0)	(5.0)	(5.2)	-	(100.0)
Compensation		2.4	2.5	1.4	1.7	0.7	2.1	1.6	1.3
Non-compensation		12.3	(8.3)	(9.7)	(4.0)	(1.7)	1.4	(2.9)	(1.6)
Non-compensation (excl. transfers)		17.4	(9.5)	(8.4)	(7.2)	(2.4)	1.9	(1.4)	(2.8)
Non-compensation non-capital (NCNC)		11.4	(5.8)	(6.3)	(1.7)	(0.0)	0.2	(1.1)	(0.7)
NCNC (excl. transfers)		19.0	(6.6)	(2.7)	(5.5)	(0.3)	0.3	2.1	(2.0)

The share of *Current* payments to total budget is set to increase steadily from 92.3 per cent in 2017/18 to 92.8 per cent in 2020/21. This is mainly attributed to *Compensation of employees* which is the department’s largest cost driver, as well as *Goods and services* which includes various priorities such as conditional grants, maintenance and repairs of school infrastructure, learner transport, among others.

Transfers fluctuates over the period, largely influenced by the unpredictability in learner enrolment numbers in both public ordinary and independent schools. Due to budget pressures, the transfer payments to schools are below the sector norms and standards. The MTEF makes provision for transfers utilised for the purchase of textbooks and stationery for S21 (c) schools, as well as for payment of operational costs.

Capital reflects negative real growth of 4.7 per cent from 2017/18 to 2020/21 mainly due to the reductions which were effected against the EIG due to fiscal consolidation cuts over the 2018/19 MTEF.

5.3.3 Analysis of payments and estimates by economic classification – Health

Table 5.6 shows DOH’s expenditure by economic classification.

The largest share of total expenditure is in respect of *Current* payments, where the percentage increases from 92.5 per cent in 2014/15 to 94.7 per cent in 2020/21. The growing share is largely because the department has reduced funding for *Capital* due to various budget cuts, as well as reprioritising funding away from *Capital* to maintenance. Also impacting on this category is additional funding allocated from 2016/17 to address budget pressures.

Table 5.6 : Analysis of payments and estimates summary by economic classification - Health

	Audited Outcome			Adjusted Appropriation 2017/18	Medium-term Estimates			Average Annual Growth	
	2014/15	2015/16	2016/17		2018/19	2019/20	2020/21	2014/15- 2017/18	2017/18- 2020/21
R thousand									
Current	28 911 128	31 899 939	34 739 862	37 215 923	39 695 959	42 352 834	45 784 761		
Transfers	828 088	843 093	1 035 657	1 027 358	982 961	985 139	1 023 395		
Capital	1 505 879	1 257 629	1 106 314	1 579 473	1 668 744	1 619 162	1 515 820		
Financial assets	415	110 063	144 564	107 724	-	-	-		
Compensation	20 014 542	21 793 160	23 354 896	24 962 432	26 178 626	28 191 328	30 565 276		
Non-compensation	11 230 968	12 317 564	13 671 501	14 968 046	16 169 038	16 765 807	17 758 700		
Non-compensation (excl. transfers)	10 402 880	11 474 471	12 635 844	13 940 688	15 186 077	15 780 668	16 735 305		
Non-compensation non-capital (NCNC)	9 725 089	11 059 935	12 565 187	13 388 573	14 500 294	15 146 645	16 242 880		
NCNC (excl. transfers)	8 897 001	10 216 842	11 529 530	12 361 215	13 517 333	14 161 506	15 219 485		
Total expenditure	31 245 510	34 110 724	37 026 397	39 930 478	42 347 664	44 957 135	48 323 976		
% of total expenditure									
Current	92.5	93.5	93.8	93.2	93.7	94.2	94.7		
Transfers	2.7	2.5	2.8	2.6	2.3	2.2	2.1		
Capital	4.8	3.7	3.0	4.0	3.9	3.6	3.1		
Financial assets	0.0	0.3	0.4	0.3	-	-	-		
Compensation	64.1	63.9	63.1	62.5	61.8	62.7	63.3		
Non-compensation	35.9	36.1	36.9	37.5	38.2	37.3	36.7		
Non-compensation (excl. transfers)	33.3	33.6	34.1	34.9	35.9	35.1	34.6		
Non-compensation non-capital (NCNC)	31.1	32.4	33.9	33.5	34.2	33.7	33.6		
NCNC (excl. transfers)	28.5	30.0	31.1	31.0	31.9	31.5	31.5		
Nominal growth (%)									
Current		10.3	8.9	7.1	6.7	6.7	8.1	8.8	7.2
Transfers		1.8	22.8	(0.8)	(4.3)	0.2	3.9	7.5	(0.1)
Capital		(16.5)	(12.0)	42.8	5.7	(3.0)	(6.4)	1.6	(1.4)
Financial assets		26 421.2	31.3	(25.5)	(100.0)	-	-	537.9	(100.0)
Compensation		8.9	7.2	6.9	4.9	7.7	8.4	7.6	7.0
Non-compensation		9.7	11.0	9.5	8.0	3.7	5.9	10.0	5.9
Non-compensation (excl. transfers)		10.3	10.1	10.3	8.9	3.9	6.0	10.2	6.3
Non-compensation non-capital (NCNC)		13.7	13.6	6.6	8.3	4.5	7.2	11.2	6.7
NCNC (excl. transfers)		14.8	12.8	7.2	9.4	4.8	7.5	11.6	7.2
Real growth (%)									
Current		4.9	2.4	2.1	1.1	1.3	2.5	2.7	1.5
Transfers		(3.2)	15.6	(5.4)	(9.3)	(4.8)	(1.5)	1.4	(5.4)
Capital		(20.6)	(17.2)	36.1	0.1	(7.9)	(11.3)	(4.1)	(6.6)
Financial assets		25 110.3	23.6	(29.0)	(100.0)	(5.0)	(5.2)	502.0	(100.0)
Compensation		3.5	0.8	1.9	(0.6)	2.3	2.8	1.6	1.3
Non-compensation		4.3	4.4	4.4	2.4	(1.5)	0.4	3.9	0.3
Non-compensation (excl. transfers)		4.8	3.6	5.2	3.3	(1.3)	0.5	4.0	0.6
Non-compensation non-capital (NCNC)		8.1	6.9	1.6	2.7	(0.8)	1.6	5.0	1.0
NCNC (excl. transfers)		9.2	6.2	2.2	3.7	(0.5)	1.9	5.3	1.5

Compensation of employees which, although showing an erratic trend similar to *Current* payments, reflects an increasing trend over the 2018/19 MTEF.

Transfers reflects a reduction in the share of expenditure from 2.3 per cent to 2.1 per cent over the 2018/19 MTEF, mainly due to the provincialisation of St. Mary's Hospital during 2017/18, with the funding moving to *Current*.

The share of total expenditure on *Capital* decreases over the seven-year period, largely as per the reasons discussed under *Current*. The declining share between 2017/18 and 2020/21 is also influenced by the anticipated completion of the Dr. Pixley Ka Isaka Seme Hospital, with funding then reprioritised to maintenance in the outer year.

5.3.4 Analysis of payments and estimates by economic classification – Social Development

Table 5.7 shows DSD's expenditure by economic classification.

As a share of total expenditure, *Current* increases from 61.1 per cent in 2014/15 to 65.5 per cent in 2020/21. The growth over the MTEF is mainly due to the filling of vacant OSD posts (social worker supervisors), new social work graduates, non-OSD posts, additional funding for the above-budget wage agreement provided for in 2020/21, and annual salary increments against *Compensation of employees*.

Transfers shows a fluctuating trend with the allocation over the MTEF including national priority funding for child and youth care and victim empowerment, and the provision of shelters for victims of gender-based violence. Additional funding was given to the department from 2015/16 to 2017/18 to provide for a 6 per cent increase in transfers to NPOs, and the department is undertaking a rationalisation process to ensure that they can fund the carry-through of this increase from 2018/19 onward.

Table 5.7 : Analysis of payments and estimates summary by economic classification - Social Development

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2014/15-2017/18	2017/18-2020/21
R thousand									
Current	1 520 152	1 614 697	1 671 707	1 862 698	2 091 758	2 243 154	2 432 391		
Transfers	806 210	827 552	914 732	959 661	1 021 127	1 094 004	1 146 681		
Capital	161 070	152 669	150 248	164 005	174 997	145 236	131 696		
Financial assets	-	15 439	17 390	-	-	-	-		
Compensation	1 156 790	1 238 550	1 286 973	1 435 173	1 648 830	1 773 684	1 912 423		
Non-compensation	1 330 642	1 371 807	1 467 104	1 551 191	1 639 052	1 708 710	1 798 345		
Non-compensation (excl. transfers)	524 432	544 255	552 372	591 530	617 925	614 706	651 664		
Non-compensation non-capital (NCNC)	1 330 642	1 356 368	1 449 714	1 551 191	1 639 052	1 708 710	1 798 345		
NCNC (excl. transfers)	524 432	528 816	534 982	591 530	617 925	614 706	651 664		
Total expenditure	2 487 432	2 610 357	2 754 077	2 986 364	3 287 882	3 482 394	3 710 768		
% of total expenditure									
Current	61.1	61.9	60.7	62.4	63.6	64.4	65.5		
Transfers	32.4	31.7	33.2	32.1	31.1	31.4	30.9		
Capital	6.5	5.8	5.5	5.5	5.3	4.2	3.5		
Financial assets	-	0.6	0.6	-	-	-	-		
Compensation	46.5	47.4	46.7	48.1	50.1	50.9	51.5		
Non-compensation	53.5	52.6	53.3	51.9	49.9	49.1	48.5		
Non-compensation (excl. transfers)	21.1	20.8	20.1	19.8	18.8	17.7	17.6		
Non-compensation non-capital (NCNC)	53.5	52.0	52.6	51.9	49.9	49.1	48.5		
NCNC (excl. transfers)	21.1	20.3	19.4	19.8	18.8	17.7	17.6		
Nominal growth (%)									
Current		6.2	3.5	11.4	12.3	7.2	8.4	7.0	9.3
Transfers		2.6	10.5	4.9	6.4	7.1	4.8	6.0	6.1
Capital		(5.2)	(1.6)	9.2	6.7	(17.0)	(9.3)	0.6	(7.1)
Financial assets		-	12.6	(100.0)	-	-	-	-	-
Compensation		7.1	3.9	11.5	14.9	7.6	7.8	7.5	10.0
Non-compensation		3.1	6.9	5.7	5.7	4.2	5.2	5.2	5.1
Non-compensation (excl. transfers)		3.8	1.5	7.1	4.5	(0.5)	6.0	4.1	3.3
Non-compensation non-capital (NCNC)		1.9	6.9	7.0	5.7	4.2	5.2	5.2	5.1
NCNC (excl. transfers)		0.8	1.2	10.6	4.5	(0.5)	6.0	4.1	3.3
Real growth (%)									
Current		1.0	(2.6)	6.2	6.4	1.8	2.8	1.0	3.5
Transfers		(2.4)	4.0	0.0	0.9	1.7	(0.6)	0.0	0.5
Capital		(9.9)	(7.4)	4.1	1.1	(21.2)	(14.1)	(5.1)	(12.0)
Financial assets		(4.9)	6.0	(100.0)	(5.2)	(5.0)	(5.2)	-	-
Compensation		1.8	(2.2)	6.3	8.9	2.2	2.2	1.4	4.2
Non-compensation		(2.0)	0.6	0.8	0.2	(1.0)	(0.2)	(0.7)	(0.5)
Non-compensation (excl. transfers)		(1.3)	(4.5)	2.1	(1.0)	(5.5)	0.5	(1.8)	(2.2)
Non-compensation non-capital (NCNC)		(3.1)	0.5	2.0	0.2	(1.0)	(0.2)	(0.7)	(0.5)
NCNC (excl. transfers)		(4.1)	(4.8)	5.4	(1.0)	(5.5)	0.5	(1.8)	(2.2)

5.3.5 Analysis of payments and estimates by economic classification – Other departments

Table 5.8 shows the remaining departments' payments and estimates by economic classification (i.e. all departments excluding DOE, DOH and DSD).

The share of *Current* to total budget increases from 44.6 per cent in 2014/15, to 54.2 per cent in 2020/21, to cater for departments' operational needs, and continuation of various projects and the anticipated filling of critical posts, as well as additional funding for the above-budget wage adjustment allocated to all departments in 2020/21.

Transfers remains at a fairly steady share of 30.3 per cent over the MTEF. This category caters for transfers relating to the HSDG, transfers to various public entities, among others.

Capital shows a declining trend from 16.3 per cent to 15.6 per cent over the MTEF. This is mainly due to the completion of various infrastructure projects by several departments. The fiscal consolidation budget cut against the PRMG and the CASP grant has also had an impact on this category over the 2018/19 MTEF. Some departments, for example DSD and DAC, have suspended funds from 2017/18 to 2018/19 for various projects, and this has also had an impact on this category.

The second largest expenditure is on *Health*. This reflects the province's commitment to provide effective and efficient health care services to the people of the province.

Economic Affairs comprises DOT (catering for the construction and maintenance of the road network, public transport services and law enforcement), DARD (providing support to food insecure communities at subsistence and household food production level), EDTEA (radical economic transformation, the development of SMMEs and the film industry, rhino anti-poaching campaign, among others) and a portion of Provincial Treasury in prior years (community outreach programmes and special projects).

General Public Services includes the Legislature (provides oversight role over all provincial departments) and administrative departments such as Provincial Treasury (caters for financial management, internal audit, SCM, as well as support for transversal and interlinked financial systems), OTP (provides for cross-cutting and transversal activities, such as OSS, Integrity Management, youth development, support to His Majesty, the King, as well as transfers to its public entities), COGTA (provides support and ensures that there is alignment between the national, provincial, and local government priorities, promotes good governance and enhances financial management in municipalities, as well as provides support and builds the capacity of traditional institutions), DOPW (provides for municipal property rates payments, the implementation of GIAMA projects, as well as infrastructure projects), and a portion of DOT (provides for administrative, strategic, financial and corporate support services).

Housing and Community Amenities relates to DOHS, and is mainly in respect of the HSDG, for the provision of low income housing programmes, including project linked subsidies, people's housing programmes, integrated residential development programmes, rural housing subsidies, informal settlement upgrades, social housing, etc.

Social Protection relates to DSD and caters for various social services, such as services to older persons and persons with disabilities, care and services to families, child care and protection services, ECD, victim empowerment, substance abuse programme, youth and women development, among others.

Recreation, Culture and Religion falls under DOSR and DAC. DOSR provides sport and recreation facilities and the School Sport programme, while DAC ensures the cultural advance of KZN through hosting various cultural events and provision of reading and writing material, the provincialisation of museums and libraries, as well as the construction of new libraries and museums.

Environmental Protection relates to Environmental Affairs under EDTEA and is made up of Environmental Affairs and transfers to Ezemvelo KZN Wildlife (EKZNW). The category mainly caters for integrated sustainable environmental planning, management of waste and pollutants, empowering communities with regard to sustainable resource utilisation, among others.

Public Order and Safety relates to the Department of Community Safety and Liaison, and performs the function of safety information analysis, crime awareness projects, including school safety, substance abuse and stock theft, among others.

5.5 Infrastructure payments and estimates

5.5.1 Introduction

KZN has made substantial progress in the delivery of public economic infrastructure such as roads, as well as social infrastructure such as schools, health facilities, etc. The continued investment in socio-economic infrastructure contributes positively to the economic growth of KZN and the well-being of society. Integrated and sustainable development in rural and urban areas through infrastructure development is a priority in this province. This is evident in the infrastructure investment made with the Nkululeko Development projects at Ndumo in the uMkhanyakude District. Through this initiative, the province has built a new library, a new sports field, bulk water supply, upgrading of a gravel road to a blacktop road and a model Mathematics, Science and Technology school. DOHS contributed through the construction of low income and subsidised housing. In urban areas where there is a high population density, the focus is on both building new, as well as maintaining existing infrastructure.

5.5.1.1 Infrastructure management

The KZN-Infrastructure Delivery Management System (KZN-IDMS) framework was reviewed to include all departments that have infrastructure budgets. IDMS was piloted in DOH, DOE and DOPW, as well as Provincial Treasury. The system aims to standardise processes from project initiation to its maintenance and/or operation. IDMS implementation was positively impacted in 2015/16 when an instruction note from National Treasury was issued enforcing the implementation of the Standard for Infrastructure Procurement and Delivery Management. The standard enforces alignment to the construction procurement environment, thus ensuring each project stage is documented and approved by relevant authorities.

In-year infrastructure reporting is achieved through the Infrastructure Reporting Model (IRM). All departments are expected to report detailed project data on the IRM, while ensuring that reported information is consistent with other reporting systems.

A detailed infrastructure analysis is presented in the *2018/19 Estimates of Capital Expenditure (ECE)*.

5.5.2 Trends in infrastructure payments and estimates

The infrastructure payments and estimates by category are shown in Table 5.10.

Table 5.10 : Summary of infrastructure payments and estimates by category

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2014/15	2015/16	2016/17	Appropriation	Appropriation	Estimate	2018/19	2019/20	2020/21
Existing infrastructure assets	8 319 239	8 296 870	8 146 915	8 125 526	8 770 200	8 720 393	8 049 159	8 495 160	9 065 118
Maintenance and repair: Current	2 432 806	2 137 625	2 836 496	3 736 639	3 707 618	3 700 019	3 344 884	3 481 050	3 689 395
Upgrades and additions: Capital	4 165 533	4 173 440	3 414 884	2 705 798	3 687 335	3 620 741	3 199 175	3 473 317	3 306 030
Refurbishment and rehabilitation: Capital	1 720 900	1 985 805	1 895 535	1 683 089	1 375 247	1 399 633	1 505 100	1 540 792	2 069 692
New infrastructure assets: Capital	1 638 042	1 757 868	1 861 223	2 266 954	1 880 714	1 962 330	1 941 441	1 394 715	1 357 662
Infrastructure transfers	656 524	877 969	644 629	677 194	652 475	643 319	686 542	709 404	740 864
Infrastructure transfers: Current	3 300	2 450	1 700	2 000	2 000	2 000	1 700	-	-
Infrastructure transfers: Capital	653 224	875 519	642 929	675 194	650 475	641 319	684 842	709 404	740 864
Infrastructure: Payments for financial assets	-	-	-	-	-	-	-	-	-
Infrastructure: Leases	95 684	108 096	204 303	163 462	177 887	184 096	176 654	181 662	184 870
Non infrastructure	1 054 686	1 133 140	1 242 197	806 535	931 098	901 771	1 586 343	1 817 127	1 847 273
Total	11 764 175	12 173 943	12 099 267	12 039 671	12 412 374	12 411 909	12 440 139	12 598 068	13 195 787
Capital infrastructure	8 177 699	8 792 632	7 814 571	7 331 035	7 593 771	7 624 023	7 330 558	7 118 229	7 474 249
Current infrastructure	3 586 476	3 381 311	4 284 696	4 708 636	4 818 603	4 787 886	5 109 581	5 479 839	5 721 538

¹ Non infrastructure is a stand-alone item and is therefore excluded from Capital infrastructure and Current infrastructure, but is included in the total

Existing infrastructure assets makes up the largest portion of the infrastructure budget and consists of three sub-categories, namely *Maintenance and repair: Current*, *Upgrades and additions: Capital* and *Refurbishment and rehabilitation: Capital*. *Infrastructure transfers* refers to transfer of funding to other institutions, such as municipalities and public entities for infrastructure projects.

Maintenance and repair: Current caters for routine, preventative and other maintenance. The significant increase in 2017/18 was caused by a shift in focus from building new infrastructure to the maintenance of the province's existing asset base. The decrease over the 2018/19 MTEF is mainly as a result of the fiscal consolidation budget cuts against the PRMG, with DOT indicating that this cut was largely effected against the road maintenance budget.

Upgrades and additions: Capital shows a decrease from 2017/18 to the 2018/19 MTEF and this is largely due to a lower allocation to this category by DOT.

Refurbishment and rehabilitation: Capital shows positive growth from 2017/18 to 2018/19 and over the MTEF. Again, this category is influenced by the trends shown by DOT and this is partly because 2017/18 saw a significant reduction against this category to correct the budget to the 2017/18 ECE project list. The decrease is also attributable to DOH reclassifying a number of their projects as *Upgrades and additions: Capital* rather than against this category.

New infrastructure assets: Capital decreases over the 2018/19 MTEF with this decreasing trend being significantly influenced by the fact that DOH is currently constructing the Dr Pixley Ka Isaka Seme Hospital, which is expected to be complete in 2019/20.

Infrastructure transfers refers to funding transferred to various municipalities and public entities for these institutions to roll-out these infrastructure projects. The bulk of this allocation relates to the transfer by EDTEA to the Dube TradePort Corporation (DTPC) and the Richards Bay Industrial Development Zone (RBIDZ) for the implementation of various capital development projects.

Leases caters for both finance leases and operating leases.

Non-infrastructure largely relates to DOT and includes salaries of the Zibambele contractors, the mechanical budget, operational expenditure and administration in relation to maintenance of infrastructure, such as salaries for all regions and other overhead costs. For DOH, this category relates mainly to the procurement of capital medical equipment.

Table 5.11 shows the infrastructure allocations per department and it is evident that DOT, DOE and DOH are the highest infrastructure spending departments in KZN. The infrastructure budget for DOHS (i.e. the HSDG) is not included in this table as the asset, in the end, does not belong to government. Further details are provided in each Vote's chapter in the *EPRE*, as well as in the 2018/19 *ECE*.

Table 5.11 : Summary of infrastructure payments and estimates by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2017/18	2018/19	2019/20
1. Office of the Premier	10 049	2 271	18 189	5 034	11 147	11 147	20 502	20 115	20 564
2. Provincial Legislature	8 587	3 791	14 530	5 110	19 570	19 570	4 995	5 275	5 565
3. Agriculture and Rural Development	209 013	198 000	199 947	97 287	130 460	133 540	139 825	110 630	132 026
4. Economic Dev, Tourism and Enviro Affairs	540 775	632 203	463 691	493 524	469 564	469 564	530 513	560 222	591 034
5. Education	2 212 374	2 557 995	2 621 221	2 293 147	2 399 834	2 403 152	2 230 607	2 199 854	2 418 830
6. Provincial Treasury	31 665	10 280	-	-	-	-	-	-	-
7. Health	1 679 247	1 508 436	1 422 575	1 656 528	1 707 834	1 727 858	1 806 771	1 820 234	1 765 874
8. Human Settlements	144 915	190 062	153 728	167 698	168 939	162 953	128 706	131 629	140 971
9. Community Safety and Liaison	-	-	-	-	-	-	-	-	-
10. Sport and Recreation	62 375	41 338	46 491	67 077	68 600	68 600	48 391	48 116	49 987
11. Co-operative Governance and Traditional Affairs	41 689	43 086	110 922	20 674	42 144	42 144	43 054	31 672	38 794
12. Transport	6 506 106	6 674 684	6 765 474	6 846 738	7 071 984	7 071 984	7 108 198	7 293 849	7 721 672
13. Social Development	152 152	142 701	133 791	156 708	151 049	136 548	135 114	129 195	105 307
14. Public Works	108 762	80 325	50 557	67 282	61 446	55 046	61 139	70 406	71 506
15. Arts and Culture	56 466	88 771	98 151	162 864	109 803	109 803	182 324	176 872	133 656
Total	11 764 175	12 173 943	12 099 267	12 039 671	12 412 374	12 411 909	12 440 139	12 598 068	13 195 787

5.6 Public Private Partnerships (PPP)

The following gives an update on the PPPs in KZN.

KZN Provincial Government – New Office Park

The provincial government initiated a government office precinct project in 2009/10, which was aimed at reducing the shortage of office space in Pietermaritzburg for departments' head offices. In light of the fiscal consolidation cuts announced in 2014/15, the project was put on hold. The Provincial Executive Council instructed both Provincial Treasury and DOPW to resuscitate the project in 2015. The feasibility study had to be updated and the outcome of the feasibility study was presented to the Provincial Executive Council with instruction received to apply for TA1. The feasibility study was submitted to National Treasury, and the province received the Treasury Approval 1 (TA1). The Request for Qualification was developed and both Provincial Treasury and DOPW are awaiting the Provincial Executive Council's instruction with regard to the Black Economic Empowerment (BEE) strategy for this project prior to going out to the market. In the interim, meetings have been held with the South African National Roads Agency Limited (SANRAL) to discuss the plans for the N3 and the province's plans for the precinct. A committee will be set up to ensure synergies between the Msunduzi Municipality, SANRAL and the province, to ensure that there is alignment.

KZN Legislature

This project entails the design, finance, and construction of a new Legislature complex, comprising of offices, assembly areas, auditoriums, meeting places, health care facilities, dining facilities, parking, etc., together with other related ancillary works. The project was once suspended due to the financial crisis the province was in at the time but it was subsequently revived.

Similar to the KZN Provincial Government – New Office Park project, this project is being managed in line with the current fiscal and economic circumstances facing the province and the country.

Inkosi Albert Luthuli Central Hospital (IALCH)

DOH entered into a PPP transaction in terms of which a 15-year concession contract in respect of the IALCH was signed in December 2001 between DOH and Impilo Consortium (Pty) Ltd. Financial closure occurred in February 2002, with the hospital opening its doors on 28 June 2002. As required by the contract, the department has finalised the final works programme, as well as a contract review.

The term of this contract ended on 31 January 2017 and had to be extended by a further three years to allow the department to finalise its exit strategy. The exit strategy has since been finalised and is awaiting the approval of its recommendation by the Provincial Executive Council. A detailed feasibility study will then be undertaken, informed by the option chosen.

KwaDukuza Municipality – Solid Waste Management PPP project

The KwaDukuza Municipality identified the need to procure the most cost effective service delivery mechanism in respect of refuse removal. A team of Transaction Advisors was appointed to assist the municipality in undertaking Section 78 investigations. The feasibility study report is complete and, as required by the Municipal Systems Act, the municipality finalised public participation and stakeholder consultation. Treasury Views and Recommendation 1 (TVR1) for the project were received from National Treasury during 2016/17. The municipality issued a Request for Proposal to the market in September 2017 and is currently finalising the appointment of a service provider.

iLembe District Municipality – Water and Sanitation

In January 1999, the Borough of Dolphin Coast (now iLembe District Municipality) and Siza Water Company entered into a concession agreement whereby Siza Water Company would oversee, manage and implement the provision of water and sanitation services within the municipal boundary on a concession basis. This is a closed project, with a concession period of 30 years and the contract reviewable on a five-year basis. The district municipality is currently undertaking its fourth five-year review and five-year plan for 2019-2024, with the assistance of both Provincial and National Treasury.

5.7 Transfers

5.7.1 Transfers to public entities (listed in terms of Schedule 3 of the PFMA) and other entities

Table 5.12 shows the transfers made by departments to public entities as listed in Schedule 3 of the PFMA, as well as to other entities.

The province has 16 active public entities, of which three are listed in the PFMA as Schedule 3D entities, 11 as Schedule 3C entities, and two are currently unlisted. In line with fiscal consolidation, the province embarked on a process to rationalise its public entities. Recommendations will be implemented from 2018/19 onward and, once completed, the province will potentially remain with 11 listed public entities.

During 2017/18, the province transferred R2.162 billion to provincial public entities, and the transfers reflect inflationary growth over the MTEF. Furthermore, the province transferred R4.398 billion to other entities. Significant transfers for 2018/19 include R1.899 billion by DOE to schools relating to transfers of norms and standards funding, R1.106 billion by DOT for the payment of bus subsidies to bus operators, R1.009 billion by DSD to various NPOs for ECD and partial care and several other initiatives and R197.530 million by EDTEA for several projects implemented by other entities, such as Moses Kotane Institute (MKI), to enhance economic development through Science, Technology, Engineering and Mathematics (STEM) skills, and to the KZN Growth Fund Trust (KZNGFT) to lend funds to commercially viable projects.

More detail on these transfers is provided in the *EPRE* under each Vote's chapter.

6. MEASURING PERFORMANCE IN GOVERNMENT

The Department of Performance, Monitoring and Evaluation (DPME) is the lead department regarding the measuring of government performance. From 2015/16, the responsibility of collecting and assessing departments' non-financial data at provincial level devolved from Provincial Treasury to OTP. As a result, OTP is also the responsible department for the assessment of SPs and APPs. Due to human resource capacity constraints within OTP, a protocol agreement between Provincial Treasury and OTP was signed whereby Provincial Treasury was the point of delivery for non-financial quarterly inputs (QPR) and was responsible for the collation and submission of this data to DPME. From 2017/18, though, OTP is now fully capacitated to carry-out this function and the protocol agreement previously signed with the Provincial Treasury has fallen away.

Uniform budget and programme structures for 2018/19 are applicable to all departments. Note that OTP, Provincial Treasury, DOPW and DAC do not fully comply with the uniform structure at this stage. Apart from deviations currently under discussion with National Treasury in this regard, it must be noted that Gaming and Betting falls under OTP and not EDTEA in this province, and Heritage falls under OTP and not DAC, as required by the uniform structure. As with the uniform budget structures, performance information is also standardised in a number of sectors. Currently these include DOE, DOH, DSD, EDTEA, COGTA, DARD, DOT, DOPW, DOSR and DAC, and these standardised measures are included in each chapter of the *EPRE*. With regard to OTP, the Provincial Legislature, EDTEA, Provincial Treasury, DOHS and Department of Community Safety and Liaison, these departments do not have standardised measures but a selection of their measures, as set out in their APPs, are included in each chapter.

ANNEXURE – OVERVIEW OF PROVINCIAL REVENUE AND EXPENDITURE

Table 1.A : Details of provincial own receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation 2017/18	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2018/19	2019/20	2020/21
Tax receipts	2 045 246	2 081 369	2 206 455	2 212 785	2 212 785	2 259 000	2 319 835	2 394 219	2 468 214
Casino taxes	467 319	487 788	502 243	510 227	510 227	510 874	518 570	524 843	531 391
Horse racing taxes	71 205	78 102	80 225	76 497	76 497	81 273	81 715	82 817	83 973
Liquor licences	25 596	25 306	24 456	28 898	28 898	28 898	25 500	26 500	27 500
Motor vehicle licences	1 481 126	1 490 173	1 599 531	1 597 163	1 597 163	1 637 955	1 694 050	1 760 059	1 825 350
Sale of goods and services other than capital assets	460 875	419 939	456 481	476 323	476 323	454 598	468 145	493 394	525 859
Sale of goods and services produced by dept. (excl. capital assets)	459 907	418 681	446 069	475 275	475 275	453 828	467 038	492 223	524 625
Sales by market establishments	35 331	36 692	37 718	46 688	46 688	39 057	46 538	48 909	52 374
Administrative fees	121 164	113 885	101 472	132 067	132 067	95 347	108 444	112 728	121 334
Other sales	303 412	268 104	306 879	296 520	296 520	319 424	312 056	330 586	350 917
<i>of which</i>	-	-	-	-	-	-	-	-	-
Health patient fees	202 999	168 825	199 659	177 130	177 129	182 513	185 060	195 133	205 770
Tuition fees	34 539	33 377	33 917	38 116	38 116	41 688	36 086	36 849	38 678
Other	4 752	6 086	8 751	11 501	11 501	12 840	4 873	5 095	5 368
Sale of scrap, waste, arms and other used current goods (excluding capital assets)	968	1 258	10 412	1 048	1 048	770	1 107	1 171	1 234
Transfers received from:	-	1 535	365	-	-	280	-	-	-
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	1 535	365	-	-	280	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	44 808	46 493	48 665	41 615	41 615	39 273	58 441	61 894	59 674
Interest, dividends and rent on land	313 851	399 059	298 951	218 406	218 406	337 041	296 961	301 329	316 696
Interest	313 527	398 637	298 618	217 972	217 972	336 397	296 473	300 824	316 181
Dividends	23	25	28	27	27	30	30	31	32
Rent on land	301	397	305	407	407	614	458	474	483
Sale of capital assets	48 899	23 034	50 782	30 466	30 466	69 652	30 443	32 584	33 413
Land and subsoil assets	14 009	-	1 837	12 600	12 600	10 120	13 343	14 091	14 866
Other capital assets	34 890	23 034	48 945	17 866	17 866	59 532	17 100	18 493	18 547
Transactions in financial assets and liabilities	235 316	289 174	140 321	59 032	59 032	73 161	62 613	66 186	69 756
Total	3 148 995	3 260 603	3 202 020	3 038 628	3 038 628	3 233 005	3 236 438	3 349 606	3 473 612

Table 1.E(a) : Details of payments and estimates by functional area

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2014/15	2015/16	2016/17	Appropriation	Appropriation	Estimate	2018/19	2019/20	2020/21
General Public Services									
Executive and Legislature	734 226	678 865	715 185	787 347	875 426	869 607	822 754	875 928	933 865
Office of the Premier	52 815	46 085	45 412	33 913	35 815	35 815	38 015	40 693	42 928
Provincial Legislature	681 411	632 780	669 773	753 434	839 611	833 792	784 739	835 235	890 937
Financial and Fiscal Services	601 262	578 159	566 991	574 473	599 498	585 802	622 394	645 678	688 075
Provincial Treasury	601 262	578 159	566 991	574 473	599 498	585 802	622 394	645 678	688 075
General Services (Public Works, Local Govt.)	3 796 582	3 865 684	3 984 895	4 080 767	4 195 028	4 237 251	4 327 144	4 570 307	4 862 434
Total: General Public Services	5 132 070	5 122 708	5 267 071	5 442 587	5 669 952	5 692 660	5 772 292	6 091 913	6 484 374
Public Order and Safety									
Police Services	179 239	190 811	206 646	204 486	204 486	204 486	224 949	228 047	242 765
Community Safety and Liaison	179 239	190 811	206 646	204 486	204 486	204 486	224 949	228 047	242 765
Total: Public Order and Safety	179 239	190 811	206 646	204 486	204 486	204 486	224 949	228 047	242 765
Economic Affairs									
General Economic Affairs	1 999 372	1 995 683	1 715 803	1 768 427	1 758 101	1 752 896	1 936 630	2 071 383	2 189 716
Economic Dev, Tourism and Enviro Affairs	1 999 372	1 995 683	1 715 803	1 768 427	1 758 101	1 752 896	1 936 630	2 071 383	2 189 716
Agriculture	1 887 396	2 082 340	2 116 097	2 058 348	2 069 308	2 089 360	2 202 036	2 300 392	2 454 580
Agriculture and Rural Development	1 887 396	2 082 340	2 116 097	2 058 348	2 069 308	2 089 360	2 202 036	2 300 392	2 454 580
Transport	8 649 984	8 823 848	8 937 486	9 511 972	9 727 218	9 818 614	9 698 755	10 050 455	10 652 848
Transport	8 649 984	8 823 848	8 937 486	9 511 972	9 727 218	9 818 614	9 698 755	10 050 455	10 652 848
Total: Economic Affairs	12 536 752	12 901 871	12 769 386	13 338 747	13 554 627	13 660 870	13 837 421	14 422 230	15 297 144
Environmental Protection									
Environmental Affairs and Conservation	933 738	928 753	819 784	956 414	973 970	971 176	1 009 677	1 042 756	1 102 824
Total: Environmental Protection	933 738	928 753	819 784	956 414	973 970	971 176	1 009 677	1 042 756	1 102 824
Housing and Community Amenities									
Housing Development	3 873 178	4 131 025	3 529 003	3 843 870	4 066 734	4 066 734	3 647 237	3 787 798	4 057 407
Human Settlements	3 873 178	4 131 025	3 529 003	3 843 870	4 066 734	4 066 734	3 647 237	3 787 798	4 057 407
Total: Housing and Community Amenities	3 873 178	4 131 025	3 529 003	3 843 870	4 066 734	4 066 734	3 647 237	3 787 798	4 057 407
Health									
Outpatient services	9 436 767	10 451 086	11 786 930	12 765 941	12 950 716	13 079 973	14 130 743	15 166 196	16 443 968
Hospital Services	21 267 292	23 077 779	24 605 828	26 148 775	26 372 022	26 721 631	27 615 109	29 215 119	31 340 704
Total: Health	30 704 059	33 528 865	36 392 758	38 914 716	39 322 738	39 801 604	41 745 852	44 381 315	47 784 672
Recreation, Culture and Religion									
Sporting and Recreational Affairs	1 179 437	1 216 751	1 234 219	1 353 932	1 313 241	1 313 241	1 431 808	1 470 570	1 525 182
Sport and Recreation	451 245	437 496	423 298	463 590	463 953	463 953	451 953	476 702	506 970
Arts and Culture	693 043	744 278	777 893	858 079	817 025	817 025	945 866	957 908	980 274
Office of the Premier	35 149	34 977	33 028	32 263	32 263	32 263	33 989	35 960	37 938
Total: Recreation, Culture and Religion	1 179 437	1 216 751	1 234 219	1 353 932	1 313 241	1 313 241	1 431 808	1 470 570	1 525 182
Education									
Pre-primary & Primary Phases	18 925 516	20 614 162	22 218 703	24 027 761	24 135 761	23 660 552	25 887 271	27 426 455	29 465 780
Secondary Education Phase	13 022 239	14 281 717	15 312 389	15 002 176	15 051 176	15 927 777	16 222 290	17 254 609	18 688 609
Subsidiary Services to Education	6 343 299	7 144 901	7 273 898	7 241 324	7 514 818	7 467 895	7 503 069	7 735 968	8 281 839
Education not defined by level	1 540 412	1 685 727	1 827 718	1 904 236	1 860 259	1 912 138	1 935 652	1 990 998	2 032 827
Total: Education	39 831 466	43 726 507	46 632 708	48 175 497	48 562 014	48 968 362	51 548 282	54 408 030	58 469 055
Social protection									
Social Services and Population Development	2 476 468	2 599 425	2 743 276	3 028 218	2 973 218	2 934 198	3 274 136	3 467 727	3 695 115
Total: Social protection	2 476 468	2 599 425	2 743 276	3 028 218	2 973 218	2 934 198	3 274 136	3 467 727	3 695 115
Total	96 846 407	104 346 716	109 594 851	115 258 467	116 640 980	117 613 331	122 491 654	129 300 386	138 658 538

Overview of Provincial Revenue and Expenditure

Table 1.E(b) : Details of function

Function	Category	Department	Programme
General Public Services	Legislative	Office of the Premier	Administration
		Provincial Legislature	Administration Parliamentary Business Members Remuneration Office of the MEC
	General Services	Office of the Premier	Administration Institutional Development Policy and Governance
		Transport Public Works	Administration Administration Property Management Provision of Buildings, Structures & Equipmt.
	General Policy & Administration	Co-operative Governance and Traditional Affairs	Administration Local Governance Development and Planning Traditional Institutional Management
Financial & Fiscal Services	Provincial Treasury	Administration Fiscal Resource Management Financial Management Internal Audit	
Public Order & Safety	Police Services	Community Safety & Liaison	Administration Civilian Oversight
Economic Affairs	General Economic Affairs	Economic Dev, Tourism and Enviro Affairs	Administration Integrated Econ Dev Services Trade and Sector Development Business Regulation and Governance Economic Planning
	Agriculture	Agriculture and Rural Development	Administration Agriculture Rural Development
	Transport	Transport	Transport Infrastructure Transport Operations Transport Regulations Community Based Programme
Environmental Protection	Environmental Protection	Economic Dev, Tourism and Enviro Affairs	Environmental Affairs
Housing & Community Amenities	Housing Development	Human Settlements	Administration Housing Needs, Research and Planning Housing Development Housing Asset Management
	Health	Health	District Health Services Health Facilities Management
Health	Outpatient services NEC	Health	Administration District Health Services Emergency Medical Services Provincial Hospital Services Central Hospital Services Health Sciences & Training Health Care Support Services Health Facilities Management
	Hospital Services	Health	Administration District Health Services Emergency Medical Services Provincial Hospital Services Central Hospital Services Health Sciences & Training Health Care Support Services Health Facilities Management
Recreational, Culture and Religion	Sporting and recreational affairs services	Sport and Recreation	Administration Sport and Recreation
		Arts and Culture	Administration Cultural Affairs Libraries and Archive Services Institutional Development
Education	Pre-primary & Primary Levels	Education	Public Ordinary School Education Early Childhood Development
	Secondary Education Phase	Education	Public Ordinary School Education
	Education Services not defined by level	Education	Public Special School Education Independent School Subsidies Agriculture (Structured Agric Training) Health Sciences and Training
	Subsidiary services to education	Agriculture and Rural Development Health Education	Administration Public Ordinary School Education Public Special School Education Early Childhood Development Infrastructure Development Examination and Education Related Services
Social Protection	Social Security Services	Social Development	Administration Social Welfare Services Children and Families Restorative Services Development and Research
	Social Services and Population Development	Social Development	Administration Social Welfare Services Children and Families Restorative Services Development and Research

Table 1.F : Donor and agency funding

Name of Donor/ Agency Organisation	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2014/15	2015/16	2016/17				2018/19	2019/20	2020/21
R thousand									
Donor funding	1 478	10 791	57 227	78 400	102 942	102 942	155 383	-	-
Agriculture and Rural Development	-	2 895	-	-	-	-	-	-	-
World Health Organisation (Rabies project)	-	2 895	-	-	-	-	-	-	-
Provincial Treasury	-	7 073	57 227	78 400	102 942	102 942	155 383	-	-
Development of KwaZulu-Natal Science Parks	-	7 073	34 527	78 400	78 400	78 400	-	-	-
European Union Global Fund: Fight against HIV/AIDS, TB and Malaria	-	-	22 700	-	24 542	24 542	155 383	-	-
Health	125	60	-	-	-	-	-	-	-
MASEA Awards	125	60	-	-	-	-	-	-	-
Co-operative Governance and Traditional Affairs	1 353	763	-	-	-	-	-	-	-
Dept. of Prov. and Local Govt	1 353	763	-	-	-	-	-	-	-
Agency funding	97 358	63 222	49 336	10 962	10 962	38 974	3 922	3 922	3 922
Office of the Premier	38 020	21 700	8 870	6 800	6 800	14 875	-	-	-
NSF	28 583	3 900	5 908	-	-	6 695	-	-	-
MERSETA	9 437	11 200	2 962	6 800	6 800	8 180	-	-	-
Work Integrated Learning (SSETA)	-	5 800	-	-	-	-	-	-	-
Work Integrated Learning (PSETA)	-	800	-	-	-	-	-	-	-
Provincial Treasury	-	-	131	240	240	240	-	-	-
PSETA	-	-	131	240	240	240	-	-	-
Health	802	1 857	5 311	-	-	1 306	-	-	-
HWSETA	718	960	1 597	-	-	1 306	-	-	-
HWSETA Learnership: Dental/Oral Hygiene	-	-	1 900	-	-	-	-	-	-
HWSETA Learnership: Sign Language Training	-	-	387	-	-	-	-	-	-
HWSETA Learnership: Social Environmental Health	-	-	280	-	-	-	-	-	-
HWSETA Learnership: Tradesman RPL	-	897	-	-	-	-	-	-	-
HWSETA Learnership: TVET Graduates	-	-	450	-	-	-	-	-	-
PSETA: Church of Scotland, Ekombe & Nkandla Hosp.	84	-	-	-	-	-	-	-	-
PSETA	-	-	697	-	-	-	-	-	-
Co-operative Governance and Traditional Affairs	-	990	-	-	-	-	-	-	-
LGSETA	-	990	-	-	-	-	-	-	-
Transport	58 536	38 675	35 024	3 922	3 922	22 553	3 922	3 922	3 922
SANRAL	-	3 363	6 073	3 922	3 922	3 922	3 922	3 922	3 922
RTMC	40 000	35 312	20 710	-	-	18 390	-	-	-
eThekweni Metro	18 536	-	8 241	-	-	241	-	-	-
Total	98 836	74 013	106 563	89 362	113 904	141 916	159 305	3 922	3 922

Table 1.G(i) : Details of transfers to local government: 2018/19

Municipality	Vote 3		Vote 4		Vote 7		Vote 8		Vote 10		Vote 11					Vote 14					Vote 15					Total
	3.1	4.1	7.1	8.1	8.2	10.1	10.2	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	15.4	15.5								
eThekweni	-	3 000	213 394	60 000	15 235	-	-	-	-	-	1 500	-	263 458	5 097	-	75 420	6 695	-	643 799							
Ugu Municipalities	-	5 000	-	4 337	4 337	174	-	-	-	400	-	1 000	16 993	368	-	18 436	3 926	-	50 634							
uMdoni	-	-	-	-	-	58	-	-	-	-	-	1 000	3 401	-	-	6 704	1 835	-	12 998							
uMzumbane	-	-	-	-	-	58	-	-	-	-	-	-	4 121	-	-	-	-	-	4 179							
uMziwabantu	-	-	-	-	-	58	-	-	-	-	-	-	5 067	-	-	838	753	-	6 716							
Ray Nkonyeni	-	3 000	-	-	4 337	-	-	-	-	-	-	-	4 404	-	-	10 894	1 338	-	24 341							
Ugu District Municipality	-	2 000	-	-	-	-	-	-	-	400	-	-	-	-	-	-	-	-	2 400							
uMgungundlovu Municipalities																										
uMshwathi	-	-	-	-	8 281	150	-	500	500	500	2 604	-	96 918	825	-	31 486	2 604	-	141 264							
uMngeni	-	-	-	-	-	150	-	500	500	-	-	-	19 833	-	-	2 514	197	-	22 694							
Mpotlana	-	-	-	-	-	-	-	-	-	-	-	-	8 573	-	-	3 352	394	-	13 011							
IMpendle	-	-	-	-	-	-	-	-	-	-	-	-	115	-	-	1 676	197	-	2 180							
Msunduzi	-	-	-	-	8 281	-	-	-	-	-	-	-	306	-	-	1 676	197	-	2 179							
Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	67 337	441	-	18 916	643	-	95 618							
Richmond	-	-	-	-	-	-	-	-	-	-	-	-	693	-	-	838	779	-	2 310							
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	-	500	-	-	61	-	-	2 514	197	-	2 772							
uThukela Municipalities																										
Okhahlamba	-	3 000	-	-	3 377	7 850	150	-	300	300	2 000	-	45 684	752	-	11 732	2 740	-	82 585							
iNkosi Langaibalele	-	-	-	-	-	-	-	-	-	-	-	-	5 879	192	-	1 676	779	-	8 526							
Alfred Duma	-	3 000	-	-	3 377	7 850	150	-	-	-	1 000	-	19 029	368	-	5 028	591	-	31 016							
uThukela District Municipality	-	-	-	-	-	-	-	-	-	-	1 000	-	20 776	192	-	5 028	1 370	-	42 743							
Umzinyathi Municipalities																										
eNdameni	-	-	-	-	-	-	116	-	-	450	-	-	30 441	633	-	7 542	2 928	-	300							
Nquthu	-	-	-	-	-	58	-	-	-	-	-	-	9 162	441	-	3 352	950	-	42 110							
uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	9 875	-	-	1 676	1 598	-	13 963							
uMvoti	-	-	-	-	-	58	-	-	-	-	-	-	5 140	-	-	838	223	-	13 109							
uMzinyathi District Municipality	-	-	-	-	-	-	58	-	-	450	-	-	6 264	192	-	1 676	197	-	6 201							
Amajuba Municipalities																										
Newcastle	-	-	-	-	7 437	7 850	174	-	-	400	-	-	12 464	368	-	7 910	12 541	-	49 144							
eMcedangeni	-	-	-	-	7 437	7 850	58	-	-	-	-	-	4 778	368	-	6 234	12 147	-	38 872							
Dannhauser	-	-	-	-	-	58	-	-	-	-	-	-	3 005	-	-	838	197	-	4 098							
Amajuba District Municipality	-	-	-	-	-	58	-	-	-	400	-	-	4 681	-	-	838	197	-	5 774							
Zululand Municipalities																										
eDumbe	-	1 700	-	-	-	-	178	-	2 000	300	-	-	43 928	192	-	8 139	3 414	-	400							
uPhongolo	-	-	-	-	-	89	-	-	-	-	-	-	3 467	-	-	1 676	1 094	-	61 762							
AlaQulusi	-	1 000	-	-	-	89	-	-	-	-	-	-	3 702	-	-	1 676	394	-	6 326							
Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	7 349	192	-	3 111	950	-	6 861							
Ulundi	-	-	-	-	-	-	-	-	1 000	-	-	-	6 124	-	-	838	753	-	11 602							
Zululand District Municipality	-	700	-	-	-	-	-	-	1 000	300	-	-	23 286	-	-	838	223	-	8 715							
uMkhanyakude Municipalities																										
uMhlabayalingana	-	6 200	-	-	-	-	116	-	1 400	-	-	-	26 429	-	-	7 237	8 015	-	29 111							
Jozini	-	1 200	-	-	-	58	-	-	-	-	-	-	11 982	-	-	1 676	1 722	-	49 397							
Mubatuba	-	1 300	-	-	-	58	-	650	-	-	-	-	6 126	-	-	838	4 949	-	16 638							
Big Five Hlabisa	-	-	-	-	-	58	-	-	750	-	-	-	2 542	-	-	3 047	394	-	13 213							
uMkhanyakude District Municipality	-	3 700	-	-	-	-	-	-	-	-	-	-	5 779	-	-	1 676	950	-	6 691							
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 155							
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 700							

Table 1.G(i) : Details of transfers to local government: 2018/19 (continued)

Municipality	Vote 3		Vote 4		Vote 7		Vote 8		Vote 10			Vote 11			Vote 14			Vote 15			Total
	R thousand	3.1	4.1	4.1	7.1	8.1	8.2	8.2	10.1	10.2	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	15.4	
King Cetshwayo Municipalities	34	975	-	-	-	-	2 213	-	7 850	236	-	600	300	-	-	27 316	560	-	15 817	6 946	-
uMfolozi	-	-	-	-	-	-	-	89	-	-	-	600	-	-	-	572	-	-	1 676	950	-
uMhlatuze	-	-	-	-	-	-	2 213	58	7 850	58	-	-	-	-	-	13 420	192	-	8 275	1 576	-
uMlalazi	-	-	-	-	-	-	-	89	-	-	-	-	-	-	-	3 689	368	-	4 190	420	-
Mthorjaneni	-	275	-	-	-	-	-	-	-	-	-	-	-	-	2 889	-	-	838	197	-	-
Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 736	-	-	838	3 803	-	-
King Cetshwayo District Municipality	34	700	-	-	-	-	-	-	-	-	-	300	-	-	-	-	-	-	838	3 803	-
iLembe Municipalities	-	-	-	-	-	-	6 049	232	-	1 000	-	-	-	-	-	17 561	192	-	8 380	4 042	-
Manteni	-	-	-	-	-	-	-	58	-	-	-	-	-	-	833	-	-	2 514	1 147	-	-
KwaDukuza	-	-	-	-	-	-	6 049	58	-	1 000	-	-	-	-	6 081	192	-	5 028	591	-	-
Nolwede	-	-	-	-	-	-	-	58	-	-	-	-	-	-	1 489	-	-	838	779	-	-
Maphumulo	-	-	-	-	-	-	-	58	-	-	-	-	-	-	9 158	-	-	-	1 525	-	-
iLembe District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Harry Gwala Municipalities	-	-	-	-	-	-	-	174	7 850	1 000	-	-	-	-	13 203	-	-	5 866	2 876	-	-
Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	898	-	-	1 676	394	-	-
uBuhlebezwe	-	-	-	-	-	-	-	58	-	1 000	-	-	-	-	4 399	-	-	838	753	-	-
uMzimkhulu	-	-	-	-	-	-	-	58	7 850	58	-	-	-	-	4 534	-	-	838	779	-	-
Dr Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	58	-	-	-	-	-	-	3 372	-	-	2 514	950	-	-
Harry Gwala District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated/unclassified	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60	-	-	-	-	-	-
Total	34	19 875	213 394	60 000	46 929	31 400	1 700	31 400	4 500	2 650	1 500	5 000	1 911	197 965	56 727	8 987	5 000	1 252 027	60	60	60

Key	Grant Name	Key	Grant Name
3.1	OSCA rates	11.5	Spatial development framework
4.1	Various transfers	14.1	Property rates
7.1	Municipal clinics	15.1	Museum subsidies
8.1	CRU programme	15.2	Art centres (operational costs)
8.2	Accredited municipalities	15.3	Provincialisation of libraries
10.1	Infrastructure	15.4	Community Library Services grant
10.2	Maintenance grant	15.5	Ladysmith Black Mambazo Music Academy
11.1	Small town rehabilitation programme		
11.2	Schemes support programme		
11.3	Development planning and shared services		
11.4	Sustainable living exhibition		

Overview of Provincial Revenue and Expenditure

Table 1.G(ii) : Details of transfers to local government: 2019/20

Municipality	Vote 3		Vote 4		Vote 7		Vote 8		Vote 10		Vote 11					Vote 14		Vote 15					Total
	R thousand	3.1	4.1	7.1	8.1	8.2	10.1	10.2	11.1	11.2	11.3	11.4	11.5	14.1	15.1	15.2	15.3	15.4	15.5				
eThekweni																							
Ugu Municipalities																							
uMdoni																							
uMzumbane																							
uMuziwabantu																							
Ray Nkoyeni																							
Ugu District Municipality																							
uMgungundlovu Municipalities																							
uMshwathi																							
uMngeni																							
Mpodana																							
iMpindle																							
Msunduzi																							
Mkhambathini																							
Richmond																							
uMgungundlovu District Municipality																							
uThukela Municipalities																							
Okhahlamba																							
iNkosi Langalibalele																							
Alfred Duma																							
uThukela District Municipality																							
uMzinyathi Municipalities																							
eNdameni																							
Nquthu																							
uMsinga																							
uMvoti																							
uMzinyathi District Municipality																							
Amajuba Municipalities																							
Newcastle																							
eMadlangeni																							
Amajuba District Municipality																							
Zululand Municipalities																							
eDumbe																							
uPhongolo																							
AbaQulusi																							
Nongoma																							
Ulundi																							
Zululand District Municipality																							
uMkhanyakude Municipalities																							
uMhlabuyalingana																							
Jozini																							
Mtubatuba																							
Big Five Hlabisa																							
uMkhanyakude District Municipality																							

Table 1.G(ii) : Details of transfers to local government: 2019/20 (continued)

Municipality	Vote 3	Vote 4	Vote 7	Vote 8	Vote 10	Vote 11	Vote 14	Vote 15	Total
R thousand	3.1	4.1	7.1	8.1	8.2	8.1	8.1	8.2	8.1
King Cetshwayo Municipalities	38	1 024	-	-	8 243	-	28 902	-	65 586
uMfolozi	-	-	-	2 396	-	350	588	16 609	3 362
uMhlatuze	-	-	-	-	-	-	605	1 760	3 362
uMlalazi	-	-	-	2 396	8 243	-	14 199	8 689	35 417
Mthonjaneni	-	289	-	-	-	-	3 914	4 400	9 150
Nkandla	-	-	-	-	-	-	3 057	880	4 437
King Cetshwayo District Municipality	38	735	-	-	-	350	7 127	880	12 077
iLembe Municipalities	-	-	-	6 232	-	-	18 579	8 799	39 389
Mandeni	-	-	-	-	-	-	881	2 640	5 999
KwaDukuza	-	-	-	6 232	-	-	6 434	5 279	18 760
Ndvedwe	-	-	-	-	-	-	1 575	880	3 289
Maphumulo	-	-	-	-	-	-	9 689	-	11 321
Harry Gwala Municipalities	-	-	-	-	8 243	400	13 969	6 160	42 601
Greater Kokstad	-	-	-	-	-	10 000	950	1 760	13 362
uButhebezwe	-	-	-	-	-	10 000	250	880	6 590
uMzimkhulu	-	-	-	-	8 243	250	4 654	880	14 754
Dr Nkosazana Dlamini Zuma	-	-	-	-	-	-	4 797	880	7 475
Harry Gwala District Municipality	-	-	-	-	-	250	3 568	2 640	400
Unallocated/unclassified	-	-	-	-	-	400	63	-	63
Total	38	20 869	225 396	60 000	32 972	30 000	628 933	207 863	1 337 743

Key	Grant Name	Key	Grant Name
3.1	OSCA rates	11.5	Spatial development framework
4.1	Various transfers	14.1	Property rates
7.1	Municipal clinics	15.1	Museum subsidies
8.1	CRU programme	15.2	Art centres (operational costs)
8.2	Accredited municipalities	15.3	Provincialisation of libraries
10.1	Infrastructure	15.4	Community Library Services grant
10.2	Maintenance grant	15.5	Ladysmith Black Mambazo Music Academy
11.1	Small town rehabilitation programme		
11.2	Schemes support programme		
11.3	Development planning and shared services		
11.4	Sustainable living exhibition		

Overview of Provincial Revenue and Expenditure

Table 1.G(iii) : Details of transfers to local government: 2020/21

Municipality	Vote 3		Vote 4		Vote 7		Vote 8		Vote 10		Vote 11				Vote 14				Vote 15				Total			
	3.1	3.2	4.1	4.2	7.1	7.2	8.1	8.2	10.1	10.2	11.1	11.2	11.3	11.4	11.5	14.1	14.2	14.3	14.4	14.5	15.1	15.2		15.3	15.4	15.5
eThekweni			3 323	237 793			60 000	17 966																		
Ugu Municipalities			5 539				5 082																			
uMdoni																										
uMzumba																										
uMuzwabantu																										
Ray Nkonyeni			3 323				5 082																			
Ugu District Municipality			2 216																							
uMgungundlovu Municipalities							9 688																			
uMshwathi																										
uMngeni																										
Mpofana																										
iMpendle																										
Msuruzi																										
Mkhambathini																										
Richmond																										
uMgungundlovu District Municipality																										
uThukela Municipalities			3 323				3 959																			
Okhahlamba																										
iNkosi Langalibalele																										
Alfred Duma			3 323				3 959																			
uThukela District Municipality																										
uMzinyathi Municipalities																										
eNdameni																										
Nquthu																										
uMsinga																										
uMvoti																										
uMzinyathi District Municipality																										
Amajuba Municipalities							8 761																			
Newcastle							8 761																			
eMadiangeni																										
Dannhauser																										
Amajuba District Municipality																										
Zululand Municipalities			1 883																							
eDumbe																										
uPhongolo			1 108																							
AbaQulusi																										
Nongoma																										
Ulundi																										
Zululand District Municipality			775																							
uMkhanyakude Municipalities			6 869																							
uMhlabuyalingana			1 329																							
Jozini			1 440																							
Mtubatuba																										
Big Five Hibisa																										
uMkhanyakude District Municipality			4 100																							

Table 1.G(iii) : Details of transfers to local government: 2020/21 (continued)

Municipality	Vote 3	Vote 4	Vote 7	Vote 8	Vote 10	Vote 11	Vote 14	Vote 15	Total									
R thousand	3.1	4.1	7.1	8.1	8.2	10.1	10.2	11.1	11.2	11.3	11.4	11.5	15.1	15.2	15.3	15.4	15.5	Total
King Cetshwayo Municipalities	40	1 080	-	-	2 628	8 655	-	-	-	1 500	450	30 491	622	-	17 439	7 960	-	70 865
uMfolozi	-	-	-	-	-	-	-	-	-	-	-	638	-	-	1 848	1 089	-	3 575
uMhlatuze	-	-	-	-	-	8 655	-	-	-	1 000	-	14 980	214	-	9 123	1 808	-	38 408
uMlalazi	-	-	-	-	2 628	-	-	-	-	-	-	4 129	408	-	4 620	482	-	9 639
Mthorjaneni	-	305	-	-	-	-	-	-	-	-	-	3 225	-	-	924	226	-	4 680
Nkandla	-	-	-	-	-	-	-	-	-	500	-	7 519	-	-	924	4 355	-	13 298
King Cetshwayo District Municipality	40	775	-	-	-	-	-	-	-	-	450	-	-	-	-	-	-	1 265
iLembe Municipalities	-	-	-	-	7 126	-	-	-	-	-	-	19 601	214	-	9 239	4 632	-	40 812
Mandeni	-	-	-	-	-	-	-	-	-	-	-	929	-	-	2 772	1 315	-	5 016
KwaDukuza	-	-	-	-	7 126	-	-	-	-	-	-	6 788	214	-	5 543	678	-	20 349
Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	1 662	-	-	924	893	-	3 479
Maphumulo	-	-	-	-	-	-	-	-	-	-	-	10 222	-	-	-	1 746	-	11 968
iLembe District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Harry Gwala Municipalities	-	-	-	-	-	8 655	-	-	-	2 000	500	14 739	-	-	6 468	3 297	-	35 659
Greater Kokstad	-	-	-	-	-	-	-	-	-	1 000	-	1 002	-	-	1 848	452	-	4 302
uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	4 910	-	-	924	863	-	6 697
uMzimkhulu	-	-	-	-	-	8 655	-	-	-	-	-	5 063	-	-	924	893	-	15 535
Dr Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-	-	-	3 764	-	-	2 772	1 089	-	8 625
Harry Gwala District Municipality	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	500
Unallocated/unclassified	-	-	-	-	-	-	-	-	-	-	-	66	-	-	-	-	-	66
Total	40	22 017	237 793	60 000	55 210	34 620	-	-	-	3 650	1 500	11 500	663 924	1 911	213 802	55 094	-	1 370 618

Key	Grant Name	Key	Grant Name
3.1	OSCA rates	11.5	Spatial development framework
4.1	Various transfers	14.1	Property rates
7.1	Municipal clinics	15.1	Museum subsidies
8.1	CRU programme	15.2	Art centres (operational costs)
8.2	Accredited municipalities	15.3	Provincialisation of libraries
10.1	Infrastructure	15.4	Community Library Services grant
10.2	Maintenance grant	15.5	Ladysmith Black Mambazo Music Academy
11.1	Small town rehabilitation programme		
11.2	Schemes support programme		
11.3	Development planning and shared services		
11.4	Sustainable living exhibition		

**ESTIMATES
OF
PROVINCIAL REVENUE
AND
EXPENDITURE**

