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Treasury  
**PROVINCE OF KWAZULU-NATAL**

# **Special Adjustments Budget Speech**

**2020/21**

**Guardian of the Public Purse**



# **SPECIAL ADJUSTMENTS BUDGET SPEECH 2020/21**



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MEC FOR FINANCE**

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# **PROVINCE OF KWAZULU-NATAL**

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

### **On tabling of the 2020/21 Special Adjustments Budget in the Provincial Legislature**

**23 July 2020**

Honourable Speaker

Honourable Premier

Honourable Members

Heads of Departments

Chief Financial Officers

Head of Provincial Treasury and Officials Present

Business, Academic, Religious and Community Leaders, Traditional Leadership

Members of the Media

Ladies and Gentlemen

Comrades and Friends

## 1. INTRODUCTION

I dedicate this Budget Speech to the memory of the late Honourable Njabulo Ricardo Mthembu, a member of this august House, Chairperson of the COGTA Portfolio Committee, and a leader and spokesperson of the African National Congress in KwaZulu-Natal. I salute his contribution to the cause of our people.

Hopefully, all of us will still be here many years later to talk about our experience during Covid-19 – whether we became ill ourselves or lost family, friends, comrades.

But most of all, I hope we will be able to speak of the contribution we made in the fight against the virus – a fight to save our people, medically, socially and economically. What did we do! What contribution we made!

## 2. COMPREHENSIVE COVID-19 RESPONSE

On 3 June 2020 I presented the Vote 6 budget and reported as follows:

Informed by international best practice and based on advice from top scientists, epidemiologists and public health specialists, this response encompasses a bouquet of interventions which can be categorised into four pillars, namely:

- Health/Medical Interventions
- Provision of support to the vulnerable
- Compliance with National Disaster Regulations
- Economic Relief and Recovery

Each of these pillars represents a comprehensive programme of work. Each contains significant budgetary implications.

### 2.1 National Covid-19 Fiscal Relief Package

The R500 billion Covid-19 relief programme has been allocated nationally as follows:

	<b>2020/21 R/Million</b>
Credit Guarantee Scheme	R 200,000
SME and Informal Business Support, Job Creation and Protection	R 100,000
Measures for Income Support <i>[Including further tax deferrals, SDL holiday and Employment Tax Incentive Extension]</i>	R 70,000
Support to vulnerable households for 6 months	R 50,000

	<b>2020/21 R/Million</b>
Wage Protection [UIF]	R 40,000
Health and other frontline services	R 20,000
Support to Municipalities	R 20,000
<b>Total National Covid-19 Fiscal Relief Package</b>	<b>R 500,000</b>

Source: National Treasury

We continue to engage with all organs of state mandated to implement the above relief programme. We will ensure that KwaZulu-Natal gets its fair share through each instrument of delivery.

## 2.2 Covid-19 Expenditure to Date

We have continued with our commitment to monitor Covid-19 expenditure having regard to the risks that we have identified.

Preliminary unaudited figures for Covid-19 expenditure per department as at 15 July 2020, are as follows:

<b>Department</b>	<b>Total Sum of Orders</b>
Provincial Treasury	R 898 692,38
Office of the Premier	R 1 421 220,46
Agriculture and Rural Development	R 19 319 447,35
Human Settlements	R 1 807 007,58
Community Safety and Liaison	R 768 032,57
Arts and Culture	R 1 210 806,00
Public Works	R 1 970 574,67
Cooperative Governance and Traditional Affairs	R 1 431 529,11
Sport and Recreation	R 660 060,22
Transport	R 4 935 717,45
Education	R 485 732 248,63
Economic Development, Tourism and Environmental Affairs	R 7 193 242,19
Health	R 1 398 913 255,93
Social Development	R 54 159 320,92
Legislature	n/a
<b>Total as at 15 July 2020</b>	<b>R 1 980 421 155,46</b>

Covid-19 expenditure is guided by Instruction Notes issued by National Treasury with regard to emergency procurement processes and includes benchmark prices. The first Instruction Note (Note 5) was issued on 28 April 2020 at a time when demand was high and supply weak. Hence prices were higher. On 3 July 2020, the schedule of price thresholds was amended and are now more reflective of current market prices.

We make a strong call that wherever possible, prequalification criteria in respect of local production, should be stipulated.

As part of our effort to prevent the abuse of public funds generally and Covid-19 funds in particular, we have, at the direction of our Premier, Honourable Sihle Zikalala, concluded two investigations relating to Covid-19 expenditure at the Department of Social Development. These relate to the purchase of blankets and Personal Protective Equipment. Serious irregularities were found. Disciplinary action has been recommended and the matter referred to the South African Police Service.

Provincial Treasury will follow the consequence management proceedings diligently – both with regard to internal disciplinary proceedings and in the criminal justice system.

### **2.3 Budget cuts cannot paralyse us**

Yes, there are budget cuts, but that cannot paralyse us. Overall we are redirecting approximately 5% of the provincial budget towards Covid-19 purposes. Ninety-five percent remains. Let us focus on the efficient and effective use of that 95%. It is enough work for all of us and can make a significant impact.

Perhaps it is in these difficult times that we should ask the following questions: *“What kind of public representative is required?” “What kind of public servant is needed?” And politically, “What kind of cadre is essential to fulfil these tasks?”* Finally, we need to go further and ask, *“What is the role of civil society?”*

When will the social compact between government, business, labour and civil society find real expression and meaning on the ground?

Social compacts do not exist in the air. It is at a local level that it must find real expression.

### **2.4 Procurement Framework**

Limited resources should provide even more impetus to the imperative of our procurement system achieving the highest levels of efficiency, effectiveness, and a transformative character.

All of us, and society as a whole, need to internalize the provisions of our Constitution. We all profess adherence to the values enshrined therein. But too often we tend to pick and choose only those provisions which speak to our class interest.

Section 217 of our Constitution has three sub-sections, all of which contain critical provisions:

Section 217 (1) provides as follows:

*When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is **fair, equitable, transparent, competitive and cost-effective**.*

Section 217 (2) provides as follows:

*Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for—*

- (a) categories of preference in the allocation of contracts; and*
- (b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.*

Section 217 (3) provides as follows:

*National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.*

In short, Section 217 (1) provides our basic overarching values and standards.

Section 217 (2) recognizes that the above values may be subordinate to the imperatives of transformation.

Section 217 (3) effectively says that the instruments of transformation must be set out in legislation.

The Public Procurement Bill will soon enter the legislative process in National Parliament. When it does, it will enjoy discussion and debate in the public domain. We will be part of those debates and discussions. It will then be time for us to be upfront and very clear about what we seek to achieve. We cannot be clear about the objective yet create a tool that is not suitable for the purpose. Until the Bill becomes legislated, we must work within the existing legal framework.

Accordingly, officials, CFOs and SCM practitioners must understand their roles as the vanguard of progressive public expenditure.

The Public Procurement Bill, when it becomes law, will also ensure transparency and public participation in so far as procurement is concerned.

We do not have to wait for the Bill to become law. In fact, Provincial Treasury will shortly be issuing an Instruction Note which provides for the publication of Covid-19 bids on the websites of their departments and also possibly on the website of the Office of the Premier. This is a first step on the road to maximum transparency.

## **2.5 Look after the small things and the big things will look after themselves**

Now is also the time to deal with those very important matters that do not require big budgets.

If the tourism industry is in crisis and needs help to recover, what is it that we can do? If international travel is likely to remain constrained for some time, how do we maximize the benefits of the domestic market?

As KwaZulu-Natal, we have the best natural attractions in the form of our beaches, our game parks, the majestic Drakensberg Mountains and unbeatable weather all year round.

Can we focus on making our tourism places (and indeed our Province) clean, safe and fun?

No big budgets are required. We simply need to do the work we are employed to do! Commitment and will!

Let us re-examine the primary role of local government and its mandate – basic service delivery and economic development. We must together galvanise local government to fulfill this mandate.

## **2.6 Water Delivery**

Our Premier has repeatedly championed the issue of water delivery as a key priority for our province. Significant budgets were allocated to deal with challenges that arose.

However, in many instances, it is the operation and maintenance of existing water systems that are problematic.

Let us focus on these water systems not only as a basic human rights issue but also as a key issue for economic development.

What serious investor will consider a potential investment opportunity in an area where the water system is unreliable? Where there are frequent disruptions and often political instability caused by ourselves?

Our economic recovery plan must incorporate these issues as well. They are fundamental to stability, to confidence building.

## 2.7 KwaZulu-Natal hard at work in the fight against Covid-19

The Province of KwaZulu-Natal has been working tirelessly, and around the clock, since the Covid-19 pandemic was declared a state of national disaster in March this year. The national lockdown which began at midnight on 26 March 2020 has helped to flatten the curve and to save lives. It gave us the time we needed to put into place the resources we will need at the height of the Covid-19 crisis. We observe with great concern the rate of increase of our infections.

We have made great strides to be ready in every way we possibly can be, and our response has been monitored throughout by the Provincial Command Council which is chaired by the Honourable Premier, Mr Sihle Zikalala.

As Minister Mboweni said in his Special Adjustments Budget speech on 24 June 2020, the storm is not over, but we have taken many steps and we have done a lot to ensure that we are ready to face that storm.

The budget reprioritisation I am tabling today is necessitated by the announcement by the Honorable President of the R500 billion Covid-19 relief package. In this regard, national departments are contributing R100 billion towards the relief package, while provinces are contributing R30 billion. KwaZulu-Natal's share of the R30 billion was calculated by applying the equitable share formula, and the province was therefore required to reprioritise R6.210 billion from various departments towards the Covid-19 response.

Minister Mboweni announced that projected tax revenues are likely to fall short of target by over R300 billion. The Covid-19 pandemic has also had an impact on the provincial own revenue streams and we also needed to take this into account in our budget reprioritisation exercise. Lower revenue than projected is anticipated, particularly as far as gaming and betting taxes are concerned, as well as tourism revenue to be collected through the Ezemvelo KZN Wildlife public entity. I will provide more detail on this a bit later.

In preparation for the tabling of the Adjustments Budget today, there have been constant engagements with the departments who are at the forefront of the Covid-19 response and therefore require additional funds. As the various aspects of our response were determined, Provincial Treasury has been engaging with these departments to understand what this means in monetary terms and these engagements have happened at least weekly, if not more often. The departments that have been engaged with to determine the budget requirements of the Covid-19 response are the Departments of Health, Social Development, Education and Transport (mainly in as far as the social distancing requirements related to learner transport are concerned).

Besides the physical response in terms of getting our health facilities ready, caring for the destitute and homeless, as well as getting our schools ready for the safe return to learning, it was also important for us to consider an allocation toward the

economic recovery as a result of the impact that the national lockdown has had on businesses.

President Ramaphosa put it succinctly during his address to the nation when he said: *“We are resolved not merely to return our economy to where it was before the coronavirus, but to forge a new economy in a new global reality. Our economic strategy going forward will require a new social compact among all role players – business, labour, community and government – to restructure the economy and achieve inclusive growth.”*

The challenges we face are unprecedented and thus require an extra-ordinary effort from all of us. To ensure that we change the course of the virus without exhausting all the resources we have, we must ensure compliance with Disaster Management regulations while also encouraging behavioral change among fellow citizens through educative and persuasive measures.

## **2.8 Economic Outlook**

The economic impact of the rapidly increasing confirmed cases of coronavirus infection on the global economy is getting worse than initially expected. The pandemic has led to a world economic shock of enormous magnitude, leading to a steep recession in many countries the likes of which were last seen during the 1930 global depression. As a result, the global economy is now expected to contract by between 4.9 and 7.9 per cent this year.

Despite the economic relief packages the government has implemented, the country’s Gross Domestic Product (GDP) is projected to suffer an unprecedented negative growth rate of about 8 per cent this year. Of course, notwithstanding the pandemic, the economy of the country had been in a technical recession since the third quarter of 2019 to the first quarter of this year. South Africa’s economy is however expected to expand by at least 2.6 per cent next year, depending on the duration of the extended national lockdown.

The effects of this devastating pandemic are projected to be severe in KwaZulu-Natal, with a negative GDP growth rate of more than 8.5 per cent in the current year. Driven largely by tourism, transportation and logistics, the economic growth rate in KwaZulu-Natal is expected to recover at around 3 per cent in 2021. Important work has been done in consultation with the private sector and through the KwaZulu-Natal Economic Council. Agriculture, ICT infrastructure and manufacturing have great potential to lead and accelerate the economy.

### 3. SPECIAL ADJUSTMENTS TO THE 2020/21 BUDGET

The Public Finance Management Act (PFMA), read together with the Money Bills Amendment Procedure and Related Matters Act, empowers the Minister of Finance to table an adjustments budget when necessary.

National Treasury issued a guideline to provinces in terms of the adjustments budget process to be followed in 2020/21. In this regard, the Honourable Minister of Finance, Mr Tito Mboweni, tabled the national Special Adjustments Budget in Parliament on 24 June 2020. The Special Adjustments Budget tabled by the Minister of Finance, as well as the one I am tabling today, only deals with budget adjustments required in terms of the Covid-19 pandemic response. This includes the reprioritization of R130 billion from the existing baseline toward the country's Covid-19 response.

Section 31 of the PFMA, read together with Treasury Regulation 6.6.3 determines that provinces must table an Adjustments Budget within 30 days of the national Adjustments Budget being tabled, or within such longer period as the National Treasury may approve. I, therefore, table the Special Adjustments Budget in the Legislature today which deals with the budget reprioritization undertaken to fund the Covid-19 response, as well as amendments made to the provincial conditional grant allocations.

Section 31 of the PFMA and Treasury Regulations 6.3 to 6.6 determine what may be included in an Adjustments Budget, with these supported by circulars from National Treasury.

In instances where Legislature approval is specifically required for an adjustment to a Vote's budget, this has been highlighted in grey shading in the Adjustments Estimate book which Provincial Treasury has prepared and Honourable Members are encouraged to study these. A summary of these are provided today in an explanatory memorandum, while the comprehensive Adjustments Estimate book will be available next week.

National Treasury will then table the Medium Term Budget Policy Statement (MTBPS) and the National Adjustments Budget in October 2020, as they usually do, and KwaZulu-Natal will table its usual Adjustments Budget within 30 days of that, expected to be in November 2020, as is usual practice. This will effectively then be KwaZulu-Natal's Second Adjustments Budget for 2020/21.

#### 4. FUNDING THE PROVINCIAL COVID-19 RESPONSE

Before I explain how the funds that were reprioritized from within the provincial budget were sourced, and how they were allocated toward the provincial Covid-19 response, it is important to understand that besides the demands placed on the provincial fiscus because of Covid-19, we are also anticipating a revenue shortfall and this also needed to be taken into account when we did our calculations. The gaming and betting industry was severely affected by the lockdown with casinos and so forth only recently allowed to re-open, but under strict social distancing protocols. The impact of this is that the expected revenue from *Casino and Horse Racing Taxes* has had to be revised downward by R368.4 million and the amounts collected by the KwaZulu-Natal Gaming and Betting Board (KZNGBB) from licence renewals, applications for new licences and so forth is revised downward by R11.5 million. Ezemvelo KZN Wildlife's (EKZNW) revenue projections are severely affected by the impact that the national lockdown has had on tourism activities and the entity expects to fall short of its revenue targets by R208.4 million.

I am pleased to announce that the province continues to remain cash positive as has been the case since May 2010, and it was therefore decided to increase the provision for interest revenue collected by the province upward by R100 million in line with historic collection trends and this assists to offset the revenue shortfall. The revenue losses in the KZNGBB and EKZNW, as well as the increase in the interest revenue budget under Vote 6: Provincial Treasury are given effect to in this Adjustments Budget, while dealing with the anticipated shortfall in *Casino and Horse Racing Taxes* is deferred to the Adjustments Budget which I will table in November as it is likely that other revenue sources will over-collect, and this will offset the amount the fiscal framework will have to be cut back by.

The 2020/21 Special Adjustments Budget sees no additions being made to KwaZulu-Natal's Provincial Equitable Share, while there are amendments to the provincial conditional grant allocation, and I will detail these later. As mentioned, National Treasury indicated that the province should reprioritise R6.2 billion from within its existing resource envelope towards the provincial Covid-19 response. As the provincial Covid-19 response is estimated to cost around R11.5 billion, and I will detail this shortly, the R6.2 billion alone was not sufficient and departments at the coal face of the response were also expected to effect some internal reprioritization in order to meet the budget demands, while some additional funds were received through the conditional grant allocations.

In total, the province sourced R6.3 billion from internal sources, with R6.2 billion going towards the provincial Covid-19 response, and the balance going toward offsetting some of the revenue shortfalls shown by EKZNW (R190.2 million) and the shortfall anticipated by the KZNGBB (R11.5 million), offset by the provision for an increase in interest revenue of R100 million.

In determining how the R6.2 billion could be sourced, various detailed analyses were undertaken and the detail is provided below.

#### **4.1 Budget cuts against departments and public entities**

As a first instance, all departments' and public entities' budgets were assessed line by line to first identify savings that arose as a result of the impact of lockdown. Items such as subsistence and travel were looked at, as there were savings against these for some departments especially during Level 4 and 5 of the national lockdown. Also impacted were expenditure items related to hosting events and these were identified as savings to be used towards the Covid-19 budget requirements. There was also further engagement with each department and entity on areas where further cuts could be effected, for example against the consultants' budgets, purchases of machinery and equipment and so on. The B5 detailed infrastructure budgets as contained in the *2020/21 Estimates of Capital Expenditure* of all departments were assessed with a particular focus on all projects which are at pre-feasibility or feasibility stage. I must emphasize that none of the projects that are currently on site or where tenders have been awarded are affected by this reprioritization.

It was also accepted that there would be delays in filling posts this year, and departments and entities were thus required to identify and to retain the budget for critical posts, while any savings from posts that could be delayed to be filled next year were used to source the R6.2 billion.

In aggregate, departments' equitable share budgets were cut by R3.7 billion, with Health and Education exempted from this exercise. The same analysis was done for public entities, and the transfers to public entities were thus cut by R204 million.

#### **4.2 Funding from the provincial net financial position**

The preliminary under-spending in the 2019/20 financial year (where the province under-spent by R1.9 billion) and the preliminary provincial own revenue over-collection (where the province over-collected by R410 million) were assessed. Conditional grant under-spending was removed from this calculation, while some assessments were made on possible roll-overs that will be approved for inclusion in the November Adjustments Budget. This meant that R2 billion was available to use toward the R6.2 billion Covid-19 budget requirement.

#### **4.3 Funding from provincial cash resources**

Funds earmarked for future allocation, but currently held in the Provincial Revenue Fund were assessed. These funds were previously recalled from departments due to slow or non-spending on specific projects. These have been held in the Provincial Revenue Fund since 2019/20 and relate specifically to the Department of Arts and Culture for the construction of a new Provincial Archive Repository, renovations to the Winston Churchill Theatre, the Osizweni Art Centre and the Music Academy in Ladysmith. The amount identified in this regard for allocation toward the R6.2 billion

requirement is R175.9 million. I do record that these projects will be reallocated funding at the earliest opportunity.

#### **4.4 Funding from the provincial Contingency Reserve**

Finally, R190 million was taken from the provincial Contingency Reserve toward the R6.2 billion Covid-19 budget requirement.

### **5. COSTING KWAZULU-NATAL'S COVID-19 RESPONSE AND ALLOCATION OF FUNDS**

While National Treasury advised that the province should contribute R6.2 billion toward the Covid-19 response, we soon realized that the provincial response was going to demand more resources from us. We have been working very closely with the Departments of Health, Education, Social Development and Transport (learner transport) in this regard.

The Budget Analysts in Treasury responsible for these departments have been in daily contact with these departments and have offered expert advice on other areas that the departments can delve into when looking at their internal reprioritization.

The total amount that the province has estimated that is required for the Covid-19 response is around R11.5 billion. This is explained in detail below with Health's response calculated at R8.2 billion, Education at R2.8 billion, Social Development at R300.1 million and Transport (learner transport) at R214 million. It was also decided to allocate R300 million toward the provincial economic recovery response and to reallocate R200 million to Transport toward infrastructure projects, and these are also detailed shortly.

#### **5.1 Health**

The estimated Covid-19 response costs in Health amount to R8.2 billion and take into account the provision of Personal Protective Equipment, purchasing ventilators, providing for additional staff and ICU beds, and the provision of additional infrastructure. The infrastructure provided includes converting existing wards into Covid-19 wards, as well as quarantine and isolation sites across the province. This cost also provides for temporary field hospitals in areas such as Durban, Pietermaritzburg, KwaDukuza and Empangeni.

A large portion of the cost relates to additional staff (ICU staff, doctors, nurses and tracing teams) at a cost of R3.2 billion, while the infrastructure required for the Covid-19 response amounts to R1.7 billion, with the balance made up of equipment, linen, ICU beds, among others. The department has included reprioritization of at least R1.4 billion from within their budget, and an additional conditional grant

allocation of R585.7 million is made as discussed later. The amount allocated to Health from the provincial reprioritization sees R4.5 billion of the R6.2 billion allocated to this department. The balance of the costs will be funded through further internal reprioritization.

## **5.2 Education**

The costs in Education amount to R2.8 billion and take into account some of the costs of repairing schools vandalized during lockdown, the provision of chemical toilets at schools that do not have adequate toilet facilities, the provision of water to schools, Personal Protective Equipment and additional cleaners. The amount identified through internal reprioritization is R1.2 billion and the amount to be allocated to the department from the R6.2 billion provincial reprioritization is R1 billion. The balance of the costs will be funded through further internal reprioritization.

## **5.3 Social Development**

The costs in Social Development for providing care to the homeless during lockdown and providing food parcels to destitute families have been calculated at R25.7 million and R239.1 million, respectively. The department also indicated that funds of R35.3 million are needed to address Gender Based Violence. Thus the Department of Social Development's response is costed at R300.1 million. Provincial Treasury engaged the department and were able to identify this full amount from internal reprioritization as a result of the slow filling of posts in the first quarter, as well as lower transfers to Early Childhood Development (ECD) centres, partially as these were over-budgeted for when compared to historic spending, but also because the ECD centres were not open during lockdown.

## **5.4 Transport (Learner Transport) and Infrastructure**

The Department of Transport calculated the shortfall in transporting the originally budgeted for 58 908 learners, but taking into account social distancing conditions. The calculations take into account that no transport was provided under the initial stages of lockdown when all schools were closed, and also take into account the phased return to school of the various grades. This shortfall was calculated at R214 million and the full shortfall is provided for from the provincial reprioritization of R6.2 billion. As mentioned, besides this additional allocation for learner transport, it was also decided to allocate R200 million to Transport for emergency projects to improve the road network and to rehabilitate roads leading to Health facilities, and re-establishment costs where projects were affected by the national lockdown.

## **5.5 Economic Recovery Response**

The Provincial Executive Council has had extensive engagements with the private sector and we are currently finalizing the Economic Recovery Plan. In this regard, the Provincial Executive decided to allocate R300 million toward the provincial economic recovery response.

## 6. AMENDMENTS TO KWAZULU-NATAL'S CONDITIONAL GRANTS

As mentioned, national departments are contributing R100 billion towards the R500 billion Covid-19 relief package and some national departments identified parts of these funds from the conditional grant allocation to provinces, with the conditional grant budgets of all nine provinces being cut by R6.8 billion in aggregate.

In this regard, KwaZulu-Natal loses a net amount of R958.1 million from its conditional grant budget of R22 billion. The net amount is made up by receiving additional conditional grant funding towards the Health Covid-19 response of R446.8 million, while other departments' conditional grants are cut by R1.4 billion. Where conditional grant budgets are cut, these adjustments will result in delays in some of the planned projects for this year.

There was also an additional allocation made towards Health in the latter part of the 2019/20 financial year with National Treasury issuing an allocation letter in this regard on 25 March 2020. This allocation was towards the provincial health response, and Government Gazette No. 43 398 was issued by National Treasury which allocated R138.9 million to the Department of Health as a Provincial Disaster Relief grant allocation. National Treasury said that these funds should be appropriated in 2020/21 and this allocation is therefore included in the Special Adjustments Budget being tabled today.

A number of the conditional grant frameworks were amended to allow for Covid-19 expenditure to take place against these grants. Thus, instead of funding previously planned activities, these funds will now be used to fund Covid-19 response activities. For example, the Mathematics, Science and Technology grant and the HIV and AIDS (Life Skills Education) grant frameworks were amended to allow for some of the catch-up activities following the closure of schools during the national lockdown and to provide education on measures to respond to the pandemic, to be funded from this grant. Similarly, the Learners with Profound Intellectual Disabilities grant framework now allows for sanitization and Personal Protective Equipment to be procured for these learners from this allocation. Funds may also be reprioritized within the National School Nutrition Programme (NSNP) grant for additional sanitization in food preparation and distribution areas, and the provision of Personal Protective Equipment.

Grants such as the Mass Participation and Sport Development grant may be used to provide additional support to sports people and support staff while sporting events are suspended.

The conditional grant budget for KwaZulu-Natal is amended as follows:

- **Vote 7: Health** receives R446.8 million with this amount allocated toward the HIV, TB, Malaria and Community Outreach grant. This grant is given a new Covid-19 component and, besides the additional allocation of R446.8 million, there is

also a re-allocation from the other grant components to this new component of R86.8 million. The Covid-19 component of this grant therefore has a total allocation of R533.6 million. These funds are meant to complement provincial Covid-19 spending. These funds are allocated toward tracer teams, Primary Health Care staff costs, as well as Personal Protective Equipment for Community Health Workers.

- **Vote 7: Health** receives a R138.9 million Provincial Disaster Relief grant. These funds were allocated towards procuring Personal Protective Equipment and ventilators.
- **Vote 3: Agriculture and Rural Development** sees a budget cut of R61.7 million against two of its grants:
  - The Comprehensive Agricultural Support Programme (CASP) grant is cut by R43.4 million.
  - The Ilima/Letsema Projects grant is cut by R18.3 million.
- **Vote 5: Education** sees a budget cut of R517.4 million against three of its grants:
  - The Education Infrastructure grant is cut by R497.2 million. Of this, R197 million has been directed to the provision of water in schools through the national Department of Basic Education’s programme that is rolled out with Rand Water. In this regard, water will be provided through this mechanism to 1 125 schools in KwaZulu-Natal.
  - The HIV and AIDS (Life Skills Education) grant is cut by R15.1 million.
  - The Mathematics, Science and Technology grant is cut by R5.1 million.
- **Vote 8: Human Settlements** sees a budget cut of R427.7 million against two of its grants:
  - The Human Settlements Development grant sees a budget cut of R358.3 million.
  - The Title Deeds Restoration grant sees a budget cut of R69.4 million.
- **Vote 10: Sport and Recreation** sees the Mass Participation and Sport Development grant cut by R48.9 million.
- **Vote 12: Transport** is cut by R314.5 million against the Provincial Roads Maintenance grant.
- **Vote 15: Arts and Culture** sees the Community Library Services grant cut by R34.7 million.

## **7. KWAZULU-NATAL'S CONTINGENCY RESERVE**

When I tabled the 2020/21 budget in this House on 6 March 2020, I tabled a budget with a R390 million Contingency Reserve. As detailed earlier, R190 million of this Contingency Reserve is being allocated in this Special Adjustments Budget toward the provincial Covid-19 response. This means that R200 million remains as a Contingency Reserve for any unforeseen budget pressures that may arise in-year.

## **8. BUDGET ADJUSTMENTS REQUIRING LEGISLATURE APPROVAL**

Other than these adjustments, the Adjustments Budget also contains virements and shifts undertaken by departments in re-organising their budgets in-year to respond to Covid-19.

Where departments are undertaking virements in this Special Adjustments Budget to provide for their Covid-19 response, and where this virement requires Legislature approval, this is highlighted in grey shading in the Special Adjustments of Provincial Revenue and Expenditure or the White Book. For example, if a department is moving a budget from one programme or main division to another programme or main division for purchasing sanitizers and Personal Protective Equipment, and the amount moved exceeds the 8 per cent stipulated in Section 43(2) of the PFMA, then this is highlighted as it requires Legislature approval.

Section 43 of the PFMA determines that Legislature approval is required for any virements of savings department's wish to undertake which result in a decrease in funds specifically and exclusively allocated for a particular purpose, any decreases in *Capital*, any decrease in *Transfers and Subsidies* to a specific institution, as well as any movements between main divisions which exceed the 8 per cent limit. As I indicated, any such proposed decreases are highlighted in grey shading in the 2020/21 Special Adjustments Estimate which I am tabling today.

Although it is not for appropriation in our provincial budget, it is important to record that our municipalities are the beneficiaries of the gross sum of R2.179 billion, directly from national to municipalities. After taking into account various cuts in their conditional grants, KwaZulu-Natal municipalities will benefit from a net additional R1.752 billion.

## 9. CONCLUSION

In conclusion Madam Speaker, this special Adjustments Budget is a stark reminder of how public finances have been overstretched by the economic and health crisis resulting from Covid-19.

As Minister Tito Mboweni warned us last month: *“The public finances are dangerously overstretched. ... If we remain passive, economic growth will stagnate. Our debt will spiral inexorably upwards and debt-service costs will crowd out public spending on education and other policy priorities. We already spend as much on debt-service costs as we do on Health in this financial year. Eventually, the gains of the democratic era would be lost.”*

This simply means that while the crisis has required more resources from us, it equally requires wisdom in utilising those resources. As we respond to the virus (Covid-19 pandemic) we are called upon to exercise caution, to be responsible and highly disciplined.

We must not lose sight of the primary goal of our responses which is to save lives. We must also start thinking about life beyond the pandemic on how we will pull ourselves out of this economic quagmire. We must think of how we will make life better for many of our people so that life becomes more than a mere day-to-day struggle for survival.

As Govan Mbeki said after his release from Robben Island: *“Life ought to be more than a grim battle for survival. Life must include the joyful pursuit of a fullness towards which all awakened people are compelled to reach”.*

As devastating as it has been, this pandemic has reminded us that the actions of one has an impact on the other. So everyone of us must act in a manner that seeks to protect those around him. In a way the virus reinforces the spirit of Ubuntu and places on us a greater responsibility.

In respect of us as elected representatives tasked with managing public resources the responsibility and the expectation is even bigger. But the task we have been entrusted with will never be too much to bear. As the isiZulu proverb eloquently puts it *No elephant finds its own tusk too heavy to carry (Akukho ndlovu yasindwa umboko wayo).*

All of us must execute our tasks diligently and resist any tendency towards any abuse of Covid-19 expenditure specifically, and public funds generally. Anything less will be equal to dishonouring the memory of the late Honourable Ricardo Mthembu and hundreds of other KwaZulu-Natal citizens who have lost their lives in this battle against the pandemic.

Let us give practical meaning to the “Capable, Ethical State”. Let our people see it. Feel it.

We therefore call on our public service as a whole, across all three spheres, to rise to the occasion.

In this crisis, our jobs have been protected, our salaries maintained. It is therefore incumbent on us in the public sector to carry the heaviest burden and lead society through the Covid-19 crisis and beyond.

Our health workers are already there on the frontline. Our security and emergency services are there too.

It is for the rest of us to do our share, and hold our own!

I would like to thank the Honourable Premier, Mr Sihle Zikalala, and the Honourable Members of the Provincial Executive Council, and in particular the Members of the Ministers' Committee on the Budget, for their support in putting together this Special Adjustments Budget. I can honestly say that the province has never before had to deal with a crisis like this, and the strength and focus shown in finding adequate resources to fund the provincial Covid-19 response makes me proud to be part of this Provincial Executive Council.

To the Chairperson, Mr SC Nkosi, and members of the Finance Portfolio Committee, as well as STACOV, we look forward to engaging with you on the Special Adjustments Budget and give our commitment to assist you in your oversight role as far as possible.

I wish to extend my gratitude to the Honourable Minister of Finance and National Treasury officials for their guidance and support in these unprecedented times.

I also wish to thank all the officials in Provincial Treasury under the leadership of the Acting Head of Provincial Treasury, Mrs Neli Shezi, for ensuring that the budget documentation is of high quality as has been the case on previous occasions.

I thank the Heads of Departments, Chief Financial Officers and all provincial government officials for the role they played in preparing this Special Adjustments budget.

I also thank my organisation, the African National Congress and of course my family for their constant support.

It is my honour to formally table the Special Adjustments Appropriation Bill, 2020 for the Province of KwaZulu-Natal for consideration in this House to be read with the *Special Adjustments Estimate of Provincial Revenue and Expenditure*. I trust that the debate and vote on this Bill will be constructive and fruitful.

I thank you.

