

## 2020/21 KZN BUDGET SUMMARY

### ALLOCATION PER DEPARTMENT

Total Provincial budget of KZN for 2020/21 is **R138.2 billion**

A significant amount of **R116.9 billion (84.6%)** of the KZN Provincial Budget is allocated to Education, Health and Transport.



The remaining Provincial Budget of **R21.2 billion (15.4%)** is allocated as follows:

Human Settlements	R3.9 billion	2,8%
Social Development	R3.8 billion	2,8%
Edtea	R3.3 billion	2,4%
Agriculture and Rural Development	R2.5 billion	1,8%
Cogta	R1.9 billion	1,4%
Public Works	R1.8 billion	1,3%
Arts and Culture	R1 billion	0,7%
Office of the Premier	R800.2 million	0,6%
Provincial Treasury	R718.8 million	0,5%
Provincial Legislature	R653.1 million	0,5%
Sport and Recreation	R481.2 million	0,3%
Community Safety & Liaison	R249.1 million	0,2%
<b>Total</b>	<b>R21.2 billion</b>	<b>15,4%</b>

#### LEARNING AND CULTURE



Education	R57.2 billion	41,4%
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#### HEALTHCARE



Health	R48.1 billion	34,8%
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#### COMMUNITY DEVELOPMENT



Transport	R11.6 billion	8,4%
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**KZN Government is committed**

**to fiscal prudence, building a capable, ethical and developmental state and accelerated service delivery.**

**GROWING  
KWAZULU-NATAL  
TOGETHER**



Mr Ravi Pillay  
MEC for Finance



BUDGET 2020/21

EDUCATION

In line with national priorities, KZN allocates the highest proportion of its total budget allocation to education at **R57.2 billion or 41.4% of R138.2 billion** in the 2020/21 financial year.

The national allocation for basic education accounts for approximately 15.7% of the total budget over the

2020/21 Medium Term Expenditure Framework (MTEF).

This allocation will prioritise improving early literacy and numeracy of learners, introducing subjects like coding, data analytics and robotics, improving school sanitation and the quality of teaching.



Preparing our learners for the fourth industrial revolution

HEALTHCARE



Only **16.4% (9.5 million of 57.7 million)** of South African citizens belonged to a medical aid scheme in 2018.

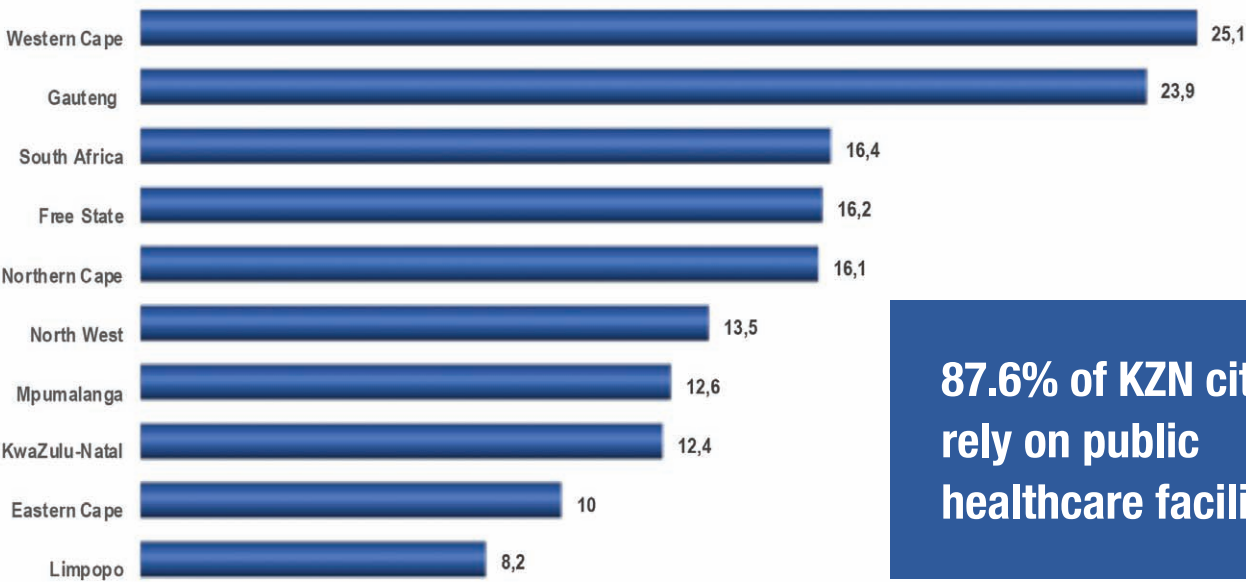
This phenomenon is primarily driven by a lack of affordability by individuals as the provinces with the highest prevalence of poverty had the least proportions of citizens with medical aid coverage.

KZN had **12.4% (1.4 million of 11.4 million)** of citizens with medical aid, which makes it the third from the bottom over the same period.

This adverse situation has set the stage for the introduction of the National Health Insurance (NHI).

The NHI is a financing system that will ensure that all citizens of South Africa (and legal long term residents) are provided with essential healthcare, regardless of their employment status and ability to make a direct monetary contribution to the NHI Fund.

Percentage of individuals who were members of medical aid schemes 2018



87.6% of KZN citizens rely on public healthcare facilities

INFRASTRUCTURE

Investment in infrastructure is a proven contributor to economic growth and job creation.

Maintenance and Repair	R.3.3 billion
Upgrades and Additions	R3.3 billion
Refurbishment and rehabilitation	R2.7 billion
New Infrastructure (Including transfers)	R1.6 billion
Project management, professional and special employment programme costs	R2.3 billion

This budget places greater emphasis on protecting and maintaining our existing infrastructure.  
(The above infrastructure allocation excludes the Human Settlements Development Grant of R3.4 billion.)



BUDGET 2020/21

INFRASTRUCTURE continued

The largest portion of the infrastructure budget (inclusive of both the Equitable Share and Conditional Grant funding), goes towards the departments of **Transport (R8 billion), Education (R2.447 billion), and Health (R1.996 billion).**

The Department of Transport will utilise the funds to rehabilitate, re-align, upgrade roads and build bridges.

The Department of Education will continue maintaining, renewing and building new schools. Projects relating to new schools,

curriculum support classrooms, laboratories, multi-purpose classrooms, as well as electrification, sanitation and water will continue.

The Department of Health will continue to address backlogs of fixed equipment maintenance such as lifts, air-conditioners, chillers and boilers.

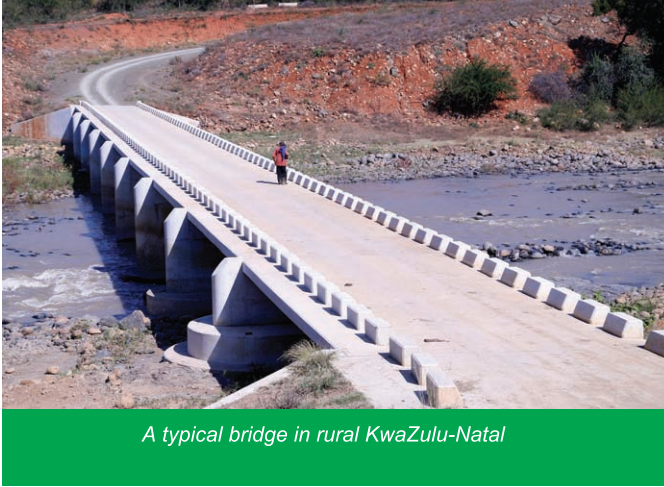
The installation of diesel power generators, elevated water backup tanks, the drilling of boreholes and the rehabilitation of existing boreholes have become priorities for the department.

The backup alternative power and water supply primarily focuses on rural health facilities. There are 29 borehole projects and more than 400 generators budgeted for in the 2020/21 MTEF.

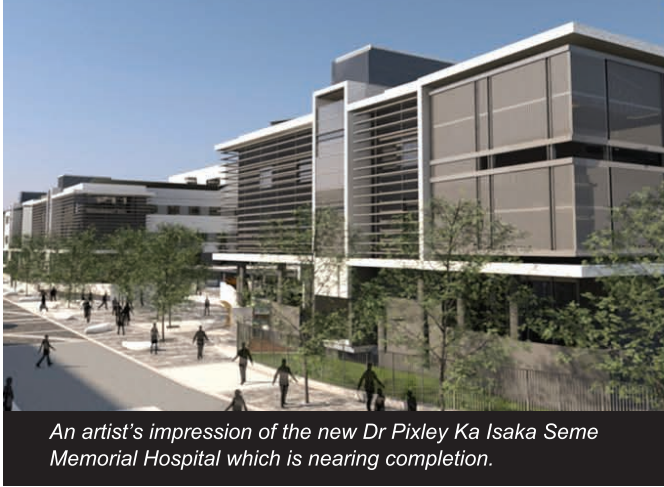
The construction of the new Dr Pixley Ka Isaka Seme Memorial Hospital is continuing. The hospital is anticipated to be completed in June 2020 with commissioning planned for September 2020. The occupation of the hospital is planned for April 2021.



The La Mercy Maths and Science Academy which is still under construction



A typical bridge in rural KwaZulu-Natal



An artist's impression of the new Dr Pixley Ka Isaka Seme Memorial Hospital which is nearing completion.

DISTRIBUTION OF THE NATIONAL BUDGET

National Treasury uses the Provincial Equitable Share (PES) formula to determine the allocation of the national revenue funds to provinces. The PES formula is comprised of five (5) components, namely education, health, population share, poverty, economic activity and institutional. Out of the total national allocation to provinces (**R538.5 billion**), KZN is allocated a weighted average of 20.3%.

Distributing the equitable share by province, 2020/21 MTEF

	Education	Health	Basic share of population	Poverty	Economic activity	Institutional	Weighted average
	48,0%	27,0%	16,0%	3,0%	1,0%	5,0%	100,0%
Eastern Cape	14,0%	12,3%	11,4%	14,9%	7,7%	11,1%	13,0%
Free State	5,3%	5,3%	4,9%	5,1%	5,0%	11,1%	5,5%
Gauteng	19,4%	24,0%	25,8%	18,7%	34,3%	11,1%	21,4%
<b>KwaZulu-Natal</b>	<b>21,6%</b>	<b>20,5%</b>	<b>19,2%</b>	<b>21,8%</b>	<b>16,0%</b>	<b>11,1%</b>	<b>20,3%</b>
Limpopo	12,7%	10,2%	10,2%	13,5%	7,3%	11,1%	11,5%
Mpumalanga	8,4%	7,5%	7,8%	9,3%	7,5%	11,1%	8,2%
Northern Cape	2,3%	2,1%	2,2%	2,2%	2,1%	11,1%	2,6%
North West	6,8%	6,7%	6,9%	8,2%	6,5%	11,1%	7,0%
Western Cape	9,5%	11,4%	11,6%	6,4%	13,6%	11,1%	10,4%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

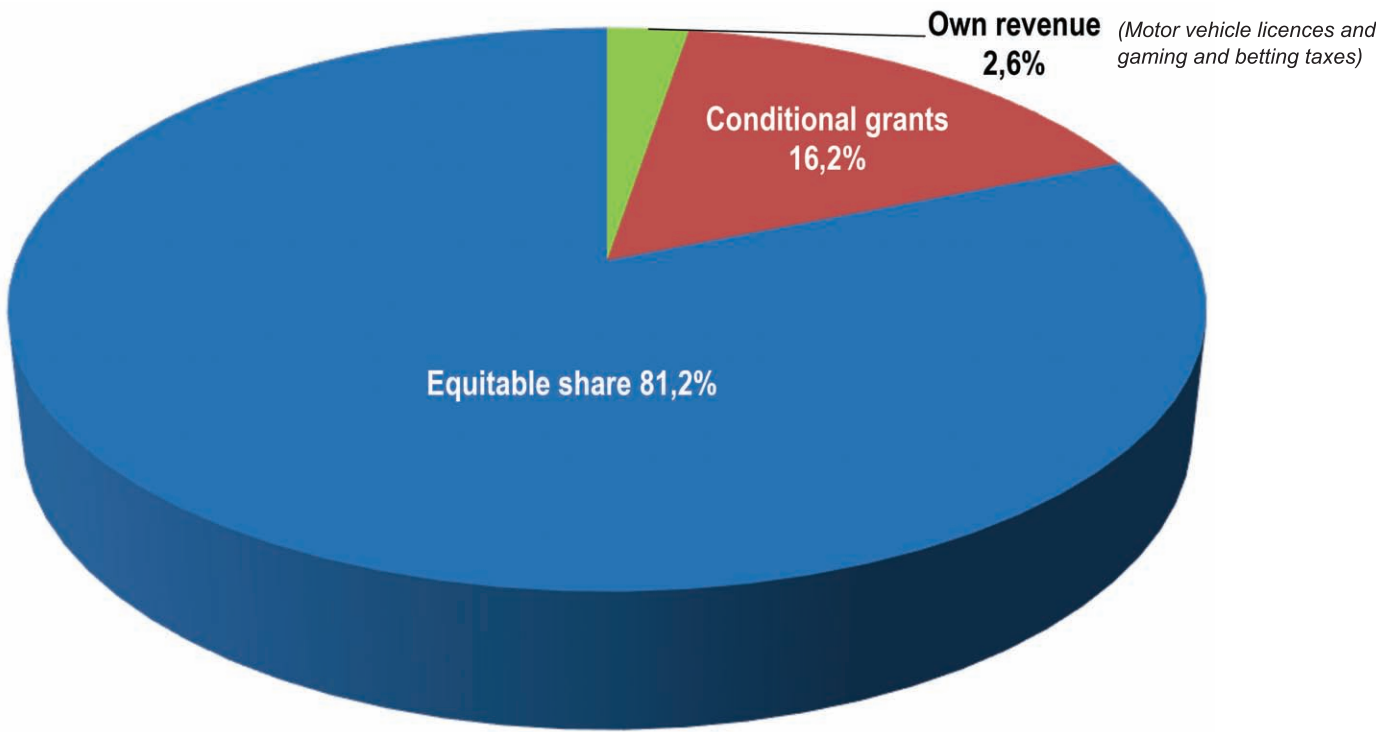
Of the **R138.2 billion** total budget for KZN in 2020/21, 81.2% is from the PES, 16.2 % is from conditional grants and 2.6% is from provincial own revenue. National Treasury uses the Provincial Equitable Share (PES) formula to determine the allocation of the national revenue funds to provinces. It will be noted that KZN generally receives the second largest allocation after Gauteng except for Education and Poverty where KZN still receives the largest share.

“Our generation is not required to face bullets or go to jail. We are simply asked to be sober, determined, disciplined and focussed and work hard every day for as long as we are called upon to do so.”

• **KZN MEC for Finance, Mr Ravi Pillay**

BUDGET 2020/21

Summary of total receipts in KZN



ECONOMIC AND DEVELOPMENT INDICATORS

FACTS AND FIGURES

Official unemployment rate (2019)

SA = 28.7%  
KZN = 25.5%

Inflation rate (January 2020)

Headline inflation rate = 4.5%  
National inflation rate = 4.7%  
KZN inflation rate = 4%

Poverty rate (2018)

1. Using prices for April 2019, food poverty line (FPL) or extreme poverty is benchmarked at R561. This is the amount of money that an individual will need to afford the minimum required daily energy intake.

In KZN, share of population living below FPL = 37.2%.  
Share of population living below FPL in SA = 29.1%

2. Lower-bound poverty line (LBPL) is R810 (in April 2019 prices) per person per month. It refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line.

Share of population living below the LBPL in KZN = 52.6%  
Share of population living below the LBPL in SA = 43.6%.

3. Upper-bound poverty line (UBPL) is R1 227 (in April 2019 prices) per person per month. This refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line.

Share of population living below the UBPL in KZN = 66.9%  
Share of population living below the UBPL in SA = 58.6%.



“We can achieve economic growth if we intensify investment expenditure by both government and private sectors, domestic and foreign. We need to strengthen our social compact between government, business, organised labour and civil society.”

• Premier of KwaZulu-Natal, Mr Sihle Zikalala



# HOUSEHOLD INCOME DISTRIBUTION AND INEQUALITY

In 2018, the bulk (39.3%) of KZN households were categorised as being lower-income earners (between R0 and R54 000 per annum).

Approximately 20.7% of households were categorised as low emerging middle-income earners (between R54 000 and R96 000 per annum), and 27.5% were emerging middle

class (earning between R96 000 and R360 000 per annum).

Approximately 6.5% of households in the province were categorised as realised middle-class earners (R360 000 - R600 000), 4.4% were upper-middle-class (R600 000 - R1, 2 million), and only 1.6% of KZN

households were considered as affluent earning more than R1.2 million per annum.

This large income disparity is further corroborated by KZN's Gini coefficient of 0.63 which is categorised as a highly unequal distribution of income.

## Income distribution by proportion of households in KZN, 2018

Income category	Income level (R'000)	African	White	Coloured	Asian	Grand total
Lower income	0 - 54	46%	2%	16,6%	4,4%	39,3%
Low emerging middle income	54 - 96	23%	3%	15,4%	10,6%	20,7%
Emerging middle class	96 - 360	24%	34%	42,0%	50,2%	27,5%
Realised middle class	360 - 600	4%	25%	13,0%	17,4%	6,5%
Upper middle class	600 - 1 200	2%	24%	10,0%	12,2%	4,4%
Affluent	1 200 +	0%	12%	3%	5,2%	1,6%
Grand total		100%	100%	100%	100,0%	100,0%

Achieving social cohesion and addressing economic inequalities are not mutually exclusive. We have to attend to both tasks simultaneously because we cannot achieve one without addressing the other.

## Grant Beneficiaries

KZN had the highest number of social grant beneficiaries as at the end of December 2019, with a total number of 4 million recipients (22.2%).

This was 2.2% higher than 3.9 million beneficiaries recorded at the end of December 2018.

The province had the highest share of recipients of the total national Child Support Grant at 2.895 million (22.8%).

Similarly, Old Age Grant (720 430 beneficiaries, 19.8%), Disability Grant (228 962 beneficiaries, 21.6%), Grant-in-Aid (78 914 beneficiaries, 29.9 %), Care Dependency Grant (39 994 beneficiaries, 25.9%) and Foster Child Grant (61 914 beneficiaries, 19.5%).



## Number and proportion of grant beneficiaries as at the end of December 2019

	Old Age		War Veterans'		Disability		Grant-in-aid		Care Dependency		Foster Child		Child Support		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Eastern Cape	589 147	16.2	12	17.9	182 530	17.2	30 731	11.7	23 609	15.3	70 885	22.3	1 934 238	15.2	2 831 152	15.6
Free State	210 912	5.8	1	15	75 113	7.1	8 878	3.4	8 851	5.7	21 829	6.9	702 541	5.5	1 028 125	5.7
Gauteng	648 495	17.8	22	32.8	120 163	11.3	8 643	3.3	20 736	13.4	40 962	12.9	1 925 349	15.2	2 764 370	15.2
KwaZulu-Natal	720 430	19.8	7	10.4	228 962	21.6	78 914	29.9	39 994	25.9	61 914	19.5	2 895 451	22.8	4 025 672	22.2
Limpopo	479 289	13.2	2	3.0	98 763	9.3	55 658	21.1	16 478	10.7	34 618	10.9	1 880 288	14.8	2 565 096	14.1
Mpumalanga	261 760	7.2	1	15	79 987	7.5	23 467	8.9	11 921	7.7	22 185	7.0	1 125 820	8.9	1 525 141	8.4
Northern Cape	91 075	2.5	1	15	49 847	4.7	16 862	6.4	6 123	4.0	9 853	3.1	319 465	2.5	493 226	2.7
North-West	270 641	7.4	1	15	66 317	6.2	15 697	6.0	10 056	6.5	24 618	7.8	874 102	6.9	1 261 432	7.0
Western Cape	366 484	10.1	20	29.9	160 774	15.1	24 851	9.4	16 509	10.7	30 342	9.6	1 045 358	8.2	1 664 338	9.2
South Africa	3 638 233	100.0	67	100.0	1 062 456	100.0	263 701	100.0	154 277	100.0	317 206	100.0	12 702 612	100.0	18 138 552	100.0

Source: South African Social Security Agency (SASSA), 2020



## BUDGET 2020/21

## SOCIAL COMPACT

Development indicators paint a grim picture of a state of underdevelopment. Hence the National Department of Arts and Culture, in collaboration with the Presidency and other key stakeholders, is developing a Social Cohesion and Nation Building compact. This

compact represents a collective agreement between all South Africans on how to address the major issues prevalent in our country through a united effort. Through the social compact business, government, labour and civil society will agree to work together to bring

about future change by dismantling the privilege attached to race, class, space and gender. It will reaffirm the importance of freedom, peace and security as well as the respect for all human rights.

## GLOBAL AND SOUTH AFRICAN ECONOMIC REVIEW AND OUTLOOK

## POPULATION

RECOGNISING and planning for a demographic transition is an essential prerequisite for the welfare of the society as it results in the efficient allocation of available resources.

As the world population increases at a faster rate, when compared with that of economic growth worldwide, it becomes imperative to study population dynamics. The world population increased from 2.5 billion in 1950 to approximately 7.7 billion in 2019 and is expected to increase by 26% to 9.8 billion

by 2050. In South Africa (SA), the total population was estimated at 58.8 million in 2019, which is a 1.8% growth from 57.7 million in 2018. Unprecedentedly, the total population in KwaZulu-Natal (KZN) declined by 0.8% from 11.4 million in 2018 to 11.3 million in 2019.

The marked decline in total provincial population has a negative impact on the provincial equitable share allocation for the province.



## GLOBAL ECONOMIC REVIEW AND OUTLOOK

The global economic performance decelerated significantly to 2.9% in 2019 compared to 3.6% in 2018. The deterioration was, to a large extent, influenced by the weakness in global trade and

investment as well as the trade war between China and the United States (US). The global economy is expected to rebound to 3.3% in 2020 and 3.4% in 2021. However, the projected outlook could be affected by

the ongoing global spread of coronavirus.

Despite the reported spread of the pandemic, government has put in place measures to mitigate its impact.



## CORONAVIRUS

President Cyril Ramaphosa has declared coronavirus a national disaster. The government has put measures in place to combat it.

**A case of coronavirus has been identified in my community.**

- **What should we do?**
  - Don't panic and act from fear
  - Don't spread fake news or confidential information
  - Support the patient and persons who are in quarantine by
    - Respecting their privacy
    - Offering help- food, communication and kindness
    - But keep your distance - 1 metre, in outside air, no touching
    - Change the way we greet people
- Don't shake hands
- Educate but don't stigmatise
- Encourage hand washing and make it easy
- Be vigilant regarding symptoms and self-isolate if ill.

## ECONOMIC PERFORMANCE IN SA AND KZN

It is almost a decade since the global financial crisis occurred, but the South African economy has not recovered to its full potential realised in the years preceding the financial crisis. The

national economy is estimated to have averaged at 0.2% in 2019 and is projected at 0.8% in 2020 and 1% in 2021. The slow economic performance has had a considerable

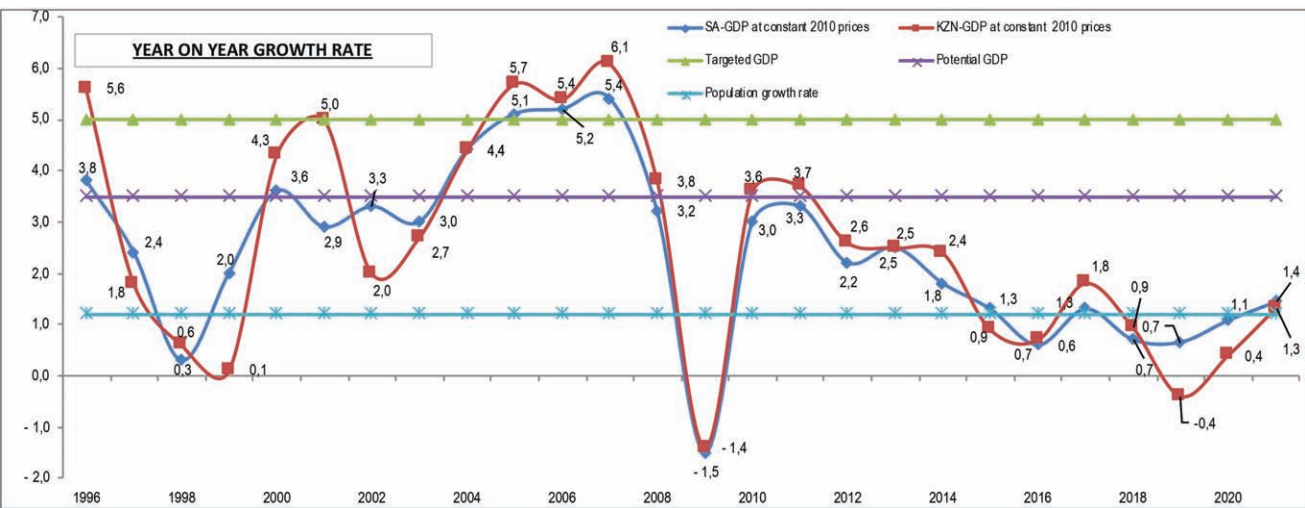
impact on revenue collection and the government expects a substantial revenue shortfall (deficit). Consequently, government budget deficit is estimated at 6.8 %.

**“This year, we fix the fundamentals. We pursue critical areas of growth. And we ensure excellence in planning and execution in government.”**

**• South African President, Mr Cyril Ramaphosa**



# Economic growth rates in SA and KZN, 1996 to 2020

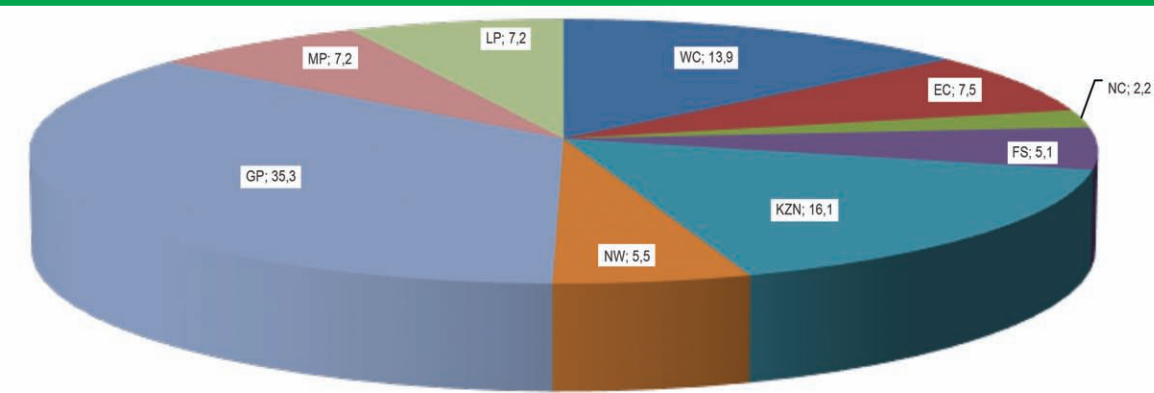


Similar to the national trend, real economic activity in KZN also remained low and is estimated to have contracted by 0.4% in 2019. The provincial economy is projected to remain subdued and grow at an average of 0.4% and

1.3% in 2020 and 2021, respectively. KZN's total regional gross domestic product (R-GDP) amounted to approximately R505.6 billion in 2018, which translates to 16.1% of the total national output.

At this contribution, KZN is the second-largest economy in SA after Gauteng at 35.3%, followed by the Western Cape at 13.8%.

## Percentage share of the real national GDP by province



The provincial economy is driven mainly by community services, finance, and manufacturing industries contributing 20%, 17%, and 16.1% respectively. The trade industry also contributed significantly towards R-GDP of the province at 14.2%. The

tourism industry (which is included in the trade sector) is one of the most significant contributors to GDP in SA, with its total contribution to GDP in 2018 being estimated at R425.5 billion. In terms of employment, the sector created 1.5 million jobs in 2018, and

this figure is projected to rise to 2 million in 2029. In KZN, the industry's total contribution to employment was estimated at 124 027 in 2018. Tourism's overall contribution to KZN's GDP in 2018 was estimated at R21 billion.

In terms of R-GDP contribution by districts, the economy of the province is dominated by the eThekweni Metro with an estimated GDP-R contribution of 59.6%, followed by uMgungundlovu and King Cetshwayo at 11% and 7.1%, respectively. The least contributing districts to the provincial R-GDP include uMzinyathi (1.5%), uMkhanyakude (1.8%) and Harry Gwala (2.1%).

# KZN GOVERNMENT COMMITTED TO SOUND FISCAL MANAGEMENT

The R138.2 billion provincial budget for the 2020/21 financial year is to be followed by strict monitoring of expenditure. Key focus will be placed on improved audit outcomes across the province, as well as on-budget spending, and for the province to remain cash positive.

Continued focus will be on hands-on engagement and support to departments and public entities to enhance their financial accounting and reporting performance.

KZN Provincial Treasury will play a significant role in the Operation Clean Audit campaign with the main aim being to attain improved provincial audit outcomes.

The budget, tabled by MEC Ravi Pillay, will also be accompanied by the need for departments to reprioritise their own budgets as well as the mandatory application of the cost-containment measures. This is to ensure that all key

government programmes, especially those relating to the delivery of services and infrastructure development, are sufficiently funded in view of the budget cuts.

“Our firm commitment to the people of KwaZulu-Natal is that we will protect government's key priority programmes so that we do not lose sight of our vision of ensuring a better life for all. Provincial Treasury took very conscious and mindful steps in this budget to protect the service delivery budgets of departments from being cut,” said MEC Pillay.

The budget cuts that KwaZulu-Natal had to contend with relate particularly to the census data updates of the Provincial Equitable Share formula, as well as the fiscal consolidation budget cuts implemented by National Treasury. KwaZulu-Natal sees its eighth consecutive year of budget cuts implemented against the

Provincial Equitable Share allocation over the 2020/21 MTEF. The data updates of the Provincial Equitable Share formula result in budget cuts of R998.2 million, R1.6 billion and R2.8 billion over the 2020/21 MTEF.

This is one of the largest losses we have suffered, with only the 2013/14 Census data updates budget cuts being higher than these. KwaZulu-Natal's share of the fiscal consolidation cuts amount to R1 billion, R1.1 billion and R513.4 million over the MTEF.

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

over the MTEF. National Treasury indicated that the fiscal consolidation cuts are aimed at reducing spending levels across all three spheres of government as a result of lower projected national government revenues and the need to stabilise growth in national debt, while providing support to ESKOM.

“We accept these conditions as reality but cannot forever just lament these conditions while sinking into paralysis. The President and the Minister of Finance have set out a detailed plan. We cannot be spectators in this plan, but must be active participants and enablers of these national goals,” MEC Pillay said.

The budget is proof of government's commitment to doing its best to improve the lives of poor people through sustained and equitable delivery of services.



# BUDGET 2020/21

## COST-CUTTING MEASURES REMAIN IN PLACE

### Compensation of employees

1. Departments and entities are permitted to fill critical vacant posts, as long as they receive permission from the Premier and the MEC for Finance.
2. Departments and entities need permission to fill posts that have become vacant through natural attrition, or where they elect to fill critical posts from within their baselines.
3. Any revised organograms which increase a department or entity's staff number may not be implemented without the approval of the Premier and MEC for Finance, as well as the DPSA in the case of departments.
4. No leave conversion payments are to be made except when staff are exiting the public service.
5. Strict control of overtime to be implemented.

### Procurement

6. Furniture and equipment purchases to be approved by the Accounting Officer and the CFO.
7. Energy saving projects to be explored with an aim of reducing electricity and water usage.
8. Timeous planning to be undertaken to ensure market-related prices are charged by service providers.
9. Database of local service providers to be compiled to ensure exorbitant prices are not charged.
10. Phone and data costs to be reviewed and stricter limits to be effected.
11. Government-owned properties to be utilised as far as possible to cut costs relating to the hiring of offices.
12. Transversal contracts to be used for inventory items such as stationery, nappies, baby food, medication etc. unless these prove to be less cost-effective.
13. Essential training to be done in-house.
14. Catering for meetings and training to be stopped unless approved by HOD.
15. Limit costs of printing documents by minimising colour printing, reducing the weight of paper and covers and encouraging electronic distribution of publications.
16. No bottled water to be purchased for meetings. Where it is not practical to provide water in jugs, approval from the Provincial Treasury must be obtained.
17. Purchasing of newspapers and other publications for employees to be limited in line with National Treasury's Instruction Note.
18. A detailed assessment must be done of each department and entity's personnel in order to move non-productive staff to productive, critical service delivery posts.
19. New expenditure items/projects/mandates will be permitted only if they are funded through internal reprioritisation. Any exception needs approval from the Provincial Treasury.
20. 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.

### Travelling

21. Subsistence and Travel - only essential trips to be undertaken.
22. Monthly mileage restrictions to be adhered to. Exceptions to be approved by HOD.
23. Responsibility managers to ensure co-ordinated travel to reduce costs.
24. Meetings and workshops to be held where the majority of the officials reside/work.
25. Departments and public entities to develop an integrated annual calendar to reduce travel costs.
26. Meetings to start at reasonable time to avoid unnecessary overnight accommodation.
27. Use most cost-effective mode of travel.
28. Overseas trips to be rationalised with the number of delegates being kept to a minimum.
29. Business Class travel to be in compliance with the new ministerial handbook.
30. Car hire bookings - class of vehicle to be lowered to the lowest economical option.



### Events (including workshops/meetings, etc.)

31. Expensive events will not be approved. Events to be limited to those campaigns which are service delivery orientated.
32. Hiring of VIP services and facilities such as marquees and catering is prohibited.
33. Provincial Treasury's approval must be sought by departments and entities looking to make donations and sponsorships towards events.
34. Service delivery events held by departments and public entities must be strictly kept at no more than 24 per annum. Departments and public entities to adhere to cost-per-event guidelines stipulated in the Instruction Note.
35. Musicians and other performing artists to be sourced from a database administered by Department of Arts and Culture.
36. No promotional materials/corporate gifts to be handed out at events (exceptions to be approved by Provincial Treasury).
37. Departments must share databases for government and community venues to minimise use of private venues.
38. Marquees and catering costs for events to be reduced through timeous procurement.
39. Number of departmental/public entity officials attending events to be kept at an absolute minimum.
40. Internal and external meetings, strategic planning sessions and workshops to be held in departments' and public entities' offices. Exceptions to be approved by Provincial Treasury.
41. No team building exercises or year-end/Christmas functions to be held (these are only permitted if paid for by the staff themselves).

**“We accept the current difficult economic conditions as reality but cannot forever just lament these conditions while sinking into paralysis. The President and the Minister of Finance have set out a detailed plan. We cannot be spectators in this plan, but must be active participants and enablers of these national goals,”**

**• KZN MEC for Finance, Mr Ravi Pillay**