

FOREWORD

The 2004/05 edition of the annual Budget Statements produced by the Provincial Treasury of KwaZulu-Natal is noteworthy for several reasons.

Co-occurring as they do with the end of the current five year parliamentary term, the Budget Statements present an opportunity to take stock of the various financial management reforms and initiatives which collectively have totally transformed the way in which the provincial finances are managed. These reforms span the entire spectrum of financial management activities from budgeting, planning, expenditure and revenue monitoring and control, accounting control, procurement and internal audit. Accordingly, Budget Statement 1 provides an overview of the reforms and an assessment of the impact they have had on transforming financial management practice in the provincial government.

The 2004/05 Budget Statements also co-incide with the culmination of an intensive exercise to review the Provincial Growth and Development Strategy (PGDS). Included in Budget Statement 1, therefore, is a section describing the socio-economic profile of the province, from which the developmental challenges – core to the PGDS – derive. A major development since the drafting of last year's Budget Statements is the publication of demographic and socio-economic data from the 2001 census. This has significant advantages for an official publication of this nature – instead of a multiplicity of unofficial sources, data and statistics can be accessed from a single updated official source. For this reason, with few exceptions, the sources used to compile the socio-economic profile in this year's document derive from Statistics South Africa.

The Budget Statements, of course, are much more than merely a historical review of achievements over the past five years. They are also very much forward-looking, and contain details of current and pending reforms and initiatives in the field of financial management. These include the new economic reporting format and Basic Accounting System (BAS), both major initiatives currently being implemented under the guidance of the Provincial Treasury. The new economic reporting format, which replaces the old standard item classification and is intended to bring the public sector into line with the IMF's internationally accepted (revised) GFS format and standards, is used for the first time in this edition of the provincial Budget Statements. Similarly, the conversion from the Financial Management System (FMS) to BAS is in line with National Treasury's drive to align government to a single integrated financial management and accounting platform, thereby ensuring comparability of financial information.

Several other new and important initiatives by the Provincial Treasury are described in the Budget Statements. These include the establishment of dedicated infrastructure, revenue and statistical analysis components in the Provincial Treasury, and the pending establishment of a municipal finance component necessitated by the imminent promulgation of the Municipal Finance Management Bill. There is also mention of the imminent application of supply chain management principles to the province's procurement processes, and the impact this is likely to exercise on the current provincial procurement legislation.

In Budget Statement 2, once again, comprehensive details are to be found on departments' strategic objectives and policy priorities, expenditure and receipts performance and service delivery outputs over the period under review, and projected over the forthcoming MTEF.

In conclusion, the publication of this document is an opportune time both to look back with pride over past achievements, as well as to look to the daunting challenges which lie ahead. There can be no doubt that five years of almost continuous change and reform has placed the province on an entirely new trajectory as far as its financial management capacity and systems are concerned. The challenge now is to build on these reforms, and improve still further the levels of efficiency and effectiveness in government delivery systems.

The primary objective of future budget processes must be to fund the province's strategic goals aimed at eradication of the poverty and HIV/AIDS scourges, as well as the supporting strategies needed to realise these goals. Meeting the province's developmental challenge with the limited resources available will require perfect alignment between the strategic planning and budgeting processes in the provincial government.



Siphoshe Shabalala
Head: Provincial Treasury

CONTENTS

FOREWORD	i
CONTENTS	iii
LIST OF ANNEXURES	v
BUDGET STATEMENT 1: Budget Overview	
1. Budget Strategy : An Overview	1
2. Socio-Economic Outlook	4
3. Budget Process and the Medium-Term Expenditure Framework	13
4. Summary of Budget Aggregates and Financing	17
5. Receipts	19
6. Expense	28
7. Financial Management Reforms, Fiscal Performance and Challenges	42
8. Budgeting for Service Delivery	51
BUDGET STATEMENT 2: Departmental Estimates	
Vote 1: Premier	63
Vote 2: Provincial Parliament	81
Vote 3: Agriculture and Environmental Affairs	95
Vote 4: Economic Development and Tourism	125
Vote 5: Education and Culture	149
Vote 6: Provincial Treasury	185
Vote 7: Health	207
Vote 8: Housing	237
Vote 9: Safety and Security	259
Vote 10: The Royal Household	273
Vote 11: Traditional and Local Government Affairs	287
Vote 12: Transport	311
Vote 13: Social Welfare and Population Development	335
Vote 14: Works	357

LIST OF ANNEXURES

Budget Statement 1	55
Vote 1: Premier	75
Vote 2: Provincial Parliament	90
Vote 3: Agriculture and Environmental Affairs	111
Vote 4: Economic Development and Tourism	140
Vote 5: Education and Culture	170
Vote 6: Provincial Treasury	200
Vote 7: Health	226
Vote 8: Housing	251
Vote 9: Safety and Security	268
Vote 10: The Royal Household	282
Vote 11: Traditional and Local Government Affairs	302
Vote 12: Transport	326
Vote 13: Social Welfare and Population Development	349
Vote 14: Works	366