

**BUDGET SPEECH  
2011/12**



**MS INA CRONJÉ, MPL**  
***MEC for Finance***

**8 March 2011**



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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 - 8974200  
Fax: +27 (0) 33 - 8974617

**PROVINCE OF KWAZULU-NATAL**  
**Budget address by Ms Ina Cronjé**  
**MEC for Finance,**  
**On tabling of the 2011 MTEF Budget in the Provincial Legislature**

**8 March 2011**

Madam Speaker, Section 28 (1) of the Public Finance Management Act (1999) requires the MEC for Finance in a province to annually table, in the Provincial Legislature, a multi-year budget projection of:

- a) The estimated revenue expected to be raised during each financial year of the multi-year period; and
- b) The estimated expenditure expected to be incurred, per vote, during each year of the multi-year period, differentiating between capital and current expenditure.

I therefore rise to table the 2011/12 Medium Term Expenditure Framework (MTEF) for the Province of KwaZulu-Natal.

## **A. INTRODUCTION**

### **The Skeleton of the State**

Economist and political scientist Joseph Schumpeter referred to a government's budget as "*the skeleton of the state*," and he believes that the "*evolution of the nation is evolved in its budget*."

George Bush – not always known for his intellectual capacity – apparently said, "*It's clearly a budget. It's got a lot of numbers in it.*"

Indeed, our budget has a lot of numbers in it! But the test of whether it is a good budget – the 'skeleton' of the Province – should be whether the numbers reflect the KwaZulu-Natal government priorities and commitment to:

- Creating decent work and economic growth
- Ensuring rural development/agrarian reform and food security
- Fighting crime
- Education
- Health
- Nation building and good governance.

These priorities, which have been integrated into 12 National Outcomes, are translated into programmes. And as a pro-poor budget it has the potential to empower the marginalised to realise their economic, civil, political, social and cultural rights.

Not only am I tabling the Provincial Budget today. I am also here to give all women a huge global hug. Every year, on 8 March, organisations and governments celebrate **International Women's Day**. However, today is extra special as 2011 marks the 100<sup>th</sup> celebration of International Women's Day.

The theme for this centenary is *Equal access to education, training and science and technology: Pathway to decent work for women*.

Female-headed households have been hit hardest by unemployment. In particular, long-term unemployment rates are growing rapidly for women who have limited education. And many of these women have no safety net to fall back on.

Our budget should therefore be subjected to a further test, namely: is it a pathway to decent work for women through equal access to education, training and science and technology?

## **B. SHAPING BUDGET DECISIONS**

Given the importance of fiscal policy in shaping the economic growth trajectory, it is always useful to reflect on the current economic circumstances under which this budget was crafted in order to provide both the context and the rationale for the budget policy decisions taken.

### **Economic Scenario**

The national economic recession that started during the first quarter of 2009 officially ended during the third quarter of the same year. While the recession was short-lived, its effect on the economic performance was very dramatic and severe. Although South Africa's financial markets were largely insulated from the crash that engulfed the US and most of Europe, the real economy suffered tremendously as credit lines shrunk and liquidity in the market evaporated. Our Gross Domestic Product shrunk by 1.68% on average in 2009. Final consumption recorded negative growth of 3.1% – significantly down from the 8.3% positive growth in 2006. The economy lost more than 1 million jobs since September 2008, commencing as the early signs of the global recession of 2009 started making their way through the economy.

Even though the general consensus seems to imply that the worst of the recession is now over, the pace of the recovery is painfully sluggish. *Viewpoint* – a Standard Bank publication – still foresees a protracted and 'anaemic' economic recovery in advanced economies. In the US, the economic performance has failed to generate employment opportunities leading to subdued domestic demand. This slow pace of recovery in advanced economies negatively affects the export performance of emerging markets – including South Africa.

As a result of the structural relationship between South Africa's and KwaZulu-Natal's economies, the Province has also been negatively affected by the recession. In 2009, the provincial economy shrunk by 2.24% with devastating effects on employment. What was even more profound was

the dramatic increase of discouraged work-seekers rising from 183 000 in the first quarter of 2008 to a staggering 495 000 in the third quarter of 2009.

The economic outlook, however, seems somewhat more promising for 2011. According to the latest forecasts, the national economy is expected to expand by 3.4% in 2011, 3.7% in 2012 and 4% in 2013. The Provincial Treasury projects an estimated economic growth of between 3% and 3.5% for KwaZulu-Natal. However, for the South African economy to create jobs, it needs to grow at more than 7% per annum for a prolonged period.

And while we are excited about our inclusion as the “S” in the BRICS<sup>1</sup> formation, we cannot afford to ignore the competition that our fast-growing partners offer.

In an attempt to stimulate growth and create employment opportunities, South Africa is embarking on reforming its prudential framework, which covers offshore investments by individuals and companies. In an attempt to make South Africa attractive as an investment destination, and to encourage investments on the African continent, the Minister announced that non-South African companies would be allowed to deploy (and raise) capital offshore without exchange control approval. Over and above this, exchange controls on domestic companies were amended to remove barriers to their international expansion from a domestic base.<sup>2</sup>

## The New Growth Path

A new growth path for South Africa has been adopted by Cabinet. It focuses on changing the structure of the economy from a resource extraction economy to a more production-led economy that can create employment opportunities. Sectors that will be targeted, given their potential to create jobs, are the:

- Infrastructure/construction industry
- Agriculture value chain
- Mining value chain
- Green economy
- Manufacturing sectors
- Tourism and high-level services.

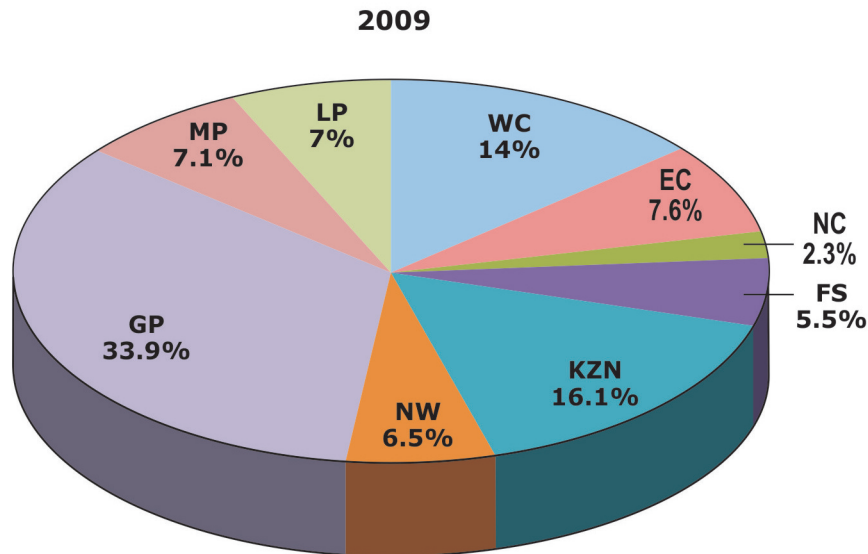
I am confident that, if fully implemented, this growth path will have a profound positive effect on the performance of the South African economy, including that of KwaZulu-Natal.

For many decades, the giant that is KwaZulu-Natal has been slumbering. However, beneath the rolling green hills, the golden beaches and mighty mountains, KwaZulu-Natal is slowly but surely beginning to flex its economic muscle. We overtook the Western Cape to become the second largest regional economy in South Africa – now second only to Gauteng (refer to pie chart below). Working together as a team we can ensure that KwaZulu-Natal realises its full potential.

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1 Brazil, Russia, India, China, South Africa.

2 Medium Term Budget Policy Statement 2010. Speech: Pravin Gordhan, Minister of Finance, 27 October 2010.



## 2011 – The Year of Job Creation

The International Women’s Day theme fits in well with South Africa’s declaration of 2011 as the year of job creation. But what has been on everybody’s lips is: **Where will tomorrow’s jobs come from?**

According to data projections<sup>3</sup> in the US, 64% of 15.3 million projected jobs will be created by small business over the next decade. And women-owned businesses, (which only account for 16% of the total jobs), will be responsible for creating one-third of the new anticipated jobs by 2018.

In South Africa, where women, and especially black women, are advanced by government through preferential procurement policies, women and small business are most likely to be our Province’s and country’s future job creating engines.

Effective job creation is crucial in dealing with our huge unemployment rate and the large inequalities that exist between the *rich* and the *poor*. Thus Finance Minister Pravin Gordhan emphasises in his budget speech that our particular development circumstances *"require new ideas and bold efforts from all: government, business, labour, communities and every family."*

It also requires the team work that Premier Zweli Mkhize spelled out in his State of the Province Address, and for all government departments to put appropriate programmes in place and to establish the right environment for the creation of many decent and sustainable jobs.

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<sup>3</sup> The Guardian Life Small Business Research Institute: 2009.

## C. SOME FUNDED GOVERNMENT JOB CREATION INITIATIVES IN KZN

### C.1 Human Resource Training and Development

#### *Bursaries*

The Provincial Government spent approximately R260 million from 2005 to 2010 on *external* bursaries through its various departments, in an effort to increase the skills and employability of particularly the newly matriculated and unemployed youth. In 2011/12, we anticipate spending approximately R72 million on external bursaries. We furthermore spent approximately R68 million on *internal* bursaries from 2005 to 2010 to improve the skills of our own employees, and anticipate spending a further R19 million in 2011/12 internally.

#### *Learnerships and Internships*

In terms of a Department of Public Service and Administration (DPSA) directive, all government departments are required to take in unemployed youth and graduates to give them practical work experience. Interns and learners should constitute 5% of the total staff establishment of a department.

#### *FET Colleges*

The FET colleges continue to offer both the National Certificate (Vocational) and National Education (NATED) programmes in the FET colleges sector, which have enabled the colleges to:

- Increase the pool of local skills;
- Generate a cohort of employable persons; and
- Contribute to self-employment.

#### *Public Service Academy*

The academy will receive R50 million from the National Skills Fund over the next three years for learnerships, apprenticeships and skills programmes in construction, manufacturing and engineering, benefitting public servants and the unemployed.

### C.2 Creating Jobs

- The **Department of Economic Development and Tourism** will create work opportunities by:
  - supporting and developing sustainable small, micro, medium and social enterprises that contribute to food security, wealth and job creation;
  - effectively promoting and packaging KZN as the choice destination; and
  - implementing the economic development strategies of the Province.

- The **Department of Health** will increase the number of community care givers and facilitate the development of community health workers into clinical assistants over the 2011/12 MTEF.
- Small KwaZulu-Natal companies and rural women will be given an increasing share of market opportunities through departments' procurement spend.
- The **Department of Transport** will continue to expand community-based labour-intensive road construction and maintenance programmes. Where possible, preference will be given to local suppliers of goods and services and work will be undertaken by local *Vukuzakhe* contractors.
- The **Department of Co-operative Governance and Traditional Affairs** will create a number of jobs through the Corridor Development programme using Expanded Public Works Programme (EPWP) principles.
- The **Department of Public Works** will enhance the quality of the EPWP by focusing on the following interventions:
  - Improving the efficiency of approvals for training of EPWP local labourers on technical, life and business skills through partnering with the Department of Labour and National Department of Public Works, and also establishing new funding partnerships with the KZN Small Enterprise Development Agency (SEDA) and SETAs.
  - Promoting early submission of potential projects to ensure their inclusion in the EPWP.
  - Utilising the EPWP Incentive grant to enhance the Izandla Ziyagezana Programme, a job creation initiative giving contracts to indigent local communities to clear vacant government sites.
- The **Department of Human Settlements'** enhanced people's housing process programme provides for community/beneficiary involvement in the construction of houses. It is expected to yield 1 000 units over the three years of the new MTEF.
- The **Department of Agriculture, Environmental Affairs and Rural Development** plans to recruit unemployed agriculture graduates on a contract basis, offering them bursaries and appropriate experience to become extension officers in KwaZulu-Natal's food security programme.
- Another area of job creation of the **Department of Agriculture, Environmental Affairs and Rural Development** is the invasive alien species eradication programme. Approximately R100 million per annum has been budgeted for this programme over the 2011/12 MTEF. It will provide employment to 5 000 people per annum over the next three years and 130 000ha of land will be cleared annually.
- The **Department of Social Development** trained 366 young people as part of the *Masupatsela* Youth Pioneer programme. These graduates will work in the Youth Ambassador programme from 2011/12 in the Office of the Premier.
- The **Department of Community Safety and Liaison** continues to employ 2 100 volunteers to drive social crime prevention through visible policing.



## D. OVERVIEW PER VOTE FOR THE 2011/12 MTEF

The Province of KwaZulu-Natal receives the lion's share of the equitable share allocation from the national fiscus, and has a total budget of R78.248 billion for the 2011/12 financial year, increasing to R88.631 billion in the outer year, 2013/14. (Please refer to Section 1 of Table 4).

I will now deal specifically with the main service delivery objectives of and funding for each of the 16 provincial departments, as set out in Table 1 below:

**Table 1: Summary of provincial payments and estimates by vote**

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
1. Office of the Premier	395 396	463 842	429 103	419 284	451 361	451 361	471 105	490 769	524 827
2. Provincial Legislature	209 999	247 649	288 238	322 193	345 161	344 621	374 702	400 831	421 247
3. Agric, Environ Affairs & Rural Dev.	1 252 713	1 752 824	1 970 012	2 188 337	2 228 840	2 228 840	2 460 585	2 597 165	2 765 191
4. Economic Development & Tourism	1 511 081	1 766 565	2 425 317	1 624 798	1 724 798	1 680 868	1 486 950	1 561 519	1 650 806
5. Education	18 406 747	22 991 742	26 230 746	29 034 762	29 570 060	29 760 314	32 618 276	34 466 649	36 492 227
6. Provincial Treasury	379 645	693 565	613 902	640 637	692 500	443 371	536 486	553 158	590 764
7. Health	14 959 441	17 103 101	20 349 276	21 657 681	22 120 186	21 638 144	24 484 855	26 325 124	28 189 424
8. Human Settlements	1 522 181	1 876 146	2 492 647	3 111 613	3 192 556	3 112 556	3 053 315	3 189 503	3 363 874
9. Community Safety & Liaison	78 797	109 287	125 272	140 744	140 744	136 744	150 139	157 048	165 637
10. The Royal Household	39 114	47 853	40 407	43 845	47 149	47 149	55 028	59 434	64 065
11. Co-op Governance & Trad. Affairs	744 650	1 020 672	1 023 420	1 061 903	1 061 903	1 061 903	1 138 289	1 190 047	1 253 213
12. Transport	3 121 798	5 025 223	5 164 996	5 631 057	5 952 652	5 952 652	6 573 729	7 109 300	7 678 933
13. Social Development	1 015 188	1 232 408	1 361 280	1 668 170	1 668 182	1 668 182	1 952 956	2 045 397	2 139 888
14. Public Works	479 297	731 259	796 169	868 214	1 333 583	1 329 021	1 220 407	1 293 444	1 375 435
15. Arts and Culture	206 435	253 289	259 157	357 018	364 922	364 922	364 856	467 230	610 760
16. Sport & Recreation	160 598	213 267	239 342	307 107	311 065	310 565	358 333	376 273	396 801
<b>Total</b>	<b>44 483 080</b>	<b>55 528 692</b>	<b>63 809 284</b>	<b>69 077 363</b>	<b>71 205 662</b>	<b>70 531 213</b>	<b>77 300 011</b>	<b>82 282 891</b>	<b>87 683 092</b>

### D.1 Education

The largest portion of the budget goes to Education. The Education budget is set to rise from R29.570 billion in 2010/11 to R32.618 billion in 2011/12 and R36.492 billion in 2013/14. **This shows an average annual growth of 7.3% (nominal) and 1.3% in real terms.** This is to promote quality basic education and a skilled and capable workforce. The budget allocated to Education pays for a variety of items, such as:

- **No Fee school policy**

The number of *No Fee* schools increased from 3 513 in 2009/10 to 4 747 in 2010/11, rendering close to 80% of the schools in KwaZulu-Natal *No Fee* schools. The number of learners benefiting from the policy increased from 1 279 769 in 2009/10 to 1 740 965 in 2010/11 and is expected to increase to 1 750 721 in 2011/12, 1 760 882 in 2012/13 and 1 870 000 in 2013/14.

- **National School Nutrition Programme (NSNP)**

The NSNP was expanded to cover all primary schools in Quintiles 1, 2 and 3 and secondary schools in Quintiles 1 and 2. In 2011/12, this programme will be extended to cover Quintile 3 secondary schools thus increasing coverage to 2 087 001 learners. The number of learners benefiting from this scheme is set to increase from 1 984 704 in 2010/11 to 2 107 871 by 2013/14.

- **Infrastructure provision**

The Department continues to make recognisable strides in addressing backlogs in the provision of classrooms, toilets, computer rooms, laboratories and media centres.

## **D.2 Health**

The budget allocated to the Department of Health increases from R22.120 billion in 2010/11 to R24.485 billion in 2011/12 and R28.189 billion in 2013/14. This is the second highest share of the provincial budget. **This reflects an annual average growth of 8.4% (nominal) and 2.4% in real terms.**

Health service delivery has also improved over the years:

- the number of patients (both adults and children) on the ART programme has increased to 380 000 in 2010/11 from 143 000 in 2007 and this is set to increase further to more than 650 000 by 2013/14.
- Immunisation coverage of infants under one year old is set to increase from 80% in 2007/08 to 90% over the 2011/12 MTEF.
- To deal with the shortage of nursing staff, the Department has been training both basic nursing students and professional nurses. 1 500 basic nursing students graduated in the current financial year compared to 1 170 in 2007/08. Likewise, 901 professional nurses graduated in 2010/11 compared to 725 in 2007/08. These nurses are now ready to assume duties at various health facilities across the Province.

This budget will continue to be utilised for improving the provision of health care in the Province, and the overall aim of government of ***ensuring a long and healthy life for all***. This includes the comprehensive management of HIV and AIDS, maternal, neo-natal and women's health and the comprehensive management of TB.

## **D.3 Transport**

The budget allocated to the Department of Transport increases from R5.953 billion in 2010/11 to R6.574 billion in 2011/12 and R7.679 billion in 2013/14 which shows an **average annual growth of 2.9% in real terms (8.9% nominal)**.

The Department's strategic policy direction is to support rural development, poverty alleviation and job creation as the Department builds roads and bridges, provides safe integrated public transport systems, and manages traffic and the safety of all road users. This is in support of the outcome that states "*an efficient, competitive and responsive infrastructure network.*" In line with this, in 2010/11, a total of 350 km of gravel roads have been constructed to provide much needed access for rural communities. 150 000m<sup>2</sup> of black top patching has been done.

The Department will also continue with the road upgrade and construction programme that supports the corridors of the primary and secondary nodes, as well as key projects that will be a stimulus in linking the rural communities to the hubs of activity.

As part of its employment creation drive, the Department has employed a total of 57 000 workers as part of its Expanded Public Works Programme (EPWP) and has created more than 5.2 million person-days of work per annum, over the new MTEF.

#### **D.4 Co-operative Governance and Traditional Affairs**

The Department of **Co-operative Governance and Traditional Affairs** (CoGTA) sees an increase in its budget allocation from R1.062 billion in 2010/11 to R1.138 billion in 2011/12 and R1.253 billion in 2013/14. This is an **increase of 5.7% in nominal terms**. This is in support of government's outcome to have a "*responsive, accountable, effective and efficient local government.*" This allocation will be used for various initiatives, including the Small Town Rehabilitation programme. This programme has contributed to a number of infrastructure related projects in several municipalities, such as:

- **Richmond** – CBD rehabilitation including the construction of a shelter for informal traders as well as the small business incubation facility;
- **Msinga** – the upgrading of the Tugela Ferry storm water system and the construction of a pedestrian walkway; and
- **Ladysmith** – town centre beautification, trading stalls in Queen and Forbes streets, installation of surveillance cameras, construction of sidewalks in the CBD, and the upgrading of Wimpy Park.

With 2011 being the election year for municipalities and traditional institutions, the main focus in 2011/12 will be on training and development of the newly elected Municipal Councils and Traditional Councils.

#### **D.5 Human Settlements**

The budget of the Department of **Human Settlements** decreases from R3.193 billion in 2010/11 to R3.053 billion in 2011/12 and rises to R3.364 billion in 2013/14, which is an **average annual increase of 1.8% in nominal terms**.

The strategic policy direction of the Department is in line with government's outcome to provide sustainable human settlements and improved quality of household life. The budget provides for integration and sustainability in respect of accelerated delivery of housing opportunities and more efficient land utilisation.

To achieve this, the Department will accelerate housing delivery in rural areas throughout the Province and continue with the slums clearance programme aimed at eradicating all slums in the Province by 2014.

The Department will continue to provide affordable rental housing for people within the Province. The main project in respect of this is the Community Residential Units programme, designed to attain a non-racial, integrated and socially coherent society for all income groups. The Department plans to construct/complete 4 000 units in 2011/12.

## D.6 Agriculture, Environmental Affairs and Rural Development

The budget allocated to the Department increases from R2.228 billion in 2010/11 to R2.460 billion in 2011/12 and R2.765 billion in 2013/14 which is an **annual average real increase of 1.5% (7.5% nominal)**. This allocation is mainly for:

- Unlocking crop production on under-utilised land;
- Livestock development;
- One Home, One Garden.

The Department will focus on rural development, agrarian reform, social and economic infrastructure development and sustainable natural resource management. This is in support of government outcomes of *"vibrant, equitable and sustainable rural communities contributing to food security for all"* as well as *"protected and enhanced environmental assets and natural resources."*

## D.7 Social Development

The budget of the Department of **Social Development** increases from R1.668 billion in 2010/11 to R1.953 billion in 2011/12 and R2.140 billion in 2013/14, which is an annual average increase of **2.7% in real terms (8.7% nominal)**.

During the 2011/12 MTEF, the major focus of the Department will be poverty alleviation, with the focus on good governance and institutional development, the reduction of poverty among children, youth, adult and older persons as well as social cohesion. This largely links in with the outcome of *"a long and healthy life for all."*

The Department will continue to focus on various initiatives, such as:

- developing technical skills of youth and women in all eleven district municipalities;
- early childhood development as outlined in the new Children's Act;
- providing support to families and communities and fostering social cohesion;
- creating an environment that promotes and protects the rights of older persons and people with disabilities; and
- reducing social crime and substance abuse.

## D.8 Economic Development and Tourism

The Department's budget allocation, which is in support of government's outcome of *"decent employment through inclusive economic growth"*, was R1.725 billion in 2010/11. This decreases to R1.487 billion in 2011/12 and R1.651 billion in 2013/14, mainly due to the completion of the airport portion of the Dube TradePort (DTP). The DTP will continue with constructing a 16 hectare greenhouse agri-zone that will produce over 3 000 tons of airfreight once fully operational. The trade-zone property developments will also continue, focusing on light manufacturing activities. The targets for 2011/12 are the export of 15 300 tons of produce through the cargo terminal, the creation of 500 permanent jobs and the generation of R100 million private sector investment.

This Department also funds the Agri-business Development Agency (ADA), an entity established to support beneficiaries of land reform.

## D.9 Public Works

The Department of **Public Works'** budget increases from R1.333 billion in 2010/11 to R1.220 billion in 2011/12 and R1.375 billion in 2013/14, which is **an average annual nominal increase of 1.0%**. This fairly low growth is because 2010/11 includes a once-off allocation to clear outstanding property rates dating back to 2008/09. The Department contributes to the outcome of government of "*an efficient, competitive and responsive infrastructure network.*"

## D.10 Provincial Treasury

The budget allocation of **Provincial Treasury decreases from R692.500 million in 2010/11 to R536.486 million in 2011/12 and R590.764 million in 2013/14. This reduction is largely due to a lower provision being made for the payment of interest on the provincial overdraft, as the Province has been cash positive since May 2010.** As such, the interest on the overdraft provision is capped at R100 million (previously at R235 million) and this results in **an average annual real negative growth of 10.4% (negative 5.2% in nominal terms).**

The allocation will assist in obtaining the objective of good governance and also provides for:

- the continued monitoring of budget implementation and budget performance of provincial departments and entities;
- regular hands-on engagement and support to provincial departments and public entities;
- the Municipal Support Programme which continues to support and assist municipalities in improving their level of financial management and reporting;
- assisting departments and municipalities and their respective entities to achieve and sustain clean audit outcomes;
- identification and review of key financial controls; and
- fraud risk reviews and assessments, together with access to investigative IT tools, and the development of a risk register that incorporates all risk categories.

## D.11 Office of the Premier

The **Office of the Premier's** budget allocation increases from R451.361 million in 2010/11 to R471.105 million in 2011/12 and R524.827 million in 2013/14, which is **an increase in nominal terms of 5.2%**. This allocation provides *inter alia* for:

- The Youth Ambassador programme which commenced in 2010/11. The youth will continue to conduct provincial household surveys to profile the needs of the communities. These surveys will assist in determining the level of poverty, access to education, adequacy of housing, access to social services, among other things. The youth ambassadors will also assist in the implementation of other government programmes, such as awareness campaigns on HIV and AIDS, healthy lifestyle promotion, the "*One home, One garden*" and "*Back to school*" campaigns.

- The establishment of the Provincial Planning Commission which will make recommendations of a long-term strategic development nature, ensuring coherence in policy development and planning across the provincial government. It will also strengthen performance monitoring and evaluation to assess delivery on the desired outcomes.

## D.12 Arts and Culture

The Department of **Arts and Culture's** budget allocation increases substantially in the outer year from R364.922 million in 2010/11 to R364.856 million in 2011/12 and R610.760 million in 2013/14. This is a substantial increase of **12.2% in real terms (18.7% in nominal terms)**. This increase is influenced by the fact that the Department receives substantial additional funding over the MTEF to take over public libraries and museums, thus beginning to address this unfunded mandate. Schedule 5A of the Constitution clearly places these functions as a provincial competency.

The hosting of various cultural events aimed at promoting social cohesion will continue. A number of community dialogues will be held in various parts of the Province to promote **nation building. Moral regeneration** will be addressed through the presentation of programmes aimed at improving family values and addressing social ills such as HIV and AIDS, alcohol and drug abuse, teenage pregnancy, women abuse and crime. The Department will continue with the building of art centres over the MTEF.

## D.13 Sport and Recreation

The Department's budget increases from R311.065 million in 2010/11 to R358.333 million in 2011/12 and R396.801 million in 2013/14, which is an average annual increase of **2.5% in real terms (8.5% in nominal terms)**.

- A large portion of the Department's allocation relates to the Mass Sport and Recreation Participation Programme conditional grant which funds the mass participation in sport among learners from previously disadvantaged urban and rural schools. It focuses on high crime areas, farm and rural areas and government priority nodes.
- The Department provides for developmental programmes to identify new talents and to increase the pool of qualified coaches, technical officials and administrators. Approximately 5 500 players representing all 11 SAFA regions in the Province will benefit from a football enrichment programme that will also target 60 clubs.
- The Department also provides sport and recreation infrastructure.

## D.14 Provincial Legislature

The budget of the **Provincial Legislature** increases from R345.161 million in 2010/11 to R374.702 million in 2011/12 and R421.247 million in 2013/14, which is an average annual real increase of **1.0% (6.9% in nominal terms)**. This allocation is inclusive of:

- the remuneration of the Members of this House; and
- public participation events aimed at improving the interaction between the Legislature and the citizens of the Province.

## D.15 Community Safety and Liaison

The Department's budget increases from R140.744 million in 2010/11 to R150.139 million in 2011/12 and R165.637 million in 2013/14, which is **an average annual nominal increase of 5.6%**. The Department's activities are aligned to government's outcome of *"all people in South Africa are safe and feel safe."*

This allocation provides for:

- the Volunteer Social Crime Prevention Programme which aims to enhance social crime prevention through visible policing; and
- creating an integrated, multi-pronged approach to crime, combining aspects of crime prevention and the improvement of socio-economic conditions.

## D.16 Royal Household

The Royal Household's budget allocation increases from R47.149 million in 2010/11 to R55.028 million in 2011/12 and R64.065 million in 2013/14, which **is an average annual real increase of 4.7% (10.8% in nominal terms)**. The Royal Trust is tasked with the following for the benefit of the Monarch and the Royal Household:

- Providing for the Royal Household, including the cost of education, running costs of the Royal residences, and related household expenses;
- Developing systems, processes and controls to administer the operations of the Royal Household;
- Ensuring the sustainable, financial independence of the Royal Household; and
- Marketing the Royal Trust, and its related activities.

These are some of the services this government has been able to deliver to our communities. Of course we are aware that more still needs to be done to improve the quality of life of our citizens.

## E. THE FISCAL FRAMEWORK

I now turn to the 2011/12 Fiscal Framework for the Province. It is with great pleasure that I indicate to this House that the financial position of the Province has improved substantially compared to the 2009/10 financial year.

Projections from departments indicate that expenditure will be within budget in the current financial year, which means that the Province will not over-spend – thanks to the fiscal austerity measures introduced in 2009. The cash position in the Revenue Fund has also been positive since May 2010 and is likely to remain positive for the rest of the financial year given the prevailing spending trends. This success is due to the teamwork of the Provincial Government, and the KwaZulu-Natal model is now being adopted by the whole country.

### E.1. Cost-cutting Measures

This House will recall that I stated in my budget speech last year that most of the cost-cutting measures are simply elements of **good governance** and therefore they remain in place for the

foreseeable future. However, it should be noted that the prohibition on the payment of performance bonuses from 2010/11 falls away from 2011/12, and that departments may therefore again reward staff for *exceptional* performance.

Furthermore, the President directed in his State of the Nation Address that all vacant funded government posts must be filled. This will follow the review of the staff establishments of all provincial departments and entities – as per our Cabinet resolution.

It is because of departments’ adherence to the cost-cutting measures that the Province was able to release some funding from the budget surplus to fund various provincial priorities over the 2011/12 MTEF. These include a substantial provision to Transport for the provincial road maintenance backlog, funding to Agriculture, Environmental Affairs and Rural Development for the expanded extension officer programme, among others. Further savings realised from implementing the cost-cutting measures will also be reallocated to service delivery projects in departments.

## E.2 Reductions in Equitable Share

The 2011/12 Fiscal Framework is characterised by a significant amount of budget reprioritisation to cater for the reductions in the equitable share allocation for KwaZulu-Natal.

As can be seen in Table 2 below, the Province’s equitable share reduces by R316.395 million in 2011/12, R471.126 million in 2012/13 and R302.265 million in 2013/14, due to various technical adjustments.

**Table 2: Changes in KZN’s equitable share**

R thousand	2011/12	2012/13	2013/14
Reduction in equitable share due to data changes	115 333	242 282	43 958
Reduction in equitable share due to change in formula	17 384	34 986	52 869
Reduction due to ES formula updates and changes	132 717	277 268	96 827
Reduction in equitable share due to 0.3% cut (National Cabinet)	183 678	193 858	205 438
Total reduction in KZN equitable share	316 395	471 126	302 265

- The first reduction was a result of the changes in data that informs the equitable share coupled with the reconfiguration of the health component of the equitable share. Combined, these changes have resulted in the Province losing R132.7 million in 2011/12, R277.2 million in 2012/13, and R96.6 million in 2013/14.
- The second reduction came from a National Cabinet decision to reduce budgets of all national and provincial departments by 0.3% in order to finance the health sector. For KwaZulu-Natal, this means a further reduction of R183.7 million in 2011/12, R193.9 million in 2012/13 and R205.4 million in 2013/14.

These reductions are financed as follows to ensure that the Province is able to fund several expenditure priorities:

- The first source of funding is the surplus which the Province has been budgeting for.
- The second source is the allocation earmarked for the overdraft interest payment.
- The third source (although very small) is the proportional reduction of departmental baselines.



As indicated in Table 3 below, the Province had budgeted for a surplus of R1.8 billion in 2011/12 rising to R2.3 billion in 2013/14. This surplus is now capped at R948 million over the three MTEF years – which releases R857.4 million, R1.3 billion and R1.4 billion for each of the three years, respectively.

The budget for the interest on the overdraft held against Vote 6 has been capped at R100 million, down from R235 million in the previous MTEF for each of the three years, and this releases a further R135 million annually.

A total of R992.4 million, R1.4 billion and R1.5 billion is therefore released from this reprioritisation and allocated back to various provincial priorities, as well as to finance the reduction of the Province's equitable share referred to above.

**Table 3: Reprioritisation**

R thousand	2011/12	2012/13	2013/14
Budgeted surplus as per 2011 EPE	1 805 426	2 219 765	2 341 852
Budgeted surplus as per 2011/12 MTEF	948 008	948 042	948 388
<b>Sub total</b>	<b>857 418</b>	<b>1 271 723</b>	<b>1 393 464</b>
Interest on overdraft capped at R100m	135 000	135 000	135 000
Total reprioritised to fund provincial priorities	992 418	1 406 723	1 528 464

Despite the part utilisation of the surplus to fund the reductions, the Province still remains with a healthy surplus of R948 million over the next three years (refer to Table 4 – line 12). This surplus should be sufficient to provide a cushion in cases of unforeseen fiscal shocks over the MTEF.

**Table 4: Summary of Provincial Fiscal Framework**

R thousand	2011/12	2012/13	2013/14
<b>1. Receipts</b>			
<b>Baseline allocation</b>	<b>76 466 310</b>	<b>81 097 579</b>	<b>84 773 168</b>
Transfer receipts from national	74 523 599	79 029 770	82 591 630
<i>Equitable share</i>	<i>61 358 875</i>	<i>64 761 099</i>	<i>68 322 959</i>
<i>Conditional grants</i>	<i>13 164 724</i>	<i>14 268 671</i>	<i>14 268 671</i>
Provincial own receipts	1 942 711	2 067 809	2 181 538
<b>Increase / (Decrease) in allocation</b>	<b>1 781 709</b>	<b>2 133 354</b>	<b>3 858 312</b>
Transfer receipts from national	1 781 455	2 133 959	3 881 773
<i>Equitable share</i>	<i>1 568 681</i>	<i>2 116 513</i>	<i>2 670 007</i>
<i>Conditional grants</i>	<i>212 774</i>	<i>17 446</i>	<i>1 211 766</i>
Provincial own receipts	254	(605)	(23 461)
<b>Revised allocation</b>	<b>78 248 019</b>	<b>83 230 933</b>	<b>88 631 480</b>
Transfer receipts from national	76 305 054	81 163 729	86 473 403
<i>Equitable share</i>	<i>62 927 556</i>	<i>66 877 612</i>	<i>70 992 966</i>
<i>Conditional grants</i>	<i>13 377 498</i>	<i>14 286 117</i>	<i>15 480 437</i>
Provincial own receipts	1 942 965	2 067 204	2 158 077
<b>2. Planned spending by departments (2010/11 baseline)</b>	<b>74 724 837</b>	<b>78 877 814</b>	<b>82 431 319</b>
<b>3. Budgeted surplus before funding national priorities &amp; cond. grant additions</b>	<b>3 523 182</b>	<b>4 353 119</b>	<b>6 200 161</b>
<b>4. New money allocated to national priorities:</b>	<b>1 890 260</b>	<b>2 430 880</b>	<b>2 649 554</b>
Higher than anticipated 2010 wage agreement (carry through costs)	1 167 454	1 213 351	1 262 585
Education – OSD for educators	348 819	393 661	438 778
Health – OSD for doctors and therapists, other health priorities	373 987	823 868	948 191
<b>5. Conditional grant additions</b>	<b>148 821</b>	<b>153 040</b>	<b>1 464 942</b>
<b>6. Budgeted surplus before funding provincial priorities</b>	<b>1 484 101</b>	<b>1 769 199</b>	<b>2 085 665</b>
<b>7. Less Non-discretionary expenditure responsibilities</b>	<b>34 853</b>	<b>37 553</b>	<b>40 473</b>
Carry-through costs of 2010/11 Adjustments Estimate	34 853	37 553	40 473
<b>8. Budgeted surplus after 2010/11 Adjustments Estimate</b>	<b>1 449 248</b>	<b>1 731 646</b>	<b>2 045 192</b>
9. Provincial priorities funded	674 918	969 212	1 294 912
10. Capping of interest overdraft provision and Political Parties Fund	140 000	141 750	142 670
11. Reduction in KZN's equitable share by 0.3% (National Cabinet decision)	33 678	43 858	55 438
<b>12. Budgeted surplus after funding national and provincial commitments</b>	<b>948 008</b>	<b>948 042</b>	<b>948 388</b>

## F. SUMMARY OF ADDITIONAL ALLOCATIONS

The 2011/12 MTEF makes available R2.4 billion, R3.4 billion and R4.04 billion per year in additional funding from the equitable share (after taking the reduction into account), conditional grants and provincial reprioritisation.

While the Province saw a reduction in its equitable share, it also received additional funding ring-fenced for:

- The carry-through costs of the 2010 wage agreement (R1.167 billion in 2011/12, R1.213 billion in 2012/13 and R1.263 billion in 2013/14).
- The Occupation Specific Dispensation (OSD) for educators (R348.819 million in 2011/12, R393.661 million in 2012/13 and R438.778 million in 2013/14).
- Various health priorities, including the OSD for doctors and therapists, maternal and child health, ARV 350 threshold, among others (R373.987 million in 2010/11, R823.868 million in 2012/13 and R948.191 million in 2013/14).

Table 5 then indicates the additional amounts allocated to each department over the 2011/12 MTEF, with this funding being sourced from provincial reprioritisation and additional funding from National Treasury.

### F.1 Votes

**Education** receives a significant portion of the additional allocations – R1.06 billion in 2011/12 rising to R1.3 billion in the outer year of the MTEF. This is to cater for the 2010 public sector wage agreement costs, expenditure associated with the expansion of examination services, and the OSD for educators.

The Department of **Health** also receives substantial amounts of R797.9 million in 2011/12 rising to R1.6 billion in 2013/14 to cater for the carry-through costs of the 2010 wage agreement, the maternal and child health initiative and the OSD for doctors and therapists, among others.

**Transport** receives R307.9 million in 2011/12, R505.5 million in 2012/13 and R672.9 million in the outer year of the MTEF. The bulk of this additional allocation goes to the maintenance of the provincial road network.

The **Office of the Premier** receives additional funding for the establishment of the Provincial Planning Commission, the carry-through costs of the 2010 wage agreement, extending the Youth Ambassador programme, the Provincial Nerve Centre, Amafa Heritage projects and for bursaries for disadvantaged students.

**Social Development** also receives additional funding for the carry-through costs of the 2010 wage agreement, and to finance service delivery infrastructure such as:

- Places of Safety
- Old Age Homes
- Children's Homes
- Protective Workshops

- Reform Schools
- Secure Care Centres
- Substance Rehabilitation Centres.

The Department of **Co-operative Governance and Traditional Affairs**' increased allocation makes provision for the carry-through costs of the 2010 wage agreement.

The increased budget allocation of **Human Settlements** provides for the carry-through costs of the 2010 wage agreement.

The Department of **Agriculture, Environmental Affairs and Rural Development** receives additional funding over the 2011/12 MTEF for the employment of additional extension officers to enable the Department to respond adequately to the food security priority of government, the carry-through costs of the 2010 wage agreement, an allocation to the SA Association for Marine Biological Research, and additional funding for *Ezemvelo* KZN Wildlife personnel costs.

The Department of **Public Works**' increased budget will mainly be used for the carry-through costs of the 2010 wage agreement, the implementation of the Government Immovable Assets Management Act (GIAMA), and the fixed assets register.

The Department of **Arts and Culture's** substantial increased budget allocation will be used over the MTEF for the **provincialisation of public libraries and museums**, as mentioned earlier, and the carry-through costs of the 2010 wage agreement.

The increased allocation to **Sport and Recreation** will be utilised for the carry-through costs of the 2010 wage agreement.

The additional funding for the **Provincial Legislature** will be spent over the 2011/12 MTEF to phase in the Financial Management of the KZN Legislature Act when it has been passed, as well as salary increases for Members, as well as for the carry-through costs of the 2010 wage agreement.

The Department of **Community Safety and Liaison's** budget increase will be used to fund the carry-through costs of the 2010 wage agreement.

The **Royal Household** will receive increased funding over the 2011/12 MTEF for the upgrading and refurbishing of the Royal palaces, as well as the carry-through costs of the 2010 wage agreement.

**Provincial Treasury** receives additional funding for performance auditing and the carry-through costs of the 2010 wage agreement.

**Economic Development and Tourism** receives additional funding for the carry-through costs of the 2010 wage agreement, the implementation of the Consumer Act, the KwaZulu-Natal Sharks Board and the Tourism Indaba.

For more details on additional funding allocated across all provincial departments in the 2011/12 MTEF and the national Cabinet decision to effect cuts across all departments, please refer to Table 5 below.

Table 5: Summary of additional allocations, 2011/12 MTEF

	2011/12	2012/13	2013/14
	R thousand		
<b>Vote 1: Office of the Premier</b>	<b>65 960</b>	<b>65 463</b>	<b>76 129</b>
Provincial Planning Commission	9 000	10 000	11 000
Carry-through of 2010/11 Adjustments Estimate:	22 702	25 449	27 833
<i>2010 wage agreement</i>	702	1 249	1 213
<i>Youth ambassadors</i>	22 000	24 200	26 620
Provincial Nerve Centre	30 000	24 500	31 700
Amafa – Heritage projects	2 505	3 830	3 998
Bursaries to disadvantaged students	2 000	2 000	2 000
National Cabinet decision to cut provinces by 0.3%	(247)	(316)	(402)
<b>Vote 2: Provincial Legislature</b>	<b>21 570</b>	<b>20 147</b>	<b>19 625</b>
Implementation of Financial Management Bill	11 445	11 891	12 466
Capping of Political Parties Fund at R30 million	(5 000)	(6 750)	(7 670)
Carry-through of 2010/11 Adjustments Estimate:	15 322	15 265	15 153
<i>2010 increase in salaries of Members</i>	11 353	11 353	11 353
<i>2010 wage agreement</i>	3 969	3 912	3 800
National Cabinet decision to cut provinces by 0.3%	(197)	(259)	(324)
<b>Vote 3: Agriculture, Environmental Affairs and Rural Development</b>	<b>94 303</b>	<b>89 899</b>	<b>106 156</b>
Carry-through of 2010/11 Adjustments Estimate	24 122	26 451	30 955
<i>2010 wage agreement</i>	13 712	13 761	13 367
<i>Ezemvelo KZN Wildlife – 2010 wage agreement</i>	8 910	10 690	15 088
<i>SAAMBR</i>	1 500	2 000	2 500
Occupation Specific Dispensation	16 926	18 348	19 633
Additional capacity for extension officers	20 880	29 589	39 261
EKZNW - Leave Liability	17 850	-	-
EKZNW - Cost of improved terms and conditions	15 698	17 016	18 208
National Cabinet decision to cut provinces by 0.3%	(1 173)	(1 505)	(1 901)
<b>Vote 4: Economic Development and Tourism</b>	<b>13 672</b>	<b>14 372</b>	<b>18 566</b>
Carry-through of 2010/11 Adj. Est. – 2010 wage agreement	2 955	3 681	5 937
Implementation of Consumer Act	4 000	3 400	3 400
KZN Sharks Board – Research on non-lethal shark deterring	2 000	2 500	4 500
TKZN – Tourism Indaba	5 500	5 800	6 000
National Cabinet decision to cut provinces by 0.3%	(783)	(1 009)	(1 271)
<b>Vote 5: Education</b>	<b>1 063 048</b>	<b>1 200 771</b>	<b>1 331 060</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	603 008	679 775	749 990
Provincial Priorities – Expansion of provincial examination administration	126 778	147 430	167 602
National Cabinet decision to cut provinces by 0.3%	(15 557)	(20 095)	(25 310)
National Priorities – OSD for educators	348 819	393 661	438 778
<b>Vote 6: Provincial Treasury</b>	<b>(129 591)</b>	<b>(133 699)</b>	<b>(133 870)</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	1 744	1 723	1 662
Capping of overdraft interest charges at R100 million	(135 000)	(135 000)	(135 000)
National Cabinet decision to cut provinces by 0.3%	(335)	(422)	(532)
Performance Audits	4 000	-	-
<b>Vote 7: Health</b>	<b>797 971</b>	<b>1 365 598</b>	<b>1 583 426</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	434 471	419 915	399 439
National Cabinet decision to cut provinces by 0.3%	(10 487)	(13 779)	(17 380)
National Priorities	373 987	823 868	948 191
<i>Various Health priorities eg OSD for doctors, maternal &amp; child health</i>	373 987	823 868	948 191
Phasing in of Forensic Pathology Services grant into ES	-	135 594	143 481
Phasing in of Hospital Revitalisation grant into ES	-	-	109 695
<b>Vote 8: Human Settlements</b>	<b>3 797</b>	<b>3 716</b>	<b>3 555</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	3 946	3 908	3 796
National Cabinet decision to cut provinces by 0.3%	(149)	(192)	(241)
<b>Vote 9: Community Safety and Liaison</b>	<b>932</b>	<b>308</b>	<b>276</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	1 011	409	403
National Cabinet decision to cut provinces by 0.3%	(79)	(101)	(127)

Table 5: Summary of additional allocations, 2011/12 MTEF

	2011/12	2012/13	2013/14
	R thousand		
<b>Vote 10: The Royal Household</b>	<b>8 814</b>	<b>10 874</b>	<b>12 834</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	844	911	884
Provincial Priorities – Upgrading, refurbishing of the Royal Palaces	8 000	10 000	12 000
National Cabinet decision to cut provinces by 0.3%	(30)	(37)	(50)
<b>Vote 11: Co-operative Governance &amp; Traditional Affairs</b>	<b>8 544</b>	<b>3 246</b>	<b>1 138</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	9 143	4 015	2 103
National Cabinet decision to cut provinces by 0.3%	(599)	(769)	(965)
<b>Vote 12: Transport</b>	<b>307 972</b>	<b>505 522</b>	<b>672 959</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	41 057	29 196	23 974
National Cabinet decision to cut provinces by 0.3%	(2 335)	(3 126)	(4 037)
Provincial Priorities – Maintenance of the provincial road network	269 250	479 452	653 022
<b>Vote 13: Social Development</b>	<b>74 786</b>	<b>72 142</b>	<b>58 091</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	27 099	25 978	27 620
National Cabinet decision to cut provinces by 0.3%	(1 026)	(1 318)	(1 643)
Provincial Priorities – Existing infrastructure assets and maintenance	48 713	47 482	32 114
<b>Vote 14: Public Works</b>	<b>56 870</b>	<b>58 880</b>	<b>60 937</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	10 126	9 530	8 753
National Cabinet decision to cut provinces by 0.3%	(370)	(476)	(597)
Provincial Priorities:	47 114	49 826	52 781
<i>Government Immoveable Asset Management Act (GIAMA)</i>	44 795	46 961	49 542
<i>Fixed Asset Register</i>	2 319	2 865	3 239
<b>Vote 15: Arts and Culture</b>	<b>36 365</b>	<b>109 106</b>	<b>227 935</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	3 274	3 228	3 135
National Cabinet decision to cut provinces by 0.3%	(168)	(270)	(427)
Provincial Priorities – Provincialisation of libraries and museums	33 259	106 148	225 227
<b>Vote 16: Sport and Recreation</b>	<b>1 340</b>	<b>1 286</b>	<b>1 190</b>
Carry-through of 2010/11 Adjustments Estimate – 2010 wage agreement	1 483	1 470	1 421
National Cabinet decision to cut provinces by 0.3%	(143)	(184)	(231)
<b>Total</b>	<b>2 426 353</b>	<b>3 387 631</b>	<b>4 040 007</b>

## F.2 Conditional Grants

Three important changes have also taken place with respect to conditional grants in the coming MTEF:

- Firstly, both the Forensic Pathology Services grant and the Hospital Revitalisation grant are being phased into the equitable share from 2012/13 and 2013/14, respectively.
- Secondly, a new grant is being introduced namely: Dinaledi Schools for Education.
- Thirdly, the Infrastructure grant to Provinces has been redefined as the Education Infrastructure grant, the Health Infrastructure grant and the Provincial Roads Maintenance grant, and the allocation formula reconfigured as follows – 45% for Transport; 42% for Education and 13% for Health. As a result of this reconfiguration, Transport now receives a substantial additional allocation at the expense of Health and, to a smaller extent, Education.

The following grants receive inflationary adjustments only:

- Ilima/Letsema grant
- HIV and AIDS (Life Skills) grant
- National School Nutrition Programme grant
- Technical Secondary Schools Recapitalisation grant
- Health Professionals Training and Development grant
- Public Transport Operations grant
- Community Library Services grant

Several other grants receive real additional allocations and these include:

- FET College Sector grant (Education)
- Devolution of Property Rates Fund grant (Public Works)
- Comprehensive Agricultural Support Programme grant (Agriculture)
- EPWP Incentive grant (Transport)
- Comprehensive HIV and AIDS grant to cater for the earlier introduction of HIV positive people to ARV therapy (Health)
- National Tertiary Services grant (Health)

As a result of slow spending and National Cabinet's decision to cut national departments by 0.3%, a few conditional grants have had their allocations reduced. These include:

- The Human Settlements Development grant has been reduced by R379.6 million, R439.8 million and R277.4 million over the MTEF period.
- The Mass Sport and Recreation Participation Programme grant has been reduced by R7.9 million, R8.4 million and R3.3 million over the MTEF period.

Details of changes to conditional grants are indicated in Table 6.

**Table 6: Updated Conditional Grant Allocations – 2011/12 MTEF**

Vote	Name of Grant	As per 2010/11 EPE			2011/12 MTEF – Allocation as per NT			Increase/Decrease per grant		
		2011/12	2012/13	2013/14	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
Agric, Enviro Affairs and Rural Dev	Land Care	9 244	9 706	9 706	9 244	20 304	18 746	-	10 598	9 040
	Comprehensive Agricultural Support Prog	160 176	168 185	168 185	164 691	183 726	210 375	4 515	15 541	42 190
	Ilima/Lestema Projects	60 000	63 000	63 000	60 000	63 000	66 465	-	-	3 465
Education	Education Infrastr. grant (previously IGP)	1 288 743	1 427 889	1 427 889	1 158 136	1 270 878	1 340 777	(130 607)	(157 011)	(87 112)
	HIV and AIDS (Life Skills)	45 114	46 876	46 876	45 114	46 876	49 445	-	-	2 569
	National School Nutrition Programme	1 070 013	1 151 644	1 151 644	1 070 013	1 151 644	1 214 985	-	-	63 341
	Technical Secondary Schools Recap Grant	38 185	40 095	40 095	38 563	40 490	42 717	378	395	2 622
	Dinaledi Schools Grant	-	-	-	12 320	17 600	18 568	12 320	17 600	18 568
	FET College grant	681 906	715 785	715 785	754 793	828 470	939 709	72 887	112 685	223 924
Health	Health Professionals Training & Dev	249 917	261 860	261 860	249 917	261 860	276 262	-	-	14 402
	Hospital Revite	551 698	572 559	462 864	547 698	566 605	533 432	(4 000)	(5 954)	70 568
	National Tertiary Services	1 162 331	1 220 448	1 220 448	1 201 831	1 303 824	1 408 053	39 500	83 376	187 605
	Comprehensive HIV and AIDS	1 877 593	2 241 412	2 241 412	1 889 427	2 246 099	2 675 081	11 834	4 687	433 669
	Forensic Pathology Services Grant	161 550	34 033	26 146	161 550	-	-	-	(34 033)	(26 146)
	EPWP Incentive Grant for the Social Sector	-	-	-	25 775	27 662	29 253	25 775	27 662	29 253
	Health Infrastructure grant (previously IGP)	437 482	480 578	480 578	358 471	393 367	415 002	(79 011)	(87 211)	(65 576)
Human Settlements	Integrated Housing & Human Settlement	3 149 500	3 327 629	3 327 629	2 769 871	2 891 813	3 050 176	(379 629)	(435 816)	(277 453)
Transport	Prov. Roads Maintenance grant (prev. IGP)	1 031 242	1 117 434	1 117 434	1 236 648	1 454 099	1 569 251	205 406	336 665	451 817
	Public Transport Operations	773 473	815 611	815 611	773 473	815 611	864 281	-	-	48 670
	EPWP Incentive Grant	-	-	-	129 836	-	-	129 836	-	-
Public Works	Devolution of Property Rates	275 485	289 259	289 259	518 585	556 669	599 319	243 100	267 410	310 060
	EPWP Incentive Grant for the Social Sector	-	-	-	4 494	4 823	5 101	4 494	4 823	5 101
Arts and Culture	Community Library Services Grant	45 401	48 619	48 619	45 401	48 619	56 297	-	-	7 678
	Mass Sport and Recreation	95 671	100 455	100 455	87 694	92 078	97 142	(7 977)	(8 377)	(3 313)
<b>Total</b>		<b>13 164 724</b>	<b>14 133 077</b>	<b>14 015 495</b>	<b>13 313 545</b>	<b>14 286 117</b>	<b>15 480 437</b>	<b>148 821</b>	<b>153 040</b>	<b>1 464 942</b>

### F.3 Infrastructure Budgets

There is strong growth in infrastructure budgets over the next three years. In 2011/12, a total of R11.754 billion is allocated to infrastructure up from R11.170 billion rising to R13.3 billion in the outer year of the MTEF. The largest portion of the infrastructure budget goes to Transport for road construction and maintenance, followed by **Human Settlements** for housing delivery. **Education** and **Health** also receive a sizeable portion of infrastructure allocations. **Economic Development and Tourism** receives an infrastructure allocation to continue with the development of the Dube TradePort and the Richards Bay IDZ. For more details please refer to Table 7.

I am very pleased with the growth in infrastructure budgets. The real increase in capital spending supports government's efforts to reduce backlogs in social and economic infrastructure, while at the same time addressing unemployment through the labour intensive EPWP.

**Table 7: Summary of infrastructure payments and estimates by vote**

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10	2010/11			2011/12	2012/13	2013/14
<b>Social Sector Infrastructure</b>									
5. Education	977 979	1 237 408	1 392 251	2 030 515	1 941 116	1 941 116	2 197 741	2 426 555	2 484 472
7. Health	1 092 807	1 097 722	1 374 801	1 566 914	1 587 404	1 450 566	1 681 207	1 705 775	1 843 122
13. Social Development	32 642	70 597	85 035	111 476	111 476	109 358	166 479	171 137	162 570
<b>Economic Infrastructure</b>									
3. Agric, Environ Affairs & Rural Dev.	37 895	92 429	99 559	175 152	96 197	96 197	119 390	125 572	132 719
4. Economic Development & Tourism	488 500	1 299 313	1 705 265	583 880	683 880	683 880	423 739	444 926	469 397
8. Human Settlements	1 288 380	1 520 730	2 104 315	2 818 606	2 564 929	2 559 929	2 390 520	2 496 939	2 635 602
12. Transport	2 198 836	3 931 911	3 310 471	3 585 243	3 914 233	3 914 233	4 536 965	4 951 094	5 373 198
<b>Other Infrastructure</b>									
1. Office of the Premier	11 623	4 876	6 698	700	2 663	2 663	1 905	2 185	2 305
2. Provincial Legislature	3 740	1 504	3 735	2 171	7 584	7 584	4 454	4 605	5 289
6. Provincial Treasury	-	150 000	150 000	-	40 000	40 000	-	-	-
9. Community Safety & Liaison	-	-	-	-	-	-	-	-	-
10. The Royal Household	2 359	3 000	1 339	3 328	3 328	2 963	11 528	14 349	16 588
11. Co-op Governance & Trad Affairs	96 450	162 642	158 256	5 000	5 992	5 992	45 000	49 500	42 500
14. Public Works	65 373	65 693	80 616	88 335	87 341	86 199	86 423	90 744	95 735
15. Arts and Culture	18 267	22 598	29 624	80 999	86 569	86 569	49 773	48 812	44 319
16. Sport and Recreation	29 121	36 718	27 189	40 299	37 749	37 749	39 017	40 900	43 150
<b>Total</b>	<b>6 343 972</b>	<b>9 697 141</b>	<b>10 529 154</b>	<b>11 092 618</b>	<b>11 170 461</b>	<b>11 024 998</b>	<b>11 754 141</b>	<b>12 573 093</b>	<b>13 350 966</b>

Economic wisdom tells us that investment in infrastructure is a precondition for economic growth. It is therefore essential that the total infrastructure budget is spent efficiently, effectively and economically, i.e. we must get VALUE FOR MONEY. Furthermore, this investment in infrastructure makes the Province more attractive as an investment destination. Infrastructure development is usually labour intensive and creates many employment opportunities. It is therefore not a coincidence that the new growth path strategy is underpinned by a strong focus on infrastructure investments as a vehicle for sustained employment creation.

## G. OTHER INITIATIVES

### G.1 The Green Economy

As indicated in the Premier's State of the Province address, KwaZulu-Natal will focus on opportunities presented by the Green Economy. It ensures the sustainable utilisation and the conservation of resources. The Green Economy refers to two inter-linked developmental outcomes for the economy of South Africa:

- Firstly, it is growing the economic activity (which leads to investment and jobs) in the green industry sector. In this regard, the departments will pursue and explore the concept of green jobs.
- Secondly, it is a shift in the economy as a whole towards cleaner industries and sectors with a low environmental impact compared to its socio-economic impact.

### G.2 Bursary Scheme

Madam Speaker, Cabinet has also been considering other initiatives aimed at addressing the problem of a significant skills shortage in the Province. To this end, the Province will be introducing a **bursary scheme** in the coming MTEF to be centrally managed by the Office of the Premier. This scheme will be available to matriculants who have excelled in their matric examinations but cannot afford fees at institutions of higher learning. Seed funding for this purpose has been allocated to the Office of the Premier, but may be adjusted in the 2011/12 Adjustments Estimate budget should the demand exceed the current seed allocation. The Office of the Premier will give more details on how this scheme will operate during the tabling of Vote 1's budget.

### G.3 KwaZulu-Natal Financial Literacy Association

The Provincial Treasury, in partnership with the business community, non-profit and non-government organisations, academic institutions, regulating bodies and sister departments, has established the KwaZulu-Natal Financial Literacy Association to coordinate and implement **financial literacy** training to help improve the level of understanding of our communities on how to manage personal finances. I will say more on this initiative when I table Vote 6's budget.

## H. RESPONSIBLE SPENDING

### H.1 Infrastructure Crack Team

We have also noted with some disappointment, challenges related to slow spending of **infrastructure conditional grants**, in particular, in the Province. Under-spending of conditional grants is problematic because any unspent portion of a conditional grant has to be returned to national government. The result is less service delivery. To address this problem, Cabinet has endorsed the creation of a "crack team" that will assist the Province in unblocking all blocked infrastructure projects. This team of built environment experts will also assist with project



planning and monitoring, working jointly with the Infrastructure Delivery Improvement Programme (IDIP) team already deployed in the Province. I will give more details on the terms of reference of this team when I table Vote 6's budget speech.

## H.2 Assistance by the Provincial Treasury

The Provincial Treasury has put several measures in place to assist public institutions in:

- Spending on budget
- Obtaining clean audits
- Cutting unnecessary costs
- Getting value for money: Doing More With Less
- Dealing with corruption and deliberate wrong-doing.

By running a clean government we create an environment conducive to economic growth and prosperity.

I will elaborate on these measures in the Vote 6's budget speech.

**As I indicated earlier, the projections are that the Province will end the current financial year with no over-expenditure, an experience we have not had for the previous two financial years.** I therefore would like to thank the Premier and my colleagues in the Executive, as well as the Accounting Officers and Chief Financial Officers in all provincial departments for their commitment to the recovery plan. Lastly, we thank each and every official in government for contributing to the financial recovery of the Province – without team work, it could not have happened.

## CONCLUSION

Several role players have contributed in various ways in the preparation of the 2011/12 budget. I take this opportunity to express my gratitude to the Premier, Dr. Z.L. Mkhize and the entire Cabinet for the leadership and support demonstrated during the preparations of the 2011/12 MTEF budget. We are also indebted to Minister Pravin Gordhan for his wisdom and guidance on fiscal matters. The rest of Team Finance has also provided sound technical advice during this process.

The members of the Ministers' Committee on the Budget (MinComBud) have worked tirelessly alongside me in crafting the budget which I am tabling today. We engaged in lively debate on many complicated issues along the way, and this has added value to the budget process.

To the Chairperson of the Finance Portfolio Committee, Ms Belinda Scott and the rest of the Committee, we always have robust engagements with you, and we look forward to more fruitful discussions going forward.

I thank the Head of the Department, as well as all officials for ensuring that the budget documentation we are presenting today is of good quality – your dedication and commitment is always appreciated.

Lastly, Madam Speaker, I acknowledge members of various communities we have engaged with as part of our pre-budget road-shows for their inputs into some of the proposals we are tabling today. On the 10<sup>th</sup> of February we even engaged students at the University of KwaZulu-Natal on how the budget is prepared. I was pleasantly surprised by the level of insight these students have with regard to government programmes and look forward to further engagement with them.

It is now my honour to table the 2011 Appropriation Bill for the Province of KwaZulu-Natal for consideration in this House, together with the Estimates of Provincial Revenue and Expenditure. I invite Members of the Legislature to familiarise themselves with the budget documentation to ensure a robust debate on this Appropriation Bill in due course. Your contributions are most valuable and essential to a Provincial Budget which we can all support.

Thank you.

## NOTES

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