

**BUDGET SPEECH
2012/13**



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PROVINCE OF KWAZULU-NATAL
Budget address by Ms Ina Cronjé
MEC for Finance,
On tabling of the 2012 MTEF Budget in the Provincial Legislature

9 March 2012

We live in exciting times. Recently we have seen headlines, such as "Zuma hailed for \$40 billion railway, port scheme," "Gordhan's Budget speech 'shows SA ready for growth,'" "Premier puts KZN on an express train," and "KZN poised to boom."

This new energy and vigour was also reflected in the headline, "Tax collection beats estimates" – a feather in the cap for the South African Revenue Services and good news for government and its citizens as our development challenges require sufficient revenue. **The revised estimated tax revenue of R738.7 billion for 2011/12 is R10.1 billion higher than the estimate at the time of the 2011 Medium Term Budget Policy Statement.**

A. THE BUDGET: ROADMAP TO OUR FUTURE

Today I am tabling the 2012/13 Medium Term Revenue and Expenditure Framework (MTREF) for the Province of KwaZulu-Natal¹. More details can be found in the 2012/13 MTEF's Estimates of Provincial Revenue and Expenditure which I am also tabling as part of the budget documentation today.

In preparing a Budget the Provincial Treasury must ensure that we have enough revenue to cover expenditure, thereby providing sustainable service delivery to all our citizens.

The first step in achieving this is a sound and solid plan, "a good road map," which, according to the author H. Stanley Judd, "shows the final destination and usually the best way to get there."

Our plan must also be flexible enough to allow modification so that we can achieve our goals – like the "recalculating" option on a GPS that finds a different route to the same destination.

At the recently held Cabinet Lekgotla, the Provincial Growth and Development Strategy and Plan were presented. The Strategy and Plan may require the shifting of funds between votes to correctly align funds to certain functions as they appear in the documents. This requires some careful calculations to be undertaken and these movements of funds will therefore only be formalised in the 2012/13 Adjustments Estimate.

¹ 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.

B. CREATING KZN'S MONEY MAP

Arriving at our master plan, or budget, we are guided by the policies and priorities of our government as expressed in the manifesto of the governing party. These priorities, which have been integrated into the New Growth Path and proposed National and Provincial Development Plans, are translated into programmes which find expression in our budget. And as a pro-poor budget it has the potential to empower the marginalised to realise their economic, civil, political, social and cultural rights.

When evaluating budget proposals from different departments and drafting the budget, the Provincial Treasury is guided by government's priorities; as well as the revenue raising capacity and functional responsibilities of each sphere of government. Requests for additional funding are rated against the following seven criteria:

- Evidence that the initiative contributes to government policy priorities,
- Credible service delivery information,
- Alignment of the initiative to the core functions of the department,
- Evidence of cost-cutting without affecting service delivery,
- Evidence that the department underwent thorough reprioritisation with a view to fund part of an initiative from within its own budget,
- Evidence that the costing/initiative is realistic, and
- Evidence of adequate political involvement in the budget formulation process.

They say *"talk is cheap. But action is where the money is."* As I have quoted before, *"Don't tell me where your priorities are. Show me where you spend your money and I'll tell you what they are."*²

B.1 Economic Scenario

Of course no budget can exist in isolation of the prevailing economic conditions. Therefore the fiscal stance, whether expansionary or conservative, should be determined by such conditions, both domestically and globally. These conditions set parameters for the amount of tax revenue that can be collected in any given year for public spending.

The reality is that the global economic growth trajectory is likely to remain subdued for most of 2012. The financial crisis in the Euro Zone as a result of the sovereign debt burden in some of the Euro Zone countries is negatively affecting several emerging markets. Demand for imports from emerging markets remains subdued with the International Monetary Fund (IMF) expecting a slowdown in global growth from an estimated 3.8% in 2011 to 3.3% in 2012.

Given this uncertainty in the global financial markets, the National Treasury has had to revise South Africa's growth forecast for 2012 from 3.1% to 2.7% during the tabling of the Medium Term Budget Policy Statement (MTBPS) in 2011. But there is light at the end of the tunnel: The

² James W Frick.

average growth forecast accelerates to 3.6% in 2013 and 4.2% in 2014 as the world economy recovers and stronger domestic consumption and investment support job creation.³

This is still a far cry from the required 5% to 7% growth needed to achieve employment targets envisaged in the New Growth Path.

The KwaZulu-Natal economic performance during 2011 was marginally lower than in 2010 (3.32% in 2011 vs 3.36% in 2010), but slightly better than the national performance during 2011 (3.32% provincial vs 3.12% national). A quick overview of the provincial economy on a quarterly basis in 2011 indicates a continuous modest slowdown in growth performance during 2011. For example, in the first quarter of 2011, the economy registered a 4.06% growth rate. This declined to 2.93% in the fourth quarter driven largely by negative growth in the agriculture, mining and electricity and water sectors. However, there was also very modest growth in the various demand side sectors of the economy. Although the national and provincial growth experience during 2011 was slightly lower than in 2010 it could have been much worse given the international economic turmoil and uncertainty. For this we need to thank our sound policies and regulatory systems, especially as far as the banking sector is concerned.

There are encouraging signs of improvement in the labour market in the fourth quarter of 2011 with 52 000 more people working than in the third quarter of 2011. However, the unemployment rate increased slightly from 19.11% in the third quarter of 2011 to 19.33% in the fourth quarter in terms of the narrow definition of unemployment. In terms of the expanded definition, the unemployment rate (which includes the discouraged work seekers) dropped slightly from 36.80% in 2011's quarter three to 36.56% in quarter four.

From these figures it is clear why job creation is a priority. But they say when the going gets tough the tough get going – and that is exactly what South Africa and KwaZulu-Natal are doing. Through massive investment in infrastructure we are spending in a counter cyclical manner, thereby counteracting the negative impact of the global downturn in the economy.

Shifts in the global economy provide **considerable opportunities** for domestic growth and employment:

- With the commodity boom, South Africa as a major mining economy should be benefiting more.
- This is also the time to capitalise on the rising demand for agricultural and manufacturing goods, given the World Bank's projection that China could shed 85 million manufacturing jobs in future.⁴
- Emerging markets now account for more than 40% of global imports, exports and industrial production. South Africa is part of the second fastest growing region in the world; therefore it makes infinite sense to seize opportunities on our own continent. Like Finance Minister Pravin Gordhan said in his 2012 Budget Speech, "We should use the strength and sophistication of our financial system to truly turn our country into a gateway for investment into, and development of Africa."

3 National Treasury Budget Review 2012. P14

4 National Treasury Budget Review 2012. P17

To reduce unemployment and poverty on a mass scale, the economy needs more rapid and broad based growth. This requires action by government, business and labour to:

- Cut the cost of doing business
- Cut red tape
- Raise productivity
- Diversify exports
- Tap new markets, and
- Enhance regional integration.

Without these initiatives the **triple challenge of unemployment, poverty and inequality** will persist, and it is our task to ensure that this does not happen.

As far as tapping new markets is concerned, Brazil last year overtook the UK to become the sixth largest economy in the world. By 2016 the IMF expects BRICS⁵ economies to account for 24% of global GDP, up from only 7% in 1993, and China is projected to be the largest economy in the world based on purchasing power parity. Thus shifts in the global economy provide considerable opportunities for growth and employment in South Africa and on the African continent. South Africa can capture a greater share of the world market through focused efforts to achieve a competitive position in global production networks and supply chains.⁶

However, government also has to complement job creation by a well-designed social insurance framework, both as protection against unemployment and income vulnerability, and as part of the broader social wage.

B.2 The New Growth Path

A year ago the National Cabinet adopted the New Growth Path as a roadmap to job creation and on 11 November 2011 the draft National Development Plan was unveiled, setting out 13 key imperatives, which must inform our budget spend:

- Creating jobs and livelihoods
- Expanding infrastructure
- Making a transition to a low carbon economy
- Transforming urban and rural spaces
- Improving education and training
- Providing quality healthcare
- Building a capable state
- Fighting corruption and enhancing accountability

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

6 National Treasury Budget Review 2012. Pages 17/18.

- Transforming society and uniting the nation
- Creating an inclusive and integrated rural economy
- Broadening social protection
- Building safer communities
- Enhancing South Africa's role in relation to the region and the world.

B.3 Provincial Priorities

Our provincial roadmap is also informed by these imperatives, as well as some KwaZulu-Natal government specific priorities and commitments which I will elaborate on later in this speech.

B.4 Public Consultation

Job creation tops the list of demands of thousands of people who were consulted regarding the national and provincial budgets. In this regard the Provincial Treasury engaged with business and communities during post-budget business breakfast meetings and mass community meetings in Msunduzi, Msinga, Ulundi, St Lucia and Phoenix last year; as well as during the pre-budget roadshows for the 2012/13 MTEF in Umzimkhulu, Pongola, Nongoma, Pietermaritzburg and Imbali this year.

C. FINANCING THE 2012/13 BUDGET

Sources of funding

There are several sources of funding we use to finance this budget.

- The first source is the **equitable share allocation** from National Treasury. **Additional amounts of R556.151 million in 2012/13, R986.436 million in 2013/14 and R1.209 billion in 2014/15 are made available to the Province for specific national priorities**, including the carry-through costs of the 2011 wage agreement for Education and Health. I will indicate later how these amounts have been allocated. Over and above these amounts, the Province has also received **additional equitable share funding due to technical adjustments** in the data that informs the equitable share formula, as well as an additional amount largely for the carry-through costs of the 2011 wage agreement for all the other departments. **Amounts of R369.150 million in 2012/13, R599.939 million in 2013/14 and R1.089 billion in 2014/15 are therefore added to the equitable share.**
- Secondly, the Province has been able to **recall funding** that was allocated for specific projects and would no longer be required over the entire MTEF. For instance, Provincial Treasury capped its provision for interest on the overdraft at R50 million, which released some money; and some of the projects previously funded were once-off initiatives, such as renovations to His Majesty's palaces and Social Development's renovations at old age homes. There was also an overprovision to Public Works to implement the Government Immoveable Asset Management Act (GIAMA) in the 2011/12 budget. As a consequence of the above, **amounts of R40 million in 2012/13, R40 million in 2013/14 and R100.323 million in 2014/15 are now available for re-allocation.**

- **Growth in provincial own revenue** has also contributed to additional resources available in the Province to help finance the 2012/13 budget. **Consequently, additional amounts of R271.749 million in 2012/13, R341.551 million in 2013/14 and R383.834 million in 2014/15 are now available for allocation.**
- The Province will be financing certain once-off projects in 2012/13 using **provincial cash resources arising from in-year over-collection of own revenue in 2011/12, as well as the provincial under-spending that occurred in 2010/11.** More detail will be provided later in the speech.
- Finally, in line with National Treasury practice we have budgeted for a **Contingency Reserve Fund of R1 billion per year over the MTEF.**

In total, these sources of funding release R1.315 billion in 2012/13, R1.917 billion in 2013/14 and R2.789 billion in 2014/15.

Various **conditional grants** have also received additional allocations while others have been reduced. Total amounts added to conditional grants are as follows:

- An additional R141.330 million in 2012/13.
- An additional R85.153 million in 2013/14.
- An additional R1.255 billion in 2014/15.

D. PROPOSED ALLOCATION OF ADDITIONAL FUNDING

D.1 National priorities that have received additional allocations are indicated in Table 1.

- **Amounts of R654.546 million, R695.987 million and R740.106 million are allocated to cater for the carry-through costs of the 2011 wage agreement for public servants over the three MTEF years.** The largest portion of this allocation goes to **Education (R322.469 million in 2012/13, rising to R355.522 million in the outer year of the MTEF).** This is followed by **Health at R189.939 million in 2012/13, rising to R209.408 million in 2014/15.**
- **Education** receives **R246.406 million in 2013/14 and R421.667 million in 2014/15** for the **expansion of no-fee schools, as well as the universalisation of grade R.** The expansion of no-fee schools is aimed at improving access to education in the Province. This is part of government's commitment to progressively realise the provision of free primary education. The importance of an "early start" in the education system through Grade R is also acknowledged through the additional allocations made towards ensuring universal access to this grade in the public schooling system. Education also receives R83.844 million in 2012/13, growing to R110.906 million in 2014/15 to assist the Department with the spending pressures that exist in their personnel budget.

- **Social Development** receives **additional funding for Child and Youth Care and Victim Empowerment in the two outer years of the MTEF. This will enable the Province to increase the subsidies⁷ and the number of days the subsidy is paid to non-profit organisations providing early childhood care to 0-4 year olds.** The amounts allocated are **R151.593 million in 2013/14 and R164.559 million in 2014/15** and are to implement an integrated sector plan for child and youth care protection by integrating programmes for children and youth and continuing victim empowerment programmes.

The good news is that the total equitable share allocation for KwaZulu-Natal therefore grows from R67.803 billion in 2012/13 to R77.551 billion in 2014/15. This excludes conditional grants and provincial own revenue.

Table 1: Revisions to KZN's equitable share: 2012/13 MTEF

R thousand	2012/13	2013/14	2014/15
Provincial equitable share (as per 2011/12 MTEF)	66,877,612	70,992,966	75,252,544
Adjustment to baseline – data updates and health component changes in ES formula	194,478	413,251	893,268
Further adjustment to baseline by National Treasury	174,672	186,688	195,381
PLUS:			
Additional (new money)	556,151	986,436	1,209,910
<i>of which:</i>			
Inflationary Adjustments	556,151	588,437	623,684
Improvement in Conditions of Service: Education	406,313	435,342	466,428
Improvement in Conditions of Service: Health	149,838	153,095	157,256
Policy Priorities:			
Education	-	246,406	421,667
Expansion of no-fee schools	-	99,379	186,325
Universalisation of Grade R	-	147,027	235,342
Social Development	-	151,593	164,559
Child and Youth Care and Victim Empowerment	-	151,593	164,559
Total: Revised provincial equitable share for 2012/13 MTEF	67,802,913	72,579,341	77,551,103

⁷ Provinces are expected to pay a subsidy to approved early child care service providers of R15 per child per day for 264 days. This subsidy will assist providers to pay improved wages, purchase learner training and support material, provide improved nutrition and maintain facilities. Provinces should make provision for the Isibindi project to appoint Child and Youth Care workers that provide direct support to children in their homes at community level. The department's allocation has also been moderately increased for victim empowerment programmes which were previously funded by the European Union.

D.2 Allocation of Additional Funding

Please refer to Table 2 below.

- The **Office of the Premier** receives an **additional allocation of R103.831 million, R86.927 million and R100.109 million** over the MTEF to provide for expenditure on the following (among others):
 - **Operation *Sukuma Sakhe***: This allocation of R12 million in 2012/13 increasing to R14 million in the outer year is specifically for equipping the war-rooms at ward level. This amount must be ring-fenced and spent in accordance with a standardised list of essential equipment,
 - **Renovations to the Public Service Training Academy**, (2012/13: R10 million; 2013/14: R12 million; 2014/15: R15 million),
 - **Provision of water infrastructure and road infrastructure to the Luwamba clinic at Ntambanana** (2012/13: R20 million; 2013/14: R25 million; 2014/15: R30 million).

The Office of the Premier will elaborate on these projects when the Premier tables his budget.

- **Agriculture, Environmental Affairs and Rural Development** receives **R46.961 million, R101.356 million and R108.613 million** to provide for the following:
 - Expansion of the **fencing programme** (2012/13: R11 million; 2013/14: R12 million; 2014/15: R13 million).
 - **Irrigation schemes** (2012/13: R9 million; 2013/14: R10 million; 2014/15: R11 million).
 - **Road maintenance** by Ezemvelo KZN Wildlife in protected areas, as well as a contribution to the expansion of protected areas in the Province (2012/13: R12.513 million; 2013/14: R64.186 million; 2014/15: R68.685 million).

These investments in agriculture will ensure that rural development in the province is enhanced.

- Additional allocations are also made to **Economic Development and Tourism** to bolster:
 - **infrastructure investments particularly in logistics, agri-business and other investments managed by the Dube TradePort Corporation (DTP). Amounts of R50 million, R180 million and R220 million are allocated to DTP for this purpose over the three years.** This House will be pleased to know that **investments made at DTP over the years are already yielding positive returns.** The cherry tomatoes and cucumbers that are sold at some Woolworths outlets in the province actually come from the agri-zone at DTP;
 - the operational costs of the **Agri-business Development Agency (ADA)** (2012/13: R21.591 million; 2013/14: R22.851 million; 2014/15: R24.257 million); and
 - the **Tour of SA cycling events** hosted in the Province (2012/13: R4.684 million; 2013/14: R6.352 million; 2014/15: R6.733 million).

- **Our Cabinet has proposed that an allocation of R40 million per annum be made available over the 2012/13 MTEF to finance strategic projects that can profile and showcase the Province as an investment and tourism destination of choice internationally.** The allocation will be used to fund special events such as international sport tournaments that will draw international audiences and participants to the province. This allocation will be housed within the **Provincial Treasury Vote** and will be accessed as and when required, based on clear business plans that meet the criteria.
- Provincial Treasury also receives the carry-through costs for the **development of the Pietermaritzburg and Ulundi airports**. These projects are already under way and should be finalised in 2012/13. Further, Provincial Treasury receives an allocation over the MTEF for a **BEE verification exercise that will be undertaken on all service providers who do business with government** (R18 million over the 2012/13 MTEF).
- **An amount of R85.229 million is re-allocated back to Human Settlements** as a once-off in 2012/13. These are funds that were recovered from the liquidation process of Thubelisha Homes that were contracted by the department in one of their housing projects. Unfortunately, this developer went bankrupt while the project was underway. This re-allocation will supplement the existing Human Settlements Development grant that the Department manages.
- **Community Safety and Liaison** receives over the MTEF an **additional R2 million, R3 million and R4 million to strengthen community safety structures** as a means of fighting crime across all communities in the Province.
- **Co-operative Governance and Traditional Affairs** receives an **additional R12 million in 2012/13, R3 million in 2013/14 and R3 million in 2014/15** for **equipping the provincial disaster management centres** in KwaZulu-Natal to ensure readiness in the event of a disaster.
- **Amounts of R84.746 million, R134.316 million and R661.320 million are added to the Transport budget for the maintenance of the provincial road network.** This is in addition to the significant allocations that were already made in the 2011/12 budget for the same purpose. The additional funding given to Transport over the last few MTEF periods is a clear indication of the importance placed by the provincial government on **road infrastructure and maintenance as a means of opening up economic potential and stimulating rural development**.
- In addition, parts of the **learner transport** function are moved from Education to Transport. In line with this, **R106.081 million** is moved to Transport in 2012/13 for the continued roll-out of learner transport in the Province. Transport will be responsible for the route planning and management of operators, while Education remains responsible for the management and verification of learner numbers.
- For **Public Works, additional funds of R18 million** in 2012/13, rising to **R19.845 million** in 2014/15 are allocated. This allocation is meant to assist the department with **strengthening its internal technical capacity** to ensure that it is able to deliver public infrastructure on behalf of provincial departments. The idea is to reduce heavy reliance on external implementing agents for public infrastructure delivery. As the custodians of government property, Public Works should be the implementing agent of choice and this allocation will assist Public Works to secure a full complement of skills in the built environment to deliver on its mandate.

Table 2: Summary of all additional ES allocations - 2012/13 MTEF

R thousand	2012/13	2013/14	2014/15
Sources of funding			
Updates in ES formula	194,478	413,251	893,268
Additional funding from NT (earmarked for national priorities)	556,151	986,436	1,209,910
Additional funding from NT	174,672	186,688	195,381
Provincial reprioritisation	40,000	40,000	100,323
Provincial cash resources	130,824	-	-
Additions to Provincial Own Revenue	271,749	341,551	383,834
Setting budgeted surplus at R1 billion	(51,958)	(51,612)	5,291
Amount available for allocation	1,315,916	1,916,314	2,788,007
Allocated to:			
Office of the Premier	103,831	86,927	100,109
2011 wage agreement	1,260	1,323	1,389
LIV Orphanage	8,000	-	-
Public Service Training Academy (refurbish & renovate)	10,000	12,000	15,000
Merger of horseracing regulator into KZNGBB	17,571	18,604	19,720
Youth ambassadors	15,000	17,000	20,000
Youth ambassador training (SANDF)	20,000	-	-
Operation <i>Sukuma Sakhe</i> - equipping war rooms	12,000	13,000	14,000
Luwamba Clinic - provision for piped water & proper roads	20,000	25,000	30,000
Provincial Legislature	1,546	1,624	1,705
2011 wage agreement	1,546	1,624	1,705
Agriculture, Environmental Affairs & Rural Development	46,961	101,356	108,613
2011 wage agreement	9,408	9,878	10,371
Fencing programme	11,000	12,000	13,000
Irrigation scheme programme	9,000	10,000	11,000
EKZNW 2011 wage agreement	5,040	5,292	5,557
EKZNW – Road maintenance and protected area expansion	-	50,000	60,000
EKZNW – Road maintenance	12,513	14,186	8,685
Economic Development and Tourism	78,499	211,539	253,442
2011 wage agreement	2,224	2,336	2,452
Agri-business Development Agency - Operating costs	21,591	22,851	24,257
DTP - Infrastructure and development	50,000	180,000	220,000
UCI/BMX cycling events	4,684	6,352	6,733
Education	309,141	691,102	897,917
2011 wage agreement	322,469	338,592	355,522
Funding for <i>Comp. of employees</i> pressures	83,844	96,750	110,906
Expansion of no-fee schools	-	99,379	186,325
Universalisation of Grade R	-	147,027	235,342
Improving infrastructure support	8,909	9,354	9,822
Portion of Learner Transport to Vote 12	(106,081)	-	-
Provincial Treasury	91,116	44,585	44,913
2011 wage agreement	1,089	1,144	1,201
Pietermaritzburg airport (roll-over)	16,027	-	-
Ulundi airport	20,000	-	-
BEE verification	6,000	6,000	6,000
Strategic Cabinet initiatives	40,000	29,041	28,892
Improving infrastructure support	8,000	8,400	8,820

Table 2: Summary of all additional ES allocations - 2012/13 MTEF

R thousand	2012/13	2013/14	2014/15
Health	208,794	219,234	230,195
2011 wage agreement	189,939	199,436	209,408
Improving infrastructure support	18,855	19,798	20,787
Human Settlements	87,948	2,855	2,998
2011 wage agreement	2,719	2,855	2,998
Re-allocation of funds returned by Thubelisha Homes	85,229	-	-
Community Safety and Liaison	2,613	3,643	4,676
2011 wage agreement	613	643	676
Establishment of community safety structures	2,000	3,000	4,000
Royal Household	132	138	145
2011 wage agreement	132	138	145
Co-operative Governance and Traditional Affairs	17,956	9,254	9,567
2011 wage agreement	5,956	6,254	6,567
Disaster Management	12,000	3,000	3,000
Transport	205,543	149,767	677,544
2011 wage agreement	14,716	15,451	16,224
Portion of Learner Transport from Vote 5	106,081	-	-
Road maintenance backlog	84,746	134,316	661,320
Social Development	7,238	159,193	172,539
2011 wage agreement	7,238	7,600	7,980
Child and Youth Care and Victim Empowerment	-	151,593	164,559
Public Works	21,788	22,877	24,021
2011 wage agreement	3,788	3,977	4,176
Improving infrastructure support	18,000	18,900	19,845
Arts and Culture	3,162	1,674	1,758
2011 wage agreement	1,594	1,674	1,758
Guarantee received for termination of contract	1,568	-	-
Sport and Recreation	971	1,020	1,071
2011 wage agreement	971	1,020	1,071
Total additional allocation	1,187,239	1,706,788	2,531,213
Balance remaining ear-marked for Education	128,677	209,526	256,794
Budgeted Surplus	1,000,000	1,000,000	1,000,000

Let me remind this House of a substantial allocation that was made in the 2011/12 MTEF to **Arts and Culture**. In the 2011/12 MTEF process, **R106.148 million** was allocated in 2012/13 for the **Department to continue to take over library and museum functions from various municipalities in the Province**. This additional allocation rises to **R238.741 million** in the 2014/15 financial year.

D.3 Conditional Grants

As I indicated earlier, another source of funding for the 2012/13 MTEF is various conditional grants which are made available to the Province by national departments. There are a number of changes to the conditional grant allocations, and various reasons are given for these, including:

- the introduction of a few new grants,
- the reduction of some grants, and
- increases in other grants.

There does not always seem to be a clear pattern of increases or reductions per grant, and it seems that some grants are affected by National Treasury's decision to effect savings at a national level, while the same grants may have benefitted simultaneously from some form of baseline increase. To quote National Treasury's allocation letter: *"Taking into account the ability of provinces to implement projects effectively, reductions were effected to the baselines of a number of provincial conditional grants. It is therefore important that provinces focus on strengthening their capacity to roll-out priority programmes of government, infrastructure in particular. The baselines of the two EPWP grants were revised downwards and these funds were reprioritised to allow for other job creation programmes in government. The baselines of all other conditional grants were revised downwards to create savings."*

I will highlight a few important grants that have received additional allocations:

- The **National School Nutrition Programme** in Education receives **an additional R68.770 million in 2014/15;**
- Health receives a **Nursing Colleges and Schools grant**, which is a new grant with funding of **R16.480 million** in 2012/13 rising to **R29.454 million** in the outer year of the MTEF; and
- Another new grant in Health is the **National Health Insurance grant** with an initial allocation of **R33 million** in 2012/13 rising to **R110 million** in the outer year of the MTEF to begin the pilot phase of the national health insurance programme. The National Health Insurance grant will fund ten NHI pilots in the country. KZN's allocation is based on two district pilot sites and two central hospital pilot sites in the Province.

In aggregate, the province receives an additional R141.330 million in 2012/13, R85.153 million in 2013/14 and R1.255 billion in 2014/15 for various conditional grants. The bulk of the additional conditional grant allocation is for the National Health Insurance, Hospital Revitalisation, Comprehensive HIV and AIDS and Human Settlements Development conditional grants.

E. OVERVIEW PER VOTE FOR THE 2012/13 MTEF

Table 3: Summary of provincial payments and estimates by vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2008/09	2009/10	2010/11				2011/12	2012/13	2013/14
1. Office of the Premier	463,842	429,103	423,807	471,105	491,105	538,605	594,600	611,754	656,426
2. Provincial Legislature	247,649	288,238	310,909	374,702	401,373	401,373	402,377	422,871	448,227
3. Agriculture, Enviro. Affairs & Rural Dev.	1,752,824	1,970,012	2,045,856	2,460,585	2,481,989	2,481,989	2,653,834	2,857,997	3,018,973
4. Economic Development and Tourism	1,766,565	2,425,317	1,624,311	1,486,950	1,577,558	1,572,492	1,641,018	1,862,345	2,003,296
5. Education	22,991,742	26,230,746	28,746,616	32,618,276	33,227,001	34,301,590	34,764,633	37,159,915	39,523,694
6. Provincial Treasury	693,565	613,902	388,936	536,486	510,024	462,831	604,274	595,349	625,123
<i>Operational budget</i>	<i>492,298</i>	<i>434,989</i>	<i>364,300</i>	<i>523,962</i>	<i>463,962</i>	<i>416,769</i>	<i>515,865</i>	<i>541,867</i>	<i>570,892</i>
<i>Growth and Development</i>	<i>201,267</i>	<i>178,913</i>	<i>24,636</i>	<i>12,524</i>	<i>46,062</i>	<i>46,062</i>	<i>88,409</i>	<i>53,482</i>	<i>54,231</i>
7. Health	17,103,101	20,349,276	20,734,986	24,484,855	24,669,096	24,463,061	26,555,350	28,508,609	30,544,907
8. Human Settlements	1,876,146	2,492,647	3,089,237	3,053,315	3,084,991	3,084,991	3,300,935	3,465,289	3,641,059
9. Community Safety and Liaison	109,287	125,272	129,186	150,139	150,139	150,139	161,334	169,280	180,251
10. The Royal Household	47,853	40,407	50,627	55,028	60,643	60,643	59,566	64,203	55,334
11. Co-operative Governance and Traditional Affairs	1,020,672	1,023,420	1,014,392	1,138,289	1,155,995	1,155,995	1,208,003	1,262,467	1,337,973
12. Transport	5,025,223	5,164,996	5,958,923	6,573,729	6,628,044	6,628,044	7,418,873	7,764,144	8,723,942
13. Social Development	1,232,408	1,361,280	1,416,423	1,952,956	1,952,956	1,831,609	2,047,812	2,293,980	2,401,373
14. Public Works	731,259	796,169	1,114,209	1,220,407	1,267,970	1,212,841	1,311,171	1,387,173	1,460,500
15. Arts and Culture	253,289	259,157	349,369	364,856	369,818	369,818	470,392	612,434	659,163
16. Sport and Recreation	213,267	239,342	276,740	358,333	358,333	358,333	377,288	397,223	420,696
Total	55,528,692	63,809,284	67,674,527	77,300,011	78,387,035	79,074,354	83,571,460	89,435,033	95,700,937

E.1 Education

The largest portion of the budget goes to Education. **The Education budget is set to increase from R33.227 billion in the 2011/12 Adjusted Appropriation to R39.524 billion in 2014/15.** This shows an average annual nominal growth of 6% and 0.6% in real terms. This is to promote quality basic education and a skilled and capable workforce. The budget allocated to Education pays for the following, among others:

- **Teachers and the teaching process**

There are a number of interventions **to improve the rate at which new, young and appropriately trained teachers enter the teaching profession.** These include the placement of *Funza Lushaka* bursary holders into schools, the awarding of bursaries to non-employees for them to pursue a teaching career, and the upgrading of unqualified and under-qualified educators who are already in the system.

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

In future, all new schools will have fully equipped kitchens as part of their basic design. It is intended that economic spin-offs, which have so far been generated by the programme, are extended. **The programme is expected to reach almost 2 171 071 learners in 2012/13, representing 84.4% of the total number of learners enrolled in public ordinary schools.**

- **No-fee school policy**

The No-fee policy, which now applies to 4 739 schools, means that the majority of learners have access to free education. The schools in the **upper quintiles**, which **grant fee exemptions to poor learners**, will continue to benefit from the re-imbusement programme, provided that they meet certain criteria.

E.2 Health

The budget allocated to the Department of Health increases from R24.669 billion in 2011/12 to R30.545 billion in 2014/15. This is the second highest share of the provincial budget and this reflects an annual average growth of 7.4% in nominal terms and 2% in real terms.

This budget will be used for priorities, such as:

- **Transformation of health services**

The transformation of health services is paramount in meeting the increasing demands of health care users and to prepare for the implementation of the National Health Insurance (NHI).

- **Continued focus on national and provincial priorities**

In line with the stated outcome of *a long and healthy life for all South Africans*, the budget will continue to be focussed on key national and provincial priorities that support government's goal of improving the public health care system.

Such priorities include attainment of the following outputs over the MTEF:

- *Output 1: Increasing life expectancy at birth;*
- *Output 2: Decreasing the Maternal and Child mortality rate;*
- *Output 3: Combating HIV and AIDS and decreasing the burden of diseases from TB; and*
- *Output 4: Strengthening the health system's effectiveness.*

Other new specific priorities and concrete interventions funded in 2012/13 include:

- Training and development for managers and other categories of staff with a focus on, among others, financial, administration and IT skills;
- Investment in medical equipment and related facilities, including the purchase of a minimum of two obstetric ambulances per district;

- Establishment of maintenance teams to carry out routine scheduled preventative maintenance in all health facilities; and
- Enhancing Emergency Medical Services (EMS), including the purchasing of ambulances.

E.3 Transport

The budget allocated to the Department of Transport increases from R6.628 billion in 2011/12 to R8.724 billion in 2014/15 which shows an average annual growth of 9.6% in nominal terms and 4.1% in real terms.

The Department will continue with the **road upgrade and construction programme that supports the corridors of the primary and secondary development nodes.**

The Department plans to:

- Use labour-intensive construction methods in order to create employment and will continue to give preference to local suppliers of goods and services, and undertake work using local *Vukuzakhe* contractors as far as is possible in order to support growth of the local economy;
- Construct 855 kilometres of gravel road over the MTEF, and to rehabilitate 615 kilometres of surfaced roads;
- Build 13 pedestrian bridges per annum; and
- Transport 13 000 learners per annum to school.

In achieving this, the department will **employ people, in line with the EPWP principles, and will thus create 5 570 000 person days of work per annum over the MTEF.**

E.4 Human Settlements

The budget of the Department of Human Settlements increases from R3.085 billion in 2011/12 to R3.641 billion in 2014/15, which is an average annual increase of 5.7% in nominal terms and 0.4% in real terms.

To achieve its strategic goals of

- Eradicating the slums in KZN,
- Accelerating housing delivery in rural areas, and
- Providing housing for vulnerable groups,

The Department provides strategic leadership through developing provincial frameworks, such as the KZN Sustainable Human Settlements Strategy and the KZN Informal Settlements Strategy, while also ensuring that all municipalities have Municipal Sector Plans for housing developments (as part of Integrated Development Plans (IDPs)).

E.5 Agriculture, Environmental Affairs and Rural Development

The budget of the Department increases from R2.482 billion in 2011/12 to R3.019 billion in 2014/15, which is an annual average increase of 6.7% in nominal terms and 1.4% in real terms. The Premier announced in his State of the Province address that the Agri-business Development Agency will be re-assigned from the Department of Economic Development and Tourism to the Department of Agriculture, Environmental Affairs and Rural Development. The Rural Development function will move from the Department of Agriculture, Environmental Affairs and Rural Development to the Office of the Premier. Provincial Treasury is currently engaging with the affected departments to ascertain the exact amount of funds which need to be moved, as funds follow function. This requires some "number crunching" and the movement of funds will therefore be formalised during the 2012/13 Adjustments Estimate.

The core functions of the Department include **crop production, livestock production, rural development, environmental management and conservation services**.

In 2012/13 the Department plans to:

- unlock the potential of agricultural land through the mechanisation programme, with the aim of ploughing and planting a further 15 000 hectares;
- implement the second phase of the liming programme with a further 4 900 hectares of land to be limed;
- establish reliable irrigation production sites in rural areas of the Province, mainly in the districts of Ugu, Sisonke, Ilembe and uThungulu. **The rehabilitation of existing, as well as new irrigation schemes will therefore be a focus point for 2012/13, aimed at improving crop production;** and
- address livestock challenges, such as a low reproduction rate, a high mortality rate, parasites, insufficient health and grazing management, stock theft and insufficient marketing infrastructure. Additional funding will be used to fence communal/traditional agricultural land to ensure that livestock does not gain access and destroy crops, and to reduce the risk of theft. The Department's diptank rehabilitation programme will link into this programme.

E.6 Social Development

The budget of the Department of Social Development increases from R1.953 billion in 2011/12 to R2.401 billion in 2014/15, which is an annual average increase of 7.1% in nominal terms and 1.8% in real terms.

- The Department plans to increase the number of older persons accessing community based care and support services from 13 493 to 23 505;
- Capacity building sessions on the Older Persons Act and abuse of older persons will be held with NPOs and government departments;
- The Department will focus on the filling of vacant posts and the accreditation of service providers for the effective implementation of the Child Justice Act, as well as capacity development on pre-sentence investigation reporting; and

- To expedite the implementation of the Children's Act, the Department plans to:
 - increase the staff dedicated to partial care services;
 - appoint data capturers dedicated to the facilitation of Early Childhood Development (ECD) and EPWP training;
 - undertake ECD awareness programmes;
 - call for proposals from NGOs to render services for new programmes; and
 - appoint additional staff at cluster and service offices and child care facilities.

E.7 Economic Development and Tourism

The Department's budget allocation increases from R1.578 billion in 2011/12 to R2.003 billion in 2014/15 showing nominal growth of 8.3% and 2.9% in real terms.

The Department will:

- facilitate strategies to enhance the competitiveness of the priority sectors of the economy, in line with its industrial development strategy;
- promote the development of small business and social enterprises and facilitate economic empowerment programmes;
- provide an effective and efficient consumer protection service and ensure effective and prudent business regulation in the Province; and
- regulate the liquor industry through the KZN Liquor Entity.

The budget also provides for:

- a transfer to the Dube TradePort for further development of the airside and landside service provision and expanding air to road trucking operations to Johannesburg, Cape Town and Port Elizabeth;
- commencement of a regional route network service with a regional carrier to identified commercial centres in the South African Development Community (SADC);
- commencement of the development of the general aviation and Maintenance, Repair and Overhaul (MRO) facilities; and
- expanding the agri-zone by bringing more greenhouses into operation and developing a new packhouse.

E.8 Public Works

The budget of the Department of Public Works increases from R1.268 billion in 2011/12 to R1.461 billion in 2014/15, reflecting an average annual nominal growth of 4.8% and -0.4% in real terms.

This budget provides for:

- the payment of **property rates**;
- the implementation of the Government Immoveable Asset Management Act (GIAMA), the **management of immovable assets** (including the vesting/registration of state properties in order to ensure completeness of the Fixed Asset Register); and
- the **co-ordination of the KZN Integrated Greening Programme**, which is a partnership programme led by the Office of the Premier, focusing on greening activities through employment creation for unskilled people. The programme aims to develop and implement a comprehensive plan, that will support a wide range of community based greening activities, including:
 - Treepreneurs – growing and planting indigenous and edible plants;
 - Wastepreneurs – collecting recyclable waste;
 - Greenpreneurs – trading bicycles, water tanks, solar energy devices; and
 - Reforestation projects – restoring community forest assets.

E.9 Co-operative Governance and Traditional Affairs

The budget of the Department increases from **R1.156 billion in 2011/12 to R1.338 billion in 2014/15**, showing an average annual increase of 5.0% in nominal terms and - 0.3% in real terms.

- With the local government elections having taken place and new councillors having been elected, the focus in 2012/13 will be to ensure that the **newly elected councillors are well equipped** to play their oversight role.
- The Department will continue with the implementation of **Operation Clean Audit** by reviewing the provincial plan of action, establishing political oversight and technical steering committees, providing technical hands-on support to municipalities in developing individual audit response plans to address issues raised by the A-G and provide programmatic support to address common audit shortcomings.
- Consequent to the review of national infrastructure backlog eradication targets set for each sector for 2014, the Department will embark on a process of developing a **comprehensive infrastructure plan, incorporating the sector and spatial plans**. This will assist not only in planning for the basic service delivery needs of households, but also to plan for the economic development needs in order to attract more investments in the Province.
- The focus will also be on **small town regeneration** that aims to strengthen the social and economic links between rural areas and small towns/urban centres by uplifting the image and infrastructure in identified small rural towns and nodes to enhance existing, and attract new economic opportunities.
- Other objectives of the Department are to invest in activities such as **corridor development that create jobs, increase the income spent locally, increase income invested in the town centres, increase broad based taxes and levies, promote effective and efficient governance, reduce poverty and improve utility services**. The Department will also focus on big urban centres in an attempt to promote economic growth through urban renewal and regeneration to address rural-urban migration trends.

E.10 Provincial Treasury

The budget allocation for Provincial Treasury increases from R510.024 million in 2011/12 to R625.123 million in 2014/15 which is an annual average nominal growth of 7.0% and 1.7% in real terms.

This allocation will fund a number of initiatives, including:

- The development of the Pietermaritzburg and Ulundi airports;
- The deployment of the Infrastructure Crack Team to various sector departments. This in turn will assist in increasing the delivery capacity within sector departments in respect of project management and implementation, identification and unblocking of blockages that hamper project delivery, as well as strengthening capacity in departments through skills transfer;
- Establishing Contract Management systems;
- Establishing Municipal Bid Appeals Tribunals;
- Conducting a BEE Verification exercise;
- Supporting Municipalities through the Municipal Support Programme;
- Enhancing Sound Cash Management;
- Identification and review of key financial controls;
- Conducting fraud risk reviews and assessments; and
- Conducting Financial Literacy programmes.

E.11 The Office of the Premier

The Office of the Premier's budget allocation increases from R491.105 million in 2011/12 to R656.426 million in 2014/15. This is an average annual increase of 10.2% in nominal terms and 4.6% in real terms.

This allocation caters for the continued implementation of the Youth Ambassadors programme which aims to develop youth who will conduct provincial household surveys to profile the needs of the communities. The youth ambassadors will also assist in the mass implementation of other government programmes, such as:

- awareness campaigns on HIV and AIDS,
- healthy lifestyle promotion,
- the One Home, One Garden programme,
- the Back to School initiative, and
- Financial Literacy training.

A total of 1 966 youth ambassadors are expected to be employed by the end of 2012/13.

In the 2012/13 MTEF, the key focus areas in implementing the Operation *Sukuma Sakhe* model in all 11 districts is to create a model on sharing of costs of key flagship programmes, co-ordinate and monitor the involvement of youth in behaviour change and their development, monitor and evaluate interventions on food security, focus on the empowerment of women and youth, improve government's ability to reach all wards especially in rural areas, as well as equip 400 war rooms with computers, furniture and connectivity, in accordance with prescribed norms.

Key areas of focus of the Provincial Planning Commission will be on the completion of the Provincial Growth and Development Plan, i.e. the implementation framework for the PGDS, and the establishment of institutional structures tasked with the implementation of this plan.

E.12 Provincial Legislature

The budget of the Provincial Legislature increases from R401.373 million in 2011/12 to R448.227 million in 2014/15, which is an annual average growth of 3.7% in nominal terms and -1.4% in real terms.

This allocation provides for:

- the remuneration of the Members of this House,
- public participation events aimed at improving interaction with the citizens of KZN, and
- effective oversight over organs of state in the Province.

E.13 Arts and Culture

The budget of the Department of Arts and Culture increases from R369.818 million in 2011/12 to R659.163 million in 2014/15, showing nominal growth of 21.2% and 15.2% in real terms.

This allocation contains substantial funding towards the phased-in provincial take over of public libraries and museums.

The Department plans to continue the implementation of programmes aimed at:

- developing artists,
- theatre development,
- film and video development,
- developing artists in school,
- craft and visual arts skills development, and
- offering master classes by professional artists to community members.

To encourage social cohesion and nation building, the Department will host:

- inter-generation and inter-cultural dialogues;
- multi-cultural programmes; and
- community festivals in all districts.

Other programmes are as follows:

- Moral regeneration will be addressed through the implementation of programmes aimed at encouraging behavioural change and addressing social ills such as HIV and AIDS and substance abuse;
- A further ten libraries will receive internet access services for the public;
- 40 public libraries will be automated on the SITA Library Information Management System (SLIMS) to provide the public with wider resources and library material;
- There are plans to introduce e-book access in libraries in line with the department's goal of keeping up with the latest innovations in reading;
- Innovative digital services to the blind will be introduced in seven libraries during the year, with support from the National Library for the Blind;
- Art centre libraries will be established on three sites to provide information to local artists;
- In 2012/13 construction will begin on a new library at Maphumulo, which will include three additional study libraries. This library will provide learning material and offer internet access, with the possibility for extension as demands and services grow;
- A study library prototype is to be used as a cost effective model for increasing access in smaller centres. Three such libraries are to be established in 2012/13;
- A public library will be built at Ndumo, incorporating a school of excellence with boarding and other facilities for an orphan village project – a government project co-ordinated by the Office of the Premier.

E.14 Sport and Recreation

The Department of Sport and Recreation's budget increases from R358.333 million in 2011/12 to R420.696 million in 2014/15, showing average annual nominal growth of 5.5% and 0.2% in real terms.

- In 2012/13, the Department will focus on creating an environment for sport and recreation starting with mass participation in communities and schools;
- The Department will continue implementing the Province's competitive sports strategy by investing in the development of identified athletes to ensure progress from broad based mass participation to provincial, national and international competitions; and
- The Department will work closely with tertiary institutions, in an effort to ensure that disadvantaged athletes can access their programmes and enjoy the benefits of scientific testing, medical screening, competition, nutritional support and high performance training.

E.15 Community Safety and Liaison

The budget allocation of the Department of Community Safety and Liaison is set to grow from R150.139 million in 2011/12 to R180.251 million in 2014/15, which is an annual average nominal increase of 6.3% and 1.0% in real terms. This allocation provides for:

- the evaluation of police service delivery and compliance with national policy standards,
- oversight of the establishment and functioning of Community Policing Forums (CPFs) at all police stations in the Province,
- the execution of social crime prevention programmes at provincial and local level, and
- the implementation of the Volunteer Social Crime Prevention Programme (VSCPP).

E.16 Royal Household

The Royal Household's budget allocation decreases from R60.643 million in 2011/12 to R55.334 million in 2014/15. This reduction is due to the once-off allocation from 2011/12 to 2013/14 for the rehabilitation and renovations of the palaces. This funding comes to an end in 2013/14, in line with project requirements.

In the 2012/13 MTEF provision is made for His Majesty, the King to continue to participate in government ceremonies and events, install Amakhosi, host the First Fruits ceremony and the Reed Dance ceremony, among others. There is also provision for His Majesty to undertake both national and international trips as a business ambassador of KZN, and to be involved in crop and animal production.

F. PLANNED INFRASTRUCTURE SPENDING

This budget **addresses both social infrastructure development as well as economic infrastructure. It is a budget that will stimulate economic growth and employment creation in the Province.** The importance of infrastructure investments has been articulated in the 2012 State of the Nation Address by the President. It is imperative for KwaZulu-Natal to play its part by investing in its own infrastructure. Therefore, **the Province is budgeting to spend R13.451 billion in 2012/13, rising to R15.556 billion in 2014/15 on various infrastructure projects.**

Furthermore, funding has been allocated to the Province according to guidelines provided by National Treasury **for improving infrastructure support in Provincial Treasury, Education, Health and Public Works. This allocation will be used to strengthen the organisational capacity required to improve infrastructure delivery.** In line with this, the Minister of Public Service and Administration is expected to issue a directive on the organisational structures required for supporting infrastructure delivery in these departments.

Key infrastructure projects over the 2012/13 MTEF include:

F.1 Provincial Treasury

The development of **the Pietermaritzburg and Ulundi airports** will continue. These projects receive funding of R16.027 million and R20 million, respectively in 2012/13.

- The Pietermaritzburg airport development in 2012/13 includes the establishment of a new terminal building, a new apron and link taxiways and a hangar development;
- The main objective in developing the Ulundi airport is to achieve and maintain Category 4 status for the airport. The capital injection of R30 million (R10 million allocated in 2011/12 and the balance of R20 million in 2012/13) is to upgrade the main runway, upgrade fire and rescue facilities, upgrade the terminal building and to install landing and navigation systems. As a result of this capital injection, scheduled flights between Pietermaritzburg and Ulundi will commence on 21 March 2012, with a stop at Durban's Virginia Airport soon to follow.

F.2 Transport

The Department of Transport plans to spend R16.959 billion over the 2012/13 MTEF on numerous infrastructure projects. The key focus area of the 2012/13 MTEF is **the maintenance backlog, with a particular focus on the main corridors that will be the core stimuli of the economy, namely:**

- **Roads of national importance**, such as the P318 Sani Pass, which is the only road link between KZN and Lesotho. Phase 1 comprises of upgrading 14 kilometres of gravel road to blacktop standards, of which approximately seven kilometres have been upgraded to date. The remaining seven kilometres will be completed over the 2012/13 MTEF;
- **The African Renaissance Roads Upgrading Programme (ARRUP)**, which encompasses the upgrading of roads to blacktop standard. The following are some projects currently in progress:
 - Main Road P700 located between Ulundi and Empangeni. The project entails the upgrading of 95 kilometres of gravel road to a blacktop surface. Approximately 32 kilometres have been completed to date, and the remaining 63 will be completed over the 2012/13 MTEF,
 - Main Road P230 from Empangeni to Eshowe. The project entails the upgrading of 31.3 kilometres of gravel road to a blacktop surface and the construction of one underpass road;
- The Operation *KuShunquthuli* programme focuses on **transport infrastructure development in rural areas**. The Department has identified key projects that will stimulate growth by linking rural communities to the provincial hubs of activity. Some of the projects include the following:
 - Main Road P127 from Impendle to Himeville. The project entails the upgrading of 55 kilometres of gravel road to a blacktop surface, of which 16 kilometres have been completed to date,

- Main Road P73 between Sipofu and Ixopo. The project entails the upgrading of 75 kilometres of gravel road to blacktop standards, of which 10 kilometres have been completed, and a further 13 kilometres to be completed by the end of March 2012. The balance of 52 kilometres will be upgraded over the 2012/13 MTEF; and
- The **Pedestrian Bridge Programme** which was implemented with the aim of ensuring that communities have access to schools, health facilities and amenities. The department will construct 13 pedestrian bridges per annum over the MTEF.

F.3 Health

The Department of Health's infrastructure budget over the 2012/13 MTEF is R6.116 billion. The Department will use this allocation for various projects, including:

- the re-building of the greater Edendale hospital complex, and the design and construction of the Dr John Dube and Dr Pixley kaSeme district hospitals. The Department will also commence, in partnership with the KZN Children's Hospital Trust, the rehabilitation of the children's hospital in eThekweni;
- the rehabilitation, renovation and maintenance of its existing Health facilities. This includes the upgrading of the accident and emergency unit at Addington, new casualty/trauma units at various district hospitals in the Province, the upgrading of various general and TB wards at district hospitals, routine maintenance at health institutions, among others; and
- the construction of the Madadeni Psychiatric Hospital in Newcastle, as well as a Provincial Pharmaceutical Supply depot which is essential for holding sufficient stock.

F.4 Human Settlements

The Department of Human Settlements will spend R9.098 billion over the 2012/13 MTEF on various infrastructure projects.

- The Department will focus its attention on the 17 municipalities with the highest prevalence of informal settlements in the Province, and will prioritise those that are located in areas closest to opportunities that will give rise to the establishment of new settlements, new towns and new economic opportunities, and will focus on finding well-located and appropriate land.
- The *Vulindlela* rural housing development project accelerates housing delivery in rural areas and is expected to have a yield of 25 000 units over the long-term (construction is anticipated to be completed by 2017). The Department anticipates building 2 908 units in 2012/13 in respect of this project.
- The Cornubia project is designed to implement integrated sustainable human settlements, while also contributing to the upgrading and eradication of informal settlements. The planning of Cornubia is based on the principles of sustainable development with higher densities, the integration of a wide range of income levels, employment and economic opportunities, provision of schools, clinics and other social facilities, viable non-motorised and public transportation and extensive open spaces. Cornubia will continue to be implemented in 2012/13, with 653 sites and 647 houses projected to be procured and constructed, respectively.

F.5 Education

The Department of Education is budgeting to spend R7.560 billion over the 2012/13 MTEF on various infrastructure projects.

This allocation will be used to address the backlogs in the provision of classrooms, toilets, computer rooms, laboratories and media centres.

- The Department will continue to implement existing infrastructure programmes, and initiate new programmes based on new needs and new policy directives. In this regard the Department will address issues of over-crowding over the 2012/13 MTEF, renovate schools to accommodate learners with special needs, provide boarding facilities, as well as office accommodation.
- Funding for maintenance and repairs, which has previously not been allocated sufficient funding, grows substantially over the 2012/13 MTEF.
- Furthermore the Department has registered an intention to enter into a Public Private Partnership (PPP) arrangement for schools and offices. The project is intended as a pilot and will encompass the design, delivery, rehabilitation, as well as maintenance and funding over the life span of the assets.

Co-ordinating infrastructure investments and delivery:

To ensure that there is co-ordination in infrastructure investments and delivery:

- **The Province has established an infrastructure co-ordination work group led by Public Works and representing all infrastructure delivery agents including national state-owned enterprises.** The main objectives of this work group are to ensure alignment of infrastructure plans of local, provincial and national government, assist in removing blockages in infrastructure projects, and provide technical support to ensure infrastructure delivery;
- **This work group will work closely with the existing Infrastructure Crack Team located in Provincial Treasury;** and
- It will also use expertise from the **Infrastructure Development Improvement Programme (IDIP), managed by the Provincial Treasury.**

G. OTHER INITIATIVES

G.1 Central Bursary Fund

As part of its effort to strengthen investment in human capital, KwaZulu-Natal introduced a **post-secondary school bursary scheme in 2011/12 managed by the Office of the Premier.** An initial allocation of R7 million was made for this purpose. However, the demand from deserving students is very high. There is therefore a need to establish a centralised Bursary Fund for the Province that will be co-ordinated by the Office of the Premier, working with other Departments. Funding will be sourced from various departmental bursary allocations and consolidated into one central Bursary Fund. I will give more details on this Fund in the 2012/13 Adjustments Budget.

G.2 The Green Economy

The Green Climate Fund, which was initially discussed at Cancun in 2010, formed a large part of the negotiations at COP 17. This fund, which is worth approximately US\$100 billion a year for green projects, is a funding mechanism to assist developing countries – more specifically the least developed countries – with mitigation of and adaptation to climate change effects.

The Department of Agriculture, Environmental Affairs and Rural Development will promote awareness among relevant stakeholders to access the funds when they are made available by the United Nations Framework Convention on Climate Change (UNFCCC). In this regard, potential beneficiaries will be encouraged to align their projects to the Framework's requirements.

G.3 KwaZulu-Natal Financial Literacy Association

The establishment of the KwaZulu-Natal Financial Literacy Association by the Provincial Treasury a year ago was timely and a win-win situation for all parties. To date the Association has 70 participating entities, ranging from private sector entities, parastatals, regulatory bodies, academic institutions as well as government departments, in particular the Office of the Premier and the Departments of Education and Economic Development and Tourism. (I will elaborate more in the Treasury Budget Speech on Vote 6.)

H. CONTINGENCY RESERVE

Having allocated additional funding to all departments, the provincial fiscal framework remains with a surplus budget of R1 billion annually for the 2012/13 MTEF. **Providing for a contingency reserve has become a norm in KwaZulu-Natal and will remain so in the foreseeable future – in line with National Treasury practice. This reserve has been used in previous years to fund unforeseeable expenditure such as above-budget wage agreements.** Therefore it is fiscally prudent to retain a contingency reserve in our provincial baseline.

However, I must hasten to indicate that **this reserve is not meant to be a bail-out in cases of poor budget management, but a cushion for unforeseeable expenditure.** I therefore call on all departments to exercise prudent budget management as articulated in the PFMA and underlined by our own cost-cutting measures, without fear or favour.

Having said this, and as can be seen in Table 2, the Province is setting aside R128.677 million in 2012/13, R209.526 million in 2013/14 and R256.794 million in 2014/15 for possible allocation to Education for the spending pressures in its personnel budget. These pressures were brought about by the **filling of numerous unfunded posts, as well as prior years' under-funding with respect to the various wage agreements, and the concomitant carry-through costs.**

The funds set aside for possible allocation to Education will only be allocated once the Department's cost containment plan begins to bear fruit, thus indicating a clear commitment on its part.

CONCLUSION

I conclude by emphasising a few important points that are relevant to this year's budget. Firstly, it would not have been possible to finance various provincial government priorities if this Province had not:

- Realised savings in the previous financial year
- Budgeted for a reserve, and
- Ensured that the bank account remained positive, thus accruing interest.

It is therefore important that we maintain the **fiscal austerity measures** that were approved by Cabinet in October of 2009. Some departments are slowly slipping back into bad habits and wastage. We cannot afford to do so. In the words of the Premier, "*Forward with austerity measures – Backward Never!*"

Secondly we need to be vigilant in managing our personnel budgets, particularly the *Compensation of Employees*. It has become apparent that some departments employ additional personnel without the associated budget. This practice must stop. There must be no new appointments without budgets – it is clearly unauthorised expenditure and therefore against the PFMA. **We will not hesitate to enforce the law where necessary.**

The same applies to those guilty of fraud and corruption. We are not going to beg you to be honest and do the right thing. Do the right thing or else you will face the full might of the law. I will elaborate more on this in my Provincial Treasury Vote 6 Budget Speech.

Lastly, several role players have contributed to ensure that we are able to table the 2012/13 budget today:

I express my gratitude to the Premier, Dr. Z.L. Mkhize and the entire Cabinet for the leadership and support demonstrated in ensuring that KwaZulu-Natal remains financially sound.

We are indebted to Minister Pravin Gordhan and National Treasury officials for their wisdom, guidance and technical support.

The members of the Ministers' Committee on the Budget (MinComBud) have also 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 which has added to the value of the documents I am presenting.

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 fruitful discussions going forward. Thank you for your support and commitment to place financial management in our Province on a solid footing.

I also thank the Heads of Departments, Chief Financial Officers and all provincial government officials for the role that they have played in ensuring that our Province is once again "in the black." Let us all re-commit ourselves to keep it like that.

Our Provincial Treasury Team Finance and my own support staff have worked with dedication and enthusiasm to ensure that the end products before us today are of a high quality. Thank you for your professionalism and excellent support.

Our Province is poised to boom. Let us all commit ourselves to spending our tax payers' money wisely.

Thank you.

