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**PROVINCE OF KWAZULU-NATAL**  
**Budget address by Ms Ina Cronjé**  
**MEC for Finance,**  
**On tabling of the 2014 MTEF Budget in the Provincial Legislature**  
**11 March 2014**

**CELEBRATING 20 YEARS OF DEMOCRACY**

This year we are celebrating 20 years of democracy. As we celebrate, we tell our story.

For the vast majority of South Africans, our country is today a much better place than it was 20 years ago. In the space of one generation we have made enormous strides.

The average income of South Africans which declined by 15% in the last decade of apartheid rule, has increased by over 30% since 1994 when the democratic government came into power.

We pay tribute to our great leader Nelson Mandela and those who came before him for the tremendous role they had played in writing the story of our democracy - and what a story:

We have achieved beyond expectations:

- A stable democratic country at peace with itself.
- The economy has created 5.9 million jobs since 1996.
- In the last 19 years, the South African economy grew by 77% in real terms.
- Near-universal school enrolment and the steady increase in average years of education have improved the life prospects of millions of South Africans. University enrolment has doubled.
- Access to basic services has grown rapidly.
- There has been a significant increase in black participation in the economy, most visible in the transformation of the middle class.
- Black ownership of the Johannesburg Stock Exchange (JSE) listed shares increased from 5% in 1995 to 21% in 2012. The percentage of executive managers who are black (both public and private sector) increased from 13% in 2000 to 32% in 2012, and senior managers who are black increased from 19% in 2000 to 39% in 2012. Africans now make up the majority of South Africa's middle-class.
- Well-regulated and well-managed financial institutions are able to respond to changing global conditions,

to mention a few.

But Madiba reminded us that *"none of us acting alone can achieve success. We must therefore act together as a united people for national reconciliation, for nation building, for the birth of a new world. Let there be justice for all. Let there be peace for all. Let there be work, bread, water and salt for all. Let each know that for each the body, the mind and the soul have been freed to fulfil themselves."*<sup>1</sup>

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1 Union Buildings, Pretoria. 10 May 1994.

Of course, we are aware that our job is not done. We have had 20 years of progress but profound challenges remain. Partnerships are needed to overcome entrenched structural unemployment and more effective social services and rapid job creation are needed to overcome severe inequality of income and opportunity.

We welcome all our stakeholders in the public gallery who are with us today to share our three year budget plan for the Province that will help us achieve even more. Our budget is a well considered financial plan that must be implemented consistently over time with a long term outlook on creating wealth by addressing inequality, poverty and unemployment.

## **A. THE BUDGET: A GOOD STORY TO TELL**

Today I am tabling the 2014/15 Medium Term Revenue and Expenditure Framework (MTREF) for the Province of KwaZulu-Natal.<sup>2</sup> More details can be found in the 2014/15 MTEF's *Estimates of Provincial Revenue and Expenditure* which I am also tabling as part of the budget documentation.

Over the past 20 years, South Africa has built a solid foundation on which to address its challenges. Laying the basis for a new, more inclusive growth path, the National Development Plan (NDP) increasingly guides the allocation of public resources.

Our budget must therefore progressively realise our goals, namely:

1. Job Creation
2. Human Resource Development
3. Human and Community Development
4. Environmental Sustainability
5. Strategic Infrastructure
6. Good Governance and Policy
7. Spatial Equity

To give effect to the NDP, Departments and Public Entities must demonstrate that their budgets are informed by the National Development Plan, as well as provincial priorities which are encapsulated in the Provincial Growth and Development Plan (PGDP) and the Provincial Growth and Development Strategy (PGDS) - both aligned to the National Development Plan.

In preparing the budget Provincial Treasury must ensure that we have enough revenue to cover expenditure to provide sustainable service delivery to all our citizens. We also need to respond to changed circumstance and new priorities and pressures, which will then be effected in the 2014/15 Adjustments Estimate.

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2 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. THE BUDGET CONTEXT**

The budget process is a very participative process, with Departments given the opportunity a number of times throughout the year to interact with Provincial Treasury and to discuss their budgets and any budget-pressures they may be experiencing, be it with current projects or programmes, or expansion plans. These funding requests are formalised every year during the Medium Term Expenditure Committee (MTEC) process in August where Departments and Public Entities formally submit their funding requests and baseline reprioritisations to Provincial Treasury. As part of this process, Provincial Treasury requires proof that the respective MECs concur with the funding requests, and that these have been tabled and discussed with the relevant Portfolio Committees.

### **B.1 Public Consultation**

Houses, electricity and job creation top the list of demands of thousands of people who were consulted regarding the national and provincial budgets. In this regard Provincial Treasury engaged with business and communities during pre- and post-budget business breakfast meetings and mass community meetings in Jozini, Umgababa, and Port Shepstone, last year, as well as during the pre-budget road shows for the 2014/15 MTEF in Underberg and Hluhluwe. We will continue with our road shows after today and plan to visit the Hibiscus Coast, Nongoma and Nquthu before the end of our term.

### **B.2 Economic Scenario**

#### ***B.2.1 International***

South Africa is an integral part of the global economy and therefore our budget needs to be located within the prevailing macro-economic context, both globally and domestically.

The international scenario can be summarised as follows:

- Recovery is real, albeit slow
- Global growth<sup>3</sup> is to be slightly higher in 2014 compared to forecasts in October 2013, largely due to the continuing recovery in the advanced economies. The world output is thus expected to increase at 3.7% in 2014 and rise to 3.9% in 2015 (IMF, 2014).
- Growth in the US will accelerate from 1.9% in 2013 to a projected 2.8% and 3% in 2014 and 2015 respectively.
- In Japan, GDP is estimated to have moderated to 1.7% in 2013 and 2014 respectively before dropping to 1% in 2015.
- The euro area is expected to recover with a growth rate of 1% in 2014, up from the 0.5% estimated in 2013. The region is projected to grow at an average rate of 1.4 % in 2015.

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3 International Monetary Fund. January 2014.

- Emerging market economies continue to account for the bulk of global growth. Economic growth in emerging market economies is estimated to reach 5.1% and 5.4% in 2014 and 2015 respectively. Growth prospects in emerging market economies are constrained by the slow implementation of structural reforms, high inflation, fiscal imbalances and tight financial conditions.
- The Sub-Saharan African economy is expected to accelerate to a growth rate of 6.1% in 2014. The moderate growth projection is backed by continuing investment in infrastructure and productive capacity.

### **B.2.2 National**

#### **South Africa has grown its per capita income by a third since democracy despite the 1998 global crisis and the 2009 recession.**

Our democratically elected government has managed to create a stable, peaceful, and non racial political regime with an exemplary record of civil liberties and political freedoms. Indeed a country under the Rule of Law. We have instituted some innovative (and expensive) social transformation programmes to address long-standing disparities, but in the context of cautious fiscal and monetary policies which have kept inflation at low levels. Moreover, the economy has been opened to international trade and capital flows.

Getting richer as a nation, and not just as individuals, is a critical part of progress. Economic health is a precondition for social and human development, and rests on a sound economy, fuelled by quality education, adequate infrastructure, functioning institutions and a skilled and capable population: To achieve this we have an inclusive plan to create such a capable developmental state, namely the National Development Plan, as mentioned above.

*South Africa's economy has continued to grow, but more slowly than projected a year ago. We expect growth of 2.7% this year, rising to 3.5% in 2016. A growth in the economy of 3% would give South Africa an extra R11 million every hour of every day.<sup>4</sup>*

Despite several initiatives by government to support job creation, the slow growth means that the pace of job creation lags behind growth in the labour force, contributing to persistently high levels of joblessness. We have made great progress in 20 years but there is no room for complacency, as we still face profound challenges in that regard.

### **Fiscal Policy Considerations and Implications**

Government remains committed to a **counter-cyclical fiscal policy**. However, the fiscal stance maintains **an expenditure ceiling**, supported by **critical measures and policies to improve spending efficiency. Together with an improving revenue outlook, fiscal policy balances sustainability with continued support to the economy.**

But prevailing global conditions continue to limit the space available to the fiscus over the next years. South Africa invests more than it saves and imports more than it exports, leading to a

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4 JP Landman. The Long View. 2013.

large current account deficit. The projected debt-service costs for 2014/15 are R5 billion higher than estimated in October 2013. According to government's debt management plan the consolidated budget deficit is expected to narrow from 4.0% of GDP in 2013/14 to 2.8% in the outer year, supporting a stabilisation of debt at 44.3% of GDP.<sup>5</sup>

Despite this tax revenues have remained buoyant in 2013/14 and the revenue estimate presented in last year's budget has been reviewed upwards by R1 billion to R899 billion.

Following KwaZulu-Natal's example National Treasury has been tightening belts and coming up with initiatives to reduce the budget deficit. In addition government had to respond to the depreciation of currencies and South Africa, like other emerging countries, raised the repo rate by 50 basis points to 5.5% in January 2014. The increase in the repo rate was aimed at attracting foreign capital with a view to offset the effect of the current account deficit in the balance of payments.

While government is managing its debt levels, we also appeal to our citizens to live within their means. We tend to spend and borrow more than we are able to pay back. South Africans are big spenders, compared to our BRICS partners. The percentage of household debt to GDP towards the end of 2012<sup>6</sup> was:

- China, India and Russia's figures were 28%, 10% and 9% respectively towards the end of 2012 (IMF), but
- 47.6% in South Africa: high for a developing country compared to our BRICS peers.

Poor personal financial planning and unhealthy spending habits adds an additional burden to government with an increasing number of grant dependants, who cannot retire without help from the state.

To address this, **Government has made significant savings reforms over the past two years to encourage more people to save for retirement and to preserve their savings throughout their working lives.**

- Changes to the taxation of contributions to retirement funds will provide relief to most retirement fund members and encourage them to save for retirement.
- To encourage investments in bank deposits, collective investment schemes, exchange-traded funds and retails savings bond tax-preferred savings accounts will proceed.
- Finance Minister Pravin Gordhan also mentioned in his budget speech the agreement with the Association of Savings and Investment of South Africa on a way forward to reduce the level of charges for retirement savings products. Draft regulatory reforms will be published shortly. In that regard we will keep our citizens posted through the KwaZulu-Natal Financial Literacy Association, our public private partnership that co-ordinates and drives financial literacy programmes in KZN.

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5 Budget Review. National Treasury. 2014.

6 International Monetary Fund.

### **B.2.3 KwaZulu-Natal**

While expected growth was 2.4%, it will most probably come in at around 2% for 2013. The projected 3% in 2014 has been lowered to 2.6%, and 3.4% is projected for 2015.<sup>7</sup>

The real GDP of KZN was estimated at R322.2 billion in 2012, making it a major contributor to the South African economy. Although this is less than the average 36.1% of Gauteng, it is indeed above the 14.8% of the Western Cape.

We are proud of our achievements in the Province:

- Our public finances are sustainable and we are earning interest on our positive bank balance instead of paying interest on debt. This has enabled Provincial Government to extend service delivery in our Province as the money earned on interest is allocated for additional projects as set out in the budget speech.
- KZN is the fastest growing destination for tourism in the country.
- Inflation in KZN was estimated at 5.2% in 2013, lower than or equal to the national headline inflation<sup>8</sup> (Stats SA).
- Of the nine provinces KZN has created the second most jobs with 128 000 jobs from October 2012 to December 2013.
- Unemployment and inflation declined but economic stress is still high among many of our people.

## **C. FISCAL POLICY CONSIDERATIONS AND IMPLICATIONS FOR KWAZULU-NATAL**

KwaZulu-Natal has had many difficult situations to contend with when it comes to our provincial finances, with 2009/10 being probably the most difficult year. However, through careful budget monitoring and cash flow management, our provincial bank account has remained with a healthy positive bank balance since May 2010.

Over the years, public spending in South Africa has risen quite substantially in an attempt to boost economic growth through **counter-cyclical investment** in times of lacklustre economic performance. This growth was facilitated mainly by robust revenue performance. However, in 2009/10, revenue fell short of budget and the country had to borrow to finance the shortfall. This clearly had a real impact on us as a Province.

Despite this, our Revenue continues to grow **in real terms**, but much more slowly than in the past because the growth outlook for the next three years has weakened and government's net debt has to be stabilised.

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<sup>7</sup> Provincial Treasury.

<sup>8</sup> STATS SA.

The 2014 budget is therefore tabled in the context of a constrained domestic economic environment and an uncertain global economic outlook, and following the reduction of the KZN equitable share allocation as per the latest Census data of 2011. **Reprioritisation, rather than new funds, will be the defining feature of budgeting over the 2014 MTEF.**

**In spite of this our total Revenue over the MTEF has risen to R96.9 billion, R103.7 billion, and R106.5 billion in the outer year** - indeed very good news for our Province who continues to receive the lion share compared to other Provinces. Therefore there is still sufficient money to deliver to our people. **BUT WE NEED TO SPEND OUR MONEY WISELY, and always GET VALUE FOR MONEY.**

## **Provincial Priorities**

**In the 2014/15 MTEF, nearly all new spending is funded through reprioritisation of funds by departments and the identification of savings.** To ensure sustainability and promotion of growth, we have to shift the composition of spending **in favour of greater investment in infrastructure and away from consumption spending.** Furthermore, we have taken great care to cut down on **wasteful expenditure**, whilst **retaining spending on service delivery.**

## **D. FINANCING THE 2014/15 MTEF BUDGET**

### **D.1 OWN REVENUE: ALLOCATION OF ADDITIONAL FUNDING FROM PROVINCIAL OWN FUNDS: A GOOD STORY TO TELL**

**The Province is able to allocate additional funds to departments as a result of Own Revenue collected by departments, as well as using the provincial cash resources which remain available from the 2012/13 positive net financial position and the 2013/14 budgeted contingency reserve.** The House will recall that we allocated some of these resources to Departments and Public Entities in the 2013/14 Adjustments Estimate, with an indication that some receive funding over the 2014/15 MTEF. These additions to departments' baselines are discussed here:

- **The Office of the Premier** receives an **additional allocation of R56.928 million over the 2014/15 MTEF.** This is for the following:
  - **The Integrity Management unit receives R38.869 million:** This unit was established to instil and maintain an organisational culture of integrity and to combat fraud and corruption. Of the funds provided to the unit in 2013/14, R5.700 million was suspended and is allocated back in 2014/15. In addition, R33.169 million is added for the operational costs in 2014/15 only. From 2015/16, the Office of the Premier has agreed to re-direct the funds allocated to them for the development of the Luwamba wellness centre to the running of the Integrity Management unit. The funds are no longer needed for Luwamba beyond 2014/15 but remain in the Office of the Premier's baseline.
  - **R5 million in 2014/15 is allocated for security strengthening (increasing visible policing at polling stations) during the 2014 general elections on 7 May 2014.**

- **Diakonia Council of Churches receives carry-through funding of R5 million in 2014/15 and R5 million in 2015/16 for Operation *Sukuma Sakhe* (OSS initiatives):** This programme aims to strengthen the relationship between government and religious leaders in order to speed up the achievement of OSS objectives in KZN. The churches will assist government by influencing the social fabric in KZN through combatting various social ills that exist, such as violence against women and children, drug abuse, alcohol abuse, teenage pregnancy, etc.
- **Amafa aKwaZulu-Natali receives R3.059 million in 2014/15 only:** The entity will use these funds to apply for **World Heritage status for the Emakhosini Valley**, to upgrade its research and education facilities, to upgrade various heritage sites and to purchase support equipment.
- **The Provincial Legislature receives an additional R19 million in 2014/15 only for:**
  - **The Legislature complex feasibility study - R5 million in 2014/15 only:** These funds are to undertake a feasibility study for the construction of a Legislature Complex. This was initially planned in 2007/08 but was placed on hold as the Province had gone into significant overdraft, thereby rendering the feasibility study unaffordable. As the Government Office Park feasibility study has been revived, the Legislature requested funds to revive the feasibility study for the Legislature as well.
  - **Improved Hansard production - R14 million in 2014/15 only:** The Legislature has a fully functional Hansard and Language services unit, but requires a more efficient and effective system that will be used for recording/transcription of proceedings and live debates in the main chamber. In order to provide an effective and efficient service to Members, the turn-around time of producing verbatim records must be shortened to less than 24 hours. The cost of the improved system is R21 million, but the Legislature has undertaken to fund a third from within their baseline.
- **Agriculture, Environmental Affairs and Rural Development receives R70.498 million in 2014/15 only** for the following:
  - **Ezemvelo KZN Wildlife - R39.512 million in 2014/15 for its road maintenance programme:** This is not new funding, per se, as these funds were suspended from the entity's 2013/14 budget and allocated back to it in 2014/15 for the road maintenance programme, as it was not in a position to spend the full amount in the previous year.
  - **Provision of sheds for the Department's tractors and other farming implements in the districts - R8.500 million allocated in 2014/15 only:** This amount provides for the construction of sheds to protect the farming equipment from natural elements, especially during the off-season. The Department is planning on constructing one shed per district and had sufficient funds in its 2013/14 baseline to construct five of those. The amount allocated is to construct the remaining six in 2014/15.
  - **Livestock identification (Radio Frequency Identification (RFID)) - R10.200 million allocated in 2014/15 only:** Livestock identification has become a high priority for the Department due to the high incidence of stock theft. The funds provide for 150 000 RFID micro-chips, 100 micro-chip scanners and 108 RFID micro-chip auto-guns.

- **Mjindi - irrigation equipment for Makhathini irrigation scheme - R12.286 million allocated in 2014/15 only:** This amount is allocated to Mjindi and provides for the procurement of irrigation equipment for the Makhathini Irrigation Scheme and includes nozzle sprinklers and sprinkler stands, among others.
- **Economic Development and Tourism** receives **R110.043 million over the 2014/15 MTEF** for the following:
  - **KZN Sharks Board - R6 million per annum over the 2014/15 MTEF for the operational costs of the KZN Maritime Centre of Excellence:** This amount will assist with the establishment and operational costs of this institute. The institute will partner with the Moses Kotane Institute to train 200 educators to introduce introductory maritime courses at schools in the Maritime Educator Development Programme. It also provides a new executive programme in maritime management at post-graduate level.
  - **Trade and Investment KZN (TIK) - R7 million per annum for its Technical Assistance Fund (TAF) and marketing:** TAF assists project promoters to obtain funding from the main finance houses such as banks. It also provides technical support to smaller project promoters in various sectors of the economy. TIK is an agent for raising awareness of investment opportunities and attracting business to KZN through marketing initiatives, resulting in generating more market opportunities for KZN companies.
  - **KZN Liquor Authority - R2 million is allocated in 2014/15, R1.590 million in 2015/16 and R1.685 million in 2016/17 for the procurement of an IT system:** As this is a fairly new entity following the enactment of the KZN Liquor Licensing Act in 2011, the entity requires this system to provide off-site backup storage thereby ensuring recovery of crucial data in the event of a disaster. The funds will also be used for the development of an IT Governance Framework which is a legal requirement for all government entities.
  - **KZN Liquor Authority - R25.768 million in 2014/15 only for its operational costs:** These operational costs are only provided for in 2014/15 as, once the entity starts showing increased revenue collections from the implementation of the Liquor Licensing Amendment Act, 2013 in 2015/16, parts of this revenue will be used to fund the operational costs of the entity.
  - **Richards Bay IDZ - R40 million is allocated in 2015/16 only for infrastructure development as per its 50-year Master Plan:** These funds will be used to further provide for the engineering infrastructure required to make the entity more investor friendly. This includes the phased implementation of civil and electrical engineering infrastructure and the further expansion of the IDZ's land parcels, among others.
- **Education** receives **R50 million, R60 million and R65 million over the 2014/15 MTEF** for the following:
  - These funds are added to Education from KZN's budgeted contingency reserve to assist with the Department's personnel spending pressures.
- **Provincial Treasury** receives funds **for various transversal projects, with R213.058 million allocated in 2014/15, R123.035 million in 2015/16 and R90.325 million in 2016/17:**

- **Suspensions from 2013/14 for various projects and re-allocated in 2014/15 (R57.553 million):** These funds relate to various transversal projects Treasury is involved in, such as the e-Procurement tool, contract management, Operation Clean Audit, among others, where funds will not be fully spent in 2013/14, but are required for the continued implementation of these projects in 2014/15.
- **Rural development projects (R50 million):** While the funds will initially be allocated to Treasury, they will not be spent by Treasury but will be re-allocated to other Departments when they bid and provide motivation for rural development projects. These funds will therefore be treated in a similar manner to the Strategic Cabinet Initiatives funds which are suspended from Treasury to other Departments once certain criteria and processes have been followed.
- **Msunduzi electricity related developments (R5.500 million):** These funds are to provide financial support to the Msunduzi Municipality with regard to the electrification of informal settlements in order to combat illegal connections.
- **Infrastructure Crack Team (R10 million):** This funding allows the Crack Team to continue the work of providing support to Departments and Municipalities in terms of planning, execution and monitoring of infrastructure projects to ensure 100% spending of CAPEX.
- **Irregular expenditure (R3.500 million):** This project provides funding for in-depth analysis and monitoring of irregular expenditure of Departments to prevent the unacceptably high incidence of irregular expenditure in future.
- **Infrastructure Development Improvement Programme (IDIP) Technical Assistants (TAs) (R8 million per year over the MTEF):** These funds provide for the continued provision of the IDIP TAs who have been assisting with infrastructure delivery in Health, Education and Public Works. In terms of an agreement, these were paid for by National Treasury up until 2013/14, but the costs of these TAs now need to be borne by the Province.
- **Operation Pay on Time (R3.500 million per annum over the MTEF):** This is provided for putting in place processes to ensure that service providers and Municipalities are paid on time by provincial Departments. The Presidency has also issued an instruction to National Treasury to work with Provinces to ensure that all payments are made within the 30 days stipulated by the PFMA.
- **Education capped leave (R5 million):** These funds are to assist Education to capture all the backlog leave forms and undertake a thorough audit of all the personnel leave files. The Department of Education has received a qualified audit opinion on this matter for the past two years and Treasury is assisting to eliminate this negative audit outcome.
- **Operation Clean Audit - Financial Management (R10 million in 2014/15, R5 million in 2015/16 and R5 million in 2016/17):** These funds are provided to assist Departments and Municipalities to put in place processes and procedures to attain clean audits.
- **AFS assistance to Municipalities (R5 million):** These funds are provided to assist Municipalities with the review of their Annual Financial Statements. The intention is to proactively eliminate financial adjustments by the Auditor-General during the audit process as these cause poor audit outcomes.

- **Provincial e-Procurement tool (R4.500 million in 2014/15, R13 million in 2015/16 and R3.500 million in 2016/17):** There were some delays in procuring an electronic system, but the tender has now been awarded. These funds therefore provide for the implementation of this tool in all Departments which is crucial to limit the cost of service delivery to improve the procurement systems and to eliminate leakage and wastage.
- **Special audits (R8 million in 2015/16 only):** These funds will be used to audit specific items in various Departments based on requests received from them. These items are not part of Treasury's current audit plan, but arise as Departments encounter challenges in their operations.
- **Forensic investigations (R8 million in 2015/16 only):** These funds are provided for forensic investigations in Departments and Municipalities when the need arises as part of fighting fraud and corruption.
- **SCM contract management (R7 million in 2016/17 only):** This project deals with the management of all contracts entered into by Departments and Municipalities. These funds will be used to implement the pilot undertaken in the past two years in four Departments in all the other Departments, as well as in Municipalities.
- **Shayamoya eco-complex, cultural village and community park (R2.062 million rolled-over to 2015/16):** This is a cultural complex and community park in Kokstad, which aims to make East Griqualand a more attractive tourist destination. **The funds were rolled-over from 2012/13 as there were delays in the EIA (Environmental Impact Assessment) process.** The project was also hampered by tender appeals. These have all been resolved now and the contractor is on site.
- **Development of a light industrial park at Bhongweni (R8 million rolled-over to 2015/16):** This project will establish the infrastructure and institutional arrangements for a light industrial park that will be operated as a **small business incubator to attract, train, mentor and assist the development of skilled artisans.** These funds were not fully utilised in 2012/13 and are therefore allocated back to the Department in 2015/16 for the continuation of this project.
- **Inkosi Albert Luthuli Central Hospital for floor repairs (R4 million, R8 million and R6 million over the 2014/15 MTEF):** The floors in some areas of the hospital were sub-standard and this caused flooring damage which now needs to be repaired. The PPP unit at Treasury is assisting with this process as the budget for these repairs resides with them. The Infrastructure Crack Team is being used to effect these repairs.
- **Strategic Cabinet Initiatives Fund (R46.505 million in 2014/15, R59.473 million in 2015/16 and R57.325 million in 2016/17):** In the past, this fund has been provided for at R40 million per annum, with an in-year adjustment up to R100 million during the Adjustments Budget for funding various major events that attract tourists to KZN and aid in growing the provincial economy. Examples of projects or events funded are the 2013 AFCON and National Choral Music Awards, among others. Due to the demand for these funds, it was agreed to set the amount at R100 million per annum. As there were already funds in the baseline, the amounts stated above increase the current budget to R100 million per annum. These funds will only be allocated to a Department once Cabinet approves the funding of an event after receiving a recommendation from the Special Events Sub-Committee of Cabinet.

- **Health receives R46.777 million in 2014/15, R880 000 in 2015/16 and R670 000 in 2016/17 for the take-over of McCord Hospital and the operational costs of St. Mary's Hospital:**
  - The amount of R15.870 million for **McCord** relates to the fact that the hospital was taken over with all its assets and liabilities. This amount, and the amounts allocated over the MTEF, provide for the hospital's trade creditors, VAT payments on the take-over of the physical assets and for its operational costs. Following SARS norms, VAT is payable as the assets are being taken over from a Non-Profit Organisation (NPO).
  - The amount of R30.907 million provided for **St. Mary's Hospital** provides for the payments of creditors, equalising the salaries of staff with those of the public service (in terms of an agreement, they were supposed to receive the same increases as the public service), as well as operational costs of the hospital.
- **Community Safety and Liaison receives R7.723 million in 2016/17 only.** This is in line with an agreement reached between the MEC for Finance and MEC for Community Safety and Liaison that any under-spending on *Compensation of employees* will be rolled over for the Department to **implement its new structure which is informed by the Civilian Secretariat for Police Services Act.**
- **The Department of Co-operative Governance and Traditional Affairs receives R38.250 million in 2014/15 only for the following:**
  - Of this amount, R18.850 million relates to a suspension of funds from 2013/14, with this amount being allocated back to COGTA for transfer to the Agri-business Development Agency (ADA) in 2014/15 as implementing agent for the **Uthukela Amakhosi Programme and the Msinga Asisukume Co-operative** due to capacity constraints in Municipalities. Uthukela has set aside 674ha of land under 8 Traditional Councils, and Msinga has 200ha of land currently under maize production. Msinga requested the Department to support 3 co-operatives within the Asisukume Co-operative with capital requirements and machinery to increase production. The Department has negotiated with SABMiller Brewing Co. to buy all maize produced. ADA will be responsible for providing capital improvements. Funds could not be spent in 2013/14 as these projects are seasonal in nature and it was therefore too late to prepare the land for planting before the end of the financial year. The project will now commence in 2014/15.
  - The balance of R19.400 million relates to the **construction of a Community Service Centre (CSC) in Bulwer, and the rehabilitation of three CSCs** in Jozini, Abaqulusi and Umlalazi.
- **Transport receives R60 million per year over the 2014/15 MTEF** to assist the Department with the spending pressures they are experiencing with their **road maintenance and construction projects.**
- **Social Development receives R31 million in 2014/15 only, being the suspension of funds relating to the *Isibindi* model from 2013/14** as the Department indicated that these funds will only be utilised in 2014/15, in line with the approved implementation plan.

- **Public Works receives an additional R652.500 million over the 2014/15 MTEF**, as follows:
  - R600 million in 2016/17 for the first phase of the construction of the **Government Office Park**, once all relevant feasibility studies have been finalised and on condition that Cabinet approves.
  - R7.500 million is added for the **National Youth Service**. The intention of this programme is to develop the skills and knowledge of young people to enable them to enter the job market. The objectives of the NYS are to promote social cohesion and to develop the skills, knowledge and abilities of young people to improve their employability.
  - R20 million for the **Richmond Community Development programme**: This allocation provides for household sanitation in the area as well as employment based on EPWP principles. There is serious unemployment in this area and this programme therefore provides employment, as well as training in various areas such as site clearance (removal of alien plants) and building and construction, among others. The intention is for the participants to become self-sustainable and thereby to reduce the unemployment and extreme poverty that affects this area.
  - R25 million is allocated, being a roll-over from 2012/13 to 2014/15 relating to the **Fixed Asset Management tool**. This will be used to purchase and develop a Fixed Asset Management tool with the first phase being the installation of the new system. The second phase includes data migration, quality control processes, maintenance systems and other IT related programme developments and enhancements.
- **Arts and Culture receives an additional R59.056 million over the 2014/15 MTEF**:
  - R7.011 million for **The Playhouse Company** (R2.302 million in 2014/15, R2.302 million in 2015/16 and R2.407 million in 2016/17) and R9.545 million for the **KZN Philharmonic Orchestra** (R3.162 million in 2014/15, R3.162 million in 2015/16 and R3.263 million in 2016/17). Allocations for these two entities were cut significantly, following the 2011 Census data cuts that affected the Province. The reductions threatened the very existence of these entities. It was therefore agreed to assist in bringing their funding levels back to the pre-cut levels.
  - Arts and Culture also receives R42.500 million allocated in 2015/16 for the construction of an **Arts and Culture Academy**. These funds will be used to establish a school which provides education in fields such as visual arts, performing arts and crafts. The Academy will contribute to the creative industry favouring home-based products and services as opposed to factory-based, as well as developing the practical and technical expertise of learners. The Department envisages collaborating with the Departments of Basic and Higher Education to offer a wide spectrum of arts and crafts, including ceramics, computer art and costume design.
- **Sport and Recreation receives an additional R52.975 million over the 2014/15 MTEF** for the following:
  - R19.975 million in 2014/15 only for the **War-room Intervention Programme**, namely the construction of outdoor fitness gyms (parks), kick-about fields (three per ward) and the creation of contract based jobs to service club development, Siyadlala, school sport and war rooms, among others. Volunteers are employed to become hub co-ordinators and trainers in various sports codes.

- R30 million in 2014/15 only for the **Hoy Park Sports Development Centre**. These funds will be transferred to the eThekweni Metro for the construction of an international sports development centre with a football academy at Hoy Park in Durban.
- R1 million is added per year over the MTEF for transfer to the **uMgungundlovu Sports Academy** for the provision of training, physical fitness, and sport competition services to schools and tertiary institutions on behalf of the Department.

## D.2 MOVEMENTS OF FUNCTIONS BETWEEN DEPARTMENTS

### A number of activities and functions are moved between Departments over the 2014/15 MTEF:

- As I had mentioned in the 2013/14 Adjustments Budget speech, **parts of the Communications budget is being centralised under the Office of the Premier**. In this regard, R35.593 million, R37.144 million and R38.862 million is moved over the MTEF from the different Departments to the Office of the Premier. It was agreed that the following would be centrally administered by the Office of the Premier, and that corresponding budgets would be moved from the Departments to the Office of the Premier:
  - Space to be procured centrally for national advertising in specific publications.
  - Reducing space procured in national publications, especially for advertising of posts, by listing the posts that are vacant and directing the applicant to the respective websites rather than including the full advertisement in the publication.
  - Bulk buying of all other print advertising space, as well as radio and television slots for Departments.

Use by Departments of different media communication mechanisms will be monitored by the Office of the Premier to ensure compliance.

- **The budget for external bursaries offered by provincial government are also centralised under the Office of the Premier**, and in line with this, R13.227 million, R13.736 million and R14.390 million over the MTEF is moved from the various Departments to the Office of the Premier.
- The process of moving the **learner transport** function from Education to Transport began a few years ago. The 2014/15 MTEF budget provides for the final move of funding between these two Departments with R37 million being moved in 2014/15, R38.500 million in 2015/16 and R42.200 million in 2016/17. This additional funding, along with funds already moved to Transport previously, allows for learner transport services to be provided at 260 schools for a total of 24 000 learners per annum.
- The movement of the **Agri-business Development Agency (ADA)** from Economic Development and Tourism to Agriculture, Environmental Affairs and Rural Development was first effected in the 2013/14 Adjustments Budget. The 2014/15 MTEF now provides for the carry-through costs of this function shift.

### D.3 Specific national priorities: NEW MONEY FROM NATIONAL TREASURY

The 2014 MTEF adds R12 billion to the provincial equitable share baseline. Of this R11.7 billion is for personnel adjustments to provide for the carry-through costs of higher than anticipated inflation on personnel budgets and the re-grading of clerical positions.

Reflected in **Table 1** below, are additions to KZN's allocation over the 2014/15 MTEF for various national policy priorities, as well as the effects of the updates of the data that is used to inform the equitable share formula. These updates result in a reduction in 2014/15, as shown in Line 1 of the table, and provides for increases thereafter. National Treasury has cautioned, though, that the buffer funding given to affected provinces in the 2013/14 MTEF when the Census data had such a serious negative impact, will fall away from 2016/17. This reduction is not contained in the provincial numbers yet, but will result in a significant fiscal cliff when it does happen. I will elaborate on KZN's approach to this fiscal cliff later.

**Table 1 PES Updates and Provision for National Priorities**

(in Rands thousands)	2014/15	2015/16	2016/17
<b>1. Amendments to baseline due to impact of new data updates in the PES formula</b>	<b>(220 157)</b>	<b>323 962</b>	<b>96 102</b>
<b>2. Policy Priorities funded through the Equitable Share</b>	<b>545 767</b>	<b>913 518</b>	<b>1 097 464</b>
<b>3. Compensation of employees</b>	<b>535 040</b>	<b>902 822</b>	<b>1 044 138</b>
Carry-through of various wage agreements (all sectors)	366 479	709 950	823 040
Re-grading of clerks	168 561	192 872	205 740
OSD for therapists (Education)	-	-	15 358
<b>4. Non-personnel Policy Priorities funded through the ES</b>	<b>10 727</b>	<b>10 696</b>	<b>53 326</b>
Health			
Roll-out of HPV vaccine	-	-	42 661
Social Development			
Provision of shelters to victims of gender-based violence	10 727	10 696	10 665
<b>TOTAL</b>	<b>325 610</b>	<b>1 237 480</b>	<b>1 193 566</b>

As can be seen in **Line 2**, KZN receives R545.767 million in 2014/15 rising to R1.097 billion over the 2014/15 MTEF for **various policy priorities**. Of this amount, Line 3 shows that R535.040 million is allocated in 2014/15 for various **Compensation of employees priorities**. This amount rises to R1.044 billion in 2016/17. It is clear that the bulk of the additional funding made available to KZN by the national fiscus is for **personnel-related** commitments and provides for:

- **Carry-through cost of various wage agreements:** This amount was allocated proportionately in terms of personnel spend to all departments, and amounts to R366.479 million in 2014/15, rising to R823.040 million in 2016/17.
- **Re-grading of clerks:** The Province receives R168.561 million, R192.872 million and R205.740 million over the 2014/15 MTEF for the re-grading of clerical staff (from Level 4 to 5). This was first funded by National Treasury in the 2013/14 Adjustments Estimate and now provides for carry-through funding in this regard. These funds are largely allocated to Education and Health as they were most affected by this policy decision, with minimal funding also being provided to Transport and the Royal Household.

- **OSD for therapists (Education):** Education receives R15.358 million for the OSD for therapists. While there is no funding allocated in 2014/15 and 2015/16 in this table, these funds are allocated to the Province in the form of a conditional grant in these two years to be discussed in more detail below.
- **Line 4 indicates the Non-personnel Policy Priorities funded through the Equitable Share.**
  - **Health receives R42.661 million in 2016/17 for the implementation of the Human Papillomavirus (HPV) vaccine.** This vaccine prevents cervical cancer in women. The vaccine will be administered to 9 - 10 year old girls in Quintile 1 - 4 schools starting in 2014/15, and will be delivered through the Integrated School Health Programme. Funding for the implementation of the vaccine of R200 million in 2014/15 and R200 million in 2015/16 will be made available to the national Department of Health as an indirect grant. R200 million is added to the provincial equitable share in 2016/17 (of which KZN receives R42.661 million) as the programme becomes integrated into the normal business of provincial health Departments.
  - **Social Development receives R10.727 million, R10.696 million and R10.665 million** over the 2014/15 MTEF for **provision of shelters to victims of gender-based violence.** Funds are to be allocated as a transfer to NPOs who run shelters for victims of gender-based violence and their children. The allocation is for a 35% increase in bed capacity from the current 1 583 to 2 137. This is in addition to the current transfers to NPOs for shelter services and therefore NPO transfer payments should not be reduced because of this additional allocation to them as it is meant to complement shelter service provision.

## E. 2014/15 FISCAL FRAMEWORK

KwaZulu-Natal's fiscal framework takes into account:

- the changes in the Province's equitable share,
- the additions in terms of national priority funding,
- changes to the conditional grants (discussed in more detail below),
- as well as the priorities funded using provincial cash resources (as per the 2013/14 net financial position).

This fiscal framework does not yet take into account the reduction in 2016/17 that will affect KZN once the buffer funding falls away, as mentioned earlier. It will be explained later how the reduction will be accommodated. The fiscal framework is shown below:

**Table 2: Summary of provincial fiscal framework**

R thousand	2014/15	2015/16	2016/17
<b>1. Receipts</b>			
<b>Baseline Allocation</b>	<b>94,390,963</b>	<b>100,547,547</b>	<b>105,259,161</b>
Transfer receipts from national	91,771,145	97,769,815	102,353,653
<i>Equitable share</i>	<i>77,812,867</i>	<i>82,110,075</i>	<i>86,693,913</i>
<i>Conditional grants</i>	<i>13,958,278</i>	<i>15,659,740</i>	<i>15,659,740</i>
Provincial own receipts	2,619,818	2,777,732	2,905,508
<b>Increase / (Decrease) in allocation</b>	<b>2,472,606</b>	<b>3,117,979</b>	<b>1,215,674</b>
Transfer receipts from national	2,308,780	2,901,432	932,398
<i>Equitable share</i>	<i>325,610</i>	<i>1,237,479</i>	<i>1,193,566</i>
<i>Conditional grants</i>	<i>1,983,170</i>	<i>1,663,953</i>	<i>(261,168)</i>
Provincial own receipts	163,826	216,547	283,276
<b>Revised allocation</b>	<b>96,863,569</b>	<b>103,665,526</b>	<b>106,474,835</b>
Transfer receipts from national	94,079,925	100,671,247	103,286,051
<i>Equitable share (after update of formula data &amp; new money)</i>	<i>78,138,477</i>	<i>83,347,554</i>	<i>87,887,479</i>
<i>Conditional grants</i>	<i>15,941,448</i>	<i>17,323,693</i>	<i>15,398,572</i>
Provincial own receipts	2,783,644	2,994,279	3,188,784
<b>2. Planned spending by departments</b>	<b>96,718,134</b>	<b>102,508,629</b>	<b>105,702,539</b>
<b>3. Contingency Reserve</b>	<b>145,435</b>	<b>1,156,897</b>	<b>772,296</b>
<b>4. Provincial cash resources</b>	<b>562,200</b>	<b>131,354</b>	<b>250,078</b>
<b>5. Contingency Reserve</b>	<b>707,635</b>	<b>1,288,251</b>	<b>1,022,374</b>

Our **total** budget allocation from **National Treasury** over the **2014/15 MTEF** is **R94.080 billion, R100.671 billion and R103.286 billion, giving us a total of R298.037 billion over the three-year period.** When we add our **Provincial own receipts** the total allocation comes to **R96.864 billion in 2014/15, R103.666 billion in 2015/16 and R106.475 billion in 2016/17, giving us a total of R307.004 billion over the MTEF. This is a significant amount of money and we exceed the R100 billion mark for the first time in our history. We will truly be in a position to deliver necessary services to our people.**

**Line 2:** Our **planned spending** by Departments over the 2014/15 MTEF is **R96.718 billion, R102.509 billion in 2015/16 and R105.702 billion in 2016/17, giving us a total of R304.929 billion over the three-year period.**

**Line 5:** In line with National Treasury practice, we continue to budget for a **Contingency Reserve Fund, with this held at R707.635 million in 2014/15, R1.288 billion in 2015/16 and R1.022 billion in 2016/17.** The Contingency Reserve is kept at this level at this stage, as the buffer funding given to affected provinces in the 2013/14 MTEF to compensate them for the reduction in their equitable shares caused by the 2011 Census data updates, falls away from 2016/17. The buffer funding was given for three years only (i.e. 2013/14, 2014/15 and 2015/16) and as a result our **Province will lose in excess of R1 billion in 2016/17.** The Contingency Reserve therefore assists in building up reserve funds to provide a cushion in 2016/17. We have **another year or two to adjust to this reality.**

## E.1 Conditional Grants

Various **conditional grants** have increased while others have been reduced. **KZN's conditional grant allocation increases by R1.983 billion in 2014/15 and R1.664 billion in 2015/16 while decreasing by R261.168 million in 2016/17. The most significant changes are discussed here:**

- The **Education Infrastructure grant** across all Provinces is reduced slightly over the 2014/15 MTEF, with KZN's share of the cut amounting to R46.359 million in 2014/15, R117.982 million in 2015/16 and R4.272 million in 2016/17. These reductions still allow for nominal growth in the value of the grant each year and should therefore have a minimal impact on service delivery.
- The **Education Infrastructure grant decreases** by a further R2.007 billion in 2016/17. These funds are not necessarily lost to the Province as National Treasury has decided to build an incentive into this allocation. Therefore, the outer year allocation is removed from all nine Provinces and placed into a central fund where all Provinces will have to bid for these funds, and will have to prove that various plans and processes are in place before funds are allocated for spending in 2016/17. Reforms made to the grant system are intended to institutionalise proper planning for infrastructure. Provinces were informed in 2012/13 by National Treasury that they will be required to bid for this infrastructure allocation two years in advance and financial incentives will be built into the infrastructure grant for Provinces that implement best practices. The Department was successful in bidding for the 2015/16 allocation due to its ability to spend its infrastructure budget. The bidding process for 2016/17 will commence in 2014/15, hence there is no allocation for 2016/17 at this stage. But, if we continue our good performance on infrastructure spending, we have nothing to fear - the money will come back to us.
- The **Education Infrastructure grant** allocation **includes** amounts of R31.557 million in 2014/15 and R23.983 million in 2015/16 which are ear-marked for **repair of flood damage**.
- The strategic goal of the **Health Facility Revitalisation grant** is to enable provinces to plan, manage, maintain and transform health infrastructure in line with national and provincial policy objectives. The grant had three components in 2013/14, which are now combined into a single grant. These components were:
  - the Hospital Revitalisation Component that funds the construction, upgrading or replacement of hospitals;
  - the Nursing Colleges and Schools Component that funds the upgrading of nursing colleges and schools; and
  - the Health Infrastructure Component that funds improvements in all health facilities.
- The conditions of the Health Facility Revitalisation grant are being amended from 2014/15 **to allow for more flexibility** to shift funds between these components which is a positive development.

- **The Health Facility Revitalisation grant increases** by R72.038 million in 2014/15 and decreases by R49.541 million in 2015/16. As with the Education Infrastructure grant, the outer year allocation is removed entirely from Health's baseline at this stage and placed into a central fund where all Provinces will have to bid for these funds, and will have to prove that various plans and processes are in place before funds are allocated in 2016/17, as explained above.
- **The Health Facility Revitalisation grant includes** amounts of R260 000 in 2014/15 and R198 000 in 2015/16 which are ear-marked for repair of flood damage.
- The **Comprehensive HIV and AIDS grant increases significantly** by R159.287 million in 2014/15, R361.158 million in 2015/16 and R844.056 million in 2016/17. This is in line with the need to revise this allocation to improve alignment with provincial spending commitments with regard to this programme. KZN has proven that they carry more than 30% of the national HIV and AIDS case-load, while only receiving some 25% share of the national funding. This anomaly is now addressed by the phased-in increase of this grant, a most welcome development.
- The **Further Education and Training (FET) Colleges grant** is increased for all nine Provinces following the annual wage increments. The amounts added to KZN are R4.297 million, R7.084 million and R27.843 million over the 2014/15 MTEF.
- The **Human Settlements Development grant (HSDG)** had half its allocation removed in the two outer years of the 2013/14 MTEF while a new formula for this grant was being formulated. The new formula for the HSDG has now been approved by the Human Settlements MINMEC and will be phased in over 2 years, namely 2014/15 and 2015/16. The HSDG therefore **returns to its pre-cut levels** of some R3 billion per year. Of this amount, R1.150 billion, R1.180 billion and R1.314 billion over the MTEF must be allocated to eThekweni.
- The **HSDG is reduced across all 9 Provinces** by R899 million in 2014/15 and R975 million in 2015/16 and these amounts are shifted to the National Department of Human Settlements as an indirect grant. These funds will be used for the **bucket eradication programme** and will mainly target the provision of improved **sanitation** in areas where housing projects did not provide adequately for decent sanitation systems.
- The **HSDG includes** amounts of R167.317 million in 2014/15 and R127.161 million in 2015/16 which are ear-marked for **repair of flood damage**.
- The **Public Transport Operations grant increases** by R9.433 million in 2014/15, R9.436 million in 2015/16 and R59.074 million in 2016/17 to assist Provinces with respect to the **inflationary impact of fuel and labour costs** in providing public transport services.
- There is a **new formula for allocating the Provincial Roads Maintenance grant** to provinces, and this is phased-in over the first two years of the 2014/15 MTEF. This results in an **increase** of R36.565 million in 2014/15 and **decreases** of R181.190 million in 2015/16 and R81.277 million in 2016/17.
- The Provincial Roads Maintenance grant includes amounts of R52.194 million in 2014/15 and R5.114 million in 2015/16 for **repair of flood damage**.

## F. GOOD GOVERNANCE

The budget controls, i.e. the cost containment measures, were introduced in 2009/10 in KZN. They have become “a way of life” and the measures, listed below, are updated and re-issued to Departments each year. They are simply elements of good governance, rather than a once-off initiative to contain costs. It is imperative that Departments and Public Entities continue to adhere to the cost-cutting measures, especially in view of the significant equitable share baseline cuts that will be realised when the buffer funding falls away from 2016/17 onward. However, it is likewise imperative that cost containment measures should not negatively affect service delivery: What needs to be eradicated is wastage and unnecessary spending on items that add no or very little value.

In addition to the provincial measures, National Treasury has issued Instruction Note 01 of 2013/14: *Cost-containment measures* which all levels of government must adhere to. Provincial Treasury is in the process of aligning the provincial measures with the national measures but, in most instances, our measures are as strict as, or even stricter than the national instruction. This should therefore not result in a significant shift in how KZN has been implementing its cost-cutting measures since 2009/10. The provincial cost-cutting measures read as follows:

1. A large proportion of KZN’s budget is tied up in Compensation of employees and this is not a spending item that can be reduced overnight. As such, all Departments and Public Entities must implement an immediate moratorium on the filling of non-critical posts (posts such as HOD, CFO, clinical staff and essential administrative staff must continue to be filled), and must ensure that staff become more focused and productive in their work. Growth in personnel numbers will crowd out service delivery spending unless these numbers are controlled very carefully.
2. A review of all Departments’ and Public Entities’ organograms must be undertaken with a view of eliminating some non-essential posts from these structures permanently.
3. All Departments and Public Entities must undertake a head count exercise to eliminate unauthorised and duplicate payments.
4. No furniture or equipment may be bought, unless it is a critical requirement for service delivery and performance of duties.
5. Essential training must be done in-house (exceptions to be approved by the HOD).
6. Overseas trips must be rationalised with the number of delegates being kept to a minimum.
7. Business class travel is allowed only for MECs and HODs (and MPLs, where applicable).
8. Car hire bookings - the class of vehicle must be lowered.
9. Catering for meetings must be stopped (exceptions to be approved by the HOD, but there should be no catering for internal meetings).
10. Kilometre controls must be implemented on travelling and kept to an average of 2 500 kilometres per month per official, unless there are exceptional circumstances - exceptions to be approved by the relevant HOD.
11. Officials must travel together unless absolutely unavoidable.

12. Departments and Public Entities must plan meetings carefully and rationalise the number of meetings held (it seems that staff from regions/districts are sometimes called to head office meetings organised by different units on different days, requiring them to travel to and from the regions/districts frequently. These meetings must be co-ordinated and planned between the various units to reduce the wastage of time and money).
13. Only essential trips must be undertaken.
14. Internal meetings, strategic planning sessions and workshops must be held in Departments' offices instead of private venues (exceptions to be approved by Provincial Treasury (PT)). Where PT approval is being requested, proof must be provided that all other avenues have been exhausted before a private venue will be approved.
15. External meetings, workshops and events must be held in government facilities instead of private venues (exceptions to be approved by PT). Use of marquees may only be considered where such events could not be held in municipal halls, school halls, FET College facilities, etc. Where PT approval is being requested, proof must be provided that all other avenues have been exhausted before a private venue will be approved.
16. A cap is placed on the number of events held, and the cost per event (the number of community events is capped at a maximum of 2 events per month on average or 24 events in total per annum). To ensure sufficient time for all SCM processes to be undertaken, the CFO's office must be given 5 working days' notice to request quotes, etc. for events. Where a quote has been accepted, it is recommended that Departments and Public Entities negotiate with the service provider for a reduced price as this can also result in cost savings. It was approved by Cabinet that, for an event with 3 500 community members, the event should not cost more than R1 million to host. For events where 1 500 to 2 000 community members attend, these events may not cost more than R500 000 - R700 000 per event.
17. Air travel must be limited to important meetings with only one representative to attend on behalf of a Department, unless otherwise required.
18. No team building exercises or year-end/Christmas functions may be held, unless paid for by the staff themselves.
19. Unnecessary overnight accommodation must be eliminated.
20. Where there are one-day meetings in other Provinces, officials must travel there and back on the same day (where possible).
21. When printing APPs, SPs, Annual Reports, etc., Departments and Public Entities must minimise the use of colour pages in their documents, as well as use lighter weight paper and covers as these cause unnecessary higher costs. Where possible, Departments and Public Entities should assess the feasibility of using electronic distribution (e.g. compact discs) to reduce costs. Gold and silver embossed letterheads may not be used.
22. No promotional items (e.g. shirts, caps, bags) may be purchased (exceptions to be approved by PT).
23. Leave must be taken and no leave conversion payments may be made. This does not apply to leave pay-outs when staff are exiting the public service.
24. Overtime must be strictly controlled, and is only allowed where absolutely necessary.
25. No bottled water may be procured for meetings, etc., except when not doing so will pose a health risk.

As a government we must be mindful of the cost implications of the high accident rate on our roads, and take pro-active steps to address the underlying causes such as poor driving and substance abuse. In doing so, we can effect further substantial savings.

## G. INFRASTRUCTURE SPENDING

Investing in infrastructure has substantial short, medium and long-term benefits for the economy. These include:

- An increase in aggregate demand for goods and services.
- Promotion of job creation.
- Increased productivity as a result of new infrastructure.
- Unlocking economic opportunities resulting in increased economic growth and activity.
- Increased private investment.
- Ultimate increases in tax revenue for government.

### G.1 PROGRESS ON 2013/14 PROJECTS

I mentioned a number of provincial infrastructure projects in my Budget Speech last year. **The Province has made significant progress in terms of these projects, as highlighted below:**

#### Department of Transport:

In 2013/14, the Department continued with the road upgrade and construction programme that supports the corridors of the primary and secondary nodes through:

- The **African Renaissance Roads Upgrading Programme (ARRUP)**, which encompasses the upgrading of roads to blacktop standards. The following are some projects currently in progress:
  - **Main Road P700, located between Ulundi and Empangeni**, entails the upgrading of 95 kilometres of gravel road to a blacktop surface. Approximately 45 kilometres have been completed to date, with a further 15 kilometres to be completed by the end of March 2014. The remaining 35 kilometres will be completed in 2014/15.
  - **Main Road P230, located from Empangeni to Eshowe**, entails the upgrading of 31.3 kilometres of gravel road to a blacktop surface and the construction of one underpass road. Approximately 25.2 kilometres have been completed and the balance of 6.1 kilometres will be completed in 2014/15.
- **Operation KuShunquthuli** focuses on transport infrastructure development in rural areas as these are the priorities for service delivery. The Department continued with key projects that will be a stimulus in linking rural communities to the provincial hubs of activity. Some of the projects over the 2013/14 MTEF include the following:
  - **Main Road P127, located from Impendle to Himeville**, entails the upgrading of 55 kilometres of gravel road to a blacktop surface, of which 22.5 kilometres have been completed to date.
  - **Main Road P73, located between Sipofu and Ixopo**, entails the upgrading of 75 kilometres of gravel road to blacktop standards, of which 32 kilometres have been completed to date, and a further 7 kilometres will be completed by the end of March 2014. The balance of 36 kilometres will be completed in 2014/15.

### Department of Health:

- **The Edendale complex:** planning and design of a new regional hospital commenced in 2013/14, but construction will not start until the funding for this is available (i.e. the Department indicated that they will re-direct funding to this project from the Dr Pixley Ka Seme hospital once that hospital is complete).
- **Dr Pixley ka Seme Hospital:** Planning and design have been completed. Construction is anticipated to begin in August 2014 and completed over a 42 month period.
- **Madadeni Hospital (Psychiatric wing):** Planning and design stage has been completed with construction planned to commence in April 2014. This is a 24 month project.
- **32 new clinics** have been planned. Of these, nine are in the retention phase of construction (i.e. these projects are complete but most contracts allow for a retention or withholding sum to be held back for a certain period, known as the maintenance period, after building is completed to address what is termed a "snag-list"); and 14 are currently under construction.

### Department of Education:

- **Public Private Partnership (PPP) to provide school infrastructure:** A transaction advisor has been appointed to conduct the necessary feasibility studies to deal with the school infrastructure backlog. The project has been defined by means of a high level technical and spatial needs analysis for each of the four pilot nodes, i.e. ILembe, Uthukela, Ugu and uMgungundlovu.
- **Early Childhood Development Infrastructure:** The Department is busy with approximately 1 300 classrooms and 2 800 toilets for ECD which are at various stages of planning or construction, with 119 completed during 2013/14. It is envisaged that the target of 300 ECD classrooms will be met by the end of 2013/14.

## G.2 SOME INFRASTRUCTURE PROJECTS PLANNED FOR THE 2014/15 MTEF

**The Province is budgeting to spend R11.757 billion in 2013/14, R12.443 billion in 2014/15, rising to R13.223 billion in 2015/16 and reducing to R11.534 billion in 2016/17 on various infrastructure projects. This equates to R37.200 billion over the 2014/15 MTEF.** This includes conditional grant funded infrastructure. No included in this are the amounts budgeted for infrastructure by Human Settlements where the asset, in the end, does not belong to government and these are therefore excluded from the infrastructure table. If they are added, **the total infrastructure spend increases to R15.387 billion in 2014/15, R16.257 billion in 2015/16 and R14.727 billion in 2016/17, a total of R46.317 billion over the 2014/15 MTEF.** This represents a significant injection of funds into the economy and acts as a major stimulus to growth and development.

Key infrastructure projects over the 2014/15 MTEF include:

### **G.2.1 Transport**

**The Department of Transport will spend R21.105 billion over the 2014/15 MTEF on numerous infrastructure projects, which is up from the R19.381 billion budgeted over the 2013/14 MTEF.**

The Department will undertake the upgrading and rehabilitation of the provincial road network to improve and prolong the lifespan of the provincial infrastructure network. Some of the major projects that will be undertaken include:

- **Main Road P234**, located in Nongoma, comprising the upgrade of 40 kilometres from gravel to blacktop.
- **Main Road P104**, located in Ndwedwe, comprising the upgrade of 22 kilometres from gravel to blacktop.
- **Main Road P1-1(M13)**, located between Hillcrest and Pinetown, consisting of the rehabilitation of 11 kilometres of blacktop road.
- **Main Road P398-1**, located between KwaMsane and Mtubatuba, comprising the rehabilitation of 6 kilometres of blacktop.

### **G.2.2 Health**

**The Department of Health's infrastructure budget over the 2014/15 MTEF is R3.029 billion.**

The Department will use this allocation for various projects. Mentioned below, are a few of the Department's main infrastructure projects:

- The rehabilitation and refurbishment of the **Edendale Hospital** is based on a condition assessment done by Public Works. While a new hospital is planned at this site, some rehabilitation and refurbishment needs to be undertaken to keep the hospital operational until the new hospital can be constructed. The value of this 3-year project is R100 million and includes areas such as mechanical and electrical upgrades, and upgrading of lifts, air conditioning and back-up generators. This project is planned to commence in August 2014.
- The rehabilitation and refurbishment of the **Madadeni Hospital** based on a condition assessment of this facility. The value of this 2-year project is R85 million and also includes areas such as mechanical and electrical upgrades, and upgrading of lifts, air conditioning and back-up generators. This project is planned to commence in April 2014.
- The construction of 192-bed medical wards to replace wards E, F, G and H at **Ngwelezane Hospital**. The project also involves demolishing the existing Crisis Centre park-home and the construction of a new Crisis Centre. The value of this 30-month project is R320 million.
- The purchasing of **St. Aidens Hospital** at R60 million.
- **Three Community Health Centres** are currently under construction in Dannhauser, Jozini and Pomeroy totalling R594.429 million.

### **G.2.3 Education**

**The Department of Education is budgeting to spend R7.997 billion over the 2014/15 MTEF (down from R9.255 billion over the 2013/14 MTEF due to the reduction in the Education Infrastructure grant to zero in 2016/17 (as explained earlier).**

The following are some of the schools that will be built over the 2014/15 MTEF:

- Indumo Model School in the Umkhanyakude District
- Umvuzo High School in the Umgungundlovu District
- Mpumelelo High School in the Uthukela District
- Ebuhlenibenkosi High School in the Zululand District
- Emadungeni High School in the Sisonke District
- uMalusi High School in the Ugu District
- Mtamntengayo Primary School in the eThekweni Metro

### **G.2.4 Human Settlements**

**The Department of Human Settlements will spend R9.612 billion over the 2014/15 MTEF on various infrastructure projects.** These projects include:

- **The informal settlements upgrade** includes projects such as Cornubia. Cornubia is a project within the Integrated Residential Development Programme which has delivered 482 units in Phase 1A for the low income category, and a further 2 186 units are to be constructed in Phase 1B. The Department is also acquiring well-located land for the informal settlement upgrade programme at Driefontein in KwaDukuza within the Ilembe District Municipality, which is set to deliver 17 000 units, and Blauwbosch in Newcastle within the Amajuba District Municipality which is set to deliver 25 000 units.
- **Rural housing development:** (such as the Vulindlela Housing Project in the Msunduzi Municipality). This particular project is progressing well with more than 1 300 units completed and many units at various stages of construction.
- **Rectification of pre-1994 housing stock** which entails rectifying the housing stock constructed pre-1994. The Department plans to rectify a total of 42 797 units under this programme with projects in Austerville and Shallcross currently underway.
- **Social and economic amenities** are in the process of being constructed and the allocation in 2014/15 is for the completion of projects such as Stepmore, and Umziki, among others.

## H. OVERVIEW PER VOTE FOR THE 2014/15 MTEF

Table 3: Summary of provincial payments and estimates by vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2010/11	2011/12	2012/13	2013/14			2014/15	2015/16	2016/17
1. Office of the Premier	423,807	485,600	675,821	620,854	762,405	762,405	741,291	723,826	756,894
2. Provincial Legislature	310,909	380,588	431,718	417,120	454,820	454,820	491,186	455,994	480,352
3. Agric., Enviro. Affairs and Rural Dev.	2,045,856	2,475,378	2,849,212	2,862,582	2,850,023	2,850,023	3,070,155	3,093,537	3,241,463
4. Economic Development and Tourism	1,624,311	1,534,168	1,685,848	1,837,015	1,979,851	2,107,641	1,946,940	2,037,191	2,102,627
5. Education	28,746,616	33,799,217	35,588,285	37,008,579	37,596,762	37,715,377	39,446,920	42,572,680	42,881,812
6. Provincial Treasury	388,936	390,325	518,340	684,929	653,971	637,693	834,183	758,215	759,449
7. Health	20,734,986	24,791,118	27,390,533	28,647,877	29,141,344	29,508,508	30,914,196	32,881,579	33,821,760
8. Human Settlements	3,089,237	3,042,495	3,377,771	3,550,676	3,591,370	3,591,370	3,600,282	3,656,033	3,907,814
9. Community Safety and Liaison	129,186	145,239	135,892	172,347	171,347	167,521	181,295	186,069	198,470
10. The Royal Household	50,627	59,409	61,367	63,330	68,746	68,804	54,211	56,536	59,549
11. COGTA	1,002,589	1,106,349	1,314,550	1,247,696	1,246,342	1,246,342	1,348,076	1,362,669	1,435,607
12. Transport	5,958,923	6,639,855	7,650,308	8,066,335	8,046,081	8,046,081	9,060,595	9,504,027	10,001,955
13. Social Development	1,416,423	1,934,257	1,985,386	2,325,185	2,315,947	2,263,207	2,497,952	2,627,481	2,767,560
14. Public Works	1,114,209	1,182,268	1,133,311	1,261,366	1,313,731	1,316,396	1,369,361	1,372,793	2,046,221
15. Arts and Culture	349,369	369,752	479,744	644,964	691,026	711,165	705,112	806,706	805,982
16. Sport and Recreation	276,740	307,836	364,151	381,349	401,524	401,524	456,379	413,293	435,024
<b>Total</b>	<b>67,662,724</b>	<b>78,643,854</b>	<b>85,642,236</b>	<b>89,792,204</b>	<b>91,285,290</b>	<b>91,848,877</b>	<b>96,718,134</b>	<b>102,508,629</b>	<b>105,702,539</b>

This section looks at the amounts of the 2014/15 MTEF allocated per department, and provides a broad overview of what these funds will buy:

### H.1 The Office of the Premier

**The Office of the Premier's budget allocation decreases from R762.405 million in 2013/14 to R756.894 million in 2016/17.** This is an average annual decrease of 0.2% in nominal terms. This allocation caters for the following, among others:

- Youth Ambassador Programme:** The Department will continue with the implementation of the Youth Ambassadors programme, which includes conducting household surveys and programmes against social ills faced by the youth. 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, and the *One Home, One Garden and Back to School* campaigns. The number of youth ambassadors will decrease from 3 024 to 1 966 over the 2014/15 MTEF, to remain within budget.
- Provincial Planning Commission (PPC):** Key focus areas of the PPC will still be on the implementation of the PGDP. The PPC will continue to support the relevant line function Departments in pursuing key interventions, such as the formalisation of rural settlements, the establishment of community service centres, the implementation of the provincial

Human Resource Development Strategy and creating renewable energy opportunities, to name a few. The PPC will give specific attention to matters related to funding for social services, education and skills development, water services, rural development coordination, monitoring and evaluation and policy co-ordination.

- **Operation Sukuma Sakhe (OSS):** The 2014/15 priorities and focus will include capacity building for war-room stakeholders by strengthening field worker teams and committees and improving war-room functionality, since only 500 out of 700 are deemed to be fully functional. With regard to the selection of war-rooms to be resourced, the focus will be on war-rooms that are in most deprived Wards as per the 2011 Census to allow the Department to address extreme poverty and the burden of disease at household and community level. Plans are underway to establish and maintain strategic partnerships with all Departments for spatial distribution and integration of government services, which includes marketing, communication, strategic programmes to provide food security, women and youth empowerment and healthy lifestyle programmes.

## H.2 Provincial Legislature

**The budget of the Provincial Legislature increases from R454.820 million in 2013/14 to R480.352 million in 2016/17**, which is an annual average growth of 1.8% in nominal 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.
- Effective oversight over organs of state in the Province.
- Upgrading of the Legislature buildings.
- Revival of the Legislature complex feasibility study.
- Improved Hansard production.

## H.3 Agriculture, Environmental Affairs and Rural Development

**The budget of the Department increases from R2.850 billion in 2013/14 to R3.241 billion in 2016/17**, which is an annual average increase of 4.4% in nominal terms. The Department's budget provides for:

- **Crop production:** The Department will continue in its efforts to realise the potential of agricultural land through its mechanisation programme, with the aim of ploughing and planting more than 20 000ha. It will continue to ensure that its current mechanisation fleet will be optimally utilised and hence only replacement tractors and implements will be acquired. The Department will also continue with the liming programme that commenced in 2011/12, with more than 4 000ha to be limed in 2014/15.
- **Livestock development:** The livestock intervention programme is a long term programme, focusing on primary animal health care and provision of basic infrastructure. In 2014/15, the focus will be on animal identification due to the increased number of incidents of stock theft and livestock wandering around causing accidents, etc. Further activities will

include provision of water (i.e. scooping of dams), drilling and equipping of boreholes, rehabilitation and building of new dip tanks, training of farmers and Livestock Associations, deworming and vaccination of animals, livestock auction sales, etc.

- **Land reform:** The Department will continue to provide post settlement support to new farmers on commercial farms transferred to them. The transfer of ADA to the Department has been concluded and will result in a more effective and efficient co-ordination and implementation strategy. Key among ADA's programmes is to develop and broaden access to the value chain to black commercial farmers, thereby integrating previously marginalised farmers into the main stream economy. In line with the agricultural policy to support the NDP's target of creating one million jobs in agriculture by 2030, over R7 billion will be spent on conditional grants to Provinces to support about 435 000 subsistence and 54 000 smallholder farmers and to improve agricultural extension services.
- **Food security:** The Department will continue to support households through a range of food security interventions to alleviate food insecurity and grow the production capacity of farmers.
- **Environmental management:** The Department will focus on promoting sound environmental management practices as follows:
  - The Department will further improve the percentage of applications for environmental authorisation finalised within legislated timeframes.
  - The Department will monitor compliance with environmental legislation and mandates such as climate change readiness, waste management, air quality management, etc. and carry out enforcement actions where required.
  - *Transfers to Ezemvelo KZN Wildlife (EKZNW):* The entity directs the management of biodiversity conservation within KZN, including in protected areas. This includes the development and promotion of ecotourism facilities within the protected areas and addressing the poaching and killing of rhinos. In this process jobs will be created as community members will be used to increase security around game reserves.
  - The Department will continue to clear alien plants using the Expanded Public Works Programme (EPWP) in partnership with EKZNW, thus creating jobs.
- **Transfers to Mjindi:** The rehabilitation of the irrigation infrastructure will remain a major priority for Mjindi, ensuring that farmers receive an efficient uninterrupted supply of water. This will enable the scheme to operate at optimal capacity and improve the quality of life for the farmers and the people of Umkhanyakude. This will also improve the Province's food security.
- **Transfers to the Agri-business Development Agency (ADA):** ADA's 2014/15 MTEF strategic goals include improving agricultural productivity and competitiveness of previously disadvantaged commercial farmers, and increasing income and employment in commercial agriculture. ADA will continue to focus on three sectors along the value chain, namely livestock development, sugarcane and fruit and crop production.

## H.4 Economic Development and Tourism

**The Department's budget allocation increases from R1.979 billion in 2013/14 to R2.103 billion in 2016/17**, showing nominal growth of 2.0%. The Department will use this budget for:

- **Integrated economic development:** Through the Small Business Development Agency small enterprises will be supported and sustained and its funding will be transferred via Ithala. The agency will provide both non-financial and financial support (micro-finance services) to small enterprises. It will also focus on and prioritise policy formulation and co-ordination for the benefit of small enterprises. The first cohort of 52 bursary students will complete their Diploma in Management of Co-operatives offered by the University of Zululand. These graduates will be placed within co-operatives as part of the internship programme to provide much needed administrative support. The Department will conclude the review of the provincial B-BBEE strategy, as well as the Youth Economic Empowerment strategy. It will further develop the KZN Gender and Women Economic Empowerment strategy for adoption and approval by the necessary structures. It will continue to intensify its B-BBEE awareness campaigns and co-ordination to ensure B-BBEE compliance and prioritisation of target groups.
- **Business regulation and governance:** The following quality improvement measures are planned to be achieved in 2014/15, among others:
  - To continuously monitor the implementation of the Informal Trade Framework policy at Municipalities.
  - To fully implement the KZN Liquor Licensing Act, together with its amendments and the applicable Regulations.
  - To finalise Regulations with regard to the KZN Consumer Protection Act, 2013 and implement the Act.
- **Economic planning:** The Department provides leadership in the implementation of flagship projects such as the Industrial Economic Hubs (IEHs), Special Economic Zones (SEZs) and Aerotropolis and strategic infrastructure projects (SIPs). It also monitors the implementation of key provincial economic strategies such as the Industrial Development Strategy, as well as Export, Investment and Youth Economic Empowerment strategies.

The budget also provides for transfers to various Public Entities under the control of the Department, namely:

- **Ithala Development Finance Corporation:** Its main focus is business finance. Fulfilling Ithala's developmental mandate involves providing loans to generate increasing levels of interest and fee income while simultaneously reducing the percentage of non-performing loans. As indicated, emphasis is placed on increased collections as well as greater post investment support to ensure that non-performing loans are kept to a minimum.
- **KwaZulu-Natal Sharks Board (KZNSB):** The KZNSB will continue protecting bathers against shark attacks, while at the same time conserving marine species. It will therefore continue with research efforts to produce a shark repellent prototype cable which will be installed at various suitable locations to test the efficacy and human safety aspects before full-scale production.

- **KZN Tourism Authority:** The entity will continue its current activities. In addition it will focus on creating new and strengthening existing tourism trade platforms, e.g. by providing packages for special interest groups, tour operators and specific events. TKZN will continue to identify other appropriate platforms to secure and engage with audiences and decision-makers, with the aim of putting KZN in the international spotlight. Therefore, TKZN will participate in a number of domestic and international trade and consumer platforms, some of which will be new platforms in line with the Tourism Master Plan and corporate strategy targets.
- **Dube TradePort Corporation:** In 2014/15, DTPC will create a new programme to deal with establishing and managing the SEZ. Work on the Watson Highway link road is expected to reach completion, while planning approvals and preliminary designs for the expansion of the AgriZone and construction at TradeZone 2 will commence.
- **Trade and Investment KZN:** TIK is dedicated to creating an environment in KZN that is conducive to business development and attractive to both local and international investors, as well as traders. TIK's focus will continue to be on its Africa platforms. Companies will still be assisted to participate in exhibitions and investment platforms in SADC and West and East African markets.
- **Richards Bay IDZ:** The emphasis in 2014/15 will be the further provision of engineering infrastructure to the existing phases of the RBIDZ to ensure that the entity becomes more investor friendly. Planned projects for Phase 1A include the completion of civil and electrical engineering infrastructure, completion of the entrance gate and customs control area and finalisation of the design of the through-road.

## H.5 Education

The largest portion (40.8%) of the budget continues to go to Education. **The Education budget is set to increase from R37.597 billion in the 2013/14 Adjusted Appropriation to R42.882 billion in 2016/17.** This shows an average annual nominal growth of 4.5%. The budget allocated to Education pays for the following, among others:

- **Curriculum and Assessment Policy Statements (CAPS):** In 2014/15, the CAPS will be implemented in Grades 7, 8, 9 and 12. As part of the preparation for this implementation, educators have been trained in all aspects ahead of the implementation date. The CAPS documents have been distributed to schools for teachers to use in the implementation.
- **Technical Secondary Schools:** The funds from the Technical Secondary Schools Recapitalisation grant will continue to assist the Department with the implementation of its vision. The schools that were identified as requiring upgrades will undergo the necessary technical works and be furnished with machinery and tools to support the offering of a full set of technology subjects. Additional agricultural and maritime schools will be established and an additional 18 schools will be added to the 32 schools that have benefitted from the grant. In line with this, the agriculture schools will be provided with new implements and tools.
- **Mathematics, Science and Technology Strategy:** Learner performance with regard to these subjects remains a concern to the Department. The strategy that has been developed will continue to be implemented, monitored and evaluated, covering a wider range of schools, educators and needs. In this regard, plans are underway to establish a Maths and Science Academy to strengthen the teaching of mathematics and sciences in the Province.

- **Learner teacher support material:** The provision and availability of LTSM on the first day of school at all schools is essential for the provision of quality education. With the provision of CAPS-aligned textbooks in all grades (1 – 12) having been completed by the end of the 2013 school year for use in 2014, the key focus in 2014 will be for the increase in textbook-learner coverage for 2015. In this regard, the Department will continue to pursue various options with a view to ensuring that each learner has a textbook for each subject.
- **Reprioritising and cost containment strategy:** The Department, in consultation with Provincial Treasury, has undertaken vigorous reprioritisation over the 2014/15 MTEF from various line items under Goods and services, Transfers and subsidies and Machinery and equipment in order to address the carry-through effects of the spending pressures against Compensation of employees. This means a trade-off between the Department's competing priorities, effective management of personnel, optimising available resources, and ensuring value for money, while ensuring that the quality of basic education is not compromised.
- **School infrastructure:** The Department will implement the Infrastructure Norms and Standards with added impetus now that they have been published. The programme of building new schools, curriculum support classrooms, laboratories, and multi-purpose classrooms, the electrification programme, as well as sanitation and water programme will continue so that basic functionality in all schools can be achieved. The Department will continue to make the provision of special schools' infrastructure its focus in order to grant access to education for learners with special needs. About 10 schools have been designed and are ready for construction in 2014/15. In 2014/15, the Department will also increase the number of ECD classrooms so that more schools that offer Grade R will have appropriate facilities to do so. A total of 400 classrooms are anticipated to be completed in 2014/15 in this regard.

## H.6 Provincial Treasury

**The budget allocation for Provincial Treasury increases from R653.971 million in 2013/14 to R759.449 million in 2016/17** which is an annual average nominal growth of 5.1%. This allocation will fund a number of initiatives, including:

- **The Infrastructure Crack Team:** This team will continue to provide support to Departments, Municipalities and Public Entities with problematic infrastructure projects and poor spending on CAPEX. Attention will also be given to the clarification of roles, responsibilities and strategic decision-making points to ensure that "grey areas" in respect of infrastructure delivery mandates, functions and responsibilities are eliminated. Departments and Municipalities will be encouraged to work as partners and relate to each other within the framework of co-operative governance.
- **Municipal Support Programme:** This unit will continue to support Municipalities as per its legal mandate with various work streams, based on the individual needs of each Municipality, with an ultimate goal of ensuring that Municipalities not only achieve sound financial management and clean audits, but that they also deliver services efficiently and effectively.
- **Contract management:** Treasury will continue with this project which will culminate in all Departments and Municipalities having fully completed contract registers supported by valid contract documents and proper contract management.

- **Municipal Bid Appeals Tribunals:** These allow aggrieved suppliers and other interested parties to lodge complaints relating to bids awarded by Municipalities.
- **Operation Clean Audit:** will assist Departments and Municipalities in achieving and sustaining clean audit outcomes.
- **Forensic audit services:** will continue with fraud risk assessments and review of fraud prevention plans, investigate fraud and corruption, and develop a consolidated provincial fraud investigation database that incorporates all fraud investigations conducted in KZN. Spending reviews and forensic investigations help to cut waste and fraud and corruption and increase efficiency. We have achieved major successes in this regard and will continue to act decisively against fraud and corruption. In this regard we will show no mercy to both corruptors and corruptees. We have strengthened our relationship with all law enforcement agencies to ensure speedy and effective investigations and prosecutions.

## H.7 Health

**The budget allocated to the Department of Health increases from R29.141 billion in 2013/14 to R33.822 billion in 2016/17.** This is the second highest share (31.9%) of the provincial budget and reflects an annual average growth of 5.1% in nominal terms. This budget will be used for priorities, such as:

- **Preventing and reducing the burden of disease** with the main focus on prevention and improving health outcomes in maternal, neonatal, child and women's health and nutrition, TB, HIV and AIDS, non-communicable conditions and injury and violence.
- **Increased focus on Primary Health Care services** by increasing ward-based coverage with ward-based outreach teams, school health teams and district clinic specialist teams. It will render primary health care services with a nurse-driven service at clinic level, visiting points and mobile and local authority clinics. In addition it provides primary health care services in respect of maternal, child and women's health, geriatrics, occupational therapy, physiotherapy, psychiatry, speech therapy, communicable diseases, oral and dental health, mental health, rehabilitation and disability and chronic health. Some of the targets relating to these PHC services are:
  - 11 complete nursing specialist teams (1 team per district) by 2015
  - 4 complete medical specialist teams by 2015
  - 250 school health teams by 2019
  - 100% of rural districts fully covered by ward-based teams by 2019
- **Improving quality of care** by implementing the national core standards and establishing effective quality assurance systems to monitor quality improvement.
- **Providing provincial hospital services** by rendering regional hospital services at a general specialist level, training of health workers and conducting research. It will also render specialist psychiatric hospital services for people with mental illness and intellectual disability and provide training for health workers and conduct research in that regard.
- **Providing facilities management** of community health clinics, community health centres, district hospitals, emergency medical services facilities, provincial hospitals,

central and tertiary hospitals, as well as all other buildings and structures. The Department plans to provide new health facilities, and rehabilitate, upgrade and maintain existing facilities. This includes the provision of additional primary health care facilities, to ensure improved access to health services in under-served areas of the Province, as well as the provision of major medical equipment.

## H.8 Human Settlements

**The budget of the Department of Human Settlements increases from R3.591 billion in 2013/14 to R3.908 billion in 2016/17**, which is an annual average nominal increase of 2.9%. The budget will be used for the following, among others:

- **Informal settlements upgrade:** The key deliverables will be the identification of well-located and affordable land for the implementation of the informal settlements upgrade. Approximately 296 507 households reside in informal settlements located in KZN's 61 municipalities. About 95% of these households are located within 11 municipalities, of which 78% are located within the eThekweni Metro. Projects where the Department is acquiring well-located land are Driefontein in KwaDukuza in the Ilembe District Municipality, which is set to deliver 17 000 units, and Blauwbosch in Newcastle in the Amajuba District Municipality, which is set to deliver 25 000 units.
- **Rural housing development:** Due to KZN's largely rural nature, the Department will be focusing on the rural areas as part of the informal settlements upgrade, mainly due to the type of dwellings that are found in rural areas which are particularly vulnerable when heavy rains, storms or similar disasters occur.
- **Rectification of pre-1994 housing stock:** This programme intends to rectify the housing stock constructed pre-1994. Project funding for the rectification of 42 797 units has been approved by the department. Various projects in eThekweni, Newcastle and Umdoni are currently underway. The following projects are either in the planning stage or awaiting approval of funding and are projected to be implemented in 2014/15: Estcourt (8 units), Dundee (800 units), Vryheid (73 units) and Ex-R293 and ex "own affairs" areas in the eThekweni Metro (1 681 units).

## H.9 Community Safety and Liaison

**The budget allocation of the Department of Community Safety and Liaison is set to grow from R171.347 million in 2013/14 to R198.470 million in 2016/17**, which is an annual average nominal increase of 5.0%. The Department is responsible for the effective implementation of the following functions in line with the Civilian Secretariat for Police Services Act, 2011:

- Promoting accountability and transparency in the police service in line with a democratic state.
- Promoting good relations and establishing partnerships between the police and communities.
- Directing the South African Police Service (SAPS) to effectively addressing provincial needs and priorities.
- Facilitating the development and co-ordination of social crime prevention initiatives.
- Promoting and supporting victim empowerment.

## H.10 Royal Household

**The Royal Household's budget allocation decreases from R68.746 million in 2013/14 to R59.549 million in 2016/17.** This is a nominal decrease of 4.7%. This reduction is due to the once-off allocation from 2011/12 to 2013/14 for the rehabilitation and renovation of the palaces. This funding ends in 2013/14, in line with project requirements. In the 2014/15 MTEF funding is provided for His Majesty, the King to fulfil all his official duties, namely to:

- Participate in government ceremonies and events.
- Install *Amakhosi*.
- Host traditional festivals, such as the First Fruits ceremony and the Reed Dance ceremony, among others.
- To undertake both national and international trips as an ambassador of KZN.
- Play a supportive role in crop and animal production.

## H.11 Co-operative Governance and Traditional Affairs

**The budget of the Department increases from R1.246 billion in 2013/14 to R1.436 billion in 2016/17,** showing an average annual increase of 4.8% in nominal terms. This budget provides for:

- **Local governance:** In light of the re-demarcation of municipal boundaries in the Province, the Department will focus on supporting and facilitating the necessary transitional arrangements in preparation for the next local government elections in 2016. Support to Municipalities in key areas of human resource management and development, as well as governance, will be a key priority. Building the capacity of councillors and municipal officials will be achieved through accredited training programmes, various workshops and knowledge sharing opportunities.
- **Development and planning:** The Department will focus on the development of fire-fighting capacity in the Province, and will support Municipalities to meet the minimum requirements. This will be done in partnership with the USA 911 Fund. The Department will procure relief stock such as blankets, plastic sheeting, tents, portable houses, as well as parcels with kitchen utensils for humanitarian purposes, and will conduct community awareness training for councillors, Amakhosi, and volunteers, as well as a capacity building programme for the promotion of an informed, alert and self-reliant society in respect of risk reduction.
- **Traditional institutional management:** The Department will continue to support Local Houses with social cohesion and moral regeneration engagements aimed at alleviating prevalent social ills. It will also support traditional communities by facilitating the establishment of vital development partnerships.

## H.12 Transport

The budget allocated to the Department of Transport increases from R8.046 billion in 2013/14 to R10.002 billion in 2016/17 which shows an average annual growth of 7.5% in nominal terms. This budget provides for:

- **Transport infrastructure:** Departmental programmes (like Operation *kuShunquthuli*) will continue to focus on road infrastructure development in rural areas. The Department has identified key projects that will be the stimulus in linking the rural communities to provincial hubs of activity, which achieves the strategic goal of providing access and mobility within the Province. The Department will continue to allocate a substantial amount of funding for the construction of 13 pedestrian bridges in 2014/15. The Department will undertake the upgrading and rehabilitation of the provincial road network to improve and prolong its lifespan.
- **Learner transport:** The Department will continue to provide learner transport services in KZN over the 2014/15 MTEF and will provide 24 000 learners at 260 schools per annum with the service.

## H.13 Social Development

The budget of the Department of Social Development increases from R2.316 billion in 2013/14 to R2.768 billion in 2016/17, which is an annual average increase of 6.1% in nominal terms. This budget provides for, among others:

- **Protection of and promotion of services for older persons and people with disabilities:** Awareness programmes on the promotion of the rights of older persons will be conducted in various areas. Active ageing programmes will be intensified through community based care and support services. Inter-generational programmes will be provided to uThukela, uMgungundlovu, Durban North and Durban South.
- **Care and services to persons with disabilities:** Training on disability policies, disability mainstreaming, autism, sign language and "My Confidence" will be conducted. Awareness programmes on dyslexia will be conducted to create community awareness on some learning problems experienced by children with disabilities, and programmes and workshops for people with disabilities will be expanded.
- **Child Care and Protection Services:** The Department will focus on child protection organisations to ensure compliance with the Children's Act in terms of norms and standards. Provincial registers on children awaiting foster care and children on foster care will be developed. Monitoring of the implementation of the Provincial Foster Care Project Action Plan will also be strengthened.
- **Victim Empowerment:** The Department intends to intensify capacity building programmes for officials and other front-line workers on critical victim empowerment policies, mandates and programmes, as well as strengthen partnerships for effective co-ordination and collaboration at Ward level for improved service delivery. Prevention and awareness programmes will be strengthened, and a call for proposals to attract new and emerging organisations in the field of victim empowerment will be made.

- Substance abuse prevention and rehabilitation: The Department intends to sustain and expand the anti-substance abuse programmes, with emphasis on sustaining the funding and monitoring of NPOs for in-patient, out-patient and prevention services, and the expansion of community based services taking into consideration the spatial distribution of services. Capacity building sessions are planned for officials and stakeholders on the policies, mandates, models and programmes developed to combat substance abuse, and to monitor the implementation thereof.

## H.14 Public Works

**The budget of the Department of Public Works increases from R1.314 billion in 2013/14 to R2.046 billion in 2016/17**, reflecting an average annual nominal growth of 15.9%. This budget provides for:

- **A fixed asset management system:** This system is being implemented from January 2014. The first phase consists of the installation of the new system. The second phase includes data migration, quality control processes, maintenance systems and other IT related programme developments and enhancements. The system will be fully implemented by 2015/16 and the benefits include integrated systems, improved project management, efficient financial reporting on infrastructure expenditure, facilities management and planning, and fair value assessment of properties for financial disclosures on an annual basis.
- The acquisition of public buildings and land.
- The construction of new or the improvement of existing public buildings. The outer year of the MTEF provides for the first phase of construction of the Government Office Park once all feasibility studies have been completed, and on receiving Cabinet approval.
- The maintenance of public buildings and land, including performing the necessary work to ensure the required level of operation, and the payment of property rates.
- The disposal of immovable assets by selling, demolition, exchanging and donation.

## H.15 Arts and Culture

**The budget of the Department of Arts and Culture increases from R691.026 million in 2013/14 to R805.982 million in 2016/17**, showing nominal growth of 5.3%. This allocation contains funding for the phased-in provincial take-over of public libraries and museums, explaining the significant growth in the allocation. The budget further provides for:

- **Arts and culture:** The Department will complete a feasibility study for the construction of the proposed **new Arts and Culture Academy** for which additional funding is allocated in 2015/16. This study will provide full costing of the construction of the Academy and the proposed curriculum, as well as identifying a suitable location for the Academy. The Department envisages completion of various art centres such as the uMzinyathi art centre, to full functionality. The war-room package will be further supplied to an additional 274 Wards in the Province. The intention is to reach all Wards over the 2014/15 MTEF. The Department will continue to play a leading role in the hosting of cultural events which include the Reed Dance, the First Fruit Ceremony, Africa Day, Freedom Day and King Shaka Celebrations, although part of the budget for these events is located within the budget of the Royal Household.

- **Language services:** The Department will continue with the implementation of the Provincial Languages Bill, through the provision of translation and interpretation services to government institutions. The International Mother Tongue Day will be a key event hosted by this Department. Reading and writing clubs in terms of both the war-room package and correctional centres will continue to be established.
- **Museum services:** The Department will commence the construction of the Port Shepstone and the Utrecht museums, and the Mpophomeni community eco-museum will be officially opened. Training programmes for museum officials will be prioritised. The Department will further provincialise museums in order to meet the Department's mandate. The Department will concentrate on the development of four new "Time Travel" projects in museums, namely at Mooi River, Weenen, Greytown and Hermannsburg.
- **Library services:** The tagging of items with Radio Frequency Identification, for ease of stock-taking and control of all stock held by provincial libraries, will be completed. New libraries such as Nkungamathe study library in Nkandla, Ndumo study library and the extension of the Port Shepstone library will be completed. The Department will upgrade the KwaMbonambi and Ntambanana libraries. The Department will continue to construct the Manyiseni, Ingwavuma, Charlestown, Bilanyoni and Imbali libraries, as well as upgrade and extend the Bruntville library in the Mpofana Municipality. The Department will continue to transfer funds to the eThekweni Metro as a contribution toward the construction of the Durban City Mega-library, which will be completed in 2014/15.

## H.16 Sport and Recreation

**The Department of Sport and Recreation's budget increases from R401.524 million in 2013/14 to R435.024 million in 2016/17, showing an average annual nominal growth of 2.7%.**

- **General:** Sport is an avenue for physical and social transformation and can make an important contribution to public health, universal education, gender equality, poverty reduction, prevention of HIV/AIDS, and environmental sustainability. It is with this in mind that the Department re-shaped the way in which it delivers sport to the people. The Department intends to use sport and recreation as a means to develop citizenship values in young people and to teach them how to make a valuable contribution to their communities. War-room packages are designed to reach broad sectors of the population, including marginalised groups, and afford them with access and opportunities to participate in various types of sports. In 2014/15, the Department will continue to promote wellness and social cohesion.
- **School sport:** The Department will continue to focus on training educators in code specific coaching, technical officiating, team management and sport administration through federations, in line with the National Coaching Framework. Talented athletes will be selected at local, district and provincial level and taken to compete at national and international levels.
- **War-room packages/Sport for life:** The Department will continue to provide the department's OSS programmes through the war-room packages by supporting war-rooms with skills development programmes such as "sport for change," job creation, provision of equipment and attire, as well as hosting tournaments and festivals. The Department plans to construct an additional 26 kick-about fields in various Wards in 2014/15.

- **Mass participation programme:** The Department will provide mass participation within communities and schools through selected sport and recreation activities, in conjunction with stakeholders. Community members are empowered by appointing some of the youth as hub co-ordinators after being taught the necessary skills.
- **Infrastructure development:** The Department will not only build new sport facilities in 2014/15, but will also assist with the refurbishment of existing facilities, as well as the supply of maintenance equipment for the upkeep of facilities. The information from the audit of all existing sport facilities will be used to revise the Department's Infrastructure Development Plan. The Department's budget has provided for the appointment of caretakers to manage and maintain the sport fields, through the transfer of grants to Municipalities.

## CONCLUSION

In this budget there is a lot for us to celebrate; And there is also provision for us to achieve that which we still need to achieve. We are indeed telling a good story.

This would not have been possible if the 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.

Our collective achievements as the government of KwaZulu-Natal required commitment and discipline from each and every member of our executive and officials, thus enabling us to:

- Spend on budget.
- Obtain a record number of clean audits.
- Eliminate unnecessary costs and wastage.
- Get value for money by doing more with less.
- Deal decisively with corruption and deliberate wrong-doing, as this remains a key priority for government. Let us all be mindful to "do the right thing, even when nobody is watching."
- Address unauthorised and irregular expenditure and audit outcomes.

As custodians of public money we have had to make tough and sometimes unpopular decisions, but it has paid off. In this regard I want to thank our Premier, Mr Senzo Mchunu, and my Cabinet colleagues for their support and understanding – we have walked the difficult road together. I also acknowledge the important role and support of our previous Premier, Dr Zweli Mkhize.

We have taken great care to align our budget with our National Development Plan, as well as our Provincial Growth and Development Plan and Strategy, therefore ensuring that we fund both national and provincial priorities within available resources.

We have always kept our focus on our long term vision, namely "By 2030 KwaZulu-Natal will be a prosperous Province with a healthy, secure and skilled population acting as a gateway to Africa and the world."

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 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 to the value of the budget I am presenting.

I also thank members of the Provincial Legislature and in particular the chair, Belinda Scott, and members of the Finance Portfolio Committee for their support and encouragement.

I 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 remains "in the black." Let us all re-commit ourselves to keep it like that. We rely on you to carry out your role as implementers for the benefit of the people whom we serve.

To my Provincial Treasury team, including the ministry support staff – you are the best.

**Thank you HOD Magagula and those many dedicated officials who have steered us to where we are today – we are very proud of you and your achievements. Well done!**

**To my HOM Muzi Kubheka and my support staff - you have helped us to tell this good story. Thank you for your unwavering support and hard work.**

*I end with Tata Madiba's words, "I have walked that long road to freedom. I have tried not to falter; I have made missteps along the way. But I have discovered the secret that after climbing a great hill, one only finds that there are many more hills to climb. I have taken a moment here to rest, to steal a view of the glorious vista that surrounds me, to look back on the distance I have come. But I can only rest for a moment, for with freedom come responsibilities, and I dare not linger, for my long walk is not ended."*

We will continue to walk the long walk – TOGETHER as South Africans – until we are truly a united, non-racial, non-sexist and prosperous society.

I thank you