

Population

The global population reached 7.4 billion in 2016 with the majority of people living in less developed countries (Population Reference Bureau, 2016)¹. Less developed countries constitute approximately 84% of the world population where Asia (59.8%) and Africa (16.2%) are the most populous regions. This situation poses a threat to the global economy due to food insecurity.

Global and national economic outlook

The International Monetary Fund (IMF, 2017)² expects the global economic performance to remain subdued at 3.4% and 3.6% in 2017 and 2018, respectively. The 2017 projections are also confirmed by the Goldman Sachs (2017) report, which expects growth rates of 3% to 3.5% in 2017, largely driven by a positive impulse from financial conditions in the United States (US) and other parts of the emerging world.

South African economic outlook

Similar to the global economic performance, the South African economic growth outlook remains sluggish. The economy of the country is estimated to have slowed down to 0.3% in 2016, which reflects the effects of low commodity prices and other factors. Falling investment and the persistent drought are some of the major factors driving growth downwards. The economic growth in the country is, however, projected to rebound and strengthen slightly to 0.8% in 2017 and 1.6% in 2018, driven largely by household consumption and investment (IMF, 2017).

KZN economic review and outlook

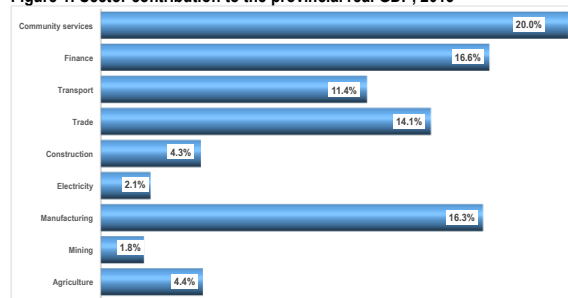
Following the global and national trends, the provincial economy is estimated to have recorded a seasonally adjusted increase of 0.6% in 2016. The provincial economic outlook is in a subdued trajectory but expected to grow to 1.1% and 1.5% in 2017 and 2018, respectively. These growth rates are, however, below the targeted 5% required to achieve job creation as outlined in both the National Development Plan (NDP) and the Provincial Growth and Development Plan (PGDP, 2014). KZN is one of the key provinces in the national economy in terms of GDP contribution. The estimated real GDP generated by the province amounted to approximately R478.94 billion in 2015, making KZN the second largest contributor to the economy of the country at 16%, slightly above the 13.8% recorded in the Western Cape, but behind Gauteng at 35.3%.

Sector performance analysis

¹ Population Reference Bureau (2016): World Population Data Sheet 2016, with a special focus on human need and sustainable resources, available online www.prb.org/pdf16/prb-wpds2016-web-2016.pdf, accessed on 2 February 2017.

² IMF (2017): World Economic Outlook, a Shifting Global Economic Landscape, an update of the key WEO projections available online www.imf.org, accessed on 17 January 2017.

Figure 1: Sector contribution to the provincial real GDP, 2015



Source: Global Insight, 2017

The economy of the province is driven largely by the community services (20%), finance (16.6%) and manufacturing sectors (16.3%). Trade (14.1%) and transport (11.4%) were also significant sectors in the economy of KZN (Figure 1).

Unemployment in SA and KZN

The national unemployment rate in SA is estimated at 26.5%. This is higher among females at 28.9% compared to that of their male counterparts at 24.5%. The unemployment rate among youth aged between 15 and 24 is 50.9% and 31.9% among people in the 25 to 34 age cohort. In KZN the unemployment rate is estimated at 23.9% in the last quarter of 2016.³

Inflation

The current inflation rate in KZN is 7.2%, which is above the national headline inflation rate of 6.6% in January 2017. This rate is above the targeted band of 3% to 6%, and is mainly influenced by the weak Rand and higher food prices.

Demographics

The province of KZN is home to an estimated 11.1 million people which accounts for approximately 19.8% of the South African population.

Poverty

Poverty levels in KZN have been on a gradual decline from 2011 to 2016. A comparison of the proportion of people living in poverty in 2011 and 2016 reveals that a lower proportion of the provincial population was poorer in 2016 (7.7%)

Development indicators (2015)

In 2015, the province had a Gini coefficient⁴ of 0.63, a Human Development Index (HDI) of 0.61, and a functional literacy rate⁵ of 80.2%. The literacy rate has improved

³ Stats SA (2016b): *Quarterly Labour Force Survey*, Quarter four 2016, Statistical release P0211, available online: <http://www.statssa.gov.za/publications/P0211/P0211-fourth-Quarter2016.pdf>, accessed on 19 February 2017.

⁴ The Gini coefficient measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution (www.worldbank.org).

from its 2005 level of 70.9%, the Gini coefficient remained constant, while the HDI improved marginally from 0.48 over the same period.

Grant beneficiaries

The province has the highest share of Old Age Grant beneficiaries (657 585 or 20.1%), Disability Grant beneficiaries (247 866 or 23%), Grant-in-Aid beneficiaries (51 415 or 32.5%), Care Dependency Grant beneficiaries (40 176 or 27.8%), Foster Child Grant beneficiaries (89 336 or 22.4%), and Child Support Grant beneficiaries (2 798 993 or 23.2%).

Policy priorities driving KZN's 2017/18 MTEF Budget

Education

According to the National Treasury (2017)⁶, the proposed national allocation of basic education accounted for approximately 17.5% of all the spending over the 2017 Medium-Term Expenditure Framework (MTEF). In addition, the province of KZN allocates the highest proportion of its budget to Education at R47.5 billion (41.2%) for the 2017/18 MTEF.

Health

The province is witnessing less HIV and AIDS related deaths, which implies government is succeeding in its endeavour to improve the quality of life of those infected. About 52.6% of HIV positive people have been placed on anti-retroviral (ARV) treatment in the province. However, efforts need to be intensified in preventing new HIV and AIDS infections within the province.

Infrastructure

The existing infrastructure assets receive the largest share of the KZN infrastructure budget over the 2017/18 MTEF. In 2017/18, this category receives R8.125 billion; the new infrastructure assets category receives the second largest share of the infrastructure budget for the year at R2.268 billion, and infrastructure transfers will be allocated R667.194 million.

⁵ Literacy rate is calculated by dividing the number of literate individuals aged 15 years and over by the corresponding age group population and multiplying the result by 100, available on: <http://data.worldbank.org/indicator/SE.ADT.LITR.ZS>

⁶ National Treasury (2017) Budget Review 2017, available online: <http://www.treasury.gov.za/documents/national%20budget/2017/review/FullBR.pdf>, accessed on 22 February 2017.

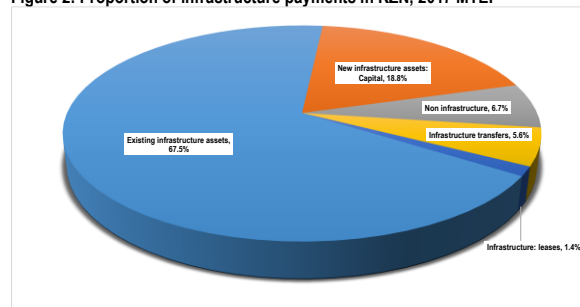
Table 2: Summary of infrastructure payments and estimates by category, 2017 MTEF

| | Audited Outcome | | | Main Appropriation | Adjusted Appropriation | Revised Estimate | Medium-term Estimates | | |
|--|-------------------|-------------------|-------------------|--------------------|------------------------|-------------------|-----------------------|-------------------|-------------------|
| R thousand | 2013/14 | 2014/15 | 2015/16 | 2016/17 | | | 2017/18 | 2018/19 | 2019/20 |
| Existing infrastructure assets | 8 560 953 | 8 838 332 | 8 848 690 | 9 603 629 | 9 594 879 | 9 492 079 | 8 125 526 | 8 549 755 | 9 439 590 |
| Maintenance and repair: Current | 2 902 408 | 2 952 109 | 2 680 263 | 4 361 572 | 4 303 261 | 4 313 453 | 3 736 639 | 3 998 440 | 4 293 230 |
| Upgrades and additions: Capital | 3 987 658 | 4 165 323 | 4 182 622 | 3 071 705 | 3 354 247 | 3 302 057 | 2 705 798 | 2 932 379 | 3 325 392 |
| Refurbishment and rehabilitation: Capital | 1 670 887 | 1 720 900 | 1 985 805 | 2 170 352 | 1 937 371 | 1 876 569 | 1 683 089 | 1 618 935 | 1 820 968 |
| New infrastructure assets: Capital | 1 865 053 | 1 638 042 | 1 757 868 | 1 776 975 | 1 634 795 | 1 696 911 | 2 267 954 | 1 975 907 | 1 998 213 |
| Infrastructure transfers | 669 496 | 656 561 | 877 969 | 576 483 | 613 625 | 625 772 | 677 194 | 686 723 | 716 605 |
| Infrastructure transfers: Current | 3 322 | 3 337 | 2 450 | 2 000 | 2 000 | 2 000 | 2 000 | - | - |
| Infrastructure transfers: Capital | 666 174 | 653 224 | 875 519 | 574 483 | 611 625 | 623 772 | 675 194 | 686 723 | 716 605 |
| Infrastructure: Payments for financial assets | | | | | | | | | |
| Infrastructure: Leases | 80 675 | 95 684 | 108 096 | 21 285 | 61 285 | 73 765 | 163 482 | 125 777 | 139 784 |
| Non infrastructure | 450 759 | 535 346 | 590 502 | - | - | - | 806 535 | 911 636 | 970 240 |
| Total | 11 626 936 | 11 763 965 | 12 183 125 | 11 978 372 | 11 904 584 | 11 887 627 | 12 040 672 | 12 249 798 | 13 264 433 |
| Capital infrastructure | 8 189 772 | 8 177 489 | 8 801 814 | 7 593 515 | 7 538 038 | 7 498 409 | 7 332 036 | 7 213 944 | 7 961 178 |
| Current infrastructure | 2 986 405 | 3 051 130 | 2 790 809 | 4 384 857 | 4 366 546 | 4 389 218 | 3 902 101 | 4 124 217 | 4 433 014 |

Source: KZN Treasury, 2017

Note: Non infrastructure is exclusively appropriated funds within the infrastructure budget used for capacitation of infrastructure units within departments such as Human Resources and related equipment.

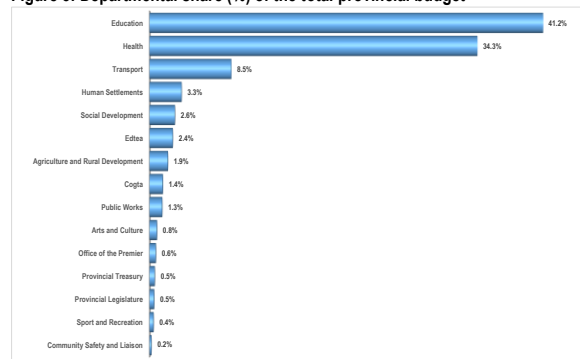
Figure 2: Proportion of infrastructure payments in KZN, 2017 MTEF



Source: KZN Treasury, 2017

2017/18 KZN budget summary: allocation by departments

Figure 3: Departmental share (%) of the total provincial budget



Source: KZN Treasury, 2017

The total budget of KZN for 2017/18 is R115 billion, allocated as follows:

- ❖ R47.5 billion for the Department of Education (41.2% of the total budget)
- ❖ R39.5 billion for the Department of Health (34.3% of the total budget)
- ❖ R9.8 billion for the Department of Transport (8.5% of the total budget)
- ❖ R3.8 billion for the Department of Human Settlements (3.3% of the total budget)
- ❖ R3 billion for the Department of Social Development (2.6% of the total budget)
- ❖ R2.8 billion for the Department of Economic Development, Tourism and Environmental Affairs (2.4% of the total budget)
- ❖ R2.2 billion for the Department of Agriculture and Rural development (1.9% of the total budget)
- ❖ R 1.6 billion for the Department of Co-operative Governance and Traditional Affairs (1.4% of the total budget)
- ❖ R 1.5 billion for the Department of Public Works (1.3% of the total budget)
- ❖ R 874 million for the Department of Arts and Culture (0.8% of the total budget)
- ❖ R742.1 million for the Office of the Premier (0.6% of the total budget)
- ❖ R607.8 million for the Provincial Treasury (0.5% of the total budget)
- ❖ R535.3 million for the Provincial Legislature (0.5% of the total budget)
- ❖ R463.6 million for the Department of Sport and Recreation (0.4% of the total budget)
- ❖ R204.5 million for the Department of Community Safety and Liaison (0.2% of the total budget)

Province of KwaZulu-Natal

PROVINCIAL BUDGET

2017/18

"The KZN Budget: Making people's lives better"



Spending your money wisely

KZN Provincial Treasury's Vision

"Be the centre of excellence in financial and fiscal management in the country"

KwaZulu-Natal Provincial Treasury
Treasury House
145 Chief Albert Luthuli Road
P O Box 3613
Pietermaritzburg

