

# RESPONSE 2019 KZN SOPA AND BUDGET SPEECH

## FOCUS ON SELECTED DURBAN RELATED ISSUES



The Province finds itself in a **challenging financial position**, as funds have decreased for 7<sup>th</sup> consecutive year.

Austerity measures are therefore a central theme. There is a creative and well thought out austerity approach of effecting budget cuts, “**without impacting service delivery spending**”, and achieving “the least (negative) impact on citizens”.

While National Treasury has cut KZN’s equitable share by R8.8 million, R9.4 million and R9.5 million in the medium term, budget cuts are offset by halting plans for government offices and reabsorbing budgets allocated to projects which are not likely to take off in this financial year. In addition there have been budget adjustments, based on inter-departmental shifts. The contingency fund has also been reduced.

Given the worsening state of South Africa’s public revenue, **a similar austerity approach should be adopted in eThekwini’s** Economic Development Cluster, i.e. expenditure should be based on measurable value for money and impact.

While austerity measures are welcomed, the approach should not only be limited to spending while maintaining service delivery, **but investing existing expenditure to ensure increased future revenue**. The key economic investment areas necessary for growth are land, human capital, infrastructure and technology. In summary, there needs to be better alignment between the SONA and KZN and the Province and the City, and more innovative approaches are required. In addition, the budget does not support economic growth and hence the budget allocated to RET initiatives are likely to be limited in its effectiveness.



# ECONOMIC INFRASTRUCTURE AND LAND

## ALIGNMENT NEEDED BETWEEN CITY AND KZN



- **Infrastructure spend accounts for just 13%** of the provincial budget.
- The **Cato Ridge Intermodal Freight and Logistics Hub** has been identified as a catalytic SIP 2 corridor project, for freight movement between Durban, Gauteng, and the Free State. It is also identified in the SOPA as important for black economic and community empowerment. This project has been removed from the Municipality's Local Area Plan, and represents a major area of **misalignment between Provincial and local planning**. The SOPA reports that both the DTI and Transnet have shown interest in this hub.
- R247 million is allocated for reconstruction and repair of houses in the eThekweni Metro for 2019/20, damaged in the October 2017 storms. While this is positive it reflects slow responsiveness in administrative systems. SOPA also mentions existing catalytic projects such as 25 000 houses in Cornubia, 10 585 social houses in Durban CBD, 27 875 urban units in Bridge City, 18 000 urban regeneration units in Umlazi and 20 000 units in Amaoti. These are not mentioned in the Provincial budget with no plan of how they will be budget for or the opportunity for private sector involvement. The **increase in housing to address backlogs is noted and seen as a positive development for the growth of the economy**.



# TECHNOLOGY

## MORE BUDGET SUPPORT FOR 4IR



- Given the SONA's focus on the **4th Industrial Revolution and the fact that most fast growing countries and regions are placing emphasis on this, the lack of focus on this area in both the SOPA and Provincial Budget is of concern.** Most prioritised business intervention relates to traditional brick and mortar facilities, which are important, but insufficient. Reference is made to the Maths, Science and Technology grant under the Education Department which shows inflationary growth. The budgeted amounts consist of R64.6 million R67.1 million and R70.7 million over the MTEF. This grant is critical given the consistently low Maths and Science ranking of SA in the WEF Global Competitiveness report.
- SONA mentioned a focus on expanding the small business incubation programme, commencing with the establishment of **township digital hubs through SEDA** in four provinces, with no indication of whether (although likely) KZN is included.



# HUMAN CAPITAL

## EDUCATION AND HEALTH PROGRAMMES: POSITIVE DEVELOPMENTS IN HEALTH, BUT MORE INNOVATION REQUIRED

- **Education:** Most grants show an inflationary increase, while the Education Infrastructure grant shows an increase of R392m in 19/20. One new school called Collingwood Primary School in Umlazi is budgeted for in eThekweni, while broadband and **Wi-Fi connectivity is prioritised for hospitals but not for schools.**

**Health:** A total of R208 million is allocated to the health sector in KZN in 2021/22. Key health infrastructure projects in the City include the completion of the Dr Pixley ka Isaka Seme Memorial Hospital at Bridge City, while the King Edward VIII and Addington hospitals will receive upgrades. South Africa is ranked below average in Africa for its health ranking in the WEF Global Competitiveness Report, and thus health developments in the City are positively noted. Rwanda recently became the first country globally to **deliver health services via drone** (Ghana will be delivering the same too). In light of revenue austerity measures, the City should consider a similar approach for facilities within its mandate, such that delivery of services is not dependent on brick and mortar facilities alone.



# KEY ECONOMIC PROJECTS AND PROGRAMMES

**RET SKILLS FOCUS WELCOMED, BUT GROWTH ALIGNMENT WITH SONA REQUIRED**

- The budget presents little scope for economic growth and job creation as it does not put in place value for money measures which look at e.g. the number of jobs created for the investment in interventions listed. In addition, the key themes in the SONA such as **acceleration of investment attraction, the ease of doing business, skills for the fourth industrial revolution and improvements in State Companies, are not reflected at the provincial level.**
- SOPA has identified RASET as a key programme to open up government procurement (50% commitment) to small scale farmers and previously disadvantaged enterprises. EThekweni has been identified as one of 5 pilots, but while farmers exist, government procurement has been identified and the Municipality has given authorisation, **blockages still exist to procuring the R42mil set aside for government procurement to small scale farmers in the City.**
- While the SOPA mentions a number of economic initiatives and issues (Blue Economy, Dube Trade Port SEZ, KZN Aerotropolis, Invest Durban etc.) including catalytic projects, these are not necessarily carried through to the provincial budget. Economic projects in the budget carries focus only on economic transformation and not growth. Without growth it is likely that transformation will be slow. Major economic projects budgeted for in the province (in terms of allocations EDTEA in 2019/20) consist of the implementation of Operation Vula and the RASET programme. **The most significant economic emphasis is on small scale farmer development.**



# TOP FIVE RECIPIENTS OF PROVINCIAL BUDGET (KZN Depts.)

