

# **FREE STATE PROVINCIAL GOVERNMENT**

## **BUDGET STATEMENT 2008/09**

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## Foreword

The 2008/09 Estimates of Provincial Expenditure and the 2009/10 and 2010/11 indicative forward estimates contained in this Budget Statement, harmonize and align provincial resource planning in a manner that ensures that this Medium-Term Expenditure Framework (MTEF) Budget, reflects an agreed provincial plan that adequately balances different priorities and service delivery imperatives as outlined within the Free State Growth and Development Strategy. Furthermore, the revenue estimates for 2008/09 and the two-year estimates for 2009/10 and 2010/11, provide an adequate fiscal envelope for spending departments and public entities to deliver on the policy priorities of Government.

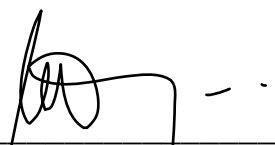
The 2008/09 budget represents the end-result of an intensive process to identify the provincial priorities that respond to the socio and economic parity of the Free State Province. This process culminated with the allocation of resources strongly in line with the provincial socio-economic analysis tabled to the Provincial Executive Council which mirrored the needs of the people of this province. In response to the resolutions of the 2005 Infrastructure summit, the 2008 budget framework makes contribution to higher economic growth through increased investment in social and economic infrastructure. The 2008/09 provincial infrastructure budget represents the real growth of about 35 per cent from 2005/06 financial year.

The budget priorities for this financial year continue to focus more on pro-poor spending, to address the social imbalances with strong growth to education, health and social development in order to increase access to free education, better health care system, and social welfare services.

Improved public expenditure management remains crucial to the achievement of Government's objectives, and one of the main challenges for the successful implementation of this Budget would, of necessity, be to continuously improve access to public services together with intensified strategies to enhance the actual quality of services delivered and ensure an improvement in the responsiveness of public services to identified needs. Success in this regard, calls for willful directing of scarce public resources to those areas of government operation that will meaningfully narrow the wedge between social progress and economic development in this Province.

Key to the attainment of the aforementioned would, amongst others, be:

- The attainment of greater synergy in the use of public resources across departments and public entities, through effectively harnessing the system of clustering provincial departments, to improve the efficiency, effectiveness and efficacy of provincial public service delivery.
- The need for the introduction of deliberate interventions, plans and strategies to improve the quality of forward planning and enhance the capacity of provincial departments to improve the delivery of provincial infrastructure.
- The ever-present need to identify avenues and instruments that can contribute towards enhancing the effectiveness and efficiency of monitoring, evaluation and oversight processes aimed at hastening the realization of planned outputs and desired outcomes through public services delivery.



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**MEC for Finance**



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## 1. Budget strategy and aggregates

The Free State Growth and Development Strategy (FSGDS) is the most important planning instrument articulating the development agenda and strategic policy direction of the Free State Provincial Government. As such it provides the ideal mandating framework to guide provincial public resource allocation, by:

- Facilitating speedy and cost-effective delivery of government programmes and plans through effective intergovernmental coordination between spheres of government by providing a framework for provincial spatial development, through aligning the development objectives of policies, strategies and priorities of national, provincial and local government in line with the principles of the National Spatial Development (NSDP)
- Allocating funds to those programmes with highest rate of social return, or which have the greatest impact on reducing poverty and unemployment over the long term
- Setting the overall framework for ensuring effective use of scarce resources within the Province, by searching for more cost-effective and sustainable solutions to pressing prevailing developmental needs, whilst at the same time, addressing the real root causes of provincial developmental challenges instead of a focus on mere symptoms
- Defining the framework and parameters for high-priority, provincial wide lead strategies that has meaningful beneficial impact on prevailing socio-economic conditions in the Province
- Providing a common vision that sets the basis for common action amongst provincial role players and stakeholders both inside and outside of Government, through identifying opportunities for strategic investment and fostering an environment of certainty and predictability to facilitate and enhance private sector initiative

Based on the aforementioned, it is apparent why the strategic focus of the FSGDS largely informed the resultant key areas for funding over the 2008/09 – 2010/11 provincial medium term expenditure framework (MTEF) budget period. In addition, budget allocations were, inter alia, informed by:

- The goals and objectives of vision 2014
- The strategic thrust of the January 8 Statement
- Sector priorities as reflected in the 2007 medium term budget policy statement
- The National Cabinet Lekgotla
- The Lekgotla of the Provincial Executive Council
- Apex priorities

This exercise identified the following key priorities for provincial budget funding, namely:

- Social and Human Development
- Accelerated growth, development and employment creation
- Improved effectiveness of governance and administration
- Promotion of effective justice and crime prevention.

These key priorities are discussed briefly:

### **Social and Human Development**

It is evident that any growth and development strategy should be cognizant of the important link and impact of growth and development on social aspects. Thus, for example, education is considered to be one of the core preconditions for development, given the fact that the level of education, like life expectancy, is some of the most important contributors to the Human Development Index (HDI). Life expectancy as one of the indicators of quality of life is influenced largely by adequate living conditions, access to housing and basic services, and access to a health system capable of addressing health needs.

From the above it follows that funding in respect of this provincial objective is largely focused on ensuring the achievement of decisive progress towards the alleviation and ultimate eradication of



poverty. More specifically, the ability of the poor to access government services will be improved through:

- Expansion and strengthening of education, health and social development services
- Enhanced support to sport and cultural programmes
- Enhanced support for housing delivery initiatives

It is envisaged that concentration on these focus areas will further enhance key achievements of recent pro-poor budgets of raising the proportion of spending on social services that benefit the poorest quintiles of the population and that it will further internalize benefits emanating from redistributive expenditure programmes in social development, health, education, land restitution and housing, which will go a long way in ensuring that better public service delivery and in fact, meet the needs of the poor.

### **Accelerated growth, development and employment**

It has been mentioned that society agrees that the provincial transformation agenda needs to move beyond short-term relief options to long-term sustainable definitive solutions. Thus more rapid and sustainable growth requires both structural reforms and improved policy implementation.

To ensure that the recent improvements in economic growth are internalized and benefit all, allocations in support of this objective aim to:

- Promote investment in provincial infrastructure, including the provincial road network, so as to strengthen and support economic initiatives in key sectors such as agriculture, tourism, manufacturing and mining.
- Support efforts that seek to give effect to the “massification” of the Expanded Public Works Programme, so as to enable absorption of capacitation of greater numbers of unemployed in labour-intensive programmes.

### **Improved effectiveness of governance and administration**

Government’s capacity and systems to implement programmes is strengthened through:

- Increased funding for monitoring, evaluation and oversight functions
- Strengthening and supporting the capacity of local government to deliver public services and infrastructure

### **Promotion of effective, justice and crime prevention**

The allocation of this strategic area is in respect of improving the capacity and effectiveness of the Province to promote justice and crime prevention, to ensure safety and security for all.

As was the practice from the recent past, proposed allocations seek to align allocations much more closely to critical policy directives and development imperatives emanating from Government policy by creating a provincial resource envelope that addresses the reality of the social conditions that prevail in the Province, whilst at the same time, strengthening the competitive and comparative advantages of the Province, resulting from its geographical location, resource endowment and future prospects.

In what follows, the prevailing socio-economic conditions in the province is outlined, the size and nature of various provincial revenue sources is explained and departmental allocations are set out to indicate how the 2008/09 - 2010/11 MTEF budget supports the implementation of the revised FSGDS.



## 1.1 Summary of budget aggregates

Table 1.1: Provincial budget summary

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
<b>Provincial receipts</b>									
Transfer receipts from national	9,849,161	10,587,363	11,538,520	12,947,305	13,165,742	13,165,742	15,198,914	17,097,845	18,844,852
Equitable share	8,306,713	8,969,181	9,731,272	10,745,189	10,918,513	10,918,513	12,412,932	13,932,016	15,104,011
Conditional grants	1,542,448	1,618,182	1,807,248	2,202,116	2,247,229	2,247,229	2,785,982	3,165,829	3,740,841
Provincial own receipts	414,671	447,780	489,466	465,447	503,555	505,391	556,366	591,325	626,310
<b>Total provincial receipts</b>	<b>10,263,832</b>	<b>11,035,143</b>	<b>12,027,986</b>	<b>13,412,752</b>	<b>13,669,297</b>	<b>13,671,133</b>	<b>15,755,280</b>	<b>17,689,170</b>	<b>19,471,162</b>
<b>Provincial payments</b>									
Current payments	7,934,693	8,643,767	9,764,830	10,478,703	10,536,699	10,422,030	11,760,168	13,106,340	14,331,375
Transfers and subsidies	1,240,623	1,403,309	1,458,885	1,498,116	1,590,598	1,571,887	2,025,488	2,288,418	2,590,986
Payments for capital assets	524,539	628,781	1,074,677	1,332,253	1,400,212	1,356,544	1,899,247	2,159,278	2,391,761
Unallocated contingency reserve									
<b>Total provincial payments</b>	<b>9,699,855</b>	<b>10,675,857</b>	<b>12,298,392</b>	<b>13,309,072</b>	<b>13,527,509</b>	<b>13,350,461</b>	<b>15,684,903</b>	<b>17,554,036</b>	<b>19,314,122</b>
<b>Surplus/(deficit) before financing</b>	<b>563,977</b>	<b>359,286</b>	<b>(270,406)</b>	<b>103,680</b>	<b>141,788</b>	<b>320,672</b>	<b>70,377</b>	<b>135,134</b>	<b>157,040</b>
<b>Financing</b>									
Provincial roll-overs									
Other (Specify)									
Other (Specify)									
Other (Specify)									
<b>Surplus/(deficit) after financing</b>	<b>563,977</b>	<b>359,286</b>	<b>(270,406)</b>	<b>103,680</b>	<b>141,788</b>	<b>320,672</b>	<b>70,377</b>	<b>135,134</b>	<b>157,040</b>

The estimated total provincial receipts for 2008/09 is R15 755 billion, which represent an increase of R2 169 billion or 16 per cent of the 2007/08 main budget. The substantial growth is owing to the significant increase of 24 per cent on Conditional grants, 10 per cent on Own Revenue and 15 per cent on Equitable Share.

The contribution of Equitable Share to the total provincial receipts decrease slightly from 80 per cent in 2007/08 to 78. 8 per cent in 2008/09, Conditional Grants accounts for 17. 7 per cent while provincial own receipts still constitutes 3. 5 per cent of the total provincial receipts. In the first year of the 2008 MTEF, the equitable share grows by 15. 5 per cent from R10 745 billion in 2007/08 main appropriation to R12 413 billion. Equitable share is growing with at a declining rate of 16 per cent in 2008/09 to 8. 4 per cent in the outer year.

Including the unallocated funds for Government Employee Medical Scheme (GEMS), the total provincial payments will grow at the same rate annually. Excluding the unallocated Government Employee Medical Scheme (GEMS), current payments account for 75 per cent in year one of the MTEF which represent a reduction of 4 per cent compared to 2007/08 financial year. These payments are estimated to grow by 11. 6 per cent on the 2007/08 adjusted budget. The share of current payments to the total provincial expenditure is estimated to decline marginally over the 2008 MTEF to 74. 7 per cent and 74. 2 per cent in 2009/10 and 2010/11 financial years respectively. Transfers and subsidies share equals to 13 per cent of the provincial total payments excluding GEMS allocation and it is expected to remain stable at this margin over the two outer years of the MTEF.

The share of payments for capital assets from the total provincial expenditure remains at 12 per cent over the MTEF period. Capital expenditure grows by 35 per cent from the 2007/08 adjusted budget. Estimated growth for 2009/10 is 14 per cent and 11 per cent increase in 2010/11 financial year. The projected growth in payment for capital assets is mainly intended to fund development and maintenance of infrastructure with the view of stimulating economic growth in the Province. In



the department of education, an amount of R355 million has been budgeted specifically for the construction of 15 schools in order to eradicate all platooning schools in the province.

## 1.2 Financing

Table 1.1 indicates consolidated surplus of R362 551 million over the 2008 MTEF period. This surplus relates to the unallocated budget of Government Employee Medical Benefits (GEMS). This budget will only be allocated to the respective departments after the up-take has increased. Including the unallocated budget of GEMS, the Provincial Government is tabling a balanced budget for 2008/09 financial year and no deficit-financing requirement is needed.

The overdraft facility that is negotiated annually with the provincial banker will be used only for the bridging finance in order to address temporary liquidity requirements. The provincial government does not have any debt that can adversely affect this budget.

Flowing from the Budget Council resolutions, provinces agreed that they should refrain from borrowing for the time being, except for temporary purposes using the bridging finance facility of their provincial bankers. If, in the future, an agreement is reached through the Budget Council that other forms of borrowing will become available to provinces, details of the types, amounts, and terms and conditions of new borrowings will be provided.

## 2. The budget process and the medium term expenditure framework

The Provincial Treasury developed and implemented a comprehensive and credible budget process. This budget process is intended to ensure that integrated planning, budget and reporting principles are observed. A key output relating to the successful implementation of the comprehensive budget process is the extent to which the provincial budget supports the Free State Growth and Development Strategy and 2007 Medium Term Budget Policy Statement.

The provincial budget process and Treasury Guideline were aligned to the national documents and frameworks. The Executive Council endorsed the provincial budget schedule on 04 July 2007. This marked the commencement of our budget process aimed at ensuring that the Province produces a credible and developmental budget.

Key activities relating to the 2007 Provincial Budget Process were the following:

- Evaluation of the 2007/08 rollover requests was completed by the end of June 2007
- Initial allocation letters were sent to the departments on 17 July 2007
- The first Quarterly Infrastructure Review meeting was held on 24 July 2007
- National Treasury visited the Province during the period 25 to 26 July 2007
- First quarter non-financial report was submitted to National Treasury on the 20 July 2007
- First draft annual performance plans were submitted to National Treasury - 31 August 2007
- Provincial MTEC hearings (17 to 20 September 2007)
- Second quarterly infrastructure review meeting was held on 01 November 2007
- The Provincial Treasury hosted the National Treasury from 07 to 09 November 2007
- Provincial Budget Lekgotla was held on 21 November 2007
- Adjustment budget was tabled in the Legislature on 26 November 2007
- Second quarter non-financial report was submitted to National Treasury on 30 November 2007
- Database and Budget Statement submitted to National Treasury on 30 November 2007
- Provincial Treasury attended a pre-benchmark exercise meeting on 05 December 2007
- Executive Council approved preliminary allocation on 05 December 2007
- Main benchmark exercise meeting at National Treasury's offices on the 10<sup>th</sup> January 2008
- Third (Quarterly Infrastructure Review) meeting was held on 18 February 2008
- Tabling of the Provincial budget - 29 February 2008





Owing to the need for increased spending on infrastructure development and maintenance coupled with an attempt to improve spending, the Provincial Treasury introduced infrastructure review meetings. The purpose of these meetings is to assess spending trends and progress made with regard to the implementation of infrastructure projects. The second most important discussion points were the 2008/09 infrastructure plans and budgets. In discussing the plans and budget, focus was on the 2008/09 projects and the departments' readiness to implement projects by the beginning of the next financial year. Three meetings were held as indicated in the above key activities relating to the budget process and all the meetings were chaired by the MEC for Finance and attended by Members of the Executive Council. As a result of these meetings, the Province spending on infrastructure and forward planning with the view of implementing projects at the beginning of the financial year has been improved.

As part of the annual budget process, the National Treasury visits provincial treasuries twice a year. The first visit was from 25 to 26 July 2007. This engagement constitutes an important mechanism through which an assessment is done on the previous year's budget outcome, implementation of the current fiscal year and pressures facing the provincial budget. The purpose informed by the objectives of the visits was to look in detail at the following:

- Review of the 2006/07 budget outcome, service delivery outcomes and actual infrastructure spending
- Assessment of the 2007/08 budget with specific reference to pressures, risks and projected outcome
- Evaluate progress made with regard to the implementation of projects and sector specific issues
- Discussions on conditional grants spending and donor funding

The Provincial Medium Term Expenditure Committee hearings were held from 17 to 20 September 2007. These hearings were chaired by the MEC for Finance and Members of the Executive Council led the delegations of their respective departments. National Treasury also formed part of the hearings. The hearings focused on the following:

- Review of the 2006/07 and assessment of the performance of the 2007/08 financial year
- Linkage of the Annual Performance Plan to the Provincial Growth and Development Strategy
- Proposed changes to the programme structure, purpose and measurable objectives
- Detailed discussion on the approved organization structure and its funding implications
- 2008 MTEF infrastructure budget , projects and the department's readiness to implement projects with effect from April 2008
- Reprioritization within the baseline and motivation for departmental bids
- Own revenue, donor funding and report on Public Private Partnerships

Over and above the last mentioned issues the hearings were also intended to determine the extent to which the provincial departments give effect to the policy priorities as reflected in the Medium Term Budget Policy Statement and Free State Growth and Development Strategy. The hearings did provide a platform for a shared understanding between the provincial departments and the National and Provincial Treasuries on the key priorities underpinning each provincial department's budget and the province as a whole.

The Free State Provincial Budget Lekgotla was held on 21 November 2007 in order to finalise budget allocations to departments for the 2008/09 – 2010/11 MTEF period. The Premier and Members of the Executive Council, Accounting Officers, the Provincial Budget Office and Chief Financial Officers attended the Provincial Budget Lekgotla. The Provincial Budget Lekgotla assessed the 2007/08 provincial budget with special focus on the spending trends and progress made with regard to the implementation of infrastructure projects. The Provincial Treasury presented to the Lekgotla for consideration and inputs of the 2008 MTEF proposals and the rationale/assumptions behind the allocations. The Provincial Budget Lekgotla recommended and referred the proposal to the Executive Council for approval and endorsement. Following the



recommendations by the Provincial Budget Lekgotla, the Executive Council approved the 2008 preliminary allocations on the 05 December 2007.

The second provincial visit took place from 07 to 09 November 2007. The following issues formed part of the discussion points:

- Assessment of the expenditure trends including spending on infrastructure projects for the current financial year and identify bottlenecks and associated pressures
- Examine the 2008 MTEF budget allocation and funding of priority areas
- Assess the province's state of readiness to implement new projects in the 2008/09 financial year

Provincial and National Treasury visited infrastructure projects implemented by the departments of Education, Health, Agriculture, Public Works, Roads and Transport, Sport, Arts and Culture, Tourism, Environmental Affairs and Economic Affairs as well as Social Development. The site visits were intended to assess progress made with regard to the implementation of infrastructure projects. The Provincial Treasury visited housing projects in Trompsburg, bucket eradication projects in Kroonstad and schools in Odendaalsrus.

In an effort to strengthen own revenue collection processes and improve related processes in the 2007/08 financial year, the provincial treasury, through the Fiscal Policy unit provided technical and strategic support for institutional capacity building of provincial departments responsible for revenue collection by assisting with strengthening capacity building initiatives that would encourage proper and effective management of, and improve on the projections and revenue collection outlook. The Provincial Treasury held;

- Two revenue workshops and engaged in revenue bilateral meetings with the relevant departments
- Assisted with the setting of revenue targets by, together with the relevant departments and developing a revenue base for each department
- Oversaw the compliance with revenue policies, PFMA and Treasury Regulations through the enforcement of Norms and Standards for own revenue

The main purpose of these initiatives was to make sure that relevant departments can produce policies that will lead to effective and efficient performance in this area.

Focus in the 2008/09 financial year, among others, will be to further strengthen the initiatives that were started in 2007/08 by among others, introducing revenue task teams with the relevant departments as well as embark on a concerted effort to investigate other revenue raising options and avenues. To this end, research is ongoing on other possible, feasible revenue sources that will not necessarily increase the burden on the already fully loaded revenue collection stream of the province. Equally important, will be to strengthen compliance with the PFMA requirements in all the sectors and this will be achieved through the processes of setting credible revenue budgets, while improving performance. This will be done through:

- Investigating current bases for tax revenue while researching ways in which they can be improved;
- Assisting departments to review their revenue structures while creating an avenue for improved service delivery
- Researching and reviewing relevant legislation and prescripts and making sure that all the departments adhered to

The participation of the Executive Council in the budget process and specifically their attendance of the Provincial MTEC hearings and Provincial Budget Lekgotla continue to enhance the process and remain critical for ensuring that the budget reflects both national and provincial priorities as espoused in the Free State Growth and Development Strategy.



### 3. A summary review of the Socio-Economic conditions in the province (2001-2007)<sup>1</sup>

The most pressing concern for policymakers in developing countries and provinces such as the Free State is designing and implementing policies that raise the quality of life for the majority of their citizens within the context of severe resource constraints. Quality of life, generally measured by various proximate indicators such as life expectancy, health status, nutritional adequacy, infant and maternal mortality, and various other measures of human capital, is highly correlated to a country's income, poverty and the quality of institutions. Whilst there appears to be a general consensus that poverty reduction strategies should be premised on accelerated and sustained economic growth, it is equally a myth to assume that such high levels of growth are a sufficient condition for poverty eradication and improved access to services. Poverty policy needs to be informed by good analysis, and such analysis needs to be reflected in expenditure priorities and budget allocations. It should be acknowledged that effective pro-poor policy interventions require politically difficult decisions to be made. The analysis below seeks to facilitate such.

#### 3.1 Demographic Profile

The size of the population and in particular the number of households are some of the important determinants of the needs of the inhabitants. These needs are expressed in the demand for infrastructural and social services, including water, sanitation, electricity, housing and hospitals. The population of the Free State in absolute terms has increased from 2.63 million in 1996, to 2.7 million in 2001 and 2.9 million in 2007, reducing the province's share of the national population from 6 per cent in 2001 to 5.7 per cent in 2007.

In terms of the age profile of the population, the Community Survey of 2007 shows the following trends between 2001 and 2007:

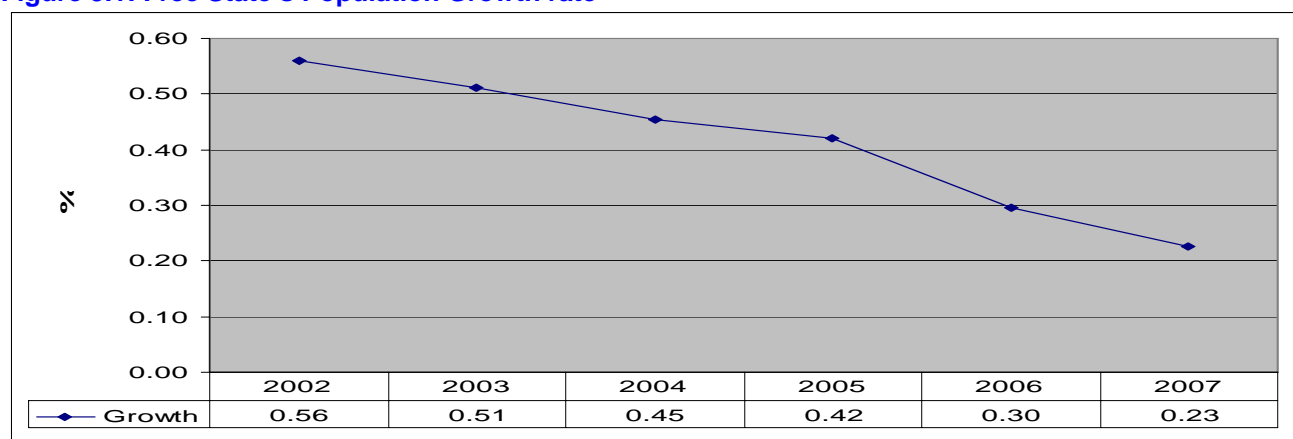
- Overall decline in the 0-19 age group from 21 per cent to 19.6 per cent of the male population, with 10-19 age groups mainly responsible with a cumulative decline of 2.4 per cent. This implies a decline in the proportion of school going age population in the province, especially at the middle and secondary schooling phase with negative implications for the province's education share of equitable share;
- From 20-34 years of age, the profile takes a new complexion, with the male population inclining by 0.2 per cent from 12.2 per cent to 12.4 per cent and female population declining by 0.9 per cent from 13.5 per cent to 12.6 per cent and with the cumulative increase of 0.6 per cent, implying pressure on the resources for further education and training institutes, and on the creation of job opportunities for youth;
- A slight increase from 7.3 per cent to 8 per cent in the elderly population, a possible indication of people's preference to retire in the province with implications for increased demand for access to public health facilities and services, welfare services and social grants.

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<sup>1</sup> This is summarized version of the Socio-Economic Review of the Free State to be published in April 2008 by Free State Provincial Treasury.



Figure 3.1: Free State's Population Growth rate



Source: Statistics South Africa, 2007 Mid-year estimates

Although there could be many reasons for the low population growth rate experienced by the province, the most prominent include the declining contribution of both the agricultural and mining sectors to the Free State economy and the reported ravaging impact of HIV and AIDS, with the former closely linked to migration.

### 3.2 Poverty and Welfare

In describing the impact of 'apartheid's assault on the poor', Wilson and Ramphela (1989) conclude that policies of deliberate impoverishment distinguished the experience and dynamics of poverty in pre-transition South Africa. It is because of this historical reality that the current dispensation seeks to alleviate the social, economic and political imbalances that characterize our entire country at large, and the Free State province specifically.

The DBSA (2006) notes that "it is difficult to measure poverty accurately because the concept of poverty is not easy to define and even once it is defined, it is not easy to measure in a way that is true to the definition". An alternative – and more multi-dimensional - concept of 'absolute' poverty was given at the World Summit for Social Development in Copenhagen in 1995 as follows:

*'a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services.'* If we were to apply the concept of poverty as a reflection of "... deprivation of basic human needs" or as the "denial of opportunities and choices most basic to human development", we are bound to assess whether people have access to basic services like housing, piped water, sanitation. To this extent, the following, as reported in StatsSA's GHS (2006), should be noted:

- In the period from 2002 till 2006 the proportion of households in the Free State living in informal dwellings grew steadily from 14.9 per cent to 18.2 per cent in 2006. This means that there were approximately 527 000 households living in informal dwellings in the Free State in 2006;
- Free State Households using bucket toilets, or had no toilets, declined slightly from 17.2 per cent in 2002 to 17.0 per cent in 2006;
- The percentage of households with access to piped water in the Free State has increased from 82 per cent in 2002 to 91.2 per cent in 2006, making the province to have the second highest number of households, after Western Cape, with access to piped water in dwelling or on site when;
- The percentage of household with access to electricity increased from 84.9 per cent in 2002 to 88.6 per cent in 2006;
- Proportion of people who use paraffin or wood for cooking in the province fell from 30.1 per cent in 2002 to 19.4 per cent in 2006, thus making the province to have the second lowest proportion of these after the Western Cape.



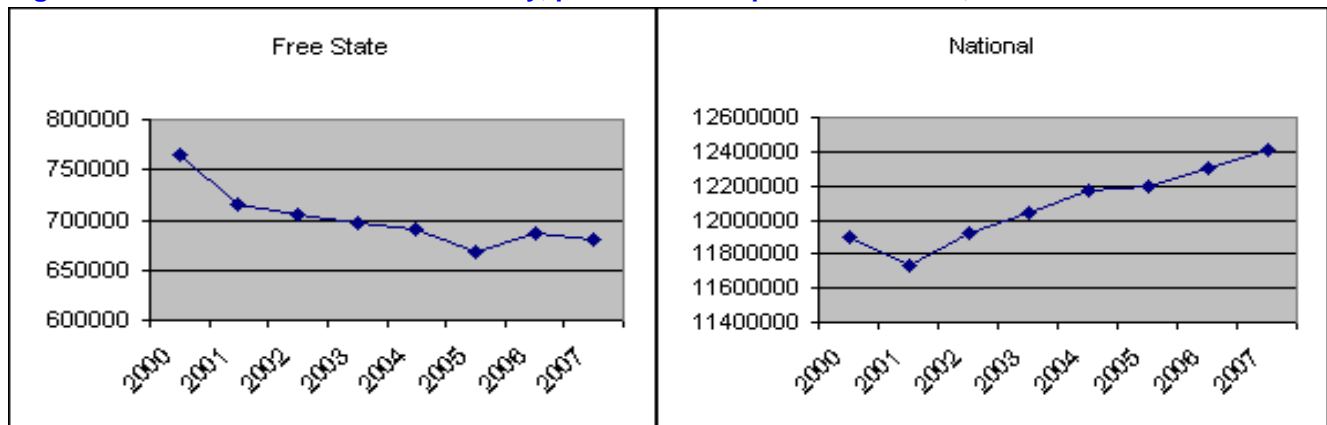
Whilst these achievements are a clear demonstration of the extent to which government programmes have improved the lives of people on the one hand, they also serve as a reminder that there is still a long way to go in order for all these backlogs to be eliminated. Other indicators of welfare show that:

- 68 per cent of the Free State population in 2004 was poor compared to 57 per cent for SA as a whole;
- Poverty Gap in 2004 was estimated at R5, 9 billion or 10 per cent of GVA or 45 per cent of the 2004/05 provincial budget;
- Household size decreased from 4.2 in 1996 to 3.5 members in 2007;
- Between 1996 and 2005, the proportion of low income households declined from 57. 7 per cent to 46. 2 per cent;
- 7. 5 per cent of Free State children reportedly went without a meal every day in 2003;
- At 2 per cent, the province had the 5th highest worker dependency ratio;
- Free State's HDI increased from 0.53 in 1996 to 0.55 in 2004;
- Free State's Gini-coefficient increased from 0.59 in 1996 to 0.64 in 2004;
- Poverty remains confined to Thabo Mofutsanyane and Xhariep districts.

### 3.3 Education

Ranked 6th, the Free State is home to 7. 0 per cent of all public schools in SA. However, at 46. 5 per cent, there is large concentration of farm schools in the province. The Department of Education reports that in 2006, 56. 8 per cent of all schools in Fezile Dabi were farm schools, followed by 52. 6 per cent in Thabo Mofutsanyana, 50 per cent in Lejweleputswa, 43. 9 per cent in Xhariep and 23. 5 per cent in Motheo. On its own, this raises the challenge of attracting and retaining suitably qualified and competent educators in rural areas. As a result of these small farm schools scattered throughout the province, the province had a favourable learner-school ratio (LSR) of 359, which was 2nd lowest and above national average of 468 in 2006. The latter, combined with declining learner numbers as shown below, have also resulted in the province having the most favourable learner-educator-ratio (LER) of 28. 8 in 2007.

**Figure 3.2: Number of learners in ordinary, public and independent schools, 2000 to 2007**



Source: EMIS, Education statistics at a Glance 2005, School Realities 2006 and 2007.

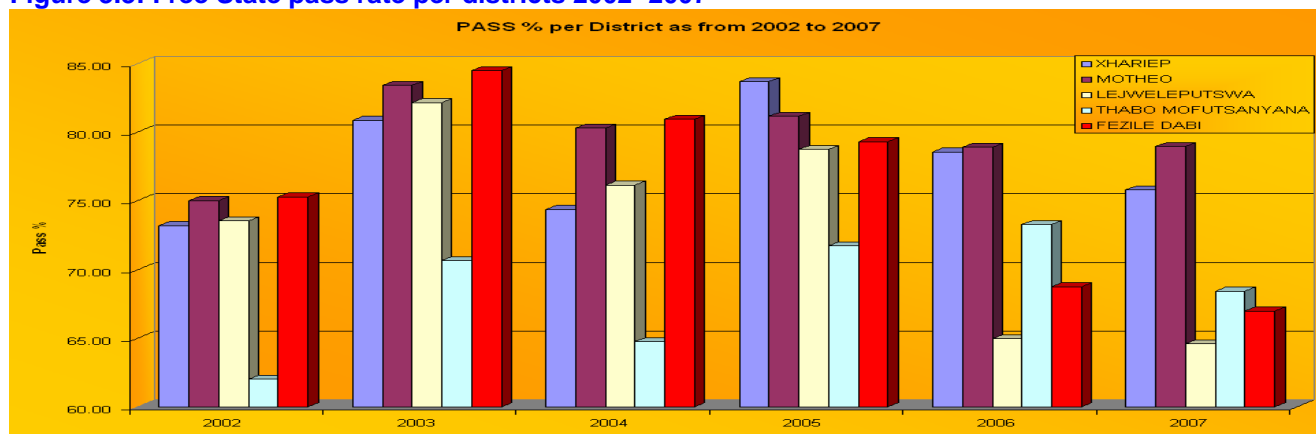
An overview of all learners between the ages of 5 years and 24 years in the Free State between 2001 and 2007 show that the largest proportion of these are at school, though their share has decreased from 92. 5 per cent to 90. 9 per cent, and is now slightly below the national average. Furthermore, the proportion of those learners at universities has increased significantly from 1. 9 per cent to 2. 6 per cent and the province currently have the third largest proportion of these nationally. The proportion of learners attending college increased from 1. 2 per cent to 2 per cent, again making the province to have the third largest proportion of these in the country.

With matriculation pass rates arguably considered a good measure of the state of education, it is important to note that the province's performance in this regard seems to have retarded. In 2001,



the matriculation pass rate stood at 59 per cent, went up to 80 per cent in 2003 and has been steadily declining since to the current 70.6 per cent in 2007. Similarly, it is equally important to highlight the observed trends with regard to the performance of the districts in this regard. Since 2003, significant drops in the matriculation pass rates have been noted for the districts, with the exception of Motheo.

**Figure 3.3: Free State pass rate per districts 2002- 2007**



Source: EMIS, FS Department of Education, 2008

However, looking at the provincial labour profile between 1996 and 2005 by skill, then the following are worth mentioning:

- The province has experienced a significant decline in unskilled labour from 39.7 per cent to 25.2 per cent;
- Semi-skilled labour in the province rose by a modest 9.5 per cent from 40.2 per cent to 49.7 per cent;
- Marginal increases of around 2 per cent in the proportion of skilled and highly skilled labour are also noted;
- The province continues to experience high shortage of highly skilled labour across all district municipalities.

### 3.4 Health

The province has 25 districts hospitals, 5 regional hospitals, one tertiary hospital and one specialized hospital. These hospitals have a combined total of 5 474 approved beds that cater for a provincial population estimated by StatsSA to be around 2.9 million.

In 2001 the department's medical practitioners were 548 and marginally increased to 601 in 2007. Professional nurses experienced the same marginal improvement, numbering 2 909 in 2001 to 3 476 in 2007. However, the number of enrolled nurses declined drastically from 731 in 2001 to 423 in 2007. Except for radiographers and pharmacists, the province consistently showed some marginal gains in other occupational categories such as physiotherapists and psychologists.

In measuring the state of health in the province, various indicators are used, namely medical aid coverage, life expectancy at birth, infant mortality rate, immunization rate, maternal death rate, incidence of notifiable diseases, and HIV prevalence rate. According to StatsSA's GHS (2006), only 14.8 per cent of the provincial population was on medical aid, implying that 85.2 per cent of the provincial population could be reliant on public health services.



Figure 3.4: Immunization and HIV prevalence rates, 2000-2006



Source: Health Systems Trust, 2006

Except for 2000, the province’s life expectancy has consistently been lower than the national average. Without a significant change in the HIV/AIDS picture in the country and the province, the Actuarial Society of South Africa life expectancy declined considerably in 2006 and they further estimate lower levels of 39.0 in 2010. With regard to the infant mortality rate, a consistent fall is noted in this regard from 61.8 in the year 2000 to 56 in 2007. Immunization rates in the province rose from 81.3 in 2001 to 87.5 in 2006 whilst the HIV prevalence rate seems to have stabilized around 30 per cent as shown in the graph above.

According to provincial health department annual report for 2006/2007, the department had a total of 16 146 employees; this is inclusive of all occupational categories. Female representation is very high among the staff; it is almost 70 per cent of the total staff and dominated mainly by Africans. In 2001 the department’s medical practitioners were 548 and marginally increased to 601 in 2007. Professional nurses experienced the same marginal improvement, numbering 2 909 in 2001 to 3476 in 2007. However, the number of enrolled nurses declined drastically from 731 in 2001 to 423 in 2007. Except for radiographers and pharmacists, the province consistently showed some marginal gains in other occupational categories such as physiotherapists and psychologists.

### 3.5 Infrastructure

With infrastructure generally considered to be one of the key determining factors in the social and economic development of communities, a rigorous analysis thereof is necessary. The issue of access to basic services; housing, water, electricity, sanitation, etc. has been discussed in depth in the section dealing with Poverty and Welfare.

Table 1.2 below shows that Free State, though in the center of the country, had the second lowest road density of 8.6 per cent in 2006. It must also be noted that Free State had the longest road networks, which stood at 48 356 kilometers. Gauteng, which had the shortest road networks of just more than 7 500 kilometers, had the highest road density of 383.9 per cent.

To dig deeper into the quality of these roads, it must be noted that 52 per cent or 25 145 kilometers of Free State roads are older than 17 years, putting more pressure on maintenance and upgrading. The conclusion we can make is that Free State has a long network of generally old roads that are mostly underutilized by the citizens of the Province.

**Table 1.2: Extent of provincial road networks, March 2006**

Description	Surface Roads (km)	Gravel Roads (km)	Access Road (km)	Total kilometers	Total number of vehicles	Road densities
Eastern Cape	5,493	34,692	7,631	47,816	480,059	10,0
Free State	6,310	22,046	20,000	48,356	416,029	8,6
Gauteng	3,357	1,771	2,410	7,538	2,893,665	383,9
KwaZulu-Natal	7,216	19,373	10,571	37,160	1,023,368	27,5
Limpopo	4,973	11,631	10,578	27,182	352,906	13,0
Mpumalanga	6,144	10,752	7,479	24,375	432,313	17,7
Northern Cape	3,013	53,725	12,023	68,761	160,113	2,3
North West	5,691	19,161	10,017	34,869	400,098	11,5
Western Cape	6,621	24,991	7,822	39,434	1,236,809	31,4
<b>Total</b>	<b>48,818</b>	<b>198,142</b>	<b>88,531</b>	<b>335,491</b>	<b>7,395,360</b>	<b>-</b>

Source: National Treasury, 2006

### 3.6 Labour and Employment

Table 1.3 below indicates that the province had 825 000 of its working age population not economically active in 2006, as compared to 1 081 000 that are active. Of those that are active, the province is home to 306 000 individuals (28.3 per cent) that are unemployed. One of the main reasons for this is that the traditional large employers in the province, i.e. the mines and especially the gold mines, have been registering negative growth rates per annum in employment levels for a number of years recently.

**Table 1.3: Estimated population of working age (15 – 65 years), 2006**  
**By province, sex and labour market status (Official definition of unemployment)**

Province	Male						Female						Total					
	Total	Not economically active	Economically active				Total	Not economically active	Economically active				Total	Not economically active	Economically active			
			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate
	N (1 000)						N (1 000)						N (1 000)					
South Africa	14 414	5 348	9 066	7 111	1 955	21.6	15 433	7 775	7 658	5 339	2 319	30.3	29 852	13 126	16 726	12 451	4 275	25.6
Western Cape	1 612	399	1 213	1 033	180	14.9	1 624	643	981	812	169	17.2	3 236	1 042	2 194	1 845	349	15.9
Eastern Cape	1 831	802	1 029	811	218	21.2	2 164	1 100	1 064	819	245	23.0	3 996	1 903	2 094	1 630	464	22.1
Northern Cape	287	100	187	150	37	19.6	292	152	139	99	40	28.8	580	253	327	250	77	23.5
Free State	915	334	581	465	115	19.8	990	490	500	309	191	38.1	1 906	825	1 081	775	306	28.3
KwaZulu-Natal	2 843	1 235	1 608	1 175	434	27.0	3 227	1 707	1 521	1 020	501	32.9	6 072	2 943	3 129	2 195	935	29.9
North West	1 194	450	745	557	187	25.2	1 237	690	547	324	223	40.7	2 431	1 140	1 291	881	410	31.8
Gauteng	3 391	897	2 495	2 016	479	19.2	3 083	1 285	1 798	1 277	521	29.0	6 474	2 181	4 293	3 293	1 000	23.3
Mpumalanga	944	345	599	475	124	20.7	1 048	541	507	328	180	35.4	1 992	886	1 106	803	303	27.4
Limpopo	1 396	786	609	428	181	29.7	1 768	1 167	600	351	249	41.5	3 163	1 953	1 210	780	430	35.6

\* For all values of 10 000 or lower the sample size is too small for reliable estimates.

Totals include unspecified sex.

Due to rounding, numbers do not necessarily add up to totals.

Source: Statistics South Africa (Labour Force Survey, March 2006)

The table above also indicates that women constitute the highest number of individuals who are not economically active (490 000) as compared to their male counterparts (334 000); this indicates that the province still has large source of productive potential which still remains untapped.

Considering the pattern of unemployment over the period March 2001 to March 2006, Table 1.4 below indicates that unemployment rate in the province is continuing to decline over the period under consideration. In comparison, the Free State had the fourth highest unemployment rate of





28.3 per cent in 2006 after Limpopo at 35.6 per cent, North West at 31.8 per cent and KwaZulu-Natal at 29.9 per cent. However, it is important to note that unemployment in the Free State significantly dropped by 1.8 per cent to 26.5 per cent in March 2007.

**Table 1.4: Unemployment rate by province, March 2001 – March 2006**

Province	Mar 2001	Mar 2002	Mar 2003	Mar 2004	Mar 2005	Mar 2006
	<b>Percentage</b>					
Western Cape	19,0	18,4	19,9	16,8	17,6	15,9
Eastern Cape	28,4	26,4	29,8	32,6	27,1	22,1
Northern Cape	23,8	27,7	28,9	22,4	29,4	23,5
Free State	27,4	31,1	31,2	26,0	30,6	28,3
KwaZulu-Natal	26,2	35,9	36,3	33,0	31,7	29,9
North West	27,9	30,3	32,3	30,8	28,8	31,8
Gauteng	28,2	29,8	30,8	27,7	22,7	23,3
Mpumalanga	26,3	29,9	30,8	25,7	27,4	27,4
Limpopo	28,1	35,1	39,4	31,2	32,4	35,6
<b>Total</b>	<b>26,4</b>	<b>29,7</b>	<b>31,2</b>	<b>27,9</b>	<b>26,5</b>	<b>25,6</b>

Source: Statistics South Africa (Labour Force Survey, March 2006)

Although Free State's unemployment is continuing to decline, the provincial economy has not been able to create enough job opportunities for its growing labour force. Much still remains to be done in the creation of sustainable employment opportunities especially for new entrants in the provincial labour market, particularly women and the youth in general.

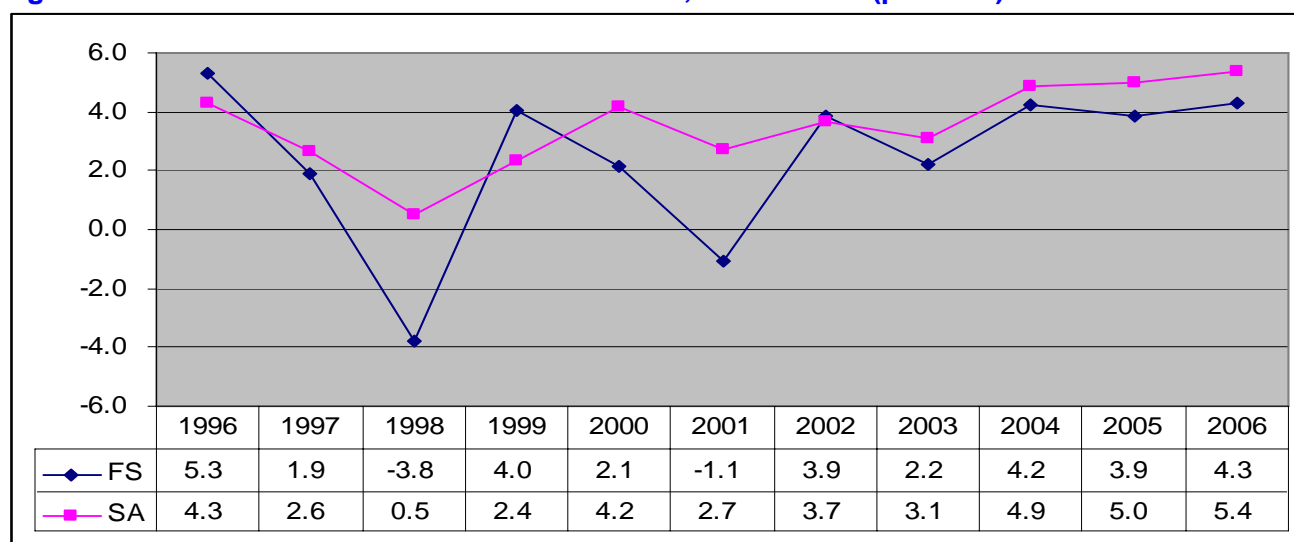
### 3.7 Economy

Historically, the economy of the Free State has been based on mining and agriculture. The development of other sectors has been largely in support of these two primary activities. Dubbed as pillars of the provincial economy, both these sectors have been declining since the early 1990s. What is clear from economic data is that the structural change of the provincial economy is continuing to take shape, with the mining sector contributing less, whilst the service sector has experienced a dramatic increase. However, using the tress index, statistics show that the Free State economy is less concentrated than the national. Further, the trend indicates that the provincial economy is becoming more dependent on few sectors than was the case in previous years, thus becoming more vulnerable to exogenous variables such as adverse climate conditions, commodity price fluctuations, and so on.

In terms of the performance, during the period 1996 to 2006, the Free State economy grew on average by 2.4 per cent compared to the country's total growth of 3.5 per cent for the same period. The province's economy grew positively during that period except in 1998 and 2001 where the province experienced growth of -3.8 per cent and -1.1 per cent respectively. The primary contributors to this negative growth in 1998 and 2001, were Agriculture, forestry and fishing (-34.8 per cent and -15.1 per cent, respectively) and mining and quarrying (-16.7 per cent and -11.7 per cent respectively). The other sectors were construction in 1998 (-6.5 per cent) and Wholesale & retail trade in 2001 (-7.8 per cent). All in all, the Free State economy only outgrew the country's average in 1996, 1999 and 2002; otherwise it has grown at rates below the country's average in each year.



**Figure 3.5: Free State and South Africa Real GDP, 1996 – 2006 (per cent)**



Source: Gross Domestic Product (Statistical release P0441), Third Quarter, 2007

When a shorter time period is considered, 2004 to 2006, the economic growth rate performance is better, averaging 4.1 per cent, reflecting a potential upward shift for the province. However, the province is still growing at a slower rate than the country as a whole, which is averaging 5.1 per cent for the same period. The growth performance of the province, whilst below the national, still mirrors the latter with a difference of approximately 1 per cent observed between 2003 and 2006. This is important for drawing forecasts of the province's economy into the future.

The main contributors to the increase in economic activity in 2006 were finance, real estate and business services industry (10.4 per cent); construction industry (9.7 per cent) the wholesale and retail trade, hotels and restaurants industry (6.1 per cent); manufacturing industry (5.8 per cent), and the community, social and other personal services industry respectively. The primary industries were the only industries which experienced a negative growth rate in 2006, with mining and agriculture declining by 3.6 per cent and 13.1 per cent respectively.

## 4. Receipts

### 4.1 Overall position

The total provincial receipts for the 2008/09 financial year are estimated at R15 755 billion. The National transfers consisting of Equitable share and Conditional grants are the main source of provincial receipts to enable the province to carry out its mandate. The total National Transfers for 2008/09 amounts to R15 199 billion which constitute 96.5 per cent of total provincial receipts. This encompasses equitable share funding of R12 413 billion and conditional grants of R2 786 billion. The provincial own receipts for 2008/09 financial year is projected at R556 million or 3.5 per cent of total receipts. Table 1.5 below shows the actual receipts for 2004/05 to 2006/07, the estimated revenue for 2007/08 and 2008/09 MTEF period.



Table 1.5: Summary of provincial receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
<b>Transfer receipts from National</b>									
Equitable share	8,306,713	8,969,181	9,731,272	10,745,189	10,918,513	10,918,513	12,412,932	13,932,016	15,104,011
Conditional grants	1,542,448	1,618,182	1,807,248	2,202,116	2,247,229	2,247,229	2,785,982	3,165,829	3,740,841
<b>Total transfer receipts from National</b>	<b>9,849,161</b>	<b>10,587,363</b>	<b>11,538,520</b>	<b>12,947,305</b>	<b>13,165,742</b>	<b>13,165,742</b>	<b>15,198,914</b>	<b>17,097,845</b>	<b>18,844,852</b>
<b>Provincial own receipts</b>									
Tax receipts	168,852	197,939	194,774	234,930	246,120	239,009	278,572	299,241	322,251
Casino taxes	8,937	11,393	16,131	18,224	21,136	23,062	28,722	29,240	31,410
Horse racing taxes	5,036	5,090	5,854	5,858	7,434	5,324	7,752	11,829	15,848
Liquor licences	2,452	2,420	2,703	2,848	2,990	1,704	3,247	3,498	3,666
Motor vehicle licences	152,427	179,036	170,086	208,000	214,560	208,919	238,851	254,674	271,327
Sales of goods and services other than	138,429	143,181	175,220	149,504	158,638	152,154	162,968	169,379	176,561
Transfers received	-	10	483	-	600	600	-	-	-
Fines, penalties and forfeits	9,604	11,231	14,166	13,850	14,716	13,320	21,847	26,961	27,918
Interest, dividends and rent on land	73,938	64,972	77,419	59,031	67,241	61,948	78,248	81,108	84,660
Sales of capital assets	2,374	1,287	1,769	2,017	4,924	4,381	7,661	7,193	7,337
Financial transactions in assets and liabilities	21,474	29,160	25,635	6,115	11,316	33,979	7,070	7,443	7,583
<b>Total provincial own receipts</b>	<b>414,671</b>	<b>447,780</b>	<b>489,466</b>	<b>465,447</b>	<b>503,555</b>	<b>505,391</b>	<b>556,366</b>	<b>591,325</b>	<b>626,310</b>
<b>Total provincial receipts</b>	<b>10,263,832</b>	<b>11,035,143</b>	<b>12,027,986</b>	<b>13,412,752</b>	<b>13,669,297</b>	<b>13,671,133</b>	<b>15,755,280</b>	<b>17,689,170</b>	<b>19,471,162</b>

The total provincial envelope increases by R2 343 billion in nominal terms from 2007/08 main appropriation to 2008/09, which is equivalent to 17.5 per cent increase year on year. On average, total provincial receipts increase by R2 019 billion or 15 per cent over the 2008/09 MTEF period. In the outer years of 2009/10 MTEF, the total provincial revenue is anticipated to be R17 689 billion and R19 471 billion respectively. The equitable share, which forms the larger of national transfers to the province, is R12 412 billion for 2008/09 and R13 932 billion for 2009/10 and R15 104 billion in 2010/11. This is a nominal increase of R1 668 billion in 2008/09, R1 519 billion in 2009/10 and R1 172 billion in 2010/11. This is equivalent to an average increase of 29 per cent over the 2008/09 MTEF. The conditional grants, are however adjusted upwards to R2 786 billion between 2007/08 and 2008/09 further by R3 165 billion and R3 740 billion in 2009/10 and 2010/11 respectively.

While provincially raised revenue forms a small percentage of the total provincial receipts when compared with nationally appropriated funds (Equitable Share and Conditional Grants), the role of Fiscal Policy component in terms of seeking to address some of the key provincial priorities should never be underestimated. The share of Provincial own revenue to the total provincial receipts shows a healthy above inflation increase of 10 per cent or R52.8 million between the 2007/08 Adjusted Appropriation and the 2008/09 Main Appropriation. Although it indicates an increase in the first year of the MTEF, it is evident that provincial own revenue increases at a slower rate compared to other sources of funding (Equitable share and conditional grants). The contribution of provincial own revenue to the total provincial receipts remain static at 3.5 per cent between 2007/08 and 2008/09 and marginally declines to 3.2 per cent in the 2010/11 financial year, an increase that is somewhat adequate, considering the Inflation target of between 3 and 6 per cent. The main contributor to the provincial own revenue is tax receipts

## 4.2 Equitable share

The allocation process under section 214(2) of the Constitution states that the Act referred to in subsection 10 may be enacted only after the provincial governments, organized local government and the Financial and Fiscal Commission have been consulted, and any recommendations of the Commission have been considered.

The equitable share formula is merely an objective mechanism that allocates funds between provinces and not to functional areas. The Division of Revenue Act provides for the equitable division of revenue raised at national level among the three spheres of government, i.e. national, provincial and local levels. The division is made in terms of the Provincial Equitable Share formula.



The new equitable share formula was phased in the 2005/06 financial year after the revised formula was agreed to. A review process was once again embarked on during 2006 in order to incorporate changes due to provincial shares that changed after the demarcation of Provincial boundaries. The Free State was however not affected by any demarcation of Boundaries. During this process a recommendation was however also made to move away from using 4-year averages as in the past in order to feed population numbers etc. into the formula. This decision did impact negatively on the Total Equitable Share that the Province should get by reducing the province's total share from an initial 6.4 per cent to 6.3 per cent of total Provincial Equitable share for the Country. This was mainly due to a steady decline in student numbers from the department of Education during the past four years. This trend continued in the 2008 MTEF and the Provinces share of total Equitable share declined further to 6.21 per cent in 2008/09. The effect would normally not have been so severe due to the cushioning effect of using averages. The components of the formula have been updated with the latest available data.

The paragraph below outlines the components and weights of the formula:

- Education – the enrolment and school age cohort (51 per cent)
- Health – based on the proportion of population with and without medical aid (26 per cent)
- Basic - province's share of total population (14 per cent)
- Poverty - the level of poverty in the province (3 per cent)
- Economic activity – based on the Regional Gross Domestic Product data (1 per cent)
- Institutional - equal division among provinces (5 per cent)

The weights of the components have been updated with the data from the General Household Survey. The results of the Snap Survey by the national Department of Education have been used to update the education component.

Taking into account the expenditure pattern over the past three years, the shares of the components remain unchanged and will be used over the next three years to ensure stability.

### 4.3 Conditional grants

Conditional Grants, which mainly focus on funding national priorities that are delegated to provinces, continue to experience sustained growth. Broadly, conditional grants mostly enhance the Social and Human Development sectors such as Health, Education, Sport, Arts and Culture and Local Government and Housing.

Though the framework for conditional grants caters mostly for Health, Education and Local Government and Housing, these three departments are central to achieving our Social and Human Development priority of the Free State Growth and Development Strategy. These grants are used by the national government as an intervention mechanism to ensure that national policies are funded and implemented in terms of the national framework and the Division of Revenue Act.

Some grants will gradually be converted into the provincial Equitable Share once their activities form part of the broader mandate of the department, for example Hospital Management and Quality Improvement Grant (Health), Devolution of Rates and Taxes to Provinces (Public Works), Integrated Nutrition Programme Grant and Further Education and Training College Grant (Education) to be converted into the Provincial Equitable Share in 2009/10. It should be noted that these conditional grants were not necessarily discontinued but rather became part of the Equitable Share.

Some of the major increases in conditional grants include Education's Further Education and Training College Sector Recapitalization Grant which grows from R30 000 million to 36 000 million in 2008/09 and a substantial increase of R52 200 million or 45 per cent in 2009/10.

Hospital Revitalization Grant is also growing strongly from R45 653 million in 2007/08 to R90 419 million in 2008/09, R141 979 million in 2009/10 and R159 987 million in 2010/11 representing a huge growth of 97.1 per cent in 2008/09, 57 per cent and 13 per cent over the last MTEF period. Further growth is also experienced in National Tertiary Services which grows at a fast rate especially in the last two years of the MTEF period. This grant grows from R458 043 million in the



2007/08, R480 945 million in 2008/09, R536 023 million in 2009/10 and R585 736 million in 2010/11, resulting in increases in healthy growth rates of 6 per cent, 5 per cent and 9 per cent over the MTEF period. The strong growth in this grant especially in 2009/10 – 2010/11 is partly attributed to the Remuneration Review of Health Professionals. A portion of this grant will fund the Remuneration Review of Health Professionals.

The Provincial Infrastructure Grant doubles from the current allocation of R242 678 million to 509 978 million in 2008/09; it further grows to R567 448 million in 2009/10 and R662 758 million in the last year of the MTEF period. Though this grant is shared between the departments of Public Works, Roads and Transport, Education and Health, the bulk of these funds are allocated to the department of Public Works, Roads and Transport to deal with province's roads infrastructure which is underpinned by robust investment on the provincial roads infrastructure.

Agriculture remains critical to unlock the economic potential of this province; this sector is well suited for rapid job creation and can provide growing opportunities for emerging black farmers. Comprehensive Agricultural Support Programme Grant is growing strongly from the current allocation of R25 306 million in 2007/08 to R38 084 million, R39 912 million and R43 909 million over the MTEF period representing increases of 50 per cent, 4.8 per cent and 10 per cent over the MTEF. Mass Sport and Recreation Participation Programme Grant increases strongly from R9 780 million over in 2007/08 to R15 206 million, 21 534 million and R28 606 million over the MTEF. The only new conditional grant in terms of the current framework is the Library Service Grant which is introduced with a view of stepping up and institutionalizing community library services in under-serviced areas. This grant is allocated R16 470 million, R30 927 million and R42 639 million over the MTEF period.



Table 1.6: Summary of Conditional grants by department

Department/Grant	Outcome			Main Appropriation	Adjusted Appropriation	Estimate actual	Medium Term Expenditure Estimates		
	2004/05	2005/06	2006/07	2007/08			2008/09	2009/10	2010/11
<b>Agriculture</b>	3,426	66,296	32,323	41,354	69,917	44,917	52,517	61,789	73,849
Agricultural Disaster Management Grant		26,328	3,255		28,417	3,417			
Comprehensive Agricultural Support Programme Grant	1,495	36,463	25,306	38,084	38,084	38,084	49,089	57,676	69,489
Land Care Programme Grant: Poverty Relief & Infrastructure Development	1,931	3,505	3,762	3,270	3,416	3,416	3,428	4,113	4,360
<b>Education</b>	54,542	69,325	111,537	113,240	113,814	132,727	144,498	105,099	133,281
Early Childhood Development Grant	1,000	737							
Financial Management and Quality Enhancement Grant	56								
Further Education and Training College Sector Recapitalisation Grant			30,000	36,000	36,574	36,574	52,200		
HIV and Aids (Life Skills Education) Grant	7,337	7,961	8,865	9,217	9,217	8,588	9,800	10,341	10,719
National School Nutrition Programme Grant	46,149	60,627	72,672	68,023	68,023	87,565	82,498	94,758	122,562
<b>Health</b>	596,197	717,488	775,338	852,575	863,866	863,866	1,070,931	1,194,624	1,423,827
Comprehensive HIV and Aids Grant	69,070	100,479	142,265	153,646	153,646	153,646	189,630	222,648	305,299
Forensic Pathology Services Grant	-	317	35,591	30,422	41,713	41,713	31,198	32,855	37,218
Health Professions Training and Development Grant	93,643	92,517	79,841	97,143	97,143	97,143	102,000	110,755	117,400
Hospital Construction Grant									
Hospital Revitalisation Grant	47,436	92,157	59,598	90,419	90,419	90,419	202,753	232,681	312,500
Malaria and Cholera Prevention Grant	1,900								
National Tertiary Services Grant	384,148	432,018	458,043	480,945	480,945	480,945	545,350	595,685	651,410
<b>Housing</b>	464,393	370,130	528,400	653,293	657,858	650,312	772,410	907,708	1,093,849
Integrated Housing and Human Settlement Development Grant	464,393	370,130	528,400	653,293	657,858	650,312	772,410	907,708	1,093,849
<b>National Treasury</b>	193,785	226,376	286,046	509,978	509,978	509,978	569,278	689,559	788,494
Provincial Infrastructure Grant	174,904	226,376	286,046	509,978	509,978	509,978	569,278	689,559	788,494
Provincial Infrastructure Grant: Flood Rehabilitation Grant	18,881								
<b>Provincial and Local Government</b>	31,736	13,621	-	-	-	-	-	-	-
Disaster Relief Grant									
Local Government Capacity Building Grant and CMIP	31,736	13,621							
<b>Sport and Recreation South Africa</b>	971	2,488	9,818	15,206	15,326	15,326	20,355	26,591	28,186
Mass Sport and Recreation Participation Programme Grant	971	2,488	9,818	15,206	15,326	15,326	20,355	26,591	28,186
<b>Other (not included above)</b>	32,011	42,906	27,764	16,470	16,470	16,470	155,993	180,459	199,355
Library Service Grant				16,470	16,470	16,470	30,927	40,315	45,197
Devolution of Property Rate Funds to Province							125,066	140,144	154,158
Provincial Project Management for MIG	3,295	1,923	27,764						
Hospital Management and Quality Improvement	13,055	13,393							
Integrated Nutrition Programme	6,234	7,296							
Medico Legal	132								
HIV and Aids (Community-Based Care) grant	9,295	20,294							
<b>Total conditional grants</b>	<b>1,377,061</b>	<b>1,508,630</b>	<b>1,771,226</b>	<b>2,202,116</b>	<b>2,247,229</b>	<b>2,233,596</b>	<b>2,785,982</b>	<b>3,165,829</b>	<b>3,740,841</b>



## 4.4 Total provincial own receipts

Table 1.7: Summary of provincial own receipts by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Vote 01: Office of the Premier	440	2,094	2,098	1,474	2,076	2,226	1,433	1,478	1,552
Vote 03: Tourism, Environmental and Economic A	29,296	35,745	37,551	39,356	51,105	50,890	55,579	61,990	69,500
Vote 04: Provincial Treasury	71,259	53,462	73,813	58,338	64,338	58,489	72,941	75,553	78,770
Vote 05: Health	75,114	69,777	70,648	73,280	75,904	75,904	82,296	83,551	85,752
Vote 06: Education	18,053	30,642	14,185	10,923	12,889	12,889	13,732	14,410	14,930
Vote 07: Social Development	838	9,687	9,264	660	1,003	882	975	1,004	1,042
Vote 08: Local Government and Housing	1,668	2,933	2,191	2,254	2,600	2,692	3,024	3,207	3,507
Vote 09: Public Works, Roads and Transport	213,605	240,194	267,650	272,185	287,593	275,584	320,274	343,787	364,649
Vote 10: Public Safety, Security and Liaison	267	358	191	78	80	105	93	101	101
Vote 11: Agriculture	3,857	2,677	7,359	2,937	4,107	23,870	3,669	3,817	3,976
Vote 12: Sport, Arts and Culture	274	211	4,516	3,962	1,860	1,860	2,350	2,427	2,531
<b>Total provincial own receipts by Vote</b>	<b>414,671</b>	<b>447,780</b>	<b>489,466</b>	<b>465,447</b>	<b>503,555</b>	<b>505,391</b>	<b>556,366</b>	<b>591,325</b>	<b>626,310</b>

Table 1.7 above shows the history of actual own revenue receipts, the estimates for the 2007/08 and 2008 MTEF period. In an attempt to create a credible own revenue base, the 2007/08 own revenue budget was adjusted with an amount of R38 108 from R465 million to R503. 5 million in 2007/08. This represents an increase of 8. 2 per cent from the main appropriation. All departments adjusted their own revenue budget upwards.

The provincial own revenue budget of the Department of Public Works, Roads and Transport increases by 17. 7 per cent from the main appropriation to R320 million in 2008/09. This is due to the positive growth in motor vehicle sales and improved efficiency in the department. This department remains the main contributor to the own revenue budget contributing about 58 per cent.

The province is projecting an overall over-collection in excess of R 1. 83 million for all departments based on the current collection trends in the departments. Revenue bilateral meetings were held in July 2007 to iron out specific problems in all departments and to establish better communication between the Provincial Treasury and the departments. During these meetings particular attention was also given to the credibility of each department's Provincial Own Revenue Budget and some inconsistencies in the budgets were highlighted. All departments were able to increase their Own Revenue estimates for the adjustment budget as well as the MTEF.

## 5. Expenses

### 5.1 Overall position

The total outlays for 2007/08 MTEF period for the Free State province are budgeted as follows:

- Financial year 2008/09: R15 684 903 000
- Financial year 2009/10: R17 554 036 000
- Financial year 2010/11: R19 312 122 000

In the 2008 MTEF period, the provincial spending is expected to rise from R15 685 billion in 2008/09 to R19 314 billion in 2010/11 financial year. The increased level of expenditure represents a real opportunity for departments to improve on the quality of service delivery to the people of Free State province.

In line with the government priorities to expand service delivery and improve infrastructure networks, the increase in 2008/09 MTEF period is mainly directed to the social and economic



services departments. This focus is aimed at improving the living standards of the people of Free State Province. Table 1.8 below indicates that the social sector departments (i.e. Education, Health and Social Development) consume R11 423 billion or 73 per cent of the estimated total provincial payments of R15 685 billion for 2008/09 financial year. Education still consumes the bulk of the social sector budget of R11 423 billion by R6 599 billion or 58 per cent while Social Development takes 5 per cent and the remaining 37 per cent is allocated to Health.

The share for non-social sector departments increased from 25 per cent in 2006/07 to 27 per cent in 2008/09 with an estimated budget of R4 262 billion. The department of Public Works, Roads and Transport has the largest budget share of R1 927 billion or 45 per cent of the non-social sector departments' allocation. The payments for the 2008 MTEF period are estimated to increase annually by 11.9 per cent in 2009/10 and 10 per cent in 2010/11.

## 5.2 Expenses by vote

Table 1.8: Summary of provincial payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
Vote 01: Office of the Premier	82,123	86,099	97,084	103,475	110,551	110,551	120,096	128,811	136,544
Vote 02: Provincial Legislature	62,223	66,677	75,152	82,064	85,775	83,010	95,240	102,395	108,682
Vote 03: Tourism, Environmental and Economic	241,056	174,548	226,696	262,757	267,942	267,942	303,776	330,805	350,588
Vote 04: Provincial Treasury	109,783	98,060	104,308	127,112	127,112	124,698	137,131	147,320	156,158
Vote 05: Health	2,794,911	3,121,275	3,461,337	3,643,438	3,744,400	3,822,851	4,287,858	4,879,176	5,529,328
Vote 06: Education	4,399,506	4,916,135	5,345,739	5,692,455	5,718,029	5,677,502	6,598,569	7,169,708	7,748,108
Vote 07: Social Development	290,668	382,906	442,985	453,092	453,092	429,275	536,193	665,985	718,591
Vote 08: Local Government and Housing	632,008	527,219	722,488	878,028	906,074	891,902	1,022,024	1,181,355	1,384,776
Vote 09: Public Works, Roads and Transport	792,564	855,469	1,425,150	1,589,870	1,589,870	1,439,943	1,926,895	2,245,843	2,436,607
Vote 10: Public Safety, Security and Liaison	24,407	30,143	31,736	34,845	34,845	34,845	38,077	42,130	44,635
Vote 11: Agriculture	177,011	298,710	227,011	273,444	305,007	280,007	334,154	371,996	401,937
Vote 12: Sport, Arts and Culture	93,595	118,616	138,706	168,492	184,812	187,935	284,890	288,512	298,168
<b>Total provincial payments and estimates by</b>	<b>9,699,855</b>	<b>10,675,857</b>	<b>12,298,392</b>	<b>13,309,072</b>	<b>13,527,509</b>	<b>13,350,461</b>	<b>15,684,903</b>	<b>17,554,036</b>	<b>19,314,122</b>

Table 1.8 above reflects the summary of payment and estimates by vote from 2004/05 to 2010/11. The 2008/09 provincial expenditure is anticipated to grow by R2 376 billion or 17.9 per cent from R13 309 billion in 2007/08 financial year. Worth noting is the substantial increase in 2008/09 for the non-social departments like Tourism, Environmental and Economic Affairs (16 per cent to rehabilitate tourism products and establishment of two new public entities), Local Government and Housing (16 per cent which is in line with the government's intention to provide houses, basic services to the pool and strengthen our economic services departments, Public Works, Roads and Transport (21 per cent, aimed at improving and rehabilitating road networks and other infrastructure in the province), Agriculture (22 per cent due to the significant increase in the Comprehensive Agricultural Support Programme Grant, introduction of Infrastructure Enhancement Allocation Grant and allocation for appointing technical staff) and Sport, Arts and Culture (70 per cent mainly due to the enormous increase in the Mass Sport and Recreation Participation Grant and the introduction of the Community Library Services Grant).

On average all departmental budgets are increasing significantly above 10 per cent in 2009/10 and 2010/11, with distinction to Tourism, Environmental and Economic Affairs with 8.9 per cent increase in 2009/10 and 6 per cent in 2010/11, Public Works, Roads and Transport growing by 16.6 per cent and 8.5 per cent in 2009/10 and 2010/11 respectively, Agriculture is growing by 22 per cent in 2008/09 and 8 per cent in 2010/11, and Sport, Arts and Culture with an increase of 1.3 per cent and 3.3 per cent in 2009/10 and in 2010/11 respectively.





### 5.3 Expenses by economic classification

Table 1.9: Summary of provincial payments and estimates by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
<b>Current payments</b>	<b>7,934,693</b>	<b>8,643,767</b>	<b>9,764,830</b>	<b>10,478,703</b>	<b>10,536,699</b>	<b>10,422,030</b>	<b>11,760,168</b>	<b>13,106,340</b>	<b>14,331,375</b>
Compensation of employees	6,188,515	6,718,796	7,212,235	7,992,772	7,988,932	7,925,752	9,008,822	9,886,019	10,600,195
Goods and services	1,653,995	1,872,619	2,458,995	2,485,931	2,547,767	2,487,188	2,751,346	3,220,321	3,731,180
Interest and rent on land	37,538	40,994	55,348	-	-	-	-	-	-
Financial transactions in assets and liabilities	54,415	11,358	38,252	-	-	9,090	-	-	-
Unauthorized Expenditure	230	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>1,240,623</b>	<b>1,403,309</b>	<b>1,458,885</b>	<b>1,498,116</b>	<b>1,590,598</b>	<b>1,571,887</b>	<b>2,025,488</b>	<b>2,288,418</b>	<b>2,590,986</b>
Provinces and municipalities	183,290	99,175	80,616	19,239	42,122	42,137	210,043	162,025	177,106
Departmental agencies and accounts	29,564	26,803	48,117	49,395	54,210	44,345	61,750	65,849	69,623
Universities and technikons	1,099	1,102	1,142	1,100	1,100	1,100	1,100	1,175	1,232
Public corporations and private enterprises	91,563	33,509	31,387	36,195	28,195	27,297	15,015	13,854	14,621
Foreign governments and international organ	-	-	-	-	-	-	-	-	-
Non-profit institutions	454,757	752,828	701,116	656,654	705,664	719,516	877,247	1,036,988	1,124,760
Households	480,350	489,892	596,507	735,533	759,307	737,492	860,333	1,008,527	1,203,644
<b>Payments for capital assets</b>	<b>524,539</b>	<b>628,781</b>	<b>1,074,677</b>	<b>1,332,253</b>	<b>1,400,212</b>	<b>1,356,544</b>	<b>1,899,247</b>	<b>2,159,278</b>	<b>2,391,761</b>
Buildings and other fixed structures	367,394	516,182	913,393	1,193,637	1,205,350	1,171,690	1,734,191	1,968,564	2,180,916
Machinery and equipment	152,740	107,116	154,903	137,902	188,803	172,579	159,668	185,961	205,742
Cultivated assets	-	3,340	1,047	-	55	55	-	-	-
Software and other intangible assets	4,397	2,027	1,970	586	5,676	4,983	4,988	4,303	4,603
Land and subsoil assets	8	116	3,364	128	328	7,237	400	450	500
<b>Total economic classification</b>	<b>9,699,855</b>	<b>10,675,857</b>	<b>12,298,392</b>	<b>13,309,072</b>	<b>13,527,509</b>	<b>13,350,461</b>	<b>15,684,903</b>	<b>17,554,036</b>	<b>19,314,122</b>

Table 1.9 above reflects the summary of provincial payments and estimates by economic classification from 2004/05 to 2010/11. The largest share of the provincial payments is consumed by current payments in particular compensation of employees. For the 2008/09 financial year, current payments absorb 75 per cent of the budget of which 77 per cent is allocated to compensation of employees. From the total provincial estimate compensation of employees' share is 57 per cent in 2008/09, 56 per cent and 55 per cent in 2009/10 and 2010/11 financial years respectively. The decrease in personnel over the MTEF clearly indicates the provincial government's intention to move resources towards service delivery particularly infrastructure development and maintenance.

The transfers and subsidies constitute 12.9 per cent share of the total provincial payments in 2008/09, 13 per cent in 2009/10 and 13.4 per cent in 2010/11. Significant decrease is noted in transfers to public corporations and private enterprises from R36 195 million in 2007/08 to R15 015 million in 2008/09 financial year. Transfers to households are growing at an average rate of 16.8 per cent over the MTEF.

Payments for capital assets shows an increase of 43 per cent from R1 332 billion in 2007/08 to R1 899 billion in 2008/09. There is a substantial increase in buildings and other fixed structures allocation from R1 194 million in 2007/08 to R1 734 billion in 2008/09 financial year mainly attributed to the increase in infrastructure allocation. The payment for Land and subsoil assets is



increasing drastically from R0. 128 million in 2007/08 to R0. 400 million in 2008/09, and increasing marginally to R0. 450 million and R0. 500 million in 2009/10 and 2010/11 respectively.

## 5.4 Expenses by policy area

Table 1.10: Summary of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07	2007/08			2008/09	2009/10	2010/11
General public services	573,730	612,448	718,789	797,627	904,521	925,915	1,155,162	1,241,727	1,315,569
Public order and safety	24,407	30,143	31,736	34,845	34,845	34,845	38,077	42,130	44,635
Economic affairs	908,309	1,021,561	1,488,002	1,698,560	1,663,885	1,458,243	1,825,235	2,155,744	2,349,143
Environmental protection	73,430	61,706	91,942	112,734	111,042	108,288	132,509	145,586	156,136
Housing and community amenities	541,299	411,067	579,156	707,829	712,883	705,607	826,410	965,468	1,154,444
Health	2,794,911	3,121,275	3,461,337	3,643,438	3,744,400	3,822,851	4,287,858	4,879,176	5,529,328
Recreation, culture and religion	93,595	118,616	138,706	168,492	184,812	187,935	284,890	288,512	298,168
Education	4,399,506	4,916,135	5,345,739	5,692,455	5,718,029	5,677,502	6,598,569	7,169,708	7,748,108
Social protection	290,668	382,906	442,985	453,092	453,092	429,275	536,193	665,985	718,591
<b>Total provincial payments and estimates by</b>	<b>9,699,855</b>	<b>10,675,857</b>	<b>12,298,392</b>	<b>13,309,072</b>	<b>13,527,509</b>	<b>13,350,461</b>	<b>15,684,903</b>	<b>17,554,036</b>	<b>19,314,122</b>

Table 1.10 above shows the summary of expenditure by policy area, the details of which are shown in table A: 4 of the Annexure to the Budget Statement One. This table indicates the policy priority areas that are funded from the provincial allocation. Education is still the highest priority and accounts for R6 599 billion or 42. 1 per cent of the total provincial expenditure in 2008/09. The expenditure in respect of this policy area demonstrates a consistent increase of 11 per cent in the two outer years to an estimated R7 748 billion in the 2010/11 financial year. It is also important to note the Provincial Government's intention to stimulate the Free State economy by investing in the Economic sector policy area in particular infrastructure. The Economic sector amounts to R1 825 billion in 2008/09 and grows by 18 per cent to R2 156 billion in 2009/10 and 9 per cent to R2 349 billion in 2010/11. The provincial payments for all policy areas are showing a positive growth over the 2008 MTEF.

## 5.5 Infrastructure expenses

### 5.5.1 Provincial Infrastructure payments

Table 1.11: Summary of Provincial Infrastructure payments by department

Department	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07	2007/08			2008/09	2009/10	2010/11
Public Works Roads and Transport	439,241	472,390	1,100,372	1,003,000	1,110,869	974,984	1,089,582	1,355,546	1,489,709
Health	94,190	170,953	153,257	206,910	208,003	240,524	377,568	438,308	540,704
Education	143,799	175,605	215,012	238,610	238,610	219,110	450,647	344,752	365,474
Sport, Art and Culture	24,955	25,099	24,897	22,300	22,363	22,496	104,885	81,041	69,414
Tourism, Environmental and Economic Affairs	8,571	6,091	25,145	36,000	36,000	34,252	46,000	52,000	57,000
Social Development	5,749	19,114	9,257	12,035	12,035	8,557	12,817	13,650	14,537
Agriculture	5,634	64,273	29,068	51,354	51,500	51,500	82,717	94,789	108,109
<b>Total provincial Infrastructure</b>	<b>722,139</b>	<b>933,525</b>	<b>1,557,008</b>	<b>1,570,209</b>	<b>1,679,380</b>	<b>1,551,423</b>	<b>2,164,216</b>	<b>2,380,086</b>	<b>2,644,947</b>

Table 1.11 above shows the provincial infrastructure payments and estimates from 2004/05 to 2010/11, which has increased from R722 million in 2004/05 to R2 645 billion in the 2010/11 financial year. The infrastructure spending is anticipated to realize a sharp increase over the 2007 MTEF period with an increase of 38 per cent from R1 570 million in 2007/08 to R2 164 billion in



2008/09. This amount is intended for infrastructure development and to assist the province in its endeavor to boost economic development, job creation as well as to provide and enhance sustainable infrastructure facilities as stated in the Free State Growth and Development Strategy. This allocation includes national conditional grants earmarked for infrastructure, for example, Infrastructure Grant Provinces, Hospital Revitalisation, Comprehensive Agricultural Support Programme, Land Care, and a top up from the provincial equitable share (Infrastructure Enhancement Allocation grant).

Approximately 50 per cent of the total infrastructure budget is allocated to the department of Public Works, Roads and Transport for roads infrastructure and maintenance of provincial government buildings. The infrastructure budget of the department of Education is increasing by 89 per cent from R238 610 million in 2007/08 to R450 647 million in 2008/09 intended for construction of 15 schools in order to eradicate all platooning schools in the province. Also noted is the significant growth in infrastructure payments for Health increasing with more than 82 per cent from R206 910 million in 2007/08 to R377 568 million in 2008/09, attributed to an increase in Hospital Revitalisation Grant and allocation of Provincial Infrastructure grant to this department. The infrastructure allocation of Sport, Arts and Culture has increased from R22 million in 2007/08 to R104 885 million or 370 per cent in 2008/09 due to the funding towards the legacy projects through the Infrastructure Enhancement Allocation grant.

## 5.5.2 Provincial Public-Private Partnership (PPP) projects

Currently the only department with a Public-Private Partnership arrangement is Health.

Table 1.12: Summary of departmental Public-Private Partnership projects

R thousand	Annual cost of project Outcome			Main appropriation	Adjusted appropriation	Estimated Actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
<b>Projects under implementation</b>	1,400	2,275	1,990	3,028	3,028	3,028	3,331	3,664	4,030
PPP unitary charge									
Advisory fees									
Revenue generated (if applicable)	2,100	2,275	1,500	3,028	3,028	3,028	3,331	3,664	4,030
Project monitoring cost	-700		490						
<b>New projects</b>	-340	-	200	-	-	-	-	-	-
PPP unitary charge									
Advisory fees	-340								
Revenue generated (if applicable)									
Project monitoring cost			200						
<b>Total</b>	<b>1,060</b>	<b>2,275</b>	<b>2,190</b>	<b>3,028</b>	<b>3,028</b>	<b>3,028</b>	<b>3,331</b>	<b>3,664</b>	<b>4,030</b>

## 5.6 Transfers

### 5.6.1 Transfer to public entities

Table 1.13: Summary of provincial transfers to public entities by transferring department

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
Vote 01: Office of the Premier	8,424	9,531	9,252	9,715	11,845	11,845	11,578	12,388	13,255
Vote 03: Tourism, Environmental and Economic Affairs	15,500	12,914	35,725	36,131	38,316	29,005	45,100	47,900	50,350
Vote 12: Sport, Arts and Culture	2,363	2,778	4,834	3,895	3,895	3,895	4,684	2,773	2,901
<b>Total provincial transfers to public entities</b>	<b>26,287</b>	<b>25,223</b>	<b>49,811</b>	<b>49,741</b>	<b>54,056</b>	<b>44,745</b>	<b>61,362</b>	<b>63,061</b>	<b>66,506</b>

The transfer payment to Free State Youth commission is increasing by 19 per cent from 2007/08 to 2008/09 and 7 per cent over the two outer MTEF years. The transfer payment for public entities under the department of Tourism, Environmental and Economic Affairs has increased by 24.8 per



cent from R36 million to R45 million mainly due to the anticipated increases in activities from the Free State Gambling and Racing Board as well as Free State Tourism Authority. The transfer payment from the department of Sport, Arts and Culture is mainly to Phakisa Major Sports Event and Development Corporation. The transfer payment to this entity is increasing by 20.3 per cent in 2008/09 and declines by 40.8 per cent in 2009/10 and increases by 4.6 per cent in 2010/11. The reason for this trend is mainly due to the finalization of the payment of litigation against the entity in the 2008/09 financial year.

### 5.6.2 Transfers to Development corporations

Table 1.12: Summary of provincial transfers to development corporations by entity

R thousand		Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
Entity	Provincial department	2003/04	2004/05	2005/06		2006/07		2007/08	2008/09	2009/10
Free State Development Corporation	Tourism, Environmental & Economic A	86,855	30,000	24,500	22,000	22,000	22,000	10,000	10,750	11,300
<b>Total provincial transfers to development corporations</b>		<b>86,855</b>	<b>30,000</b>	<b>24,500</b>	<b>22,000</b>	<b>22,000</b>	<b>22,000</b>	<b>10,000</b>	<b>10,750</b>	<b>11,300</b>

The transfer payment allocation for the Free State Development Corporation has decreased by 54.6 per cent from R22 million in 2007/08 to R10 million in 2008/09 and increasing by 7.5 per cent in 2009/10 and 5.1 per cent in 2010/11. This entity has been repositioned to focus only on providing support to Small Medium and Micro Enterprises (SMME's) which will stimulate economic growth and advance Black Economic Empowerment. The development and support of SMME's is one of the flagship projects of the Free State Growth and Development Strategy.

### 5.6.3 Transfers to local government

Table 1.13: Summary of provincial transfers to local government by category

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates			
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10	2010/11
Category A	-	-	-	-	-	-	-	-	-	
Category B	157,212	67,047	69,375	9,796	40,546	40,559	74,471	331	346	
Category C	26,078	32,128	11,241	9,443	1,576	1,578	135,572	161,694	176,760	
<b>Total provincial transfers to local government</b>		<b>183,290</b>	<b>99,175</b>	<b>80,616</b>	<b>19,239</b>	<b>42,122</b>	<b>42,137</b>	<b>210,043</b>	<b>162,025</b>	<b>177,106</b>



## 5.7 Personnel numbers and costs

Table 1.14: Summary of personnel numbers and costs by Vote1

Personnel numbers	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010	As at 31 March 2011
Vote 01: Office of the Premier	274	290	289	310	310	310	310
Vote 02: Provincial Legislature	157	165	123	123	123	123	137
Vote 03: Tourism, Environmental and Economic	733	731	683	794	794	794	817
Vote 04: Provincial Treasury	268	271	297	340	340	340	391
Vote 05: Health	15,283	15,807	14,465	16,175	16,175	16,175	16,763
Vote 06: Education	29,846	29,720	30,388	30,810	30,810	30,810	31,017
Vote 07: Social Development	1,220	1,133	1,183	1,323	1,404	1,323	1,413
Vote 08: Local Government and Housing	489	315	367	1,074	1,074	1,074	1,074
Vote 09: Public Works, Roads and Transport	4,565	4,361	4,237	4,440	4,440	4,440	5,325
Vote 10: Public Safety, Security and Liaison	84	94	99	108	108	108	111
Vote 11: Agriculture	1,260	1,171	1,170	1,226	1,226	1,226	1,256
Vote 12: Sport, Arts and Culture	395	418	576	833	833	833	863
<b>Total provincial personnel numbers</b>	<b>54,574</b>	<b>54,476</b>	<b>53,877</b>	<b>57,556</b>	<b>57,637</b>	<b>57,556</b>	<b>59,477</b>
Total provincial personnel cost (R thousand)	6,188,515	6,718,796	7,212,235	7,925,752	9,008,822	9,886,019	10,600,195



Table 1.15: Summary of provincial personnel numbers and costs

	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
<b>Total for province</b>									
Personnel numbers (head count)	52,890	52,570	52,368	64,984	55,662	65,263	57,373	57,118	57,955
Personnel cost (R thousands)	5,979,266	6,494,071	6,983,205	7,754,469	7,701,882	7,748,610	8,777,987	9,625,472	10,303,165
<b>Human resources component</b>									
Personnel numbers (head count)	466	541	676	890	788	894	862	865	876
Personnel cost (R thousands)	138,294	71,310	169,869	195,079	125,080	210,121	141,669	153,449	162,344
Head count as % of total for province	1%	0	0	0	0	0	0	0	0
Personnel cost as % of total for province	2%	0	0	0	0	0	0	0	0
<b>Finance component</b>									
Personnel numbers (head count)	519	509	747	818	664	816	729	735	745
Personnel cost (R thousands)	76,887	74,817	130,020	139,432	111,566	141,839	129,237	138,920	147,756
Head count as % of total for province	0	0	0	0	0	0	0	0	0
Personnel cost as % of total for province	0	0	0	0	0	0	0	0	0
<b>Full time workers</b>									
Personnel numbers (head count)	51,609	51,801	47,503	62,375	51,805	60,525	53,705	53,446	54,280
Personnel cost (R thousands)	5,672,983	6,263,300	6,493,675	7,497,891	7,189,212	7,208,037	8,263,698	9,102,325	9,771,902
Head count as % of total for province	1	1	1	1	1	1	1	1	1
Personnel cost as % of total for province	1	1	1	1	1	1	1	1	1
<b>Part-time workers</b>									
Personnel numbers (head count)	505	150	4,135	1,017	3,107	3,972	3,097	3,098	3,098
Personnel cost (R thousands)	52,271	70,863	433,039	59,220	404,954	456,540	434,380	438,856	442,907
Head count as % of total for province	0	0	0	0	0	0	0	0	0
Personnel cost as % of total for province	0	0	0	0	0	0	0	0	0
<b>Contract workers</b>									
Personnel numbers (head count)	776	619	730	1,592	750	766	571	574	577
Personnel cost (R thousands)	254,012	159,908	56,491	197,358	107,717	84,034	79,909	84,291	88,356
Head count as % of total for province	0	0	0	0	0	0	0	0	0
Personnel cost as % of total for province	0	0	0	0	0	0	0	0	0

## 5.8 Expenses by training

Table 1.16: Summary of provincial payments on training by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
	2003/04	2004/05	2005/06				2006/07	2007/08	2008/09
Vote 01: Office of the Premier	495	487	746	702	684	684	748	790	836
Vote 02: Provincial Legislature	331	351	573	766	461	461	687	732	780
Vote 03: Tourism, Environmental and Economic Af	840	1,359	618	1,141	1,141	1,141	1,206	1,266	1,338
Vote 04: Provincial Treasury	445	1,382	1,093	1,530	1,575	1,575	1,596	1,768	1,962
Vote 05: Health	33,482	45,079	42,367	39,209	39,209	39,209	66,111	81,178	89,125
Vote 06: Education	27,632	33,932	32,969	37,527	37,457	37,293	49,198	59,212	63,962
Vote 07: Social Development	811	993	569	1,785	1,785	1,785	1,937	2,045	2,045
Vote 08: Local Government and Housing	418	2,384	2,437	1,147	1,147	1,147	1,470	1,450	1,520
Vote 09: Public Works, Roads and Transport	10,342	18,426	20,788	28,717	28,717	32,192	33,505	34,521	33,959
Vote 10: Public Safety, Security and Liaison	204	363	253	155	155	155	176	194	213
Vote 11: Agriculture	650	974	821	1,388	1,691	1,541	1,532	1,687	1,812
Vote 12: Sport, Arts and Culture	468	544	617	817	840	775	1,026	1,104	1,192
<b>Total provincial payments on training</b>	<b>76,118</b>	<b>106,274</b>	<b>103,851</b>	<b>114,884</b>	<b>114,862</b>	<b>117,958</b>	<b>159,192</b>	<b>185,947</b>	<b>198,744</b>



## **Annexure A to Budget Statement 1**



Table A.1: Information relating to Conditional grants

Vote and Grant	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Revised transfer estimate	Revised expenditure estimate	Medium-term estimates			
	2004/05			2005/06			2006/07			2007/08			2006/09	2009/10	2010/11	
<b>R thousand</b>																
<b>Agriculture</b>	37,315	37,240	3,426	72,977	72,977	66,296	35,887	36,887	32,323	69,917	66,354	44,917	52,517	61,789	73,849	
Agricultural Disaster Management Grant	17,000	17,000		33,000	33,000	26,328	6,672	6,672	3,255	28,417	25,000	3,417				
Comprehensive Agricultural Support Programme Grant	16,870	16,870	1,495	36,463	36,463	36,463	25,306	26,306	25,306	38,084	38,084	38,084	49,089	57,676	69,489	
Land Care Programme Grant: Poverty Relief & Infrastructure Development	3,445	3,370	1,931	3,514	3,514	3,505	3,909	3,909	3,762	3,416	3,270	3,416	3,428	4,113	4,360	
<b>Education</b>	59,533	56,815	54,542	77,654	77,654	69,325	111,537	111,537	111,537	113,814	113,240	132,727	144,498	105,099	133,281	
Early Childhood Development Grant	1,737		1,000	737	737	737										
Financial Management and Quality Enhancement Grant	904		56													
Further Education and Training College Sector Recapitalisation Grant							30,000	30,000	30,000	36,574	36,000	36,574	52,200			
HIV and Aids (Life Skills Education) Grant	7,792	7,715	7,337	8,402	8,402	7,961	8,865	8,865	8,865	9,217	9,217	8,588	9,800	10,341	10,719	
National School Nutrition Programme Grant	49,100	49,100	46,149	68,515	68,515	60,627	72,672	72,672	72,672	68,023	68,023	87,565	82,498	94,758	122,562	
<b>Health</b>	587,047	585,654	596,197	733,955	786,955	717,488	799,306	810,402	775,338	863,866	852,575	863,866	1,070,931	1,194,624	1,423,827	
Comprehensive HIV and Aids Grant	54,969	55,476	69,070	100,874	100,874	100,479	142,265	142,267	142,265	153,646	153,646	153,646	189,630	222,648	305,299	
Forensic Pathology Services Grant				2,366	2,366	317	46,883	41,494	35,591	41,713	30,422	41,713	31,198	32,855	37,218	
Health Professions Training and Development Grant	93,643	93,643	93,643	92,517	91,517	92,517	92,517	92,517	79,841	97,143	97,143	97,143	102,000	110,755	117,400	
Hospital Construction Grant																
Hospital Revitalisation Grant	52,370	52,370	47,436	106,082	160,082	92,157	59,598	76,081	59,598	90,419	90,419	90,419	202,753	232,681	312,500	
Malaria and Cholera Prevention Grant	1,900		1,900													
National Tertiary Services Grant	384,165	384,165	384,148	432,116	432,116	432,018	458,043	458,043	458,043	480,945	480,945	480,945	545,350	595,685	651,410	
<b>Housing</b>	548,444	394,651	464,393	492,144	492,144	370,130	528,629	528,629	528,400	657,858	653,293	650,312	772,410	907,708	1,093,849	
Integrated Housing and Human Settlement Development Grant	548,444	394,651	464,393	492,144	492,144	370,130	528,629	528,629	528,400	657,858	653,293	650,312	772,410	907,708	1,093,849	
<b>National Treasury</b>	227,015	199,281	193,785	181,641	130,276	226,376	294,043	294,043	286,046	509,978	509,978	509,978	569,278	689,559	788,494	
Provincial Infrastructure Grant	208,133	199,281	174,904	181,641	130,276	226,376	294,043	294,043	286,046	509,978	509,978	509,978	569,278	689,559	788,494	
Provincial Infrastructure Grant: Flood Rehabilitation Grant	18,882		18,881													
<b>Provincial and Local Government</b>	45,548	31,050	31,736	13,813	13,813	13,621	-	-	-	-	-	-	-	-	-	
Disaster Relief Grant																
Local Government Capacity Building Grant and CMP	45,548	31,050	31,736	13,813	13,813	13,621										
<b>Sport and Recreation South Africa</b>	1,000	1,000	971	2,670	2,670	2,488	9,962	9,962	9,818	15,326	15,206	15,326	20,355	26,591	28,186	
Mass Sport and Recreation Participation Programme Grant	1,000	1,000	971	2,670	2,670	2,488	9,962	9,962	9,818	15,326	15,206	15,326	20,355	26,591	28,186	
<b>Other (not included above)</b>	36,546	29,573	32,011	43,328	43,328	42,906	27,884	-	27,764	16,470	16,470	16,470	155,993	180,459	199,355	
Library Service Grant										16,470	16,470	16,470	30,927	40,315	45,197	
Devolution of Property Rate Funds to Province													125,066	140,144	154,158	
Provincial Project Management for MIG	5,218	3,321	3,295	1,923	1,923	1,923	27,884		27,764							
Hospital Management and Quality Improvement	13,055	9,791	13,055	13,393	13,393	13,393										
Integrated Nutrition Programme	6,636	6,636	6,234	7,296	7,296	7,296										
Medico Legal	1,000		132													
HIV and Aids (Community-Based Care) grant	10,637	9,825	9,295	20,716	20,716	20,294										
<b>Total conditional grants</b>	1,542,448	1,335,264	1,377,061	1,618,182	1,619,817	1,508,630	1,807,248	1,791,460	1,771,226	2,247,229	2,227,116	2,233,596	2,785,982	3,165,829	3,740,841	





Table A.2: Details of total provincial own receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
<b>Tax receipts</b>	<b>168,852</b>	<b>197,939</b>	<b>194,774</b>	<b>234,930</b>	<b>246,120</b>	<b>239,009</b>	<b>278,572</b>	<b>299,241</b>	<b>322,251</b>
Casino taxes	8,937	11,393	16,131	18,224	21,136	23,062	28,722	29,240	31,410
Horse racing taxes	5,036	5,090	5,854	5,858	7,434	5,324	7,752	11,829	15,848
Liquor licences	2,452	2,420	2,703	2,848	2,990	1,704	3,247	3,498	3,666
Motor vehicle licences	152,427	179,036	170,086	208,000	214,560	208,919	238,851	254,674	271,327
<b>Sales of goods and services other than capital assets</b>	<b>138,429</b>	<b>143,181</b>	<b>175,220</b>	<b>149,504</b>	<b>158,638</b>	<b>152,154</b>	<b>162,968</b>	<b>169,379</b>	<b>176,561</b>
Sale of goods and services produced by department (excluding capital assets)	138,404	143,176	175,078	149,122	158,555	152,071	162,749	169,160	176,338
Sales by market establishments	48,180	44,725	136,256	48,970	54,131	50,289	56,299	58,917	62,183
Administrative fees	103	111	415	405	199	405	176	181	186
Other sales	90,121	98,340	38,407	99,747	104,225	101,377	106,274	110,062	113,969
<i>Of which</i>									
Health patient fees									
Other (Specify)									
Other (Specify)									
Sales of scrap, waste, arms and other used current goods (excluding capital ass	25	5	142	382	83	83	219	219	223
<b>Transfers received from:</b>	<b>-</b>	<b>10</b>	<b>483</b>	<b>-</b>	<b>600</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	10	483	-	600	600	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
<b>Fines, penalties and forfeits</b>	<b>9,604</b>	<b>11,231</b>	<b>14,166</b>	<b>13,850</b>	<b>14,716</b>	<b>13,320</b>	<b>21,847</b>	<b>26,961</b>	<b>27,918</b>
<b>Interest, dividends and rent on land</b>	<b>73,938</b>	<b>64,972</b>	<b>77,419</b>	<b>59,031</b>	<b>67,241</b>	<b>61,948</b>	<b>78,248</b>	<b>81,108</b>	<b>84,660</b>
Interest	73,937	64,972	77,378	58,998	67,138	61,868	74,971	77,873	81,439
Dividends	-	-	-	-	-	-	-	-	-
Rent on land	1	-	41	33	103	80	3,277	3,235	3,221
<b>Sales of capital assets</b>	<b>2,374</b>	<b>1,287</b>	<b>1,769</b>	<b>2,017</b>	<b>4,924</b>	<b>4,381</b>	<b>7,661</b>	<b>7,193</b>	<b>7,337</b>
Land and subsoil assets	-	-	1,161	-	-	-	-	-	-
Other capital assets	2,374	1,287	608	2,017	4,924	4,381	7,661	7,193	7,337
<b>Financial transactions in assets and liabilities</b>	<b>21,474</b>	<b>29,160</b>	<b>25,635</b>	<b>6,115</b>	<b>11,316</b>	<b>33,979</b>	<b>7,070</b>	<b>7,443</b>	<b>7,583</b>
<b>Total provincial own receipts</b>	<b>414,671</b>	<b>447,780</b>	<b>489,466</b>	<b>465,447</b>	<b>503,555</b>	<b>505,391</b>	<b>556,366</b>	<b>591,325</b>	<b>626,310</b>



Table A.3: Details of provincial payments and estimates by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
<b>Current payments</b>	<b>7,934,693</b>	<b>8,643,767</b>	<b>9,764,830</b>	<b>10,478,703</b>	<b>10,536,699</b>	<b>10,422,030</b>	<b>11,760,168</b>	<b>13,106,340</b>	<b>14,331,375</b>
Compensation of employees	6,188,515	6,718,796	7,212,235	7,992,772	7,988,932	7,925,752	9,008,822	9,886,019	10,600,195
Salaries and wages	5,283,768	5,960,531	6,220,414	6,874,853	6,868,321	6,801,992	7,801,174	8,596,125	9,222,827
Social contributions	904,747	758,265	991,821	1,117,919	1,120,611	1,123,760	1,207,648	1,289,894	1,377,368
Goods and services	1,653,995	1,872,619	2,458,995	2,485,931	2,547,767	2,487,188	2,751,346	3,220,321	3,731,180
<i>of which (refer to section 5.3, table 1.11 in Budget Statement 1)</i>									
Learner Teacher Support Material									
Medicine									
Medical Consumables									
Other									
Interest and rent on land	37,538	40,994	55,348	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Rent on land	37,538	40,994	55,348	-	-	-	-	-	-
Financial transactions in assets and liabilities	54,415	11,358	38,252	-	-	9,090	-	-	-
Unauthorised expenditure	230	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>1,240,623</b>	<b>1,403,309</b>	<b>1,458,885</b>	<b>1,498,116</b>	<b>1,590,598</b>	<b>1,571,887</b>	<b>2,025,488</b>	<b>2,288,418</b>	<b>2,590,986</b>
Provinces and municipalities	183,290	99,175	80,616	19,239	42,122	42,137	210,043	162,025	177,106
Provinces <sup>2</sup>	11	-	-	-	-	-	-	-	-
Provincial Revenue Funds	-	-	-	-	-	-	-	-	-
Provincial agencies and funds	11	-	-	-	-	-	-	-	-
Municipalities <sup>3</sup>	183,279	99,175	80,616	19,239	42,122	42,137	210,043	162,025	177,106
Municipalities	183,279	99,175	80,615	19,187	42,070	42,085	209,993	161,970	177,045
<i>of which: Regional service council levies</i>									
Municipal agencies and funds	-	-	1	52	52	52	50	55	61
Departmental agencies and accounts	29,564	26,803	48,117	49,395	54,210	44,345	61,750	65,849	69,623
Social security funds	-	-	-	-	-	-	-	-	-
Provide list of entities receiving transfers <sup>4</sup>	29,564	26,803	48,117	49,395	54,210	44,345	61,750	65,849	69,623
Universities and technikons	1,099	1,102	1,142	1,100	1,100	1,100	1,100	1,175	1,232
Public corporations and private enterprises <sup>5</sup>	91,563	33,509	31,387	36,195	28,195	27,297	15,015	13,854	14,621
Public corporations	91,563	33,509	29,807	26,195	26,195	26,195	15,015	13,854	14,621
Subsidies on production	21	699	472	300	300	300	331	381	420
Other transfers	91,542	32,810	29,335	25,895	25,895	25,895	14,684	13,473	14,201
Private enterprises	-	-	1,580	10,000	2,000	1,102	-	-	-
Subsidies on production	-	-	-	-	-	-	-	-	-
Other transfers	-	-	1,580	10,000	2,000	1,102	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Non-profit institutions	454,757	752,828	701,116	656,654	705,664	719,516	877,247	1,036,988	1,124,760
Households	480,350	489,892	596,507	735,533	759,307	737,492	860,333	1,008,527	1,203,644
Social benefits	24,419	45,587	65,419	57,918	57,034	61,063	61,047	70,577	77,895
Other transfers to households	455,931	444,305	531,088	677,615	702,273	676,429	799,286	937,950	1,125,749
<b>Payments for capital assets</b>	<b>524,539</b>	<b>628,781</b>	<b>1,074,677</b>	<b>1,332,253</b>	<b>1,400,212</b>	<b>1,356,544</b>	<b>1,899,247</b>	<b>2,159,278</b>	<b>2,391,761</b>
Buildings and other fixed structures	367,394	516,182	913,393	1,193,637	1,205,350	1,171,690	1,734,191	1,968,564	2,180,916
Buildings	252,923	291,052	449,212	485,317	520,342	591,142	888,008	875,677	988,406
Other fixed structures	114,471	225,130	464,181	708,320	685,008	580,548	846,183	1,092,887	1,192,510
Machinery and equipment	152,740	107,116	154,903	137,902	188,803	172,579	159,668	185,961	205,742
Transport equipment	8,414	1,278	-	160	-	-	-	-	-
Other machinery and equipment	144,326	105,838	154,903	137,742	188,803	172,579	159,668	185,961	205,742
Cultivated assets	-	3,340	1,047	-	55	55	-	-	-
Software and other intangible assets	4,397	2,027	1,970	586	5,676	4,983	4,988	4,303	4,603
Land and subsoil assets	8	116	3,364	128	328	7,237	400	450	500
<b>Total economic classification</b>	<b>9,699,855</b>	<b>10,675,857</b>	<b>12,298,392</b>	<b>13,309,072</b>	<b>13,527,509</b>	<b>13,350,461</b>	<b>15,684,903</b>	<b>17,554,036</b>	<b>19,314,122</b>
<i>Of which: Capitalised compensation<sup>6</sup></i>									



Table A.4(a): Payments summary by policy area (simple example of bridging table)

Function	Category	Department	Programme		
General public services	Legislative	Premier	Administration Management services		
		Provincial Legislature	Administration National Council of Provinces Management services		
	Financial and fiscal affairs	Finance	Administration Financial planning and resource management Financial management Procurement Management services		
Public order and safety	Police services	Provincial Safety and Liaison	Administration		
Economic Affairs	General economic affairs	Economic Affairs	Administration Trade, industry and tourism development Economic and development services Consumer protection and inspectorate services Management services		
			Agriculture	Agriculture	Administration Agricultural development and research Veterinary services Conservation management Environmental management Specialist environmental services Management services
					Transport
	Communication	Tourism			
Environmental Protection	Environmental protection		Conservation management Environmental management Specialist environmental services		
Housing and community amenities	Housing development	Housing	Technical service Planning and development		
Health	Outpatient service	Health	District health services Primary nutrition programme		
	R&D health (CS)		Health science		
	Hospital services		Provincial hospital services Specialised hospital services		
Recreation, culture and religion	Recreational and sporting services	Sport, recreation, arts and culture	Sport and recreation		
	Cultural services		Art, culture and heritage Facility development		
Education	Pre-primary and primary	Education	Pre-primary Primary		
	Secondary education		Secondary		
	Subsidiary service to education		Provision of subsidiary		
	Education not definable by level		ABET		
Social protection	Social security services	Social service and population development	Administration Social security Social assistance Social welfare services Social development Population development Management services		



Table A.4(b): Details of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
<b>General Public Services</b>									
Executive and Legislature	144,346	152,776	172,236	185,539	196,326	193,561	215,336	231,206	245,226
Office of the Premier	82,123	86,099	97,084	103,475	110,551	110,551	120,096	128,811	136,544
RDP									
Provincial Legislature	62,223	66,677	75,152	82,064	85,775	83,010	95,240	102,395	108,682
Financial and Fiscal Services	109,783	98,060	104,308	127,112	127,112	124,698	137,131	147,320	156,158
Provincial Treasury	109,783	98,060	104,308	127,112	127,112	124,698	137,131	147,320	156,158
General Services (Public Works, Local Government)	319,601	361,612	442,245	484,976	581,083	607,656	802,695	863,201	914,185
<b>Total: General Public Services</b>	<b>573,730</b>	<b>612,448</b>	<b>718,789</b>	<b>797,627</b>	<b>904,521</b>	<b>925,915</b>	<b>1,155,162</b>	<b>1,241,727</b>	<b>1,315,569</b>
<b>Public Order and Safety</b>									
Police Services	24,407	30,143	31,736	34,845	34,845	34,845	38,077	42,130	44,635
Safety and Liaison	24,407	30,143	31,736	34,845	34,845	34,845	38,077	42,130	44,635
<b>Total: Public Order and Safety</b>	<b>24,407</b>	<b>30,143</b>	<b>31,736</b>	<b>34,845</b>	<b>34,845</b>	<b>34,845</b>	<b>38,077</b>	<b>42,130</b>	<b>44,635</b>
<b>Economic Affairs</b>									
General Economic Affairs	167,626	112,842	134,754	150,023	156,900	159,654	171,267	185,219	194,452
Dept of Economic Affairs	167,626	112,842	134,754	150,023	156,900	159,654	171,267	185,219	194,452
Agriculture	177,011	298,710	227,011	273,444	305,007	280,007	334,154	371,996	401,937
Dept of Agriculture Affairs	177,011	298,710	227,011	273,444	305,007	280,007	334,154	371,996	401,937
Transport	563,672	610,009	1,126,237	1,275,093	1,201,978	1,018,582	1,319,814	1,598,529	1,752,754
Department of Transport	563,672	610,009	1,126,237	1,275,093	1,201,978	1,018,582	1,319,814	1,598,529	1,752,754
<b>Total: Economic Affairs</b>	<b>908,309</b>	<b>1,021,561</b>	<b>1,488,002</b>	<b>1,698,560</b>	<b>1,663,885</b>	<b>1,458,243</b>	<b>1,825,235</b>	<b>2,155,744</b>	<b>2,349,143</b>
<b>Environmental Protection</b>									
Environmental Protection	73,430	61,706	91,942	112,734	111,042	108,288	132,509	145,586	156,136
<b>Total: Environmental Protection</b>	<b>73,430</b>	<b>61,706</b>	<b>91,942</b>	<b>112,734</b>	<b>111,042</b>	<b>108,288</b>	<b>132,509</b>	<b>145,586</b>	<b>156,136</b>
<b>Housing and Community Amenities</b>									
Housing Development	541,299	411,067	579,156	707,829	712,883	705,607	826,410	965,468	1,154,444
Department of Housing	541,299	411,067	579,156	707,829	712,883	705,607	826,410	965,468	1,154,444
<b>Total: Housing and Community Amenities</b>	<b>541,299</b>	<b>411,067</b>	<b>579,156</b>	<b>707,829</b>	<b>712,883</b>	<b>705,607</b>	<b>826,410</b>	<b>965,468</b>	<b>1,154,444</b>
<b>Health</b>									
Outpatient services									
R and D Health (CS)									
Hospital Services	2,794,911	3,121,275	3,461,337	3,643,438	3,744,400	3,822,851	4,287,858	4,879,176	5,529,328
<b>Total: Health</b>	<b>2,794,911</b>	<b>3,121,275</b>	<b>3,461,337</b>	<b>3,643,438</b>	<b>3,744,400</b>	<b>3,822,851</b>	<b>4,287,858</b>	<b>4,879,176</b>	<b>5,529,328</b>
<b>Recreation, Culture and Religion</b>									
Sporting and Recreational Affairs	93,595	118,616	138,706	168,492	184,812	187,935	284,890	288,512	298,168
Sport, Arts and Culture	93,595	118,616	138,706	168,492	184,812	187,935	284,890	288,512	298,168
<b>Total: Recreation, Culture and Religion</b>	<b>93,595</b>	<b>118,616</b>	<b>138,706</b>	<b>168,492</b>	<b>184,812</b>	<b>187,935</b>	<b>284,890</b>	<b>288,512</b>	<b>298,168</b>
<b>Education</b>									
Pre-primary & Primary Phases									
Secondary Education Phase									
Subsidised Services to Education									
Education not defined by level	4,399,506	4,916,135	5,345,739	5,692,455	5,718,029	5,677,502	6,598,569	7,169,708	7,748,108
<b>Total: Education</b>	<b>4,399,506</b>	<b>4,916,135</b>	<b>5,345,739</b>	<b>5,692,455</b>	<b>5,718,029</b>	<b>5,677,502</b>	<b>6,598,569</b>	<b>7,169,708</b>	<b>7,748,108</b>
<b>Social protection</b>									
Social Security Services	-	-	-						
Social Services and Population Development	290,668	382,906	442,985	453,092	453,092	429,275	536,193	665,985	718,591
<b>Total: Social protection</b>	<b>290,668</b>	<b>382,906</b>	<b>442,985</b>	<b>453,092</b>	<b>453,092</b>	<b>429,275</b>	<b>536,193</b>	<b>665,985</b>	<b>718,591</b>
<b>Total provincial payments and estimates by policy area</b>	<b>9,699,855</b>	<b>10,675,857</b>	<b>12,298,392</b>	<b>13,309,072</b>	<b>13,527,509</b>	<b>13,350,461</b>	<b>15,684,903</b>	<b>17,554,036</b>	<b>19,314,122</b>



Table A.5: Details of payments for infrastructure by category

Category/type of structure	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
<b>R thousands</b>									
<b>New constructions (buildings and infrastructure)</b>	<b>136,217</b>	<b>330,722</b>	<b>300,160</b>	<b>351,046</b>	<b>368,314</b>	<b>321,923</b>	<b>448,061</b>	<b>426,061</b>	<b>389,570</b>
Public Works Roads and Transport	-	-	-	56,000	165,000	155,660	42,000	56,300	136,813
Health	-	156,274	144,755	48,750	48,750	17,044	-	-	-
Education	126,925	148,448	142,209	186,448	94,033	90,341	301,814	234,111	147,546
Sport, Art and Culture	7,084	1,695	13,196	13,848	14,531	14,626	28,247	62,950	49,451
Tourism, Environmental and Economic Affairs				36,000	36,000	34,252	45,800	39,700	21,500
Social Development									
Agriculture	2,208	24,305		10,000	10,000	10,000	30,200	33,000	34,260
<b>Rehabilitation/upgrading</b>	<b>285,567</b>	<b>296,777</b>	<b>580,008</b>	<b>686,691</b>	<b>596,989</b>	<b>693,250</b>	<b>1,176,895</b>	<b>1,320,685</b>	<b>1,488,560</b>
Public Works Roads and Transport	147,973	216,116	459,357	540,000	420,528	445,316	714,173	903,874	866,600
Health	94,190	14,421	8,502	93,579	93,579	172,070	314,068	363,528	462,617
Education	16,874	27,157	72,803	43,662	73,850	66,827	74,666	33,413	116,577
Sport, Art and Culture	16,028	21,487	10,439	6,680	6,177	6,182	73,788	15,070	16,766
Tourism, Environmental and Economic Affairs	8,571	6,091	25,145				200	4,800	26,000
Social Development	-	8,000	-						
Agriculture	1,931	3,505	3,762	2,770	2,855	2,855			
<b>Recurrent maintenance</b>	<b>298,860</b>	<b>261,912</b>	<b>454,274</b>	<b>494,388</b>	<b>544,103</b>	<b>238,425</b>	<b>393,244</b>	<b>479,448</b>	<b>573,390</b>
Public Works Roads and Transport	291,268	256,274	443,755	407,000	455,678	167,709	299,209	371,872	460,596
Health		258		64,581	65,674	51,410	63,500	74,780	78,087
Education				8,500	8,500	8,500	11,440	12,012	12,613
Sport, Art and Culture	1,843	1,917	1,262	1,772	1,655	1,688	2,850	3,021	3,197
Tourism, Environmental and Economic Affairs									
Social Development	5,749	3,463	9,257	12,035	12,035	8,557	12,817	13,650	14,537
Agriculture				500	561	561	3,428	4,113	4,360
<b>Other capital projects</b>	<b>1,495</b>	<b>44,114</b>	<b>222,566</b>	<b>38,084</b>	<b>169,974</b>	<b>297,825</b>	<b>146,016</b>	<b>153,892</b>	<b>193,427</b>
Public Works Roads and Transport			197,260		69,663	206,299	34,200	23,500	25,700
Health									
Education					62,227	53,442	62,727	65,216	88,738
Sport, Art and Culture									
Tourism, Environmental and Economic Affairs								7,500	9,500
Social Development		7,651							
Agriculture	1,495	36,463	25,306	38,084	38,084	38,084	49,089	57,676	69,489
<b>Total provincial infrastructure</b>	<b>722,139</b>	<b>933,525</b>	<b>1,557,008</b>	<b>1,570,209</b>	<b>1,679,380</b>	<b>1,551,423</b>	<b>2,164,216</b>	<b>2,380,086</b>	<b>2,644,947</b>



Table A 5(a): Summary of Infrastructure Enhancement Allocation payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimated Actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
1. Tourism, Environmental and Economic Affairs	8,571	6,091	10,000	20,000	20,000	20,000	30,000	32,750	34,715
2. Health	75,000	48,063	82,373	86,491	86,491	119,012	99,816	109,627	116,204
3. Education	6,315	74,023	82,875	80,725	80,725	80,725	280,026	109,978	116,577
4. Public Works, Roads and Transport	108,793	129,775	213,809	527,277	527,277	527,277	619,588	811,707	860,409
5. Agriculture				10,000	10,000	10,000	30,200	33,000	34,260
6. Sport, Arts and Culture	24,955	25,099	22,800	22,300	22,300	22,496	104,885	81,041	69,414
<b>Total provincial infrastructure payments and estim</b>	<b>223,634</b>	<b>283,051</b>	<b>411,857</b>	<b>746,793</b>	<b>746,793</b>	<b>779,510</b>	<b>1,164,515</b>	<b>1,178,103</b>	<b>1,231,579</b>

Table A 5(b): Summary of Infrastructure Grant to Provinces payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimated Actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2007/08	2008/09	2009/10
1. Health	24,133	46,818	43,368	30,000	30,000	30,000	45,000	61,000	75,000
2. Education	48,311	60,259	59,268	119,723	119,723	119,723	129,066	187,546	197,546
3. Public Works, Roads and Transport	83,978	76,356	183,410	360,255	360,255	360,255	395,212	441,013	515,948
4. Social Development	16,274	18,638							
5. Agriculture	2,208	24,305							
<b>Total provincial infrastructure payments and estim</b>	<b>174,904</b>	<b>226,376</b>	<b>286,046</b>	<b>509,978</b>	<b>509,978</b>	<b>509,978</b>	<b>569,278</b>	<b>689,559</b>	<b>788,494</b>



Table A.6: Transfers to local government by category and municipality

R thousand	Outcome			Main appropriation	Adjusted appropriation 2007/08	Estimate actual	Medium-term estimates		
	2004/05	2005/06	2006/07				2008/09	2009/10	2010/11
Category A	-	-	-	-	-	-	-	-	-
Municipality									
Category B	157,212	67,047	69,375	9,796	40,546	40,559	74,471	331	346
Letsemeng	8,301	1,414	4,908	315	245	245	365	34	35
Kopanong	9,236	1,477	17,624	406	284	284	420	34	35
Mohokare	5,137	3,513	2,810	270			304	17	18
Naledi	1,823	540	4,298	270			104	17	18
Mangaung	27,178	29,126	20,235	2,692	14,920	14,933	66,224		
Mantsopa	3,538	581	380	388	9,000	9,000	406		
Masilonyana	6,247	369	1,400	122			88		
Tokologo	5,443	903	5,379	238			104	17	18
Twelopele	3,062	236	200	272	944	944	104	17	18
Majhabeng	17,060	717	1,730	501	878	878	1,405		
Nala	9,617	3,275	390	245			160	17	18
Setsotho	8,023	2,773	586	325	705	705	144		
Dihlabeng	8,451	2,874	849	328	200	200	156		
Nketoana	7,338	8,418	2,980	525	12,000	12,000	144		
Maluti a Phofung	7,423	627	330	661	533	533	1,823		
Phumelela	2,881	2,906	776	70			88		
Moqhaka	7,850	1,224	1,076	128			156		
Ngwathe	7,782	1,802	754	350			314		
Metsimaholo	5,479	3,680	117	1,320	537	537	1,574	178	186
Mafube	5,343	592	2,553	370	300	300	388		
Category C	26,078	32,128	11,241	9,443	1,576	1,578	135,572	161,694	176,760
Xhariep	2,069	2,584	5,251	72			50,098	56,058	61,663
Motheo	8,610	9,500	2,421	72	14	17	8,874	9,812	10,793
Lejweleputswa	2,554	8,815	653	158			37,735	42,043	46,247
Thabo Mofutsanyane	5,610	5,339	1,218	158			25,325	28,029	30,832
Fezile Dabi	3,487	3,110	825	73			3,830	4,204	4,625
Unallocated	3,748	2,780	873	8,910	1,562	1,561	9,710	21,548	22,600
<b>Total transfers to local government</b>	<b>183,290</b>	<b>99,175</b>	<b>80,616</b>	<b>19,239</b>	<b>42,122</b>	<b>42,137</b>	<b>210,043</b>	<b>162,025</b>	<b>177,106</b>



Table A.7: Summary of provincial payments and estimates by region, district and municipal ward

R thousand	Outcome			Main appropriation	Adjusted appropriation	Estimated Actual	Medium-term estimates			
	Audited 2004/05	Audited 2005/06	Audited 2006/07				2007/08			2008/09
<b>Region</b>										
<b>Xhariep</b>	<b>24,743</b>	<b>8,988</b>	<b>30,593</b>	<b>1,063</b>	<b>529</b>	<b>529</b>	<b>51,187</b>	<b>56,143</b>	<b>61,751</b>	
Letsemeng	8,301	1,414	4,908	315	245	245	365	34	35	
Kopanong	9,236	1,477	17,624	406	284	284	420	34	35	
Mohokare	5,137	3,513	2,810	270			304	17	18	
Xhariep	2,069	2,584	5,251	72			50,098	56,058	61,663	
<b>Motheo</b>	<b>41,149</b>	<b>39,747</b>	<b>27,334</b>	<b>3,422</b>	<b>23,934</b>	<b>23,950</b>	<b>75,608</b>	<b>9,829</b>	<b>10,811</b>	
Naledi	1,823	540	4,298	270			104	17	18	
Mangaung	27,178	29,126	20,235	2,692	14,920	14,933	66,224			
Mantsopa	3,538	581	380	388	9,000	9,000	406			
Motheo	8,610	9,500	2,421	72	14	17	8,874	9,812	10,793	
<b>Thobo Mofutsanyane</b>	<b>39,726</b>	<b>22,937</b>	<b>6,739</b>	<b>2,067</b>	<b>13,438</b>	<b>13,438</b>	<b>27,680</b>	<b>28,029</b>	<b>30,832</b>	
Setsoto	8,023	2,773	586	325	705	705	144			
Dihlabeng	8,451	2,874	849	328	200	200	156			
Nketoana	7,338	8,418	2,980	525	12,000	12,000	144			
Maluti a Phofung	7,423	627	330	661	533	533	1,823			
Phumelela	2,881	2,906	776	70			88			
Thobo Mofutsanyane	5,610	5,339	1,218	158			25,325	28,029	30,832	
<b>Fezile Dabi</b>	<b>29,941</b>	<b>10,408</b>	<b>5,325</b>	<b>2,241</b>	<b>837</b>	<b>837</b>	<b>6,262</b>	<b>4,382</b>	<b>4,811</b>	
Moghaka	7,850	1,224	1,076	128			156			
Nqwathe	7,782	1,802	754	350			314			
Metsimaholo	5,479	3,680	117	1,320	537	537	1,574	178	186	
Mafube	5,343	592	2,553	370	300	300	388	-	-	
Fezile Dabi	3,487	3,110	825	73	-	-	3,830	4,204	4,625	
<b>Lejeleputswa</b>	<b>43,983</b>	<b>14,315</b>	<b>9,752</b>	<b>1,536</b>	<b>1,822</b>	<b>1,822</b>	<b>39,596</b>	<b>42,094</b>	<b>46,301</b>	
Masilonyana	6,247	369	1,400	122			88			
Tokologo	5,443	903	5,379	238			104	17	18	
Tswelopele	3,062	236	200	272	944	944	104	17	18	
Matjabeng	17,060	717	1,730	501	878	878	1,405			
Nala	9,617	3,275	390	245			160	17	18	
Lejeleputswa	2,554	8,815	653	158			37,735	42,043	46,247	
<b>Unallocated funds</b>	<b>3,748</b>	<b>2,780</b>	<b>873</b>	<b>8,910</b>	<b>1,562</b>	<b>1,561</b>	<b>9,710</b>	<b>21,548</b>	<b>22,600</b>	
<b>Total provincial payments by</b>	<b>183,290</b>	<b>99,175</b>	<b>80,616</b>	<b>19,239</b>	<b>42,122</b>	<b>42,137</b>	<b>210,043</b>	<b>162,025</b>	<b>177,106</b>	