



FREE STATE PROVINCE

2014 Free State Provincial Budget Speech

**Hon. Elzabe Rockman
MEC for Finance**

12 March 2014

Honourable Speaker;
Honourable Premier;
Members of the Provincial Executive Council;
Members of the Free State Legislature;
Executive Mayors and Mayors;
Distinguished guests;

Today we table the final budget of the 2009 to 2014 Medium Term Strategic Framework. This Framework set the basis for the unfolding of the current term of government. The 2009 Elections Manifesto of the African National Congress noted that; “Our country does need change in the way government relates to our people and in the delivery of services.” The ANC government took real and meaningful steps to make that change happen with the formalization of the outcomes-based approach of government.

We started the 2009 electoral term believing that; “Working together, we can do more.” In a structured manner, we brought together stakeholders and our service delivery partners in the public and private sectors as well as the non-governmental, community and faith-based sectors. We reached agreement and concretized our implementation plans to achieve the goals we set ourselves in each of the 12 priority areas. And so we laid the foundation from which we can proclaim proudly that; “Indeed, we have a good story to tell”.

In his State of the Province Address, the hon. Premier elaborated on the gains, progress and achievements of the Free State Province. An undeniable and uncontested picture has emerged –that indeed, the Free State Province does have a good story to tell!

In 2009, it was clear that there would be no space for the “business as usual” approach. An outstanding feature of this term of government is the fact that we have fundamentally changed the way government works. Through our Operation Hlasela methodology, we have brought together the three spheres of government in our approach to planning, resourcing and the implementation of programmes and projects. This approach has fundamentally transformed the places where our people live and work.

We have found a willingness and enthusiasm in the private sector to work together with the provincial government to contribute to achieving our vision of creating a better life for all our people. This did not only extend to strengthening our governance arrangements, but included supporting our training and development initiatives and

community projects. Allow me, hon. Speaker, to express the provincial government's appreciation to all our private sector partners who have supported and motivated us during this electoral term.

Equally, we must acknowledge the critical support that we continue to receive from the non-governmental, community and faith-based organizations throughout the Province. This is a sector that enhances government programmes, especially those focussed on the most vulnerable sectors of our society and assists us in ensuring that we reach the furthest corners of our Province.

Hon. Speaker, in 2012 the Provincial Treasury initiated a school essay competition to promote participation and understanding amongst learners of the provincial budget. This year, the essay competition involved Grade 12 learners of 18 secondary schools in the Xhariep District. The assessment of essays was conducted by the Provincial Treasury and Department of Education and was supplemented by interviews conducted with selected participants. Allow me to recognize, hon. Speaker, the learners who achieved the top 5 positions. They are;

- Fuku Loyiso of the Wongalethu Senior Secondary School,
- Van Zyl Cronje of the Zastron Combined School,
- Portia Qhomane of Relebohile Senior Secondary School,
- Khayeni Dyani of Beang Tse Molemo School and
- Masunyane Kgotso of Lere-la-Thuto School.

In addition, the quality of the work produced by two participants in Grade 10 and Grade 11 respectively, necessitate that we also acknowledge their contribution to this competition. They are Promise Cebisa of the Pellissier Combined School and Pieter MacKay of the Zastron Combined School. The learners, together with their educators and parents, have honoured us with their presence today. After we adjourn here, we will be attending to the prize-giving ceremony together with the learners and our private sector partners. I must express my appreciation to all the officials, educators, learners, parents and our sponsors, Standard Bank and Vodacom, for enabling us to continue implementing this programme that encourages our youth's participation in the provincial budget process.

PROGRESS WE HAVE MADE SINCE 2009

Hon. Speaker, we have proven that the 2009 Manifesto priorities and the 12 priority outcomes of government were clear and achievable. It has enabled us to tell the good

story of the Free State, despite the significant challenges brought about by the global economic crisis.

A Good Story to Tell on Education

Our good story on improving the quality of basic education did not start in 2009. We have never underestimated the importance of Education. The hon. Premier emphasised government's commitment during the 2010 State of the Province Address when he reflected that; "Education and skills development form the cornerstone of the priority outcome areas of government." We have over the last four years dedicated significant resources of the provincial budget to this Apex priority.

We have addressed the full scope of the education environment, including increasing the number of teachers whilst focusing on teacher development. Our investment expenditure in education infrastructure and maintenance totalled R1.982 billion over the period 2009/10 to date. In addition, we have expanded critical support systems such as the school nutrition programme, the learner transport and hostel accommodation programmes. We implemented and extended various maths and science programmes, focused on improving our performance in the Annual National Assessments and comprehensively addressed learner preparation for the National Senior Certificate examinations.

Hon. Speaker, Benjamin Franklin said; "If a man empties his purse into his head, no one can take it away. An investment in knowledge always pays the best interest." One of the legacies of this term of government is undoubtedly our investment in the further education of our youth. There is no better story to tell than our provincial bursary programme that supports students at tertiary institutions across the country and internationally. This is not only an investment for the Free State but we are contributing directly to the creation of a broader pool of skilled professionals that South Africa requires.

A Good Story to Tell on Health

Hon Speaker, at the start of this electoral term, we formulated a comprehensive approach that resulted in significant gains made in addressing specific challenges in the provincial health sector. This included the employment of suitably qualified medical professionals as well as improving the state of our emergency medical services and the availability of medicine in our health facilities. The expansion of our anti-retroviral treatment programme and reducing mother-to-child transmission from 7.6 % in 2009 to less than 2 % currently further talk to the good story we have to tell. Our expenditure on

health infrastructure saw an investment of no less than R2.309 billion during this electoral term.

Our emphasis on primary health care has resulted in a reduction in maternal and infant mortality rates whilst we are seeing a gradual increase in the average life expectancy of males and females in the province. We embarked on an ambitious programme that increased the number of medical students trained in Cuba. This is another of our investments in the future of the youth of our province and our country.

One of the commitments of the provincial government was that some of the outsourced services in various health institutions such as cleaning and security will be insourced. At the heart of this undertaking, was our commitment to ensure that we place people in decent and secure jobs. This process will continue to unfold in our health institutions as announced by the hon. Premier in the State of the Province Address.

Creating Economic Opportunities for our people

Hon Speaker, the provincial government identified a number of high-impact long-term strategic projects that have the potential to realize and unlock the economic potential of the Free State. These projects include the Harrismith Logistics Hub, now forming part of the Durban-Free State–Gauteng Development Corridor), the N8 corridor development, the Ingula Pumped Storage Scheme and the Vrede Dairy project in Phumelela, the *bio-fuel* project at Bothaville and a fish hatchery in the Xhariep district. Various initiatives by ESKOM, including in the field of green energy, have been initiated. Equally, the various water resource intervention projects have provided much needed additional investment in the infrastructure that will unlock the economic potential of our local communities. These projects are varyingly at planning, developmental or implementation stage and are aligned with our long term strategic planning documents, including the National Development Plan, the New Growth Path, the Industrial Policy Action Plan and the Free State Growth and Development Strategy.

Improved Financial Governance

Honourable Speaker, another focus area for this term of government was to improve the financial governance of our provincial departments and public entities. The section 100(a) intervention implemented at the request of the provincial government during December 2011, assisted us to address specific challenges. Our progress with these matters was acknowledged by the hon. President in his Reply to the debate on the State of the Nation address.

Our progress in achieving improved financial governance is real and evidence of the good story we have to tell. At the end of the 2012/13 financial year, not one provincial department or provincial public entity received a “disclaimer” audit opinion. Allow me to repeat the hon. Premier’s summary of our most recent audit outcomes; “The Provincial Treasury obtained a clean audit for four consecutive years, the Office of the Premier for 3 consecutive years and the Department of Sport, Arts, Culture and Recreation and Fleet Management Trading Entity obtained clean audits for the first time.” The Provincial Revenue Fund also retained its clean audit opinion for the 2012/13 financial year. We recognize that there are remaining challenges that require of us to sustain our efforts to achieve clean audit status across all provincial departments and public entities.

Hon. Speaker, though we have not achieved the same significant progress in the local government sector, the Auditor-General noted that the audit outcomes for Free State municipalities for the 2011/12 financial year reflected; “... a steady but slow year-on-year improvement towards unqualified audit opinions.” The 2012/13 local government audit outcomes indicate a continuation of this trend. The Provincial Treasury and the Department of Cooperative Governance & Traditional Affairs, together with SALGA, have intensified our engagements and support of the local government sector to ensure that we achieve real and meaningful improvements.

We are implementing a comprehensive approach in dealing with fraud and corruption matters. Whilst we are intensifying our campaigns to raise awareness on how to deal with fraud and corruption, we are simultaneously taking practical steps to deal with these matters. The Provincial Treasury initiated a clean-up of the centralized supplier database system and has removed all companies owned by provincial government officials from the database. Vetting of all officials working in the supply chain environment of provincial departments as well as municipalities is in progress.

Provincial departments are filing regular reports with the Provincial Service Commission on financial misconduct cases. The latest available figure for the 2012/13 financial year, indicated that 43 financial misconduct cases was finalized by 31 March 2013, whilst disciplinary proceedings were still in progress in 37 other cases with the recovery of funds from responsible officials in progress in 12 instances. We continue to cooperate with the Special Investigating Unit and other law enforcement agencies.

PLANNING AND IMPLEMENTATION DURING ECONOMIC UNCERTAINTY

Hon Speaker, when the current administration took office during 2009, the global economy was reeling at its lowest levels in modern history. The IMF has cited new

global risks to the economic outlook. These risks will have varying impact on advanced and emerging economies, specifically with regard to matters pertaining to inflation.

In its February GDP publication, StatsSA reflected on the economic growth performance of the country. The seasonally adjusted real Gross Domestic Product (GDP) at market prices for the fourth quarter of 2013 increased at an annualised rate of 3.8 percent. According to National Treasury, the slow output and moderate employment growth were due to domestic conditions, combined with a slow recovery in the global economy. National Treasury forecasts the economy to grow by 2.7 percent during 2014, and to accelerate further to reach 3.5 percent during 2016.

The hon. Minister of Finance stated to the National Assembly that the next phase in boosting growth in South Africa is about the dynamism and agility of the private sector and the synergies created with government. Government will continue to provide an enabling environment for businesses to grow and create employment.

My predecessor also outlined the structural problems of the economy in the 2010 Provincial Budget speech, noting that; “The growth path that was underway until 2007 already had signs of unsustainability in that it was a consumption driven growth, with no contribution to savings and the productive capacity of the economy”.

Honourable Speaker, it is a known fact that whilst democracy may have brought political freedom, we inherited a dislodged economy, rife with inequality and incremental poverty levels amongst the African majority. Our progress in addressing this legacy, though steady, confirms that much is left to be done. This is emphasized by the following;

- Between 1996 and 2012, persons living in poverty in the Free State declined from 38.9 percent in 1996 to 31.8 percent by 2012.
- Between 2009 and 2011, the Free State growth rate averaged 1.2 percent, whilst the national average for the same period was at 1.5 percent. Whilst the growth rate of the provincial economy is slow, it remains positive and is projected to grow at 2.9 percent in 2014.
- Let us also not forget that the Free State’s equitable share was reduced to the value of R2.4 billion during the tenure of this administration. We have experienced first-hand the resultant effects on the provincial growth rate as well as the unemployment rate of the province.

These are the broader issues that form the background against which we table the 2014 Provincial Budget.

THE 2014 MTSF, CONTINUITY IN GROWTH AND DEVELOPMENT

- Education
- Health
- The creation of more jobs, decent work and sustainable livelihoods for inclusive growth
- Rural development, land reform and food security
- Fighting crime and corruption
- Expanding access to housing and basic services as part of our commitment to build integrated and sustainable human settlements
- Building a democratic developmental state capable of mobilising all sectors and boldly intervening in the economy in favour of workers and the poor and
- Creating conditions for the promotion of social cohesion and nation building and contribute to a better Africa and a just world

FISCAL FRAMEWORK

Hon Speaker, allow me to briefly outline to the hon. House the challenges we faced in stewarding this fiscal ship towards addressing our core government priorities. Firstly, our equitable share as a province was revised downward by R167 million in the 2014/15 financial year and with a further R101 million in the 2016/17 financial year. Therefore, over the MTEF the Free State is losing more than R268 million.

The provincial government has positioned itself to derive more tangible results with the limited resources at our disposal. We remain supportive of fiscal consolidation and committed to ensuring that government spending is managed effectively, efficiently and economically. Current conditions call for prudence and austerity in the utilization of the available resources.

The cost-containment measures that we have introduced over the past few years will remain in place with further emphasis on compliance and adherence. Additional personnel management and cash management measures will be introduced to ensure that we plan and schedule the implementation of programmes in accordance with available physical, human and financial resources.

Hon. Speaker, the total projected expenditure for the 2014 Medium Term Expenditure Framework period amounts to R88.400 billion and this amount is allocated as follows:

- R27.942 billion in 2014/15, which represent an increase of 0.9 percent when compared to 2013/14 adjusted allocation;
- R30.178 billion in 2015/16; and
- R30.280 billion in the outer year of 2016/17.

Thus over the forthcoming MTEF, the provincial budget increases by an average of 3.1 percent. This growth is well below the projected inflation rate. Though it will not be easy to navigate this severely constrained fiscal environment, it is not an impossible task that lies ahead. Collectively, the political and management leadership of the provincial government will ensure that we exercise restraint and maximize the value we receive from government spending.

Equitable Share

Hon Speaker, the review of the provincial equitable share formula as directed by the Budget Council in 2006 was concluded in 2012/13. The consequences of that exercise as well as the results of the 2011 Census impacted negatively on our provincial equitable share.

Hon. Members will recall that in 2011 we indicated the major contributors to the declining weighted share of the province, which in the main shows slower growth relative to other provinces in the following key areas; (i) Population, (ii) Learner Numbers and (iii) Economy.

It is important to remember that the provincial population is not declining, but growing relatively slower compared to other provinces. The need for service delivery is still increasing in the province. In addition, the Free State is a predominantly rural and a poor province whose structural outlay presents significant challenges and constrains to the economic performance of the province. Following the advent of mining closures and adverse weather conditions, the size and contribution of the private sector, specifically mining and agriculture, to the provincial economy, has dwindled significantly, thus inherently transferring risk and responsibility to the provincial public sector.

We will continue with our engagements with the National Treasury and the Financial and Fiscal Commission to address the perpetual decline in our equitable share allocations.

Our provincial equitable share allocation increases from R20.173 billion in 2013/14 to R20.883 billion in 2014/15 which translate to a growth of 3.5 percent. The 2015/16 allocation amounts to R22.223 billion and in the outer year the allocation increases by 4.2 percent to R23.158 billion. The total provincial equitable share allocation of the Free State over the forthcoming 2014 MTEF therefore totals R66.264 billion.

Conditional Grants

Hon Speaker, I now turn my attention to the Conditional Grant allocations. This remains the second largest source of revenue for our province and account for 22 percent of our total provincial fiscal envelope in the 2014/15 financial year.

There have been some changes in the structural arrangement of Conditional Grants. Firstly, the National Health Grant which is classified as an indirect grant will be converted to a direct grant and becomes part of the Health Facility Revitalization grant. An amount of R1.3 billion is added to the national Health Facility Revitalization grant over the 2014 MTEF. Unfortunately, the Free State does not benefit in this regard. The 2014/15 allocation for this particular grant declines by 28.2 percent - from R625.7 million in 2013/14 to R448.9 million in 2014/15.

Secondly, the HIV and AIDS Grant is revised in alignment with provincial spending commitments and thus the revised allocations will be phased-in over a two year period. In this instance the provincial allocation increases from R742.9 million in 2013/14 to R843.0 million in 2014/15, which represents growth of 13.5 percent.

Thirdly, government plans to eradicate the bucket system in two phases, firstly in formalized townships from which the Free State will benefit and secondly in all informal settlements. For this to be achieved, the challenges of bulk infrastructure will have to be addressed. An amount of R1.874 billion is shifted away from the Human Settlement Development Grant to a new indirect grant that will be managed by the National Department of Human Settlements. Subsequently, the allocations to the province in this respect decline from R1.350 billion in 2013/14 to R1.061 billion in 2014/15. Included in the 2014/15 allocation, is an amount of R255.6 million for the Mangaung Metropolitan Municipality.

Over the 2014 MTEF, the province will receive R19.283 billion as conditional grants. This is made up as follows:

- R6.158 billion in 2014/15;
- R7.005 billion in 2015/16; and
- R6.120 billion in 2016/17.

Provincial Own Revenue

Hon Speaker, Provincial Own Revenue collection by departments has taken a centre role in our provincial fiscal discussions. The declining fiscal space that we find ourselves in requires us to do things differently. It is quite critical for each and every department and public entity to enhance their respective strategies for revenue generation and collection.

Contrary to the recent economic challenges, revenue collection in the province has performed relatively well, showing steadfast growth of R48.9 million over the past three financial years. Even though Provincial Own Revenue contributes about 3 percent of the entire budget, in real terms this amount is estimated at approximately R900.8 million in 2014/15, increasing to R949.6 million in 2015/16 and R1 billion in 2016/17.

Our provincial revenue, Hon. Members, is mainly generated through Motor Vehicle Licenses; Patient Fees; interest on investments; gambling receipts; resorts and reserves; and lastly the sale of game. In the new financial year, the Free State Gambling and Liquor Authority will implement increases in the relevant fees for both the gambling and liquor sectors. Details of these increases will be announced in due course.

In 2012/13 we initiated the Provincial Revenue Enhancement Strategy. We are pleased to note that we are now starting to realize returns on these investments. We allocated funding to the Lengau Testing Centre to trace outstanding traffic fines in the 2012/13 financial year. On average, this is now yielding revenue of R3.2 million monthly.

In the next financial year we are investing around R30.1 million on Revenue Enhancement and we estimate to derive returns in the next two to three year period. One area of emphasis that the Provincial Treasury will be addressing with far more urgency than before is the recovery of current employee debt as well as ex-employee debt. We therefore urge all civil servants, and our responsible citizens who have left the public service to make arrangements to settle their debt.

ALLOCATIONS TO DEPARTMENTS

Hon. Speaker, I will now turn my focus to the proposed 2014 MTEF allocations to departments.

Quality Basic Education

Hon Speaker, we often refer to education as being—(i) a critical trajectory to our growth as a nation; (ii) as a crucial course to developing the much needed skills for the growing economy and (iii) as important in improving the overall wellbeing of our people. We are convinced that additional investment in education is critical for our long term plans as a province. The Provincial Treasury and the Department of Education will be focussing on strengthening the personnel and cash management processes of the Department.

Hon Speaker, from the budget tips we received from the public, Nketsi Senje from Bloemfontein proposed; “The construction of schools around Phases 3, 4, 5, 6 and 7, whilst not forgetting Khotsong and Caleb Motshabi.” I am sure that the hon. MEC responsible for Education will share the details of the school construction programme in the presentation of his budget vote speech.

The 2014 MTEF allocation to the Department of Education amounts to **R11.259 billion** in 2014/15, **R12.125 billion** in 2015/16 and **R11.896 billion** in 2016/17. Therefore, over the 2014 MTEF the budget increases by an average of 3.9 percent. However, it must be noted that the 2016/17 budget excludes the Education Infrastructure Grant which will be concluded in the next financial year.

The 2014 MTEF allocations will address, amongst others, the following sector priorities:

- Funding for quintile 1, 2 and 3 schools (no fee schools)
- Learning and Teaching Support Materials (LTSM)
- Increase the number of teachers in quintile 1 schools
- Expansion of Grade R
- Provincial Bursary Programme
- Education Infrastructure
- Occupational Specific Dispensation (OSD) for therapists

A Long and Healthy Life for All

Hon. Speaker, the State of the Province Address outlined the successes of the province with regard to health outcomes. The 2014 MTEF budget makes provision to continue

and sustain these achievements and also makes provision for new sector priorities. As much as we salute the department for these achievements, we recognize the fact that there is still more work to be done. The Provincial Treasury and Department of Health are formalizing task teams that will focus extensively on improving and strengthening identified processes and systems in the Department of Health.

The Department of Health is allocated an amount of **R8.155 billion** in 2014/15, which will increase to **R8.735 billion** in 2015/16 and **R8.656 billion** in the outer year of 2016/17. On average the allocation to Health increases by 2.7 percent. Again, it must be noted that the budget for 2016/17 excludes the Health Facility Revitalization Grant which will be concluded in 2014/15.

As indicated earlier-on the 2014 MTEF allocations makes provision, amongst others, for the following key current priorities:

- Reduction of infant and child mortality
- National Health Laboratories and Blood Services
- Roll-out of Human Papilloma Virus Vaccine (HPV)
- Health infrastructure
- Piloting of National Health Insurance
- Revenue Enhancement strategy

Social Development

Hon Speaker, we are still faced with the triple challenge of unemployment, poverty and inequality. We acknowledge that much more needs to be done, specifically to address the effect that these challenges have on the vulnerable sectors of society. We must acknowledge that the Free State has done well in pushing back the frontiers of poverty and narrowed the exposure of our children and women to other social ills. According to the 2013 General Household Survey, more than 855 000 of our people in the province benefitted from social grants in 2012. This is part of the good story we have to tell in extending the social welfare net to the most needy in the Free State. The 2014 MTEF builds on the successes of the department.

Hon. Speaker, a contributor to our request for budget tips, Johan Fouche, has advised that the provincial government should budget for a programme focussed on educating learners about the consequences of decisions and that we should involve churches in this programme.

The department receives an amount of **R973.054 million** in 2014/15. This increases to **R1.019 billion** in 2015/16 and **R1.087 billion** in 2016/17. The budget makes provisions

for key sector priorities, including the provision of shelters for victims of gender-based violence and substance-abuse.

Economic Development, Tourism and Environmental Affairs

Hon Speaker, the Department has an extensive mandate. It takes the lead in the provincial government's initiatives to create an environment conducive for economic growth and private investment in the Free State. The empowerment of SMMEs and cooperatives remain a key factor in achieving provincial economic growth and the Department has made significant inroads with establishing the appropriate framework within which this can be achieved.

This supports the view of Yabela Dlali who made the following contribution; "I think it would be in the province's economic interest and create more jobs if you include SMME or "new idea" business financing in your budget. This would, without a doubt, increase more job opportunities and promote entrepreneurial spirit within our community and challenge entrepreneurs to stand on their own feet and do something for themselves." This is the enthusiasm that we need to kick start the Free State's economic growth.

Equally important is the development of the Free State tourism industry. This sector has been identified as one of the trajectories to achieve economic growth; and thus in the creation of work opportunities for our people. We are convinced that we have not fully explored the potential and impact of the inherent and natural tourism resources of the Free State. The Department will lead the provincial government's programme to create an enabling environment that will assist this sector to contribute significantly to the provincial economic growth.

In addition, the Department is responsible for executing the provincial government's mandate and responsibilities towards environmental management and protection.

Speaker, the 2014 MTEF allocations to the department amount to **R444.084 million** in 2014/15, which increases to **R462.770 million** in 2015/16 and **R481.101 million** in 2016/17. The budget makes provisions for sustaining current priorities, including the development of resorts and reserves, revenue enhancement projects, infrastructure development, environmental management and transfers to the three provincial public entities.

Vibrant, Equitable and Sustainable Rural Communities Contributing Towards Food Security for All

Hon Speaker, the decreasing contribution of the agricultural sector to the Free State economy and the effects thereof on provincial economic growth and unemployment has been well documented. The Department of Agricultural and Rural Development continues to implement *Mohoma Mobung* as the provincial growth and development strategy for the agriculture and rural development sector.

Whilst our rural people continue moving to bigger cities with the hope of finding work opportunities and other social amenities, we are losing their critical skills in the fields of agriculture and food security in our rural areas. Clearly, the comprehensive approach followed with the development of the national CRDP pilot site at Diyatalawa and the War on Poverty site at Jacobsdal, is the foundation of successful rural development.

In the forthcoming MTEF the department is allocated **R669.270 million** for 2014/15 financial year, **R697.016 million** for 2015/16 and **R713.213 million** for 2016/17. The allocations allow for continuation of current priorities such as, amongst others, food security, farmer support initiatives, the provincial agricultural master plan and refurbishment of Veterinary Laboratories.

Responsive, Accountable, Effective and Efficient Local Government

Hon Speaker, local government is at the forefront of service delivery and remains the critical link between the national and provincial government and its citizens. We continue to improve and strengthen our cooperation and coordination with the local government sector.

We are not oblivious to the challenges facing our municipalities and we take note of the critical work that the department continues to do in support of all our municipalities. The allocation for 2014 MTEF will further strengthen, amongst others, the support and financial management capacity building for municipalities, the continuation of operation clean audit initiatives, the provision of bulk infrastructure and basic services as well as support to the House of Traditional Leaders. An area of additional focus to be addressed is revenue enhancement for local municipalities. This process could be initiated by cleaning up the implementation of tariff structures and free basic services to qualifying residents of municipalities.

Hon. Speaker, the budget allocation to this department amounts to **R341.625 million** in 2014/15, which will increase to **R362.184 million** in 2015/16 and **R376.081 million** in 2016/17. On average the budget increases by 5.8 percent over the MTEF period.

Sustainable Human Settlements and Improved Quality of Household Life

Hon Speaker, according to the 2013 General Household Survey, 17.2 percent of households in the Free State was using the bucket system in 2002. That number was reduced dramatically to 6 percent in 2012. Equally significant is the fact that the 2011 Census tells us that 97.8 percent of our households have access to piped water. This forms part of the good story we have to tell.

The State of the Province Address reflected extensively on some of the achievements of the Department. We note the remarkable successes that have been achieved in relation to townships and hostels upgrading. This budget will further support the department in sustaining these projects as well as implementing the new priorities for the 2014 MTEF period.

The Department of Human Settlements is allocated **R1.210 billion** in 2014/15, **R1.298 billion** in 2015/16 and **R1.426 billion** in 2016/17. Thus on average the allocation for Human Settlements decreases by 0.4 percent over the MTEF. The department is mainly funded through the Human Settlements Development Grant and thus the decline in allocation over the MTEF is attributed to the reduced grant budget.

Infrastructure Development

Hon Speaker, the National Development Plan identifies infrastructure development as key to economic growth and consequently in the creation of decent job opportunities in the country.

During the forthcoming 2014 MTEF period, we will continue building and renovating socio-economic infrastructure which include schools, clinics, hospitals and houses. We will continue to give our support to the Department of Public Works as the provincial custodian of infrastructure delivery. The Department will be strengthening its coordination of the respective EPWP programmes throughout the province in order to ensure that our people derive the maximum benefit from the work opportunities created by this programmes. Equally the transformation of the property industry remains a priority over the MTEF.

For the 2014 MTEF we will ensure that the progress made by Public Works is sustained

and enhanced for the betterment of the province. An amount of **R1.415 billion** is allocated for 2014/15 financial year, **R1.493 billion** for 2015/16 and **R1.552 billion** for 2016/17. The allocation will cater for, amongst others, property rates and taxes (municipal services), township revitalization, maintenance of government buildings, EPWP Programme and revenue enhancement projects.

Hon. Speaker, allow me to briefly outline the allocations addressing the extensive mandate of the Department of Police, Roads and Transport. We are pleased that the 12 roads projects have been completed. Not only local and provincial people and businesses benefit from this development, but it needs to be recognized that the completion of these roads directly contribute to the efficiency of the national roads network and the consequent economic benefits that accrues to the national economy. Significant progress has been made with the transformation of the public transport industry and the resolutions of the Crime Prevention Summit have placed us on a path of broader cooperation and collaboration with the South African Police Service. The Department will continue to enhance its internal capacity in all critical skills areas.

Shamiel Mohamed has advised that we should include specific funds to research and improve the filling of potholes with tar or to fund new research and to make funding available for road maintenance and roads for rural areas and townships. Another proposal is to consider a merit or reward system for farmers who maintain good roads in rural areas, possibly through tax rebates.

The Department of Police, Roads and Transport receives **R2.195 billion** in 2014/15. This increases to **R2.571 billion** in 2015/16 and **R2.679 billion** in 2016/17. On average the budget for the department increases by 3 percent over the MTEF.

Sport, Arts, Culture and Recreation

Hon. Speaker, there is broad consensus that the sport, recreation, arts and culture sectors hold unrivalled potential to build social cohesion and bring about unity amongst the diversity of our nation. In addition, the promotion of active and healthy lifestyles offer undeniable benefits to the education, social development and health sectors whilst our culture heritage offers unexplored potential in the cultural tourism industry. It may very well be time for us to begin to reconsider as to whether we really provide adequate resources for the Department to fully execute its mandate.

The Department has made significant progress with infrastructure development throughout the province, both with regard to sport and library facilities as well as facilitating and supporting arts and cultural programmes. The provincial investment in

sport and recreation infrastructure must be supported by local municipalities through the ring-fenced MIG allocations and we will be encouraging increased coordination between the provincial and local governments in this regard.

The investment in sport infrastructure is supported by Johan Fouche who indicated that disadvantaged communities require proper sport fields, meaning grass surfaces with the necessary irrigation facilities, boreholes and supervisors to maintain such facilities.

Sports, Arts, Culture and Recreation is allocated **R589.043 million** in 2014/15, **R632.064 million** in 2015/16 and **R618.288 million** in 2016/17. The budget allocation for 2016/17 declines by 2.17 percent as a result of our anticipation that the upgrade of the Seisa Ramabolu will be completed by that financial year. Therefore, over the MTEF the allocation increases by an average of 4.1 percent. This budget makes provisions for the following priorities, amongst others:

- All sport codes development;
- Archives services;
- Arts and culture promotion;
- Infrastructure for library and sport facilities; and
- Upgrading of the Kaizer Sebothelo stadium in Botshabelo and the Charles Mopeli stadium in Qwaqwa, noting that the Mangaung Metro and the Maluti-a-Phofung Local Municipality will be expected to contribute to the two projects.

Efficient, Effective and Development-Oriented Public Service

Hon. Speaker, the limited resources at our disposal do not reduce our responsibility to appropriately respond to the needs and requirements of our people.

More than ever, we need to implement the eight *Batho Pele* service delivery principles and strengthen our accountability and responsibility measures. The Departments of the Premier and the Provincial Treasury as well as the Provincial Legislature must execute its respective constitutional and other legislative mandates in the interests of promoting good governance.

The Department of the Premier is allocated an amount of **R270.514 million** in 2014/15, **R281.949 million** in 2015/16 and **R293.907 million** in 2016/17. The 2014 budget will continue sustaining the current activities of the department, including the provincial planning, monitoring and evaluation programmes, coordination of responses to the Presidential Hotline, functions of the Office of the State Law Advisors, the programmes

of Community Development Workers and Community Liaison Officers as well as the activities of the Free State Training and Development Institute,

The Provincial Treasury is allocated an amount of **R226.740 million** in 2014/15; **R236.048 million** in 2015/16 and **R246.942 million** in 2016/17. The allocation will provide for current priorities, including the continuation of our work to improve the provincial centralized supplier database, increasing the support provided by Provincial Treasury to the provincial and local government sector and the reprioritization of the provincial budget. It will also provide for revenue enhancement projects specific to the Provincial Treasury that will be implemented during 2014/15.

Tony Davies made a compelling contribution with regard to the tax treatment of senior citizens, specifically on savings and interests accrued from such savings, that we will be forwarding to the National Treasury. The contribution raises the fact that we must promote a culture of saving and investment amongst all sectors of our society. The Provincial Treasury and the Department of Economic Development must take the lead in developing an appropriate programme addressing this critical question.

Hon. Speaker, our resourcing allocations must enable the Legislature to deliver on its constitutional mandate. The implementation of the new Sector Oversight Model and Public Participation Model will place the Legislature on a path that will enable it to perform a more rigorous oversight and accountability role whilst engaging in public participation in a more qualitative manner. The Free State Legislature is allocated an amount of **R176.209 million** in 2014/15, **R183.580 million** in 2015/16 and **R191.322 million** in 2016/17.

CONCLUSION

Hon. Speaker, this provincial budget creates the enabling framework within which we will embark on the second phase of our struggle, namely to implement radical socio-economic transformation to meaningfully address poverty, unemployment and inequality. The road ahead will not be without challenges, but we remain committed to realize a better South Africa and Free State for all our people.

We have engaged in extensive consultations in the preparation of this provincial budget through structured MTEC-hearings, consultations with MECs and HODs and various sessions of the budget *lekgotlas* and extended meetings of the Executive Council. Allow me to express my appreciation to the Premier and colleagues in the Executive Council who continue to challenge us in constructive debates to be more innovative and resourceful than before. I must equally acknowledge the extensive work that the

Director-General and Heads of Departments were required to undertake as we were unpacking specific focus areas in the budget. The input of our mayors, speakers and municipal managers further enriched the budget preparation process.

I must extend my appreciation to the provincial Budget Task Team that provided us with additional insight and helped to create a realistic and credible budget that serves the interests of the Free State as a whole.

Speaker, allow me to thank the CEO of the Provincial Treasury, Mr Mahlatsi, together with the Senior Management for their contributions and support throughout this process. The indispensable role of our Budget Office, who navigated their way through a mountain of technical work, should not be forgotten.

Hon. Speaker, Martin Luther King Jr said; "Change does not roll in on the wheels of inevitability, but comes through continuous struggle. And so we must straighten our backs and work for our freedom."

I hereby table the 2014 Appropriation Bill and the accompanying documents.

I Thank You.