

FOREWORD

The importance of agriculture and mining as contributors to the Free State Economy, declined steadily over the years.

By 2001, the finance, real estate and business services industry, contributed some 18,3% to the total value-added at basic prices of the province. During the same period:

- The manufacturing industry contributed 11% total value-added of the Free State, whilst
- The construction industry had the lowest contribution (at 2,1%) total value-added of the province.

During 1999, recorded unemployment stood at 34% in the Province, with 4,8% increase per annum recorded for the period 1976 to 1999.

The reality of the above mentioned situation prompted the Free State Provincial Government to draw a 3 year strategic Provincial Development Plan for 2002/03-2005/06, with the intention to:

- Analyse development within the contextual realities of the Province;
- Develop a set of achievable development objectives and strategies to realise the development potential of the Province;
- Formulate a 3-year provincial implementation plan linked to the provincial medium-term expenditure budget framework.
- Facilitate focussed investment that would support the strategic objectives of the Province.

In order to gear up for the achievement of the objectives of this development plan, the Province had to take certain short-term decisions to realise the objectives of the plan in the medium to long-term.

Today, 3 years into the excitement of the new millennium, the 2003/04-2005/06 Free State Provincial Budget Proposals contained in this document stand as testimony that the short-term sacrifices made to build a sustainable better life for all in the medium to long-term, was well worth the effort.

Indeed, it is clear that this Province is well on its way to deliver on the developmental goals it set for itself a few years ago, namely to:

- Enhance economic development and jobs creation
- Provide and facilitate sustainable infrastructure development
- Ensure a safe and secure environment
- Promote good co-operative governance and sustainable use of resources and the environment.

The setting of provincial objectives enabled this Province to have a focussed approach in its quest to achieve social justice, equity, economic growth and development and a better life for all.

The institution of multi-year budgets some years ago, now also enables this Province to reap the advantages of a framework that allows for more effective and efficient medium-term planning by Provincial Departments. This not only enhances efficiency and effectiveness in service delivery but also enables the effective implementation of new policy proposals within informed and realistic budgets.

These developments enabled this Province to witness significant progress in reforming Provincial budget processes, to:

- Enable the Provincial Legislature and Portfolio Committee, to execute their political oversight and monitoring function more effectively.
- Enhance transparency and public accountability as the linking of multi-year budget and strategic plans affords citizens and strategic analysts a clear indication of what exactly Departments intend to do to deliver on their operational mandate.
- More effectively take on board the views and inputs of private sector role-players and stakeholders in drawing multi-year budgets that are more responsive to people's real needs.

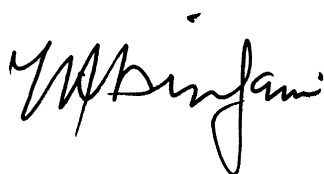
The good progress made over the past few years in key areas of service delivery in the Province has led to a situation where the Free State Taxpayer can rest assured that:

- The financial position of the Province is sound.
- All Departmental Budgets meet the test of adequacy and sustainability, when viewed against provincial service delivery imperatives emanating from National and Provincial Policy and Priorities.

With the improvement in budget planning and the sound financial position in which the province finds itself at this moment in time, the Free State Province is now poised to become the winning Province it deserves to be.

What remains to be done is for everyone involved in public service delivery, to always appreciate and practice the absolute necessity to continuously improve the quality of spending on public goods, services and infrastructure..

Furthermore, Free Staters must recognise that this budget affords everyone an opportunity to participate in the shaping of the future and destiny of this beautiful Province, so as to ensure that all Free Staters can meaningfully share in the wealth and prosperity that this Province can generate.



Z.A. Dingani.

MEC for Finance.

CONTENTS

Preface

Budget Statement 1: Budget Overview

1. Budget strategy and aggregates	6
• 1.1 Introduction	6
• 1.2 Summary of budget aggregates	7
• 1.3 Financing	8
2. Budget process and the Medium-Term Expenditure Framework	8
3. Socio-economic outlook	9
• 3.1 Demographics	11
• 3.2 Socio-economic indicators	13
• 3.3 Economic indicators	17
4. Revenue	21
• 4.1 Overall position	21
• 4.2 Equitable share	22
• 4.3 Conditional grants	24
• 4.4 Total provincial own revenue	27
• 4.5 Donor funding	27
5. Expenditure	28
• 5.1 Overall position	28
• 5.2 Expenditure by vote	28
• 5.3 Expenditure by economic classification	29
• 5.4 Expenditure by policy area	31
• 5.5 Infrastructure expenditure	31
• 5.6 Transfers to public entities	32
• 5.7 Transfers to local government	32



Annexure A to Budget Statement 1	33
• Table A 1: Information relating to section 4.3: Conditional grants	35
• Table A 2: Information relating to section 5.4: Details of expenditure by policy area	36
• Table A 3.1 Information relating to section 5.7: Details to transfer to Local Government by the Department of Health	39
• Table A 4: Information relating to section 5.7 Details to transfer to Local Government by the Department of Local Government & Housing	40
• Table A 4: Information relating to section 5.7 Details of expenditure for infrastructure	41
Votes:	
1. Premier	55
2. Legislature	91
3. Tourism, Environmental, Economic Affairs	109
4. Free state Provincial Treasury	151
5. Health	195
6. Education	231
7. Social Development	271
8. Local Government & Housing	305
9. Public Works, Roads & Transport	345
10. Public Safety, Security & Liaison	383
11. Agriculture	403
12. Sport, Arts, Culture, Science & Technology	429
13. Contingency Reserve	455
14. Special Provincial Projects	461