

INTRODUCTION

Honourable Speaker,

Madam Premier,

Members of the Executive Council,

Members of the Free State Provincial Legislature,

Members of National Parliament,

Permanent delegates to the National Council of Provinces,

Members of the House of Traditional Leaders,

Honourable Mayors and Councillors,

Delegates from National Treasury,

Distinguished guests,

Members of the media,

Ladies and Gentlemen,

it is a pleasure to present my first Provincial Budget speech to this House, at this historic time in our Country when:

- . The inflation rate is at a historically low level;
- . Consumer confidence is high;
- . South Africa is experiencing the longest period of consecutive positive economic growth;
- . Domestic investment confidence is on the rise;
- . The rand holds its own against major international currencies;
- . The rating of South Africa as an investment destination is on the rise;
- . Our country is experiencing a tourism boom as a safe destination.

What is even more significant, however, Mr. Speaker is that these positive developments did not come about by chance, but materialized due to concerted efforts by this Government to create a macro-economic environment conducive to economic growth.

It has become clear to all and sundry that the government's service delivery programme is well on track. The successes in this instance have resulted in clearly illustrated economic progress, as a spin off, notwithstanding the limited resources at our disposal – ours being a developing country with an inheritance of the ills and ravages of centuries of colonialism and decades of apartheid.

This objective situation of limited resources to address enormous challenges and vast needs calls upon all of us as government and patriotic South Africans from all walks of life, communities, the private sector, NGO's and CBO's to act together in order to maximise the impact of our collectively owned resources to expedite the betterment of the lives of the marginalised section of our society and the creation of sustainable and quality employment.

The budget is therefore an important political instrument that is at the disposal of government for the creation of a South Africa increasingly characterised by a culture of inclusivity built on mutual respect and the complete restoration of human dignity - striving towards the attainment of the ideals envisioned in the Freedom Charter.

Mr. Speaker, it is nothing short of spectacular that 50 years after our people adopted the Freedom Charter at the Congress of the People in Kliptown on 26 June 1955 and declared for all our country and the world to know that "we pledge ourselves to strive together, sparing neither strength nor courage, until the democratic changes here set out have been won", that :

- . the international investment community is telling us, yes we know, we note your striving and courage to make the democratic changes happen, we freely put our investment in your country because your economic prospects excite us;
- . the relative strength of the rand is an exceptional phenomenon for international market participants.

The majority of South Africans, black and white, recognise the enormous achievements of our government in the last ten years.

Mr. Speaker, now that we know where we come from, allow me to indicate where we will be heading, by turning to matters more immediate and proceed with the task at hand by:

- . briefly sketching the framework within which the 2005/06 – 2007/08 Provincial Medium Term Expenditure Framework (MTEF) budget has been drawn up;
- . setting out the main features of the MTEF revenue and expenditure proposals.

FRAMEWORK UNDERLYING PROVINCIAL MTEF BUDGET

In the second decade of democracy, the single biggest challenge is to address the plight of those still trapped in a 'second economy', characterized by poverty, unemployment and a lack of economic opportunities.

Motlotlegi Sebui, Karl Marx o ne a tiisitse e bile a nepile fa a ne a re, pele motho a ka ikamanya le dipolotiki le tsa tumelo o tshwanetse go nna le dijo, diaparo tsa go ikatega le marulelo. Ke ka moo tekanyetso e, e re lebisetseng go atlegisa ditema tsa Freedom Charter ka bolesome di feletse.

The 2005/06 - 2007/08 MTEF budget proposals are consequently informed by the need to ensure the:

- . Effective implementation of an integrated poverty eradication strategy that provides direct benefits to those who are in greatest need, including the provision of a range of social services that support the poor and vulnerable, as well as measures to promote community-based care and support for those living with HIV and AIDS and also those affected, such as orphans;
- . Delivery of provincial capital infrastructure in a way that support local economic development through the creation of sustainable jobs and effective skills transfer and development;
- . Optimal co-ordination and harmonization of service delivery between the 3 spheres of government;
- . Provision of public services in a manner that fosters human resources development and allows for maximum co-operation with NGO's, CBO's and the private sector at large.

In line with the socio-economic profile of the Province, the MTEF allocations further make provision for the implementation of key programmes that support the economic growth of the Province, such as the Comprehensive Agricultural Support Programme (CASP), the Expanded Public Works Programme (EPWP) and the provision of housing. This is to achieve the ideals contained in the Freedom Charter where the land shall be shared amongst those who work it, where there shall be work and security and where there shall be houses, security and comfort.

Consistent with the President's State of the Nation Address and the Premier's State of the Province Address, the budget proposals clearly demonstrate the Provincial Government's commitment to achieve new and decisive advances with regard to the reduction of poverty, unemployment and underdevelopment, within a thriving and growing First Economy and the successful transformation of the Second Economy.

LIKELY OUTCOME OF 2004/05 BUDGET

Turning to the likely outcome of the current budget, projections indicate that the Province will close the 2004/05 financial year in surplus with under-expenditure in excess of 1% of the expendable budget.

Scanning through budget speeches of my predecessor, I found that serious concerns had been raised over the past few years that various votes underspend their voted budgets, and that a serious need existed to discernibly improve the quality and width of spending on public goods and services in general and infrastructure projects in particular.

Mr. Speaker, allow me to use this platform to register my sentiments with regard to under-expenditure and subsequent requests for roll-overs to the new financial year. Despite the limitations imposed on the Province due to the fact that we operate on a cash accounting basis, the incidence of under-expenditure is clearly unacceptable as it robs the Free Staters of much needed public goods and services. I would thus want to state publicly that I will do everything in my power not to approve huge roll-overs of unspent funds to the new financial year. Instead, unused funds at the end of the financial year should revert back to the Provincial Revenue Fund for re-allocation towards high-priority areas of service delivery.

MTEF REVENUE ESTIMATES AND EXPENDITURE PROPOSALS

Estimated provincial receipts for 2005/06 amounts to R14, 5 billion, which represent an increase of 15.9% compared to the 2004/05 main appropriation and 8% compared to the 2004/05 adjusted appropriation.

In respect of 2005/06:

- . 97% of the provincial fiscal envelope will be made up of transfers from National Government (60% coming from the Provincial equitable share, and a further 37% in the form of conditional and unconditional grants);
- . Revenue derived from own provincial sources of revenue accounts for the remaining 3% of the fiscal envelope.

The total provincial budget will grow by a further nominal 8% in 2006/07 and 7% in 2007/08 to R15, 7 billion and R16, 9 billion respectively.

In this regard it is important to note that the relative share of conditional grants in the total provincial fiscal envelope, increased significantly from R1, 6 billion in the 2004/05 financial year to R5, 4 billion in the 2005/06 financial year, due to the National

Government taking over the payment of social security grants. This change is informed by the fact that social assistance is currently a national competence assigned to provinces in terms of the Social Assistance Act of 1992.

This assignment has been found to be inconsistent with the constitution, and by the end of the 2005/06 fiscal year, this social assistance competence will be located at National Government level, in line with the requirements of the Constitution.

The conditional grant allocated for this purpose, thus serves as a funding mechanism for social assistance transfers, to enable the phasing in of a social assistance framework in terms of which the South African Social Security Agency (SASSA), established under the Social Agency Act, which took effect from 15 November 2004, will be responsible for social grant administration in line with the Constitution.

EXPENDITURE BY ECONOMIC CLASSIFICATION

Mr. Speaker, in terms of the economic classification of expenditure, the 2005/06 proposals provide for:

- . 63% of total expenditure to be incurred on current payments;
- . a further 34% of expenditure to be used in respect of transfers and subsidies;
and
- . 3% of expenditure to cater for the payment of capital assets.

EXPENDITURE PER POLICY AREA

Mr. Speaker, I now wish to briefly deal with the expenditure proposals per policy area, as this will give a clear indication of Government's priorities.

Mr. Speaker, this Government is committed towards its pro-poor policy stance and its citizen-centred approach to public service delivery. To this end, we are convinced that expenditure proposals in terms of policy areas, clearly demonstrate our seriousness and commitment to bridge the socio-economic divide of our past.

To this end, expenditure proposals in respect of the following policy areas demonstrate this point.

EDUCATION

33.5% of total expenditure will be directed towards this policy area in 2005/06, with proposed expenditure at R4, 87 billion.

Hereafter, it will grow by 6.8% in the second MTEF year, and a further 6.1% in the outer year to an amount of R5, 52 billion.

SOCIAL PROTECTION

This policy area will account for 29.9% of total expenditure in 2005/06, with proposed expenditure at R4, 34 billion.

Hereafter, it will grow with a further 10.1% in the second MTEF year, and a further 8% to an amount of R5, 17 billion in 2007/08.

HEALTH

Expenditure in respect of this policy area will be R3, 07 billion in 2005/06, or 21.2% of total expenditure.

It is proposed that expenditure in respect of this area be increased by a further 7.8% in 2006/07 and a further 6.2% to R3, 52 billion in 2007/08.

HOUSING AND COMMUNITY AMENITIES

3.8% of the Provincial budget (R556, 72 million) will be directed towards housing and community amenities in 2005/06.

Projected expenditure in respect of this policy area will grow by a further 11.6% in 2006/07 and 7.9% in 2007/08 to an amount of R732, 58 million.

In terms of these expenditure proposals, the relative share of expenditure in respect of the policy areas of Economic Affairs, General Public Services, Public Order and Safety, Environmental Protection, and Recreation, Culture and Religion, which are shared functions with National Government, will be 11.6% in 2005/06, 11.4% in 2006/07 and 11.7% in 2007/08.

EXPENDITURE PROPOSALS IN RESPECT OF OTHER VOTES

Mr. Speaker, for the sake of completeness, allow me to briefly deal with the MTEF allocations to other votes:

PUBLIC WORKS, ROADS AND TRANSPORT

Compared to the voted 2004/05 allocation, the budget of Public Works, Roads and Transport will grow by 7.3% to R840, 452 million in 2005/06.

It will grow with a further 5.9% in the second MTEF year and 15.0% in the last MTEF year to an amount of R1, 022 billion.

AGRICULTURE

It is proposed that R225, 56 million be allocated to Agriculture in 2005/06, which represents growth of 6.7% compared to the voted 2004/05 budget.

It will further grow with 6.9% in the second year and 9.8% to an amount of R264, 834 million in the outer MTEF year.

TOURISM, ENVIRONMENTAL AND ECONOMIC AFFAIRS

The allocation to this Department increases with 3.1% in 2005/06 to become R210, 08 million.

It grows further with 4.6% in the second year and 4.8% in the outer year to an amount of R230, 257 million.

FREE STATE PROVINCIAL TREASURY

Due to the discontinuation of Provincial Development Projects under this Vote, the 2005/06 allocation decreases with 3.4% to R114, 04 million, whereafter it will grow with 4.9% in 2006/07 and a further 5.0% to R125, 6514 million in 2007/08.

SPORT, ARTS, CULTURE, SCIENCE AND TECHNOLOGY

R119, 32 million will be allocated to this Department in respect of the 2005/06 financial year, which represents an increase of 26.7% compared to the voted 2004/05 budget.

Hereafter it will increase with 5.7% in the second MTEF year and 3.8% in the outer MTEF year to R130, 88 million.

OFFICE OF THE PREMIER

The proposed allocation to this vote is R87, 19 million for 2005/06, which is 11.2% higher than the 2004/05 budget.

It is further proposed that additional growth of 5.3% and 5.0% be catered for in the 2 outer MTEF years, resulting in a 2007/08 proposed allocation of R96, 48 million.

FREE STATE PROVINCIAL LEGISLATURE

Growth in this budget will be 19.5%, 5.0% and 5.0% respectively over the MTEF period, with the allocation to this vote growing from R61, 19 million in 2005/06 to R67, 45 million in 2007/08.

PUBLIC SAFETY, SECURITY AND LIAISON

Proposed allocations to this vote will result in 11.9%, 4.7% and 5.0% growth in the allocation to this vote over the MTEF period with proposed allocations growing from R30, 34 million in 2005/06 to R33, 34 million in 2007/08.

EXPENDITURE ON INFRASTRUCTURE

Mr. Speaker, the delivery of infrastructure remains high on the agenda of Government.

An amount of R866 million will be allocated to fund infrastructure projects in various departments in the 2005/06 fiscal year. This represents an increase of 39.9% compared to the previous year.

It is also proposed that this allocation should grow by 5.7% in 2006/07 and a further 13.3% to a proposed allocation of R1, 03 billion in 2007/08.

EXPENDITURE ON TRAINING

Provincial expenditure on training grows with 19.4% to R116.33 million in 2005/06. It further increases with 8% to R125, 64 million in 2006/07 and a further 7.1% to R134, 61 million in 2007/08.

2005/06 – 2007/08 BUDGET PROPOSALS IN RETROSPECT

Mr. Speaker, given the three pillars on which the 2005/06 National budget is based, namely:

- . growth;
- . broad development; and
- . the fight against poverty;

this Government is convinced that the 2005/06 Provincial Budget proposals are well geared to create an enabling and conducive framework within which our broad s t r a t e g i c objectives of:

- . enhancing economic development and job creation;
- . providing and facilitating the delivery of sustainable infrastructure;
- . continuously investing in the development of people;
- . ensuring a safe and secure environment; and
- . fostering good cooperative governance with sustainable use of resources and the environment,

can be achieved within a transparent and accountable framework.

With these budget proposals, this Government has put its money where its mouth is. We have clearly indicated what we will do to take this Province forward.

It is my appeal that organized business, organized agriculture, organized labour, tertiary institutions, the banking fraternity, CBO's, NGO's and other private sector operators, will also openly declare what they will do to take this Province forward and that they will see their way open to openly support government in its quest to improve the lives of all Free Staters.

Remember, if the Free State suffers from an insufficient skills base, if the Free State is characterized by negative investor perceptions, if poverty hurdles persist in the province, if provincial growth is characterized by a persistent inability to absorb labour, if our young qualified workers continue to leave the province in search of greener pastures, only FREE STATERS and nobody else can be blamed.

Let the reality of these possibilities inspire us all to take hands across cultural, language and party-political differences to do whatever it might take to move this province to the high road of future prosperity.

Ten years after the birth of democracy in this country, we must accelerate and redouble our efforts to jointly turn this Province into the winning Province it ought to be. Given the measures announced by the National Minister of Finance in his recent budget speech, clearly, all regulatory frameworks are now conducive to investment, employment and life-long learning.

It is thus our expectation that the private sector will not only be seen in the corridors of Government buildings when they solicit business from Government, that organized labour will not only engage Government when they want to raise problems, that the banking fraternity will not only engage Government when they have new banking products to sell, that NGO's and CBO's will not only knock on the doors of Government

when they want financial assistance, but that these, and other roleplayers and stakeholders, will take it on themselves the next time they engage Government, to explain what they will do through their own efforts and funding, to redistribute economic opportunities to the poor, to skill the labour force, to diversify and enhance the competitiveness of the provincial economy and to reduce the reliance of a significant number of Free Staters on social security grants as their only source of income. We hope for the further consolidation and crystallization of our partnership for the betterment of the lives of poor people, further investments and the growth of the economy of this province.

I wish to congratulate all the departments in the province at both political and administrative capacities for implementing unpleasant and stringent cost containment measures in the light of the forecasted financial exposure. The province is in green, not in the red. A special word of appreciation also goes to the officials from National Treasury for their treasured support in this regard.

Mnr. Speaker, laat my toe om laastens die volgende bedankings te doen:

- . Eerstens, 'n woord van dank aan die Premier en lede van die Vrystaatse Provinsiale Uitvoerende Raad vir hul insette in hierdie begroting;
- . Tweedens, 'n woord van dank aan my Departement onder die leierskap van mnr D R Barlow vir hulle werk gedurende die finansiele jaar en vir die finalisering van die begrotingsdokumente;
- . Derdens, 'n woord van dank aan my eggenoot en familie vir hul begrip, geduld en bystand;
- . Laastens, wil ek my diepe dankbaarheid uitspreek teenoor lede van hierdie Huis, die media en almal van u wat vandag tyd afgestaan het om na hierdie Provinsiale Begrotingsrede te lusiter.

This budget belongs to all our people in this province.

Tse ke maungo a monate a tokologo.

Ke ya leboga.

Ngiyabonga.

Ndiyabulela.