

**2007/08  
PROVINCIAL BUDGET  
SPEECH**

**2007/08 FREE STATE  
PROVINCIAL BUDGET SPEECH  
TABLED BY  
MR. PHI MAKGOE,  
MEC FOR FINANCE, IN THE  
FREE STATE PROVINCIAL  
LEGISLATURE  
ON WEDNESDAY,  
28 FEBRUARY 2007**

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## **INTRODUCTORY REMARKS**

Honourable Speaker,  
Madame Premier,  
Members of the Provincial Executive Council,  
Members of National Parliament,  
Permanent delegates to the National Council of Provinces,  
Members of the Free State Legislature,  
Marena Dikgosi le Mafumahadi,  
Honourable Mayors and Councillors,  
Delegates from National Treasury,  
Distinguished guests,  
Members of the media,  
Invited learners,  
Ladies and Gentleman,

another year has rapidly passed and it is yet again my privilege to present the Free State Appropriation Bill for 2007/08 and related Provincial Budget Statements for the 2007/08 - 2009/10 Medium Term Expenditure Framework (MTEF) period, to this House.

In order to build on just over a decade of redistributive service delivery and strategies to reduce provincial levels of poverty, inequality and unemployment, it is important to ensure that public service delivery continues to have the maximum impact on social and economic growth and development. To ensure that this is successfully achieved over the coming years, public service delivery should not only focus on the achievement of output goals as such, but also ensure that public service delivery always has the maximum beneficial impact on the prevailing socio-economic conditions within which provincial government services are delivered.

Mr. Speaker, before I continue to briefly share with this House, some of the key considerations informing the 2007/08 - 2009/10 provincial budget strategy, allow me to briefly deal with the 2007/08 - 2009/10 provincial revenue estimates and to give an indication of the components constituting the provincial fiscal envelope.

### **2007/08 - 2009/10 PROVINCIAL REVENUE ESTIMATES**

Estimated provincial receipts for 2007/08 amounts to R13,413 billion, which represents an overall increase of some R1,735 billion or some 15 percent compared to the 2006/07 voted main appropriation. It is furthermore estimated that total receipts will grow with a further 13,2 per cent in 2008/09 to R15,184 billion and a further 11,3 per cent in the outer MTEF year to an amount of R16,896 billion.

In respect of 3-year MTEF period:

- 80 per cent of the provincial fiscal envelope will be made up of an equitable provincial share of nationally collected revenue;
- 16,5 per cent of total provincial receipts will be made up of conditional grant allocations to the province from National Departments; whilst
- Revenue derived from own provincial resources of revenue accounts for the remaining 3,5 per cent of the fiscal envelope.

It is important to appreciate that although the relative contribution of own revenue is shaded by significant increases in respect of conditional grants and the provincial equitable share, this source of receipts also show significant year-on-year growth of 17,8 per cent in 2007/08, 7,2 per cent in 2008/09 and a further 6,8 per cent in 2009/10 due to improvements in provincial revenue collection by collecting departments and more effective co-ordination of such efforts by the Provincial Treasury. In an effort to strengthen provincially raised revenue sources, two own revenue workshops were held in this financial year. Given the improvements in own revenue collected so far, its clear that these workshops have laid a solid foundation on which collecting departments can build to strengthen their collection effort. Mr. Speaker, growing this source of revenue remains of paramount importance as it strengthens provincial discretion in the utilization of funds and creates more opportunities to redress uniquely provincial-specific challenges, without compromising national objectives.

Mr. Speaker, from the aforementioned figures, it is clear that growth in the total provincial receipts over the whole forthcoming MTEF period is substantial and significantly above expected inflation rates.

Allow me to now turn to some key considerations informing the 2007/08 - 2009/10 provincial medium term expenditure framework budget strategy.

### **BUILDING A BROAD FRONT FOR DEVELOPMENT: SOME KEY CONSIDERATIONS INFORMING THE 2007/08 - 2009/10 PROVINCIAL MEDIUM TERM EXPENDITURE FRAMEWORK BUDGET STRATEGY**

Speaker, this Government has always viewed the Provincial Budget as representing much more than a mere statistical exercise in estimating expected provincial revenue and expenditure for the coming financial years. On the contrary, we view the budget as the single most important and appropriate instrument that gives the most practical expression to the common development aspirations of all the people of this province.

Mr. Speaker, allow me to briefly indicate to this House, that the strategy and framework to guide provincial public resource allocation over the next MTEF period, is firstly informed by a socio-economic review of the state of affairs in the province since 1996, so as to be able to identify and highlight key provincial challenges that need to be addressed. Time does not allow me to outline the provincial socio-economic outlook in any detail to this House, save to indicate that such detailed review forms part of the provincial Budget Statement.

It is, however, important to briefly outline the following salient features of the Province as these are informative in setting a strategy and rationale for particular budget proposals:

- Though the Free State's population increased in absolute terms (from 2,7 million in 2001 to 2,9 million in 2005), the province's relative share of the country's population decreased from 6,5 per cent in 2001 to 6,3 per cent in 2005.
- It is also important to note that no real change has been recorded between 2001 and 2005 with regard to the share of the economically active population (i.e. those between 15-64 years) in the total provincial population, with this share remaining around 64 per cent over this period of time. At the same time, the decline in the Agricultural and Mining sectors of the province, resulted in the province losing people to other provinces, with Gauteng accounting for some 46,9 per cent of those who left the province between 1996 and 2001. In addition, the province also experienced somewhat erratic migration trends between districts within the province, as is evidenced by the fact that no municipal district had consistently been the largest in terms of population size between 1996 and 2005, with Motheo being the only district recording a significant increase in its share of the provincial population over this period of time.
- The Free State also had the fifth highest worker dependency ratio in the country in 2003 at 2,0 meaning that in an average Free State household, each worker supports, two non-workers. The proportion of households with incomes described as low also decreased from 57,73 per cent in 1996 to 46,2 per cent in 2006 whilst households with income described as very high, increased from 2,3 per cent to 4,5 per cent over the same period of time.
- With regard to the employment of labour in the province between the period 1996 to 2005:
  - unskilled labour declined from 39,7 per cent to 25,3 per cent;
  - semi-skilled labour increased from 40,2 per cent to 49,7 per cent;

- skilled labour increased from 2,7 per cent to 4,6 per cent;
- highly-skilled labour increased from 17,3 per cent to 20,4 per cent.

In postulating deductions from the aforementioned changes, it is also important to be cognizant that the so-called Human Development Index (HDI), a composite index based on measures of life expectancy, literacy and income, and used broadly as a measure of people's ability to live long and healthy lives, to communicate, to participate in the life of the community and to have sufficient resources to make a decent living, increased from 0,53 to 0,55 between 1996 and 2004.

However, over the same period, income inequality also proportionately increased (i.e. worsened), as shown by an increasing Gini coefficient (which measures the distribution of income within an economy), from 0,59 to 0,64. What is, maybe, of even more significance is that although the level of human development in the Free State (at 0,55 in 2004), is significantly lower than the national average of 0,59 for South Africa, the level of inequality, prevailing in the province in 2004, is exactly the same as the national average. It is no exaggeration Mr. Speaker when we say that the quality of life is improving in our province.

With regard to the sectoral composition of the Free State, the relative contribution of sectors are as follows (2004):

➤ Finance, insurance and real estate	16%
➤ General Government	13%
➤ Wholesale and retail trade	12%
➤ Manufacturing	11%
➤ Community and social services	11%
➤ Mining and quarrying	10%
➤ Transport and storage	9%
➤ Agriculture and forestry	4%
➤ Electricity and water	3%
➤ Construction	2%

An outstanding feature is that the tertiary sector contributed 67,6 per cent to the output of the provincial economy and employed 61,7 per cent of all workers in the Free State in 2005.

Mr. Speaker, from this brief outline of some of the features of the provincial socio-economic outlook, the needed service delivery focus of Government becomes evident.

As 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, it was important to determine the extent to which provincial departments hitherto gave effect to the provincial policy priorities and, to ascertain what would be necessary to ensure that departmental budget proposals underpin key development priorities and particular areas in need of focus emanating from the provincial socio-economic outlook.

In addition, it was necessary to ensure that budget proposals serve the goals and objectives of Vision 2014; is aligned to the strategic thrust of the January 8 Statement, the National Cabinet Lekgotla; the Provincial Executive Council Lekgotla and sector priorities reflected in the 2006 medium term budget policy statement.

Based on a review and assessment of all of the aforementioned, the budget strategy and rationale guiding expenditure proposals is thus one that seeks to ensure meaningful provincial focus on:

- expanding progressive social services and investing in human development;
- accelerated economic growth, development, job creation and poverty reduction;
- modernising services and improving the effectiveness of governance and administration;
- promoting effective justice and crime prevention in preparation for 2010.

## **EXPENDITURE PROPOSALS IN RESPECT OF KEY PROVINCIAL PRIORITIES**

Mr. Speaker, last year I indicated in the 2006/07 provincial budget speech, that it was the view of this Government that the provincial cluster approach to resource planning and service delivery integration and co-ordination, holds the promise of a sharpened focus on macro provincial priorities that will move this province towards the attainment of its broad development objectives, as opposed to



department-specific silo approaches to service delivery that may lead to unnecessary duplication of efforts that might not always, meaningfully contribute towards the attainment of broader provincial objectives.

In her State of the Province Address, the Premier indicated that we are pursuing the implementation of government's Programme of Action through the cluster system as a mechanism of enhancing greater coordination and integration of departments, which pursue the same objectives of the Growth and Development Strategy. I am happy to report that this approach is starting to pay dividends, as the cluster system has proved to be a very effective and efficient system with regard to the:

- effective co-ordination and integration of cross-cutting strategic provincial issues;
- implementation of projects and special-focussed programmes emanating from the alignment of the Free State Growth and Development Strategy, Integrated Development Plans of Municipalities and cross-cutting projects in support of national initiatives such as ASGISA, JIPSA and the National Spatial Development Perspective.
- effective redress of barriers and challenges in supporting lead departments in co-ordinating province-wide lead projects;
- implementation of effective evaluation, strategic support and monitoring in respect of the implementation, impact assessment and sustainability of key projects implemented in the province by provincial departments, municipalities, state-owned enterprises, public entities and national departments operating in the province as well as key private sector stakeholders and role players operating in the province.

Given these positive developments and in line with the approach that this Government took in tabling the 2006/07 budget estimates, I will, again, concentrate more closely on expenditure proposals in support of key provincial priorities, rather than line-by-line and item-by-item comparisons between provincial departments and historical trends.

## **EXPANDING PROGRESSIVE SOCIAL SERVICES AND INVESTING IN HUMAN DEVELOPMENT**

Mr. Speaker, given the reality of a provincial status quo of a relatively small population, unevenly distributed between towns and regions, growing at a slow rate, with high unemployment, skills shortages, low life expectancy and high levels of poverty and inequality, it goes without saying, that education would be one of the main preconditions for development, given the fact that the level of education, like life expectancy, constitutes some of the most important

contributors to the Human Development Index. Furthermore, life expectancy, as one of the most important indicators of quality of life, is influenced mainly by adequate living conditions, access to housing and basic services and access to a health system capable of addressing common health needs.

In line with the aforementioned, 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 and meaningful improvement in the ability of the poor to access government services through:

- expansion and strengthening of Education, Health and Social Development Services;
- enhanced support in respect of sport and cultural programmes; and
- enhanced support for housing delivery initiatives in the province.

Mr. Speaker and honourable members of this House, it is the considered view of this Government that focus on these areas remain of paramount importance to further enhance key achievements of recent pro-poor budgets as such expenditure will further internalise benefits emanating from redistributive expenditure programmes in social development, health, education, land restitution and housing that will go a long way in ensuring that better public service delivery, in the final analysis does, in fact, meet the actual social needs of the poor through increasing the social wage.

Mr. Speaker, the proposed allocation, in respect of this priority area, dealing with social and human development, amounts to R10,665 billion in 2007/08 whereafter it grows with 12 per cent to R11,948 billion in 2008/09, and a further 12 per cent to R13,390 billion in 2009/10.

As a proportion of the total provincial budget, expenditure in support of this objective thus accounts for some 80 per cent of the provincial budget over the MTEF period.

Proposed allocations to specific departments that directly support this priority area are as follows:

#### DEPARTMENT OF EDUCATION

Education is key to sustaining long term growth and reducing inequality. The proposed allocation to the Department of Education, amounts to R5,692 billion in 2007/08, representing an increase of some 8 per cent compared to the 2006/07 voted main budget.

It is proposed that the allocation to this department grows with a further 11 per cent to R6,331 billion in 2008/09, and a further 11 per cent in 2009/10 to grow to an amount of R7,013 billion in this last year of the MTEF period.

Mr. Speaker, some of the critical matters that this budget will address, includes:

- Implementation of no fee schools in respect of the first two poorest quintiles, through which more than 375 750 learners, comprising 57 per cent of the total learners in Public Ordinary Schools will benefit – This represent 22 per cent improvement from last year's 35 per cent. It is also important to note that we are well above the national target of 40 per cent by 17 per cent;
- Addressing the backlog with regard to social infrastructure, thus contributing towards poverty alleviation;
- The strengthening of Special Schools;
- The expansion of the Education Management Information System (EMIS);
- Implementation of the National Curriculum Statement (NCS) in respect of grades 7-10;
- Teacher development programmes through in-service training focused towards improving learner reading, writing and numeracy, as well as Maths/Science and Technology, and managing the curriculum and Integrated Quality Management Systems (IQMS);
- Expanded allocations for Further Education and Training (FET) recapitalisation, Adult Basic Education and Training (ABET), Learners with Special Educational Needs (LSEN) - Special Schools and Early Childhood Development (ECD) pre-grade R and Public Schools;
- The expansion of the nutrition scheme;
- Provision for the carry-through costs of educators' pay progression, employment of administrative staff components in schools, provides for the scaling up of the remuneration packages of schools managers (principals), hire teaching assistants especially in the foundation phase of the schooling system and providing targeted incentives to teachers in critical subjects;
- The improvement of Human Resources Management Systems; and
- E-education and ICT in schools.

Mr. Speaker, its encouraging to note that R98,933 million has been allocated for the construction of new schools, R88,250 million for the rehabilitation and upgrading of School Infrastructure, R8,500 million for day-to-day recurrent maintenance, and R47,927 million for other capital projects for 2007/08 only, with an amount of R839,334 million being dedicated to the improvement of school infrastructure over the MTEF period. It is the view of Government that these allocations will go a long way in creating conducive conditions for the improvement of the provincial matric pass rate.

## DEPARTMENT OF HEALTH

The proposed allocation to Health is R3,643 billion in 2007/08, which represents nominal year-on-year growth of 12 per cent, compared to the 2006/07 main voted budget. Hereafter, it grows with 11,5 per cent to R4,061 billion in 2008/09, and a further 12 per cent to R4,547 billion in 2009/10.

Main priorities to be addressed include:

- improved access to quality health services, especially for rural communities;
- initiatives to address the backlog with regard to health infrastructure;
- the health remuneration review for nurses in 2007/08 and other health professionals from 2008/09 onwards as part of Government's efforts to attract and retain health professionals in our province.

In addition, in support of the 2010 World Cup, the budget for Emergency Medical Services has been upwardly adjusted over the next three years leading to the World Cup for the implementation of the National Model with particular focus in training programmes for EMS personnel, additional posts for EMS programmes, improved ambulance communication system, vehicle replacement to ensure that all ambulance and emergency vehicles are in a good condition to deal with any eventualities that may occur during the World Cup. As a consequence, the Emergency Medical Services programme allocation grows from R145, 07 million in 2006/07 to R189, 13 million in 2007/08 –a 30 per cent increase and further increases by 15 per cent to R210, 32 million in 2008/09 and R299, 48 million or 24 per cent increase in 2009/10.

Mr. Speaker, it is our considered view that the last mentioned increases will improve medical rescue and ensure that patients are rapidly stabilised and transported to get the necessary care within the shortest possible time. To ensure integration and co-operation, the EMS unit of the Department of Health is part of the Provincial Disaster Management Team. We will closely monitor progress in this regard and ensure that the department reprioritise within the

baseline for any budgetary shortfalls, that may arise out of unforeseen eventualities.

Furthermore, R48,750 million has been allocated for new construction of clinics and hospitals, R93,579 million for rehabilitation and upgrading of health infrastructure, a further R64,581 million for recurrent maintenance, with a total infrastructure budget of R206,910 million for 2007/08 only. Construction of two new hospitals in Trompsburg and Ladybrand will start in the new financial year. Mr. Speaker, in line with the social objectives of the Free State Growth and Development Strategy, a total of R818,319 million will be spent on health infrastructure over the MTEF period.

## DEPARTMENT OF SOCIAL DEVELOPMENT

Social Development continue to play a pivotal role in alleviating poverty through the use of developmental social services, to create a socially cohesive and empowered Free State community, through meeting the human and social needs of poor and vulnerable communities, through inter-sectoral and integrated developmental social services.

To fund these programmes, the proposed allocation is R453,092 million (i.e. a 8 per cent increase from the previous year) in 2007/08, growing by 16 per cent to R525,629 million in 2008/09, and a further 22 per cent to R642,970 million in 2009/10.

Additional funds will be utilized to appoint social workers and social auxiliary workers to expand the services to the most vulnerable within our society. This funding stream also takes cognizance of various pieces of new legislation, namely the Older Persons Act No. 13 of 2006, Child Justice Bill and the Children's Bill.

## DEPARTMENT OF SPORT, ARTS AND CULTURE

Mr. Speaker, this department remains of cardinal importance in uniting all the people of the province through operations aimed at managing and promoting sport and recreation development, promoting arts, culture and heritage awareness, as well as library and information services, aimed at developing a literate and informed community that can meaningfully participate in the civil and economic life of a democratic information society.

This department's allocation of R168,492 million in 2007/08, is 28 per cent higher than the 2006/07 budget, whilst the allocations for the two outer years will be R199,869 million and R231,401 million, given the proposed increases of 19 per cent and 16 per cent respectively.

Mr. Speaker, adequate provision has now been made to strengthen support functions related to sport as well as the full integration of Mmabana Cultural Centre, Basotho Cultural Village and the Free State Science Sport Institute into the department.

Furthermore, the allocations include a new Library Services conditional grant of R16,470 million in 2007/08, R30,927 million in 2008/09 and R42,639 million in 2009/10, to step up and institutionalize community library services in currently under-served areas, through recapitalizing library infrastructure and facilities.

## DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

The allocation to programme 2 of this department to cater for housing delivery will be R707,829 million, R830,881 million and R955,499 million respectively, which represents annual growth of 23 per cent, 17 per cent and 15 per cent respectively over each of the MTEF years.

Allocations further enhance the development of a provincial multi-year housing delivery plan, the improvement of the housing subsidy system and repositioning to mobilize government social partners to consolidate hands-on support to municipalities in line with the 5-year local government strategic agenda.

## **ACCELERATED ECONOMIC GROWTH, DEVELOPMENT, JOB CREATION AND POVERTY REDUCTION**

Mr. Speaker, let me now deal with the objective of accelerated growth, development and employment.

Speaker, casual observers, analysts, researchers and commentators all agree that it is of the utmost importance that the provincial transformation agenda needs to move beyond short-term relief options, to carefully crafted and well-informed long-term sustainable definitive solutions.

To ensure that the recent improvements in economic growth is internalised and benefits 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 (EPWP), so as to enable absorption and capacitating of greater numbers of unemployed in labour-intensive programmes (Speaker, allow me to pause at this point to congratulate the Department of Public Works, Roads and Transport on winning a national award for the best EPWP project).

Mr. Speaker, proposed allocations in respect of this priority area dealing with accelerated growth, development and employment, amount to R2,141 billion in 2007/08 which is some 40 per cent higher than the previous year, whereafter it will grow with 18 per cent to R2,533 billion in 2008/09 and a further 9 per cent to R2,762 billion in 2009/10.

As a proportion of the total provincial budget, funding proposals in support of this objective will thus account for 16 per cent over the MTEF period compared to 13 per cent in 2006/07.

Specific allocations to respective departments directly supporting this priority area, are as follows:

#### DEPARTMENT OF TOURISM, ENVIRONMENTAL AND ECONOMIC AFFAIRS

Proposals are that R262,727 million be allocated to this department in the first year of the MTEF period, R294,836 million in the second year and R321,071 million in the outer year, resulting in nominal growth of 14 per cent, 12 per cent and 9 per cent respectively over the 3-year period.

Some key areas funded over the 2007/08 - 2009/10 MTEF period, include:

- R7 million in 2007/08 for the establishment of the Free State Investment Promotion Agency, with a total MTEF allocation of R22,2 million for this Agency;
- R36 million in 2007/08 for the upgrading and revitalization of public tourism facilities in the province, with a total amount of R136,9 million to be spent over the MTEF in this regard in preparation for accommodation needs for the 2010 World Cup;
- R5 million in 2007/08 for the establishment and operationalization of the Free State Liquor Authority, growing to R17,2 million for the full MTEF period;
- R3,5 million in 2007/08 for the development of the Integrated Management Plan of Vredefort Dome, with the total MTEF allocation amounting to R11,6 million.
- R11,2 million is allocated to Free State Tourism Authority for marketing the province as a tourist destination, with the total amount of R36, 593 million to be spent over the MTEF.

## DEPARTMENT OF AGRICULTURE

Appropriation to this department will grow by 22 per cent in 2007/08 to R273,444 million, 13 per cent in 2008/09 to R308,669 million and 10 per cent in 2009/10 to R339,882 million.

The 2007/08 - 2009/10 consolidated MTEF allocation of R921,995 million makes provision for the following areas of development and support:

- R15 million for the appointment and operational costs of agricultural technical staff is allocated in 2007/08 with the total amount to be spent over the MTEF amounting to R66 million in this regard;
- R10 million for upgrading of Glen and agricultural infrastructure projects is allocated in 2007/08 with the total amount to be spent over the MTEF amounting to R51,2 million;
- R38,084 million is allocated in 2007/08 to facilitate the planning, development and implementation of Comprehensive Agricultural Supporting Programme projects with the total amount to be spent over the MTEF amounting to R122 million;
- An amount of R4,8 million is to be spent on Food Security in 2007/08, R5,5 million in 2008/09 and R13,4 million in the last year of the MTEF. R24 million to be spent over the MTEF for the implementation of food security;
- Land Care conditional grant has been allocated R3,2 million in 2007/08, R3,4 million in 2008/09 and R4,1 million in the last year of the MTEF to co-ordinate and facilitate the planning, development and implementation of Land Care projects.

## DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT

Allocations to this department to support its roads and public works component (i.e. excluding traffic management, which is a monitoring function), are as follows: R1,444 billion in 2007/08 representing an increase of 54,3 per cent compared to the previous year's allocation, growing by a further 20,9 per cent to R1,746 billion in 2008/09 and 9,2 per cent to R1,907 billion in 2009/10.

Mr. Speaker, the huge increase of some 30 per cent in the 2006/07 allocation to the department of Public Works, Roads and Transport, raised more than just an eyebrow in this House and many other quarters this time last year. Mr. Speaker, I had indicated that such changes in budgets are vitally necessary as the work done by Public Works, Roads and Transport, forms one of the most important



pillars in achieving the developmental objectives of the Free State Growth and Development Strategy.

Indeed, Mr. Speaker, today's significant further increases to the budget of this department over the next three years, represents the financial ramifications of a paradigm shift that fundamentally seek to link social and economic development as a single holistic and long-term sustainable solution to reducing poverty, unemployment and deprivation.

Last year, I used the occasion of the 2006/07 budget speech, to sound a warning to infrastructure delivery departments that provincial infrastructure delivery will remain one of the highest priorities of Government over the coming years.

Mr. Speaker, I am happy to report that the Provincial Treasury with the full support of the Provincial Executive Council, pulled out all the stops, short of being ruthless, to ensure that this province turned the tide and that infrastructure delivery becomes a key catalyst in propelling this province on the road to a higher growth trajectory.

In this regard, several strategies and initiatives, such as, inter alia:

- the turnaround strategy of the department of Public Works, Roads and Transport to hasten the implementation of infrastructure projects that even resulted in the successful completion of some infrastructure projects scheduled for completion in 2007/08, within the 2006/07 financial year;
- the introduction of the Infrastructure Delivery Improvement Programme (IDIP), currently being rolled out in the departments of Education, Public Works, Roads and Transport and Health;
- the combined use of financial and non-financial performance evaluation and assessment measures to track performance in the delivery of infrastructure projects;
- the institution by Treasury of physical site visits to verify and confirm that infrastructure projects are delivered within time and at acceptable levels of quality;
- the institution of quarterly review infrastructure meetings, to assess performance in the delivery of infrastructure and deal with emerging challenges,

have started to pay dividends.

Mr. Speaker, allow me to indicate that for the departments of Health, Education and Public Works, Roads and Transport, there are 168 construction and

maintenance projects, currently being rolled out at a total cost of R962 million, of which 124 projects or 74 per cent, to a total value of R900,6 million are already in implementation. Of this aggregate, R407 million is in respect of construction projects, while R555 million relate to maintenance projects. This significant spend on maintenance is informed by the need to redress the existing backlog in rehabilitation, by accelerating infrastructure maintenance.

Mr. Speaker, indications from the January 2007 provincial expenditure outcomes, indicate that the department of Public Works, Roads and Transport, have done sterling work in consultation with client departments, and current indications are that this province will exhaust all funds allocated for infrastructure projects and that some over-expenditure is likely due to the early start and/or completion of projects initially scheduled for implementation or completion in the 2007/08 financial year. Mr. Speaker, let me hastily add that such over-expenditure does not stem from bad planning and implementation processes, but actually signals that this province's infrastructure delivery processes, from planning, implementation to review and reporting have significantly improved.

We believe that infrastructure provides a strong platform for accelerated future growth, job creation and reduction of poverty. In the 2007 MTEF period we will continue to robustly invest in infrastructure as follows:

- R1,281 billion expenditure on the construction of new buildings and infrastructure, such as building of new schools, clinics, hospitals and roads;
- R2,386 billion expenditure on the rehabilitation of existing provincial infrastructure, with specific focus on the upgrading of schools, clinics, hospitals and roads;
- R1,750 billion expenditure on recurrent day-to-day maintenance;
- R149,116 million expenditure on special capital projects for the departments of Agriculture and Tourism, Environmental and Economic Affairs.

Mr. Speaker, these proposals will bring the provincial spending on infrastructure over the MTEF period to R5,570 billion.

Apart from the construction and upgrading of stadiums which has been provided for by the National Government, it is also necessary that the Province ensures that our road network supports and facilitates mobility within and outside the Province. It is for this reason that the Department of Public Works, Roads and Transport has set aside an amount of R3, 505 billion of the 2007 MTEF period for the construction and maintenance of strategic roads that contributes to the successful hosting of the 2010 FIFA World Cup by Mangaung Municipality. In

order to enhance and improve effective public transport system, the department will be upgrading and rehabilitating taxi ranks simultaneously with the process of implementation of the taxi recapitalisation programmes.

#### **SUPPORTING ROLE OF NON-HOUSING PROGRAMMES OF THE DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING**

Mr. Speaker, from the aforementioned it is evident that the programmes of the department of Local Government and Housing that support local government functions, are equally important from both a support and lead planning and oversight perspective in ensuring that planning and delivery of infrastructure services at local government level, supports the developmental objectives of the Free State Growth and Development Strategy.

Proposed allocations in this regard (net of the department's housing programme) will grow by 19 per cent to R170,199 million in 2007/08, whereafter it will grow by a further 8 per cent and 7 per cent respectively to R183,936 million in 2008/09 and R196,342 million in 2009/10.

#### **MODERNISING SERVICES AND IMPROVING THE EFFECTIVENESS OF GOVERNANCE AND ADMINISTRATION**

Mr. Speaker, to continue to strengthen Government's ability to deliver public goods and services to the people of this Province that do not only serve the need of beneficiaries or end-users, but that also ensure that broader development objectives of Government are served in the process, concerted efforts are necessary to ensure transparency in planning and implementation, and that effective oversight and monitoring occurs to evaluate the impact of services rendered on the lives of Free State citizens.

To ensure that the objective of continuous improvement in the effectiveness of governance and administration is well served, the following allocations are proposed in respect of departments whose operations directly supports this objective:

#### **DEPARTMENT OF THE PREMIER**

R103 million is allocated in 2007/08 (13 per cent increase); R110 million in 2008/09 (7 per cent increase) and R118 million in 2009/10 (7 per cent increase).

#### **FREE STATE PROVINCIAL LEGISLATURE**

The Legislature receives R82 million in 2007/08 (11,0 per cent increase); R88 million in 2008/09 (7,0 per cent increase) and R94 million in 2009/10 (7 per cent increase).

## FREE STATE PROVINCIAL TREASURY

This department receives R127 million in 2007/08 (6 percent increase); R136 million in 2008/09 (7 per cent increase) and R146 million in 2009/10 (7 per cent increase).

Key issues for attention over the MTEF period include assessment with regard to how the gap between provincial socio-economic needs and the use of key delivery indicators can assist in drawing more informed developmental budgets, as well as the strengthening of core functions related to the responsibilities of the Municipal Finance Management Unit, Supply Chain Management and Sustainable Resource Management.

### **PROMOTING EFFECTIVE JUSTICE AND CRIME PREVENTION IN PREPARATION FOR 2010**

The Department of Public Safety, Security and Liaison and the Traffic Management component of the Department of Public Works, Roads and Transport, have been tasked to perform and oversee functions that contribute towards attaining the Free State Growth and Development Strategy's priority of ensuring that effective justice and crime prevention programmes are maintained at all times, to create a safe and secure environment for all the people of the province.

During the 2007 State of the Nation Address, the President made a commitment on behalf of Government that we must address the relationships between crime and poverty. This budget seeks to concretize such relationship by ensuring that the necessary monitoring and evaluation takes place to create a safe and secure environment within which economic development can take effect.

The total allocations, split between the two departments, amount to R189,6 million in 2007/08 (which equals a 17 per cent increase compared to the previous year), a further R214,5 million in 2008/09 (i.e. an increase of 13 per cent) and an amount of R218,5 million in 2009/10.

In order to ensure that the relationship between crime and poverty is addressed, the mass mobilization of communities against crime, as well as the strengthening of oversight mechanisms and structures such as Community Police Forums, becomes important and crime prevention and road traffic management will thus be strengthened through the following expenditures in 2007/08, namely:

- R6,1 million to oversee the effectiveness and efficiency of the South African Police Services through the civilian oversight programme;
- R7,2 million to co-ordinate social crime prevention activities to ensure effective community policing forums;

- R4,5 million for public education and crime awareness programme;
- R155,7 million to ensure the effective management of road traffic and safety in the province.

## **THE 2007/08–2009/10 PROVINCIAL BUDGET PROPOSALS IN RETROSPECT: SOME CONCLUDING REMARKS**

Mr. Speaker, the Provincial Treasury together with the Provincial Executive Council, went to a detailed exercise to draw the 2007/08-2009/10 MTEF budget proposals tabled here today. In going through this exercise, this Government had but one objective in mind: to ensure that all budget proposals, in the final analysis, supports the attainment of the objectives of the Free State Growth and Development Strategy.

This Government is convinced that this exercise paid dividends as allocations, indeed, reflect priorities. Mr. Speaker, what remains is for line departments to ensure that whatever minor deficiencies that might still exist, is addressed to make sure that all departmental operations, programmes and project, addresses provincial priorities.

Mr. Speaker, allow me to re-commit the Provincial Treasury as a vigilant and active partner in the process of ensuring that these appropriations are used for the common good of all the people of this province, regardless of race, cultural orientation or political affiliation. As a service department to other departments, we believe that this budget has laid a strong enough foundation to support future performance. Furthermore, the strong focus on infrastructure delivery, heralds the start of a new era for the development of this province.

Mr. Speaker, it goes without saying that the implementation of these expenditure proposals offers exciting possibilities for the attainment of the objectives of broad Government policy. The Premier in her State of the Province Address committed the Free State provincial Government to procure at least 70 per cent from HDI's in our province. Mr Speaker, let me quickly indicate that the operationalisation of the provincial suppliers' management information system is now proceeding at full thrust. Invitation of bids had been completed and the evaluation process of bids is on track. The system will be fully operational in the first quarter of the 2007/08 financial year and will afford this Government the technical means to evaluate progress in meeting this Government's procurement target of achieving 70 per cent spend with SMME's, especially those owned and operated by historically disadvantaged individuals.

Mr. Speaker, allow me to use this platform to raise one concern affecting all the members of this House. Those of us with good memories will remind themselves that in last year's budget speech, I indicated that although Legislature approval

will, ultimately only be in respect of the coming financial year, it remains important that debates of the House adequately focus on the indicative outer year estimates, as these form the basis of the medium term resource envelope to support the attainment of the Free State Growth and Development Strategy.

Mr. Speaker, South Africa has developed multi-year budgets and a medium terms expenditure framework analysis that is the envy of many developed countries. It is therefore of critical importance that the oversight functions and responsibilities of this House as the representatives of the voting public, ensure that the lengthening of the resource planning horizon becomes a manifested reality in this province, as it will bring with it the added benefits of enhancing the credibility of forward projections, which will further facilitate better co-ordination in service delivery between the different spheres of Government.

Mr. Speaker, allow me to conclude by extending my gratitude to the Premier and my colleagues in the Provincial Executive Council for their support in the finalisation of this budget. I wish to thank

- The Chairperson and members of the Finance Committee;
- All members who gave valuable inputs in committees of the Legislature;
- My department for their assistance in the preparation of this budget;
- My family for their support.

Mr. Speaker, all that remains for me to do is to table the 2007/08 Appropriation Bill and the 2007/08-2009/10 MTEF Budget Statements in this House and wish members well in the debates that will ensue.

Mr. Speaker as we are moving towards 2010, let those who have ears hear, let those who have eyes see, opportunities are everywhere.

Let the good times roll!

I thank you.



