

# MEC P H I Makgoe's Message to the Free Staters



Cognizant of the allocation of tax powers and expenditure responsibilities between different spheres of government and the fiscal role of the Provincial Executive Council, the budget proposals contained in this document represents the consensus end-result of a provincial budget process developed to ensure that integrated planning, budgeting and constitutional reporting requirements are observed in finalizing the provincial budget proposals for the 2007/08 - 2009/10 Medium Term Expenditure Framework (MTEF) period.

In service to the need to make fiscal information available to the public as a defining characteristic of fiscal transparency, it is important to indicate that these budget proposals are informed by a critical review of the 2005/06 Budget Service Delivery Outcomes, an assessment of the 2006/07 projected budget outcomes and achievements realized in serving the development objectives of government, and an in-depth evaluation of the 2007/08 - 2009/10 MTEF Budget proposals, to ensure that priority areas funded, meaningfully support the attainment of the objectives of the Free State Growth and Development Strategy (FSGDS).

Furthermore, the 2007/08 - 2009/10 budget proposals aim to contribute towards the creation of a broad front for effective economic and social development, ensuring that:

- All government programmes and projects are pro-poor and provide direct benefits to those in greatest need
- Delivery of provincial capital infrastructure supports local economic development by putting a premium on the creation of sustainable jobs and effective skills transfer
- The optimal co-ordination and harmonization of service delivery initiatives of different spheres of government operating in the province remains of paramount importance in the implementation of projects and programmes aimed at advancement of the development objectives of the different spheres of government.
- Public service delivery is at all times planned and implemented in a manner that allows for maximum co-operation, support and input from the state-owned enterprises, public entities and private sector social partners

Finally it remains important to appreciate that these budget proposals represents much more than the mere end result of a statistical exercise to estimate expected provincial revenue and expenditure for the coming three financial years. On the contrary, these proposals represent the most practical expression of the common development aspirations of the people of this province, by willfully directing public resources to those areas of operation that significantly support the development objectives of government in an accountable and transparent framework.



# Highlights of the economic performance of the Province

Looking at the performance of the economy over time, the Free State economy grew on average by 0.8 per cent between 1996 and 2003. Considering that the economy of the country as a whole grew by 2.8 per cent during the same period, it could be said that the province underperformed in this regard. However, looking at the performance of the provincial economy in the recent past, there has been an overwhelming improvement. Between 2002 and 2005, the Free State economy grew by an average of 3.4 per cent. This growth comes from the tertiary sector and is derived specifically from Trade and Accommodation as well as Finance and Business Services. Together with General Government, these are now the largest three contributors to the provincial economy. Taking into consideration that the economy of the country grew by 4.9 per cent in 2005 and an average of 5 per cent for the first three quarters of 2006, the 4.2 per cent growth rate in the economy of the province in 2005, whilst slightly less, seem to be in line with the national trend. This could be an indication that things are starting to fall into place in the provincial economy.



## Budget

### What is a budget?

Budget is a reflection of a government policy, priorities, planning and implementation processes for delivery of goods and services. It is also an instrument that the Provincial Government uses to balance competing demands for scarce resources. Free State Province's budget is driven by and aligned to the Provincial Growth and Development Strategy priorities in order to improve the lives of our people.

## Where do we get our money?

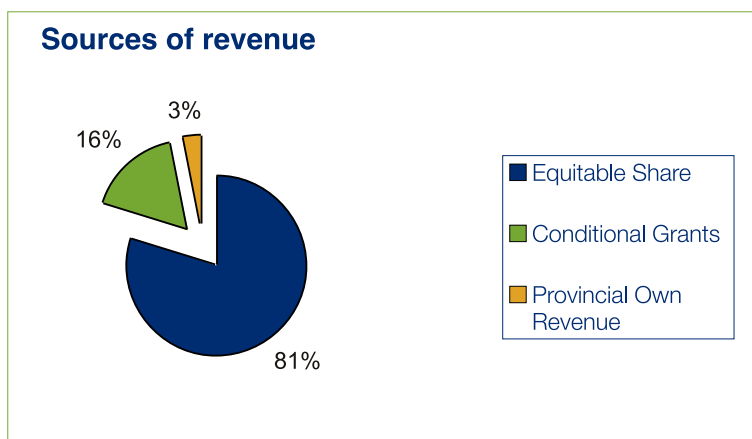
- National Allocation:

Equitable share	=	R 10,745 billion
Conditional Grants	=	R 2,202 billion

- Provincial Own Revenue: R 465 million

**Total Revenue**

**R13,412 billion**



- 1) **Equitable Share** is the portion of nationally raised revenue that is allocated to the province through the equitable share formula
- 2) **Conditional Grants** are funds allocated to the province from the national government's budget with conditions attached
- 3) **Provincial Own Revenue** is own sources of revenue collected by the province for example, patient fees, motor vehicle licences, gambling and liquor licences.



# Alignment of the Provincial Budget to the Free State growth and development Strategy

In order to meet the needs of society and stimulate the provincial economy and create jobs, the 2007/08 Medium Term Expenditure Framework (MTEF) budget reflects the Free State Provincial Government's strategic policy direction and has identified the following as primary developmental objectives:

- 1 Stimulate economic development
- 2 Develop and enhance the infrastructure for economic growth and social development
- 3 Poverty alleviation through human and social development
- 4 Ensure a safe and secure environment for all the people of the province
- 5 Promote effective and efficient governance

To meet the above primary developmental objectives, the following key priority areas as expressed in the Free State Growth and Development Strategy (FSGDS), have been identified

- 1 Economic development, employment and investment
- 2 Social and human development
- 3 Justice, crime prevention and security
- 4 Governance and administration

Cognizant of the last mentioned key priority areas, necessary adjustment were made to the 2007/08 – 2009/10 MTEF in order to align the provincial budget with the FSGDS. To this end the FSGDS informed the provincial and departmental budget allocations.

The participation of the Executive Council in the planning of the 2007 MTEF budget has enhanced the process of alignment of departmental strategies and budget to the FSGDS. This approach resulted in funding of key priority areas through departmental allocations.

To illustrate the alignment of budget and FSGDS, departments budgets have been are clustered as follows in line with the key priority areas.



# Funding of the Free State growth and development strategy priorities through Departmental Allocations

## Priority 1 - Economic Development, Employment and Investment

- |  |                     |
|--|---------------------|
| 1) Agriculture   | – (R273 Million)    |
| 2) Public Works, Roads & Transport less Traffic Management | – (R1, 435 Billion) |
| 3) Tourism, Environmental & Economic Affairs               | – (R263 Million)    |

TOTAL = R1, 971 BILLION

- Achieve economic growth rate at least equal to the national average growth rate
- Reduction of unemployment from 30.6 to 15%
- Provide adequate infrastructure for economic growth and development
- Reduce the number of households living in poverty by 5% per annum

The allocation makes provision for the construction of new roads [e.g. Completion of Access Road to Koppies Dam and Access to Selosgesha] and Upgrading and rehabilitation of road network [e.g. Vredefort Dome, Harrismith – Verkykerskop, Montsopa Boarder Post roads and Caledon Bridge] Implementation of Expanded Public Works Programme (EPWP), Establishment of Free State Investment Promotion Agency and Free State Liquor Authority, Upgrading of tourism facilities including Phillip Sanders Resort and Gariap Nature Reserve, Farmer support funded through Comprehensive Agricultural Support Programme grant (CASP), Implementation of LandCare projects and Upgrading of Glen College

## Priority 2 – Social and Human Development

1) Education	– (R5, 692 Billion)
2) Health	– (R3, 643 Billion)
3) Local Government & Housing	– (R878 Million)
4) Social Development	– (R453 Million)
5) Sport, Arts & Culture	– (R169 Million)

**TOTAL = R10, 835 BILLION**

- Improve functional literacy rate from 69.2 to 85 %
- Provision of shelter for all people in the province
- Stabilize the prevalence of HIV & AIDS and reverse the spread
- Reduce the number of households living in poverty by 5% per annum
- Reduce the mortality for children under 5 years to 65 per 1000 live births
- Reduce the obstetrical maternal rate from 65,5 to 20,06 per 100,000 woman in reproductive age group
- Provision of basic services to all households

Remuneration Review of Health Professionals, Further implementation of the Forensic Pathology Services function, Implementation of the Emergency Medical Services in terms of the National Model, Increasing the number of training nurses to deal with the shortage of Nurses, Improvement of Human Resource Management System, Acceleration of Health Infrastructure (Clinics and Hospitals). Implementation of New Legislation (Children's, Older Persons and Child Justice Bill), Employment of Social Workers and Auxiliary Social Workers (SAW). Local Government Support and the provision of Social Infrastructure, Expansion of No-Fee school policy to Quintile 2 benefiting about 57 per cent of learners, Expansion of Nutrition programme, Provision of learner support, Upgrading of remuneration package of school principles, Expansion of Adult Basic Education, Implementation of E-education and ICT in schools and Teacher Development programmes, Implementation of Mass Sport Participation Programme and the focus on cultural events in cooperation with the communities in different districts and Provision of houses through the Housing Fund

### Priority 3 - Justice, Crime Prevention and Security

- 1) Public Safety, Security & Liaison – (R35 Million)
- 2) Traffic Management from Public Works, Roads & Transport – (R155 Million)

TOTAL = R 190 MILLION

To reduce crime rate by at least 7 per cent per annum (with the involvement of SAPS & DJC)

Improve effectiveness of Provincial government in terms of crime prevention, justice and security, Appointment of Community Victim Support Workers to provide support to victims of crime, Roll out of Tiisa Thuto programmes at 71 schools in collaboration with department of Education and Business against Crime, Monitor the impact of SAPS restructuring process on service delivery, and ensure effective traffic enforcement

### Priority 4 - Governance and Administration

- 1) Provincial Treasury – (R127 Million)
- 2) Premier – (R104 Million)
- 3) Legislature – (R82 Million)

TOTAL = R 313 MILLION

All objectives that have been mentioned under the previous key priorities remain appropriate for this priority in terms of the overall monitoring oversight responsibilities

Monitor the implementation of the FSGDS, Enforce and promote integrated planning processes at local authorities and provincial government, Monitor the implementation of the MFMA, Ensure alignment of departmental allocations and budget to the FSGDS, Strengthen legislative oversight, Implement Exco-Meets-The People campaigns, Provide necessary infrastructure for the effective functioning of Multi Purpose Community Centres (MPCCS), Implement and monitor the Programme of Action and implement Special programmes

# Total Funding of 4 key areas

Economic Development,  
Employment and Investment

Total = R1, 971 Billion

Justice, Crime Prevention and  
Security

Total = R190 Million

Social and Human Development

Total = R10, 835 Billion

Governance and Administration

Total = R313 Million



Provincial Budget  
= R13,309 Billion

# % Share of Provincial Budget in terms of 4 priorities

14.81 % - Economic Development, Employment and Investment



81.41 % - Social and Human Development



1.43 % - Justice, Crime Prevention and Security



2.35 % - Governance & Administration



# How will the R13,309 billion be used by the Departments in line with the key Provincial priorities



## **Priority 1 (R1, 971 billion) - Economic Development, Employment and Investment**

### **Tourism, Environmental and Economic Affairs**

The department's budget is R 263 million and will provide for an economic and environmental governance system that contributes towards sustainable livelihoods together with relevant stakeholders to ensure job creation and poverty alleviation within the province.

### **Agriculture**

The department's allocation is R273 million and is intended for the provision of agricultural development and support to the people of the Free State. This will be achieved through Comprehensive Agriculture Support Programme (CASP) grant, which is used to provide for effective agricultural support targeted at small-scale farmers; and Land care grant Programme, which is to support emerging farmers by providing adequate capacity in agricultural services.

### **Public Works, Roads and Transport**

The department is allocated R1, 435 billion (excluding Traffic Management) for the provision, promotion and sound management of assets, transportation and infrastructure systems which are safe, affordable, reliable, accessible and sustainable.

## **Priority 2 (R10, 835 billion) - Social and Human Development**

### **Education**

The department's allocation is R5, 692 billion of the total provincial budget. This allocation is for improving the quality of life of all Free State citizens by providing lifelong education and training.

### **Health**

The allocation of the department is R3, 643 billion of the total provincial budget. The allocation is for providing comprehensive health services, which include the prevention of disease, promotion of health, curative and rehabilitation services.

## **Social Development**

Social Development receives R453 million of the total provincial budget. The allocation is for rendering inter-sectoral and integrated developmental social services to the citizens of the Free State.

## **Local Government and Housing**

The mandate of the Department of Local Government and Housing is to ensure the provisioning of integrated local government and housing infrastructure. In addition, the department has to devise measures that promote the development and enhancement of Local government capacity to perform their functions and manage their own affairs. The total allocation is R 878 million of the provincial budget. This includes R653 million of Integrated Housing and Human Settlement Development Grant for housing delivery in the Province.

## **Sport, Arts, and Culture**

The department's allocation is R169 million of the provincial budget. The department aims to manage and promote sport and recreation development; arts and culture; and render library, information and technology services in the province.

## **Priority 3 (R190 million) - Justice, Crime Prevention and Security**

### **Public Safety, Security and Liaison**

This department's mandate is to monitor, oversee and assess police service delivery, to strengthen crime prevention structures, to promote community – police relations and to co-ordinate the efforts of the criminal justice cluster. The Department receives an allocation of R35 million.

### **Traffic Management from Public Works, Roads and Transport**

The programme seeks to ensure that all privately and government owned vehicles registered in the province are licensed and all drivers are appropriately authorised to drive. The allocation in respect of this programme is R155 million.

## Priority 4 (R313 million) - Governance and Administration

### Department of the Premier

The budget of this department is R 104 million. The department aims to enable the Premier to fulfill her constitutional obligations and other functions through the effective and efficient utilization of resources of the Free State Provincial Government.

### Free State Legislature

The budget of the Legislature is R 82 million. The Legislature's aim is to provide funding for the legislative and institutional support services required by the Legislature to fulfill its constitutional functions. The responsibility of the Legislature is to oversee the work of the Executive Council, to consider and approve the bills submitted to it by the Executive Council and to propose and consider legislation submitted by their own members.

### Free State Provincial Treasury

The department's allocation is R127 million of the total provincial budget. The department aims to promote prudent financial management of provincial resources and its core functions are the preparation of the provincial budget statements, promotion and enforcement of transparent and effective management of revenue, expenditure, assets and liabilities, consolidation of financial statements of provincial departments and public entities.



# How do we spend the Provincial Budget by Economic Classification

## What is economic classification?

**“Current Payments”** - means any payments made by a provincial department in respect of the operational requirements of a department, and includes, amongst others, compensation of employees, goods and services, interest, rental of immovable properties.

**“Transfers and subsidies”** - means any payments made by a provincial department to another organ of state or any other person in respect of which that department does not receive anything of similar value directly in return.

**“Payments for capital assets”** - means any payments made by a provincial department for assets that can be used continuously or repeatedly in production for more than one year.

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# Breakdown of the R13,309 Billion by economic classification

Current Payments  
= R10, 479 billion or 79%  
of the provincial budget

Transfer and Subsidies  
= R1, 498 Billion or  
11% of the provincial budget

Payments for capital assets  
= R1, 332 billion or  
10% of the provincial budget



## Major spending items within economic classification

Compensation of Employees  
= R7, 993 Billion  
60 % of the provincial budget

Goods and Services  
= R2, 486 Billion or 19 %  
of the provincial budget

Transfers and Subsidies  
= R1, 498 Billion or 11 %  
of the provincial budget

Payments for Capital Assets  
= R1, 332 Billion or 10 %  
of the provincial budget



Provincial Budget  
= R13, 309 Billion

# Infrastructure Budget

**R1, 570 Billion**

Public Works, Roads and Transport = R1, 003 Billion



Health = R206, 910 Million



Sport, Arts and Culture = R22, 300 Million



Education = R238, 610 Million



Tourism, Environmental and Economic Affairs = R36 Million



Agriculture = R51, 354 Million



Social Development = R12, 035 Million



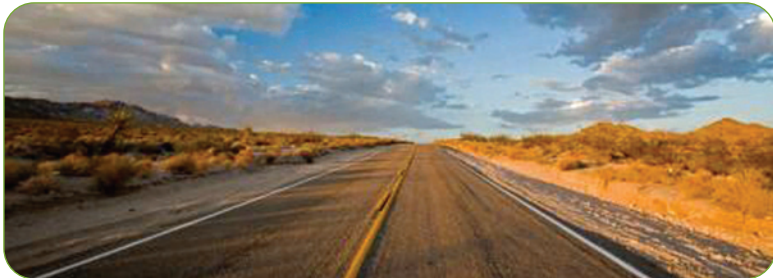
# Infrastructure budget by Category

## New Constructions

Health (R48, 750 million), Education (R186, 448 million), Public Works, Roads and Transport (R56 million), Sport, Arts and Culture (R13, 848 million), Social Development (R12, 035 million), Tourism, Environmental and Economic Affairs (R29 million)  
Total = R346, 081 Million

## Rehabilitation

Health (R93, 579 million), Education (R43, 662 million), Public Works, Roads and Transport (R540 million), Sport, Arts and Culture (R6, 680 million), Agriculture (R10 million), Tourism, Environmental and Economic Affairs (R7 million)  
Total = R700, 921 Million



**Total Infrastructure Budget = R1, 570 Billion**

## Recurrent Maintenance

Health (R64, 581 million), Education (R8, 500 million), Public Works, Roads and Transport (R407 million), Sport, Arts and Culture (R1, 772 million)

Total = R481, 853 Million

## Other Capital Projects

Agriculture (R41, 354 million)

Total = R41, 354 Million

