

# ***Budget Speech 2009/10***

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FREE STATE PROVINCE

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# ***Budget Speech*** ***2009/10***



FREE STATE PROVINCE

**2009/10  
FREE STATE PROVINCIAL BUDGET SPEECH**

**TABLED BY:  
MR. PHI MAKGOE,  
MEC FOR FINANCE,**

**IN THE  
FREE STATE  
PROVINCIAL LEGISLATURE**

**ON  
FRIDAY,  
27 FEBRUARY 2009**

***Budgeting for Development:  
Finding the Balance between Hope, Service Delivery and Caution!***

# 1. Introduction

Honourable Speaker,  
Madam 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 Councilors,  
Accounting Officers,  
Representatives from National Treasury,  
Members of the media,  
Distinguished guests,  
BoMme le BoNtate...

## This Is A Special and Unique Moment ....

It is special and unique as the global financial system in 2008 experienced its worst crisis since the Great Depression of the 1930s. In his first inaugural address in 1981, one American President made a startling announcement: "Government is not the solution to our problem. Government is the problem"! Twenty-nine years later, the world has rediscovered the lost truth. In a rather unexpected and unorthodox response to the global financial crisis, the IMF recommends three types of measures, namely the need to repair the financial system by recapitalizing banks and isolating bad assets, secondly the use of monetary policy to increase demand and thirdly, the need to implement fiscal stimulus. Central to these recommendations is the role of government!

Honourable Speaker, I have to emphasize that the ANC-led government has been a fervent proponent of the view that "the developmental state will play a central and strategic role in the economy". This view represents the point of departure of the ANC Election Manifesto.

This moment is special and unique as it brings us to the cross road. The cross road where we as a people must decide whether we are going to abandon the struggle for a democratic, peaceful and non-racial South Africa or we are going to defend it? This moment ushers in a new era of political and administrative leadership!

Honourable Speaker, I am reminded of the tragedy that took place some ninety-two years ago. On 21 February 1917, during World War I, transporting 823 members of the 5th Battalion to France, most of whom had never seen the sea before this voyage and very few of them could swim, the SS Mendi sank and drowned 616 South Africans, 607 of them black troops plus 30 British crew members. Of note is that, regardless of clan, tribe, race and language, these men faced death together as South Africans. Prior to the sinking of the ship, it is reported that chaplain, Reverend Isaac Dyobha, calmed the panicked men by raising his arms aloft and crying out in a loud voice:

"Be quite and calm my countrymen, for what is taking place now is what you came here to do. We are all going to die, and that is what we came for. Brothers, we are drilling the death drill. I, a Zulu, say here and now that you are all my brothers... Xhosas, Swazis, Pondos, Sothos and all others, let us die like warriors. We are the sons of Africa. Raise your war cries my brothers, for though they made us leave our assegais back in the kraals, our voices are left with our bodies..."

Honourable Speaker and Deputy Speaker, what is evident from this is that even at a defining moment like that, nothing could shake the unity, determination and commitment of these South African heroes, to their call! This, Honourable Speaker, is a lesson that all of us who are at the cross road, ... the cross road of abject poverty and loss of self-esteem; the cross road of illiteracy and unemployment; the cross road of crime and corruption; the cross road of HIV and AIDS; and perhaps the cross road of changes in political and administrative office ... must learn and embrace! The global financial and economic crisis represents yet another cross road, the cross road of either drowning or emerging there from. As we continue to budget for development, what is unique about today is that we are forced by circumstances to find a balance between hope, service delivery and caution.

### **Our Socio-economic State ....**

Honourable Speaker, looking back, we have seen democracy deepening. It has been 15 years of nation-building, 15 years of advancing worker rights, 15 years of a bitter struggle for gender equality, 15 years of peace and stability, 15 years of building the economy and 15 years of a struggle to push back the frontiers of poverty!

Fourteen years ago, I stood before this house to table the first post-apartheid budget of the Free State Province for nineteen votes, my first budget speech ever as MEC for Finance. Given the extraordinarily huge, yet legitimate expectations on the new government, I sounded a word of caution that “the important thing [was] the need to strike a balance between the extension of an affordable level of service and the need for belt-tightening in the public sector.” Furthermore, I indicated then already that our developmental state “does not mean that government spending can or should try to provide all good things to all who have been disadvantaged in past. No government has this amount of revenue at its disposal. What we should do, is to direct our spending into those avenues that make a maximum contribution to increase the capacity and capabilities of our people”

I’m happy to say that for the people of the Free State, indeed the past 15 years have been good. In my budget last year, I spent a lot of time detailing this government’s successes in service delivery, including the construction of new schools, new clinics and hospitals, refurbished roads, affordable houses, etc. The rapid urbanization of the province has brought with it some challenges, thus reminding us all about the need to redirect public resources towards rural development programmes and policies.

Honourable Speaker, without repeating the achievements that the Honourable Premier so eloquently articulated in her State of the Province Address last Wednesday, allow me to briefly outline some of the major outcomes of this government’s service delivery track record. As a result of the new schools that this government has constructed, coupled with the increased employment of educators in the public sector, there are now on average 27 learners per educator in our public schooling system. For the past 15 years, the ANC-led government has laid a solid foundation and we are beginning to see the rewards of our commitment and investment in the education of the youths of this province.

Whilst the stubborn increases in the HIV prevalence rate, the infant mortality rate and Tuberculosis are some of the indications of the challenges that the province is confronted with, they also point to acute shortages in the resources directed towards service delivery in the health sector. This is a situation that requires us to put our heads together to find a sustainable solution for.

Honourable Speaker, sometimes you hear reports that suggest that there are now more poor people in the Free State than there were in 1994. However, those of us coming from the townships and informal settlements do not have to try to understand nor define poverty, because we see it every day, we live with it every day, we experience it every day! We see it through the mushrooming of shacks, homelessness, unemployment, casualized labour, poor infrastructure and lack of access to basic services. We understand poverty as some sort of deprivation. Whilst this government is under no illusion about the scourge of poverty facing our people, this should not stop us from celebrating the victories in this regard. It is a fact that more people have access to decent houses, electricity, piped water and sanitation today than was the case in 1994. It is also true that more children have access to education than it was the case before. More people have access to health care services than it was the case before. Over the past 15 years, we have seen a buoyant performance in the provincial economy. Honourable Speaker I can go on and on about our victories over the past 15 years.

Honourable Speaker, “one of the universe’s great truths is that energy follows intention”! Driven by its unwavering intentions, this government has, over the past 15 years, used all its energy in making sure that the limited public resources at its disposal are utilized to the maximum benefit of its people. Over the past 15 years, this government has conceived and implemented policies consistent with its intentions, guided of course by the knowledge and principle that working together we could do more! And yes, it is a fact that the quality of life of the people of the Free State has in general improved over the past 15 years.

### **Our Province’s Financial Challenges ...**

Honourable Speaker, our province has recently developed a chronic problem of over-spending in the past couple of years. In the 2008/09 financial year, our net financial position was exacerbated by adverse conditions on both sides of the provincial budget, namely over-expenditure on the one side and under-collection on the revenue side of the budget. In dealing with the over-expenditure, vigilant and decisive leadership was vital. During this time, ours was not a quest to be popular, but rather a sheer determination to restore prudence in fiscal management. In the process austerity measures were taken. This included the introduction of cost-containment measures as well as the reprioritization of departmental budgets. As I speak, the projected over-expenditure of R1.7 billion reported in July 2008 has significantly decreased to R616 million for 2008/09. In this regard, I would like to extend a word of appreciation to the Departments of Education, Health and Public Works for their cooperation in this regard. Provincial Treasury has since issued a circular in January this year reminding all Members of the Executive Council and Accounting Officers of Departments and Public Entities of their roles and responsibilities with regards to financial management, as well as the steps that Provincial Treasury will take in the future. I can assure you that we will not rest until fiscal prudence returns to our province! On this note, let me welcome the newly appointed CEO of the Provincial Treasury, Dr M. Eugene Mokeyane. We look forward to benefitting from his immense experience both in the private and public sector.

### **The Way Forward...tackling Poverty, Unemployment and Inequality**

BoMme le BoNtate, without timely, decisive and intelligent government intervention, an economic downturn can become a vicious cycle with rising unemployment and lost income leads to reduced consumer spending, which reduces demand for goods and services, which leads companies to impose additional production cutbacks and lay-offs, and so on. In times like these, a balanced approach to budget balancing is essential. This includes spending cuts, drawing down budget stabilization funds, otherwise known as reserves or “rainy day funds” and raising revenues. In the absence of reserves, the only two options that we have as a province is firstly for departments to reprioritize their budgets in such a way that service delivery will not be adversely affected, and secondly to investigate, identify and implement innovative ways of increasing the revenue from all our sources of funding.

The challenge facing South Africa and the Free State today is to deliver a better quality of life for its entire people in a sustainable way. In recognition of this, our efforts should be geared towards restoring the hopes of the marginalized, vulnerable and poor. Equally so, we need to remain vigilant about the efficient and effective use of the limited public resources at our disposal. Hence, Honourable Speaker, I submit that budgeting for the next three years required a careful balancing of hope, service delivery and caution.

## **2. Revenue Proposals For 2009/10 To 2011/12 .....**

Honourable Speaker, the budget that we table in this House today is essentially a balanced budget. Balanced because the current economic conditions as well as the challenges that have been experienced by some departments, notably Health, Education and Public Works and Roads, have forced us to draw down on the reserves that we had accumulated for the past financial years. These reserves amounted to a total of R362.5 million, of which R70.4 million was allocated during the Adjustment Budget for 2008/09, and the remainder is allocated as follows, R135.1 million in 2009/10 and R157 million in 2010/11.

Honourable Speaker, in an attempt to afford Members an idea of the size of the forward estimated provincial fiscal envelope and the relative size of its constituent components, let me turn my attention to the revenue proposals for the next three years. Currently, the main components of the provincial fiscal envelope are the Equitable Share, Conditional Grants and provincially raised revenue. In total, the provincial budget grows from R16.2 billion in 2008/09 to R18.4 billion in 2009/10, R20.4 billion in 2010/11 and R21.8 billion in 2011/12, representing year-on-year nominal growths of 13.5 per cent, 10.8 per cent, and 7.2 per cent, respectively. In real terms, these translate to growths of 8.3 per cent, 5.6 per cent and 2.5 per cent, respectively, thus confirming the increased strain on the fiscal resources of the province and the need for prudence.

Starting with the equitable share, this source of revenue represents approximately 77.4 per cent of the province's funding envelope. During the 2007 and 2008 Budget Lekgotla, my department outlined the factors that influence the revenue-sharing formula and further explained what is likely to happen going forward. It became clear from those discussions that none of the factors used to allocate the equitable share between all the nine provinces currently work in our favour. Honourable Speaker, it is for this reason that our province continues to get the second smallest portion of the equitable share, a slice only bigger than that of the Northern Cape. Added to this is the fact that the equitable share is increasingly becoming more of a conditional source of revenue, with the discretionary utilization thereof dwindling by the day.

As a result of the downward revision of the country's economic growth projections, nationally collected revenue for the current MTEF was reduced by R16 billion. Subsequently, the province's share of the equitable share was reduced by just less than half-a-billion over the MTEF, namely R123 million in 2009/10, R152 million in 2010/11 and R180 million in 2011/12. Consequently, funding from this source of revenue grows from R12.7 billion in 2008/09 to R14.2 billion in 2009/10, R15.5 billion in 2010/11 and R16.5 billion in 2011/12, representing year-on-year nominal increases of 11.9 per cent, 8.6 per cent, and 6.5 per cent respectively. In real terms, these translate to increases of 6.7 per cent, 3.4 per cent and 1.8 per cent, respectively. Over the MTEF, the relative contribution of this source of revenue decreases from 78.4 per cent to 75.4 per cent. Honourable Speaker, real increases in the latter years of the MTEF clearly show that if the economic conditions do not change for the better, then government would have to find innovative ways of delivering more and better quality services with fewer resources.

Turning to the second main source of revenue for the province, Conditional Grants, funding from this source of revenue grows from R2.9 billion in 2008/09 to R3.6 billion in 2009/10, R4.2 billion in 2010/11 and R4.7 billion in 2011/12, representing year-on-year nominal increases of 24 per cent, 19.1 per cent, and 10 per cent respectively. In real terms, these translate to increases of 18.8 per cent, 13.9 per cent and 5.3 per cent, respectively. Over the MTEF, the relative contribution of this source of revenue increases from 17.6 per cent to 19.3 per cent. The strong growth in this source of revenue is the result of both substantial increases in the allocations to the province in terms of the Hospital Revitalization Grant to the Department of Health, National School Nutrition Programme to the Department of Education, Integrated Housing and Human settlement Development Grant to the Department of Local Government and Housing, and a doubling in the allocation of the Mass Sport Participation Grant to the Department of Sport, Arts and Culture, as well as three new grants, namely the EPWP Incentive Grant to the Department of Public Works, the Public Transport Operations Grant to the Department of Community Safety and Transport as well as the Lima/Letsema Projects Grant to the Department of Agriculture.

Then, the provincially collected revenue. Honourable Speaker, revenue collected from within the province by various departments is expected to increase from R594 million in 2008/09 to R616 million in 2009/10, R654 million in 2010/11 and R698 million in 2011/12, representing year-on-year nominal increases of 3.7 per cent, 5.9 per cent and 6.9 per cent, respectively. In real terms, these translate to a decrease of 1.5 per cent in 2009/10 and marginal increases of 0.8 per cent and 2.2 per cent, respectively. Over the MTEF, the relative contribution of this source of revenue decreases from 3.7 per cent to 3.2 per cent.

Of the total own revenue collected within the province, Motor Vehicle Licenses contribute on average 42 per cent. In this regard, the estimated revenue from this source is expected to increase from R256 million in 2009/10, to R271 million in 2010/11 and R296 million in 2011/12, thus representing growth of 3.4 per cent, 6.1 per cent and 9.2 per cent in the three respective years of the MTEF. The Department of Public Safety and Transport will outline the factors behind these increases at an appropriate time.

The second biggest component of total own revenue collected within the province is interest. Interest contributes on average 12 per cent. The estimated revenue from this source is expected to increase from R75 million in 2009/10, to R78 million in 2010/11 and R82 million in 2011/12, thus representing growth of 41.4 per cent from the projected outcome for 2008/09, 4.3 per cent and 5 per cent in the outer years of the MTEF. Similarly, the Provincial Treasury will outline its plans in this regard.

At 10.5 per cent, Patient Fees make the third largest contribution to total own revenue collected within the province. The estimated revenue from this source is expected to increase from R67 million in 2009/10, to R69 million in 2010/11 and R71 million in 2011/12, thus representing negative growth of 0.3 per cent in 2009/10, marginal increases of 3.6 per cent and 2.3 per cent in the outer years of the MTEF.

The fourth biggest component of total own revenue collected within the province is Casino Taxes. These contribute on average 6.9 per cent. The estimated revenue from this source is expected to increase from R42 million in 2009/10, to R46 million in 2010/11 and R49 million in 2011/12, thus representing growth of 25 per cent, 7.6 per cent and 7.9 per cent in the three respective years of the MTEF.

The Sale of Game and other things is the fifth biggest component of total own revenue collected within the province, and contributes on average 3.8 per cent. The estimated revenue from this source is expected to decrease from R26 million in 2008/09 to R22 million in 2009/10, then increases to R28 million in 2010/11 and again drop to R26 million in 2011/12, thus representing negative growth of 14 per cent in 2009/10, positive growth of 27.6 per cent in 2010/11 and negative growth of 6.6 per cent in 2011/12. The Department of Tourism, Environmental and Economic Affairs will in due course share with the Free State community details of these revenue proposals.



Honourable Speaker, the reason I took the liberty to deliberate on provincial own source revenue is because it is important for Members of the Executive Council and Accounting Officers to understand that at the moment, revenue projected to be collected from this source is appropriated prior to its collection. As a result, under-collection in this regard creates a serious imbalance in the provincial fiscal framework. Honourable Speaker, R2 million of revenue not collected, for whatever reason, deprives those that are homeless of thirty-six RDP houses in a year. R2 million of revenue not collected deprives fifty learners of decent transport to and from school for the whole year.

Whilst we appreciate the work being done by departments in this regard, the challenges on revenue budgeting in the province are immense. As a result, we remain firmly convinced that the revenue that can be raised within the province is currently grossly understated. In this regard, Provincial Treasury will continue to work with all departments to ensure that this shortcoming is addressed, a process which will culminate in the development of a Provincial Revenue Strategy.

### **Budgeting for Development, Balancing Hope, Service Delivery and Caution...**

Honourable Speaker, the progress that the ANC-led government has made over the past 15 years demonstrates that, indeed, we can! At the same time, the remaining backlogs remind us that more still needs to be done. Together, these facts continue to give people of the Free State hope that tomorrow will be better than today. On the other hand, the limited public resources available, aggravated in part by unfavourable global economic conditions, prescribe limits to what can be done and equally so, what can be realistically achieved. It is this fine balance between hope, service delivery and caution that we will have to contend with, more so for the next three years.

Unlike in the past, it is now accepted that the reduction of social inequalities and poverty is also a legitimate concern of government and the goal of economic policy. Notwithstanding the nobility of allocations to departments, these have always been contested. On the one hand, the recent crisis in the Departments of Health, Education and Public Works has been reportedly due to under-allocation, whilst on the other hand, the departments that under-spent have never argued that they were being over-funded.

In a paper entitled "Allocation Formula in Budgeting", Patricia Moore from the New Jersey's Kean University, argues that "a good allocation formula [or tool] should be free from perverse manipulations, open to review, and should distribute resources equitably across governmental units. Moreover, it should be understandable, equitable, adequate, and predictable. It should also be reasonable in reporting requirements, fiscally accountable, and politically acceptable". We believe that the manner in which we allocate the budget in this province is not very far from international best-practices.

### **3. Allocations for 2009/10-2011/12.....**

Honourable Speaker, a blueprint for minimizing the impact of the global financial crisis on South Africa was finalized last Thursday by Government, Business and Labour. Whilst new challenges have forced us to reprioritize, this government has made a firm commitment to at least maintain levels of infrastructure investment. Consistent with the publicly held view that infrastructure spending will greatly assist in cushioning the impact of the global financial crisis, the budget for infrastructure in the province increases to R2.303 billion in 2009/10, a growth of 6.3 per cent, R2.590 billion in 2010/11, growth of 12.4 per cent and 2.850 billion in 2011/12, representing growth of 10 per cent.

#### **A. Social And Human Development Cluster....**

This cluster remains one of the most important areas for government to deliver services to its people and comprises of the Departments of Education, Health, Social Development, Sport Arts and Culture as well as the Housing programme from the Department of Local Government and Housing.

Honourable Speaker, it is a fact that social and human development needs to be stimulated to ensure a bright and secure future for all citizens of the Free State. The proposed allocations for this area of government operations amounts to a total of R14.599 billion in 2009/10 which represents an increase of 13 per cent from the adjusted allocation of 2008/09. Hereafter it grows by 12.48 per cent to R16.420 billion and 7.12 per cent to R17.590 billion in 2010/11 and 2011/12 respectively. Expenditure in support of this objective of the Free State Growth and Development Strategy would therefore represent 79.45 per cent, 80.93 per cent and 80.95 per cent over the three respective years of the MTEF. Honourable Speaker, it is our wish that the resources allocated to this cluster will be used efficiently and effectively so as to avoid the many crisis that we have had to live through during the 2008/09 fiscal year. It is worth noting that the increases to departments in this cluster are well above inflation, thus providing scope for these departments to do more.

Detailed proposed allocations for the specific departments whose operations directly support this priority area are as follows:

#### **Department of Education**

The Department of Education will receive an allocation of R7.383 billion in 2009/10, which is an increase of 9.6 per cent from the adjusted budget of R6.721 billion in 2008/09. The budget further increases by 10 per cent to R8.124 billion and with 7.5 per cent to R8.734 billion respectively in 2010/11 and 2011/12.

The following priorities will be funded in 2009/10 financial year:

- The Implementation of the no fee policy to quintile 1 to 3 schools, which will benefit about 79 per cent of learners in public ordinary schools;
- Provision of Learner Teacher Support Materials (LTSM) in line with the new curriculum statement;
- Inclusive and special education – the department identified three schools to be converted into full service schools in the upcoming financial year in order to ensure the full functioning of special schools as centres for learning and development;
- Nutrition programme – the department will still continue to enhance learning capacity through school feeding;

- Provision of full personnel expenditure which includes the improvement in conditions of service (ICS), pay progression and incentives targeted for school-based educators; and
- School infrastructure delivery – the completion of 11 new schools and the upgrading of 4 schools with additional facilities is envisaged for November 2009. As mentioned in the last year's budget speech, this initiative will assist in terms of eliminating platooning schools in the province.

## Department of Health

Strong growth is proposed in the allocations for this department. The budget of the department grows by 16.3 per cent to R5.197 billion in 2009/10, 13.2 per cent to R5.883 billion in 2010/11 and 7.0 per cent to R6.298 billion in 2011/12.

The proposed allocations will cater for the following priorities:

- General expansion and strengthening of health services to stabilize the public health systems;
- Provision has been made for reduction in infant and child mortality;
- The allocation also makes provision for the carry-through effects of Occupation Specific Dispensation (OSD) over the MTEF period;
- TB Direct Observed Treatment Support (DOT) will continue to cater for patients on TB treatment;
- Further additional Emergency Medical vehicles will be procured to reduce the shortage of EMS vehicles in the province;
- Funds have been allocated for maintenance of all facilities to address major backlogs such as sewerage reticulation, replacement and refurbishment of boilers, upgrading of lifts and general maintenance of all buildings.

## Department of Social Development

In recognizing the compelling needs to prioritize the Social Development as one of the key social transformation instruments of our democratic government, an amount of R683 million or 22.9 per cent more than the 2008/09 adjusted budget is allocated to the department. The allocation to this department increases further with 7.5 per cent and 9.2 per cent respectively over the two outer years of the MTEF. This will increase this department's allocation to R734.975 million and R802.435 million respectively in 2010/11 and 2011/12.

The proposed allocations cater for the following key welfare programmes, namely:

- The expansion of the social development component of the Early Childhood Development programme. This includes an increase in subsidy levels from R9.00 per child per day to R12.00 per day in 2009/10 and the take-on of an additional 4 000 children per year over the MTEF period, thus extending the positive impact of this programme to some 48,558 children by the end of this MTEF period;
- The upgrading of secure care facilities for children in conflict with the law;
- The implementation of the Masupatsela (Youth Pioneer) as a National Priority;
- Increase the capacity for monitoring and evaluation for welfare services;
- Support for services to Residential Care through an increase in subsidies from R1 750 per bed per month to R1 925;
- To Support and increase the capacity of the NPO's to ensure key deliverable are met and service delivery is rendered in areas where they are needed;
- To provide and marshal funding support and necessary resources to implement the poverty alleviation strategy.

## **Integrated Housing and Human Settlement**

The allocation to the department of Local Government and Housing to cater specifically for housing delivery and the promotion of sustainable human settlements will be R1.021 billion in 2009/10, R1.361 billion in 2010/11 and R1.441 billion in 2011/12. This represents growth of 20.1 per cent, 33.4 per cent and 5.8 per cent respectively over the MTEF. This huge growth is mainly attributed to growth of 21.7 per cent, 35.1 per cent and 6.11 per cent over the three years of the MTEF on the Integrated Housing and Human Settlement Development Conditional Grant.

Some of the biggest challenges that are facing the Province in terms of housing delivery are:

- The Development of a provincial multi year Housing delivery Plan;
- Identification of suitable and well located land for housing development;
- Improved management of the Housing Subsidy System;

**Working together we can do more!**

## **Department of Sport, Arts and Culture**

The Department is continuing with its momentum to revive and raise the profile of sport, arts and culture in the province in collaboration with various role players and is making strides in doing so.

The proposed budget for this department is R313.440 million in 2009/10, a decrease of 2.4 per cent from 2008/09, R316.658 million in 2010/11, increasing by 1.02 per cent and R314.300 million in 2011/12 financial year, a slight decrease of 0.74 per cent. The reduction is due to the infrastructure budget being cut as most of the infrastructure projects are coming to an end as the World Cup is approaching. The increase in the conditional grant by R16 million (R9.388 million for Library Services and an additional R6.236 million for Mass Sport Participation, Club Development and School Sport) is providing the Department with more project opportunities and challenges.

The infrastructure enhancement funds of R74.740 million will be utilised to focus mainly on the remaining legacy projects for the purpose of 2010 FIFA World Cup-events in the Free State.

## ***B. Economic Growth, Employment and Investment Cluster...***

This cluster comprises of the Department of Agriculture, The Department of Tourism, Environmental and Economic Affairs, The Department of Public Works as well as the Roads and Public Transport components of the Department of Community Safety and Transport.

The proposed allocations for this area of government operations amounts to a total of R2.885 billion in 2009/10 which represents an increase of 17.9 per cent per cent from the adjusted allocation of 2008/09. Hereafter it grows by 1.4 per cent to R2.927 billion and 7.5 per cent to R3.145 billion in 2010/11 and 2011/12 respectively. Expenditure in support of this objective of the Free State Growth and Development Strategy would therefore represent 15.7 per cent, 14.4 per cent and 14.5 per cent over the three respective years of the MTEF. This includes the impact of two new Conditional Grants totaling an amount of R174.8 million to this area of work. The new Grants were however only allocated in the 2009/10 financial year and allocations for the two outer years of the MTEF must still be confirmed by National Treasury.

## Department of Agriculture

The proposed allocation for this department is R400.515 million in 2009/10, R434.501 million in 2010/11 and R486.888 million in 2011/12. This represents growth of 7.5 per cent, 8.5 per cent and 12.1 per cent respectively over the three years of the MTEF. The provincial specific social and economic functions and expanded support for agriculture will be implemented through Land Care, the Comprehensive Agricultural Support Programme (CASP), the Infrastructure Enhancement Allocation and the new Llima/Letsema Projects Grant. The Agricultural Disaster Management Grant will assist the department to support farmers who have been affected by the occurrence of the recent runaway veld fires in the province. The new Llima/Letsema projects grant is aimed at assisting vulnerable farming communities to achieve an increase in agricultural production.

Some of the projects which will be funded through this grant includes:

- Vredefort/Parys Commonage: Fezile Dabi
- Water project: Thabo Mofutsanyane
- Lejweleputswa Poultry project: Lejweleputswa
- Boitumelo vineyard: Xhariep
- Motheo livestock project: Motheo

## Public Works

Honorable Speaker, in an effort to contribute towards sustained economic growth, reduce unemployment and increase investment in the Province, the department contributes toward achieving the goals of this priority by promoting economic growth and development through contractor development programmes as well as infrastructure programmes. Other efforts include the accelerated delivery of infrastructure through fast tracking projects in an attempt to save on the total cost of delivery, coordinating and massification of EPWP in the Province amongst all departments and spheres of government and by actively supporting the utilization of the National Youth Services programme.

Speaker, the 2008/09 financial year has also seen the full transfer of the Public Transport and Traffic Management and Roads functions from the Department of Public Works and Roads to the Department of Community Safety and Transport. This will therefore leave the Department of Public Works as a stand alone department from the beginning of the 2009/10 financial year.

The proposed allocation for the new Department of Public Works is R785.915 million or a projected increase of 10.3 per cent in 2009/10. The allocation further grows to R810.140 million or 3.1 per cent and R866.834 or 7.0 per cent in the two outer years of the MTEF. The slow growth in the 2010/11 financial year can be attributed to the EPWP Incentive Grant to the amount of R23.008 million which was only allocated for 2009/10 and for which allocations for the remaining years of the MTEF still need to be finalized by National Treasury.

## Roads and Public Transport Programmes

Honorable Speaker, as mentioned earlier, the Roads and Public Transport budgets will in future form part of the newly established Department of Community Safety and Transport and the proposed allocation for these functions are as follows: The proposed allocation for the 2009/10 financial year for these programmes is R1.370 billion, this amount includes the R151.805 million for the new Transport Operators Conditional Grant which include bus-subsidies. The growth to these programmes is therefore 33.1 per cent when the new Grant is included and 18.2 per cent if the impact of the Grant is excluded from the allocation. The allocation for 2010/11 (excluding the impact of the new Grant) grows with 9.6 per cent to an amount of R1.336 billion. The allocation further grows to R1.426 billion or 6.7 per cent in the 2011/12 financial year.

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

The allocation to this department increases with 8.2 per cent to R328.730 million in 2009/10 and it grows further with 5.4 per cent to R346.532 in 2010/11 and a further 5.6 per cent to R365.971 in 2011/12. The department will transfer R59.787 million, R62.019 million and R65.347 million respectively over the three years of the MTEF to support the operations of Public Entities. The processes for the finalisation of the listing of The Free State Liquor Authority and the Free State Investment Promotion Agency as Public Entities should be completed in the 2009/10 financial year.

The following are some of the major events which are planned by this department for the 2009/10 financial year:

- Game Auction in April 2009
- Cleanest Municipality Awards
- Business Awards & Business Week
- Opening of Phillip Sanders

## **C. Governance and Administration Cluster...**

Honorable Speaker, in order to get a more informed view of the funding envelope dedicated towards ensuring good governance and transparency and effective oversight and monitoring in ensuring a better life for all Free Staters, it is important to also include the proposed allocations to the Provincial Legislature here. This is done for the sake of enabling external assessment of this Province's programmes and initiatives to improve the effectiveness of governance and administration throughout all provincial operations.

In line with this functional classification, aggregate allocations to departments and operations that directly support the objective of improved governance and administration, grows with 2.9 per cent to R636.161 million in 2009/10, with 6.2 per cent to R675.618 million in 2010/11 and a further 5.4 per cent to R612.321 in 2011/12, accounting for an average of 3.4 per cent of total provincial expenditure over the forthcoming MTEF period. The 2009/10 increase do not pose any risk for the province as an amount of R30 million was allocated to the Legislature in the 2008/09 adjustment budget as a once-off payment to fund Political Parties in the forthcoming elections. If the impact thereof is removed, the increase comes to 8.1 per cent.

Proposed allocations to departments whose operations service this strategic objective are as follows:

### **Department of the Premier**

The proposed allocation to the department of the Premier for 2009/10 will be R133.904 million, which is an increase of 7.6 per cent from adjusted budget of R124.506 million in 2008/09, furthermore the budget for this department will grow with 5.9 per cent to R141.809 million and 5 per cent to R148.826 million respectively in 2010/11 and 2011/12.

The main focus of this department in the upcoming financial year will be:

- Strengthening coordination and integration of service delivery between all spheres of the government through the cluster system;
- Communicating with communities through strategic awareness campaigns and media liaison;
- Providing strategic direction and advice with regard to organizational development, IT and pro-active legal services; and
- Continue to strengthen the implementation of the Free State Growth and Development Strategy.

## **Provincial Legislature**

The legislative authority (processing of bills and legislation), and ensuring that organs of state in the province are accountable to the people are fundamental to the responsibility of the legislature. The legislature needs to be allocated more resources to execute its mandate in terms of the Constitution of the Republic of S.A.

Therefore, the increase for both 2010/11 and 2011/12 are proposed at 5.5 per cent and 5.4 per cent respectively. The allocation is therefore proposed at R121.497 million in 2009/10, R128.142 million in 2010/11 and R 135.001 million in 2011/12.

## **Provincial Treasury**

Proposed allocations to Provincial Treasury are as follows: R152.389 million in 2009/10 or a growth of 8 per cent, R162.290 million in the 2010/11 financial year and R170.972 million in the 2011/12 financial year which represents a growth rate of 6.5 per cent and 5.4 per cent respectively for the two outer years of the MTEF.

The Provincial Treasury continues to focus on its core functions and responsibilities emanating from the Public Finance Management Act and also performs oversight and support functions to be executed in respect of municipalities in terms of the Municipal Finance Management Act. It will continue to do so in a manner that:

- Facilitates effective and efficient management of provincial assets, liabilities and financial management systems;
- Promotes accountability and transparency through substantive reflection of financial activities of the Province, as well as effective compliance with prevailing financial norms and standards;
- Promotes the use of government service delivery as a catalyst for enhanced economic growth and development and social equity

## **Non-housing programmes of the Department of Local Government and Housing**

The non-housing programmes of the department of Local Government and Housing, provides an ideal vehicle to render assistance in fostering effective governance and administration in local and district municipalities. It is thus proposed that the funding envelope created for operations that can support the attainment of this objective be set at R228.371 million in 2009/10, R243.377 million in 2010/11 and R257.522 million in 2011/12. This constitutes growth of 4.1 per cent, 6.6 per cent and 5.8 per cent in the three years of the MTEF. The low growth in the 2009/10 financial year is because of a decline in the allocation for Traditional Leaders. This allocation declines in 2009/10 from the adjusted budget in 2008/09 because of the once-off purchase and costs related to the Housing needs for Traditional Leadership in the Province in the 2008/09 financial year.

## ***D. Justice, Crime Prevention and Security Cluster...***

The department of Community Safety and Transport is responsible for overseeing the maintenance of effective justice and crime prevention. The cluster therefore only consists of this department excluding of course the Roads and Transport components which was already mentioned at the Economic Growth, Employment and Investment cluster.

Honourable Speaker, for this area of work I propose that the following amounts be allocated to the department; R253.849 million or an increase of 13.9 per cent in 2009/10, R266.998 million or an increase of 5.2 per cent in 2010/11 and R281.246 million or an increase of 5.3 per cent in 2011/12.

Some of the focus areas which this cluster will be focusing on in this MTEF are:

- Social Crime Prevention;
- Rural Community Safety; and
- The continuation of our successes related to Arrive Alive.

## **4. Conclusion**

Honourable Speaker, Deputy Speaker, Madame Premier and Honourable Members of this House, despite the severe conditions under which this budget was drawn, we have a reason to celebrate! Throughout the past 15 years, we have had to maneuver carefully around obstacles before us, at times, where possible, bulldoze our way through these. During all these years, we have learnt a lot of lessons, but more importantly, we have conquered! Let me remind this House that our province was the first to pass its own Exchequer Act in 1994!

Honourable Speaker, as I conclude, the budget that we table here today sustains the gains and the progress that we have made in terms of the Free State Growth and Development Strategy. Furthermore, this budget is not only a classy act of finding a balance between hope, service delivery and caution, but is equally designed to adequately and comprehensively deal with the challenges that we face today. The budget we table before this House today demonstrates our commitment to the priority areas for the next five years, namely creation of decent work and sustainable livelihoods; education, health, rural development, food security and land reform and the fight against crime and corruption.



### **I take this opportunity to thank:**

- Our glorious movement, the ANC, for we are what we are because of this great movement of the South African people;
- All Members of the Provincial Executive Council, past and present, for inputs, support and advice in laying the developmental path for the Free State Province;
- Colleagues in the Provincial Legislature, both past and present, for the insightful debates that ultimately shaped the nature of the work we do;
- My wife, Ivy, who has always been by my side during both easy and trying times;
- My kids, Palesa, Maki and Junior and the rest of my extended family, for their ongoing and unwavering support;
- Former CEO of the Provincial Treasury, Donald Barlow, for his immense contribution in the establishment of the Provincial Treasury and for serving this department with distinction for twelve of his youthful years;
- Dr. M. Eugene Mokeyane, for his inputs during the finalization of this incredibly difficult budget;
- All Treasury officials, especially those in my department, who always work around the clock to ensure that the budgets we present to this house are not only sound, but credible too and that the associated budget documents and database are error-free;
- Your good self, Honourable Speaker, for convening the House;
- Representatives from the media, and other invited guests and everyone that took time out to listen to this Speech.

Qetellong, ke rata ho leboha setjhaba sa Foreistata ka kakaretso ka monyetla o se mphileng ona wa hore ke se sebeletse. Ho nna e bile dilemo tse leshome-le-metso-e-mene tsa katleo, mme ke dumela hore le ho lona ho bile feela joalo!

Dames en here, baie dankie, kea leboha!

