

Free State Provincial Budget Statement 2009/2010



FREE STATE PROVINCE


Foreword to Budget Statement and the overview of the Free State budget 2009/2010 financial year

The 2009/10 budget proposals attempt to stabilize the Provincial Budget in the current difficult global economic environment. The provincial resource planning also tries to align the projected expenditure outcomes of the 2008/09 budget with resource planning for the coming financial year. Resource allocation therefore attempts to align provincial resource planning in a manner that would not compromise the delivery of services by service delivery departments and also to reflect the agreed provincial plan that would adequately balance the different priorities and service delivery imperatives as outlined in the Free State Growth and Development Strategy. A substantial cut was made to the Provincial Equitable Share Allocation by the National Treasury at a very late stage of the Budget Process and it forced the Province to re-allocate resources within the new parameters set by the reduced revenue outlook for the province. It is however my believe that the revenue estimates of the 2009/10 – 2011/12 Medium Term Expenditure Framework (MTEF) will still provide an adequate fiscal envelope for spending departments and public entities to deliver on the policy priorities of the Free State Government.

Leading up to the fourth democratic general elections in 2009, renewed efforts were made to ensure that the 2009/10 budget fully represents allocations that would address provincial priorities in the best possible way with the limited resources available to the province. The allocation of resources was therefore strongly done in line with the needs of the people of this province as it was highlighted in the provincial socio-economic review which was launched in the province during May 2008. The 2009/10 budget priorities therefore continue to focus more on pro-poor spending, to address the social imbalances with strong growth to education, health, social development and housing in order to increase access to free education, better health care system, and social welfare services.

In view of the outlook pertaining to the projected outcome of the 2008/09 budget and the global economic crisis, improved public expenditure management becomes even more crucial to the achievement of Government's objectives, and one of the main challenges for the successful implementation of this budget would be to continuously improve access to public services together with intensified strategies to enhance the actual quality of services delivered and ensure an improvement in the responsiveness of public services to identified needs. Success in this regard, calls for willful directing of scarce public resources to those areas of government operation that will meaningfully narrow the wedge between social progress and economic development in this province.

It is therefore crucial for all departments to support deliberate interventions, plans and strategies to improve the quality of forward planning and enhance the capacity of provincial departments in the province.



Mr. P.H.I. Makgoe
MEC for Finance

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PART A:

Budget Statement 1: Budget Overview

1. Budget strategy and aggregates

1.1 Introduction

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. As such it provides the ideal mandating framework to guide provincial public resource allocation by:

- Allocating funds to those programmes with highest rate of social return, or which have the greatest impact on reducing poverty and unemployment over the long term
- Defining the framework and parameters for high-priority, provincial wide lead strategies that has meaningful beneficial impact on prevailing socio-economic conditions in the province
- Setting the overall framework for ensuring effective use of scarce resources within the province, by searching for more cost-effective and sustainable solutions to pressing prevailing developmental needs, whilst at the same time, addressing the real root causes of provincial developmental challenges instead of a focus on mere symptoms
- Providing a common vision that sets the basis for common action amongst provincial role players and stakeholders both inside and outside of Government, through identifying opportunities for strategic investment and fostering an environment of certainty and predictability to facilitate and enhance private sector initiative
- Facilitating speedy and cost-effective delivery of government programmes and plans through effective intergovernmental coordination between spheres of government by providing a framework for provincial spatial development, through aligning the development objectives of policies, strategies and priorities of national, provincial and local government in line with the principles of the National Spatial Development (NSDP)

Based on the aforementioned, it is apparent why the strategic focus of the FSGDS largely informed the resultant key areas for funding over the 2009/10 – 2011/12 provincial medium term expenditure framework (MTEF) budget period. In addition, budget allocations were, inter alia, informed by:

- The goals and objectives of vision 2014
- The strategic thrust of the January 8 Statement
- Sector priorities as reflected in the 2008 medium term budget policy statement (MTBPS)
- The National Cabinet Lekgotla
- The Lekgotla of the Provincial Executive Council
- 24 Apex priorities

This exercise identified the following key priorities for provincial budget funding, namely:

- Social and Human Development
- Accelerated growth, development and employment creation
- Improved effectiveness of governance and administration
- Promotion of effective justice and crime prevention.

These key priorities are discussed briefly:

Social and Human Development

It is evident that any growth and development strategy should be cognizant of the important link and impact of growth and development on social aspects. Thus, for example, education is considered to be one of the core preconditions for development, given the fact that the level of education, like life expectancy, is some of the most important contributors to the Human Development Index (HDI). Life expectancy as one of the indicators of quality of life is influenced largely by adequate living conditions, access to housing and basic services and access to a health system capable of addressing health needs.

From the above it follows that 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. More specifically, the ability of the poor to access government services will be improved through:

- Expansion and strengthening of education, health and social development services
- Enhanced support to sport and cultural programmes
- Enhanced support for housing delivery initiatives

It is envisaged that concentration on these focus areas will further enhance key achievements of recent pro-poor budgets of raising the proportion of spending on social services that benefit the poorest quintiles of the population and that it will further internalize benefits emanating from redistributive expenditure programmes in social development, health, education, land restitution and housing. This will go a long way in ensuring that better public service delivery and in fact, meet the needs of the poor.

Accelerated growth, development and employment

It has been mentioned that society agrees that the provincial transformation agenda needs to move beyond short-term relief options to long-term sustainable definitive solutions. Thus more rapid and sustainable growth requires both structural reforms and improved policy implementation.

To ensure that the recent improvements in economic growth are internalized and benefit all Free Staters

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, so as to enable absorption of capacitating of greater numbers of unemployed in labour-intensive programmes.

Improved effectiveness of governance and administration

Government’s capacity and systems to implement programmes is strengthened through:

- Increased funding for monitoring, evaluation and oversight functions
- Strengthening and supporting the capacity of local government to deliver public services and infrastructure

Promotion of effective, justice and crime prevention

The allocation of this strategic area is in respect of improving the capacity and effectiveness of the Province to promote justice and crime prevention, to ensure safety and security for all.

As was the practice from the recent past, proposed allocations seek to align allocations much more closely to critical policy directives and development imperatives emanating from Government policy by creating a provincial resource envelope that addresses the reality of the social conditions that prevail in the Province, whilst at the same time, strengthening the competitive and comparative advantages of the Province, resulting from its geographical location, resource endowment and future prospects.

In what follows, the prevailing socio-economic conditions in the province is outlined, the size and nature of various provincial revenue sources is explained and departmental allocations are set out to indicate how the 2009/10 - 2011/12 MTEF budget supports the implementation of the revised FSGDS.

1.2 Summary of budget aggregates

Table 1.1: Provincial budget summary

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/7	2007/08				2009/10	2010/11	2011/12
Provincial receipts									
Transfer receipts from national	10 587 363	11 538 520	13 065 742	15 198 914	15 578 659	15 578 659	17 788 126	19 697 156	21 120 649
Equitable share	8 969 181	9 731 272	10 918 513	12 412 932	12 713 176	12 713 176	14 236 280	15 466 344	16 465 163
Conditional grants	1 618 182	1 807 248	2 147 229	2 785 982	2 865 483	2 865 483	3 551 846	4 230 812	4 655 486
Provincial own receipts	447 780	489 466	546 390	556 366	594 417	568 635	616 627	653 523	698 279
Total provincial receipts	11 035 143	12 027 986	13 612 132	15 735 280	16 173 076	16 147 294	18 404 753	20 350 679	21 818 928
Provincial payments									
Current payments	8 643 767	9 764 830	10 544 308	11 760 168	12 108 442	12 778 483	13 892 678	15 175 352	16 154 801
Transfers and subsidies	1 403 309	1 458 885	1 431 321	2 025 488	2 164 166	2 159 899	2 419 999	2 704 723	2 904 299
Payments for capital assets	628 781	1 074 677	1 299 671	1 899 247	1 905 731	1 852 502	2 061 305	2 409 707	2 669 446
Unallocated contingency reserve									
Total provincial payments	10 675 857	12 298 392	13 275 300	15 684 903	16 178 339	16 790 884	18 373 982	20 289 781	21 728 546
Surplus/(deficit) before financing	359 286	(270 406)	336 832	70 377	(5 263)	(643 590)	30 771	60 898	90 382
Financing									
Provincial roll-overs					38 202	38 202			
Surplus/(deficit) after financing	359 286	(270 406)	336 832	70 377	32 939	(605 388)	30 771	60 898	90 382

The estimated total provincial receipts for 2009/10 is R18.405 billion, which represent an increase of R2.193 billion or 13.53 per cent of the 2008/09 adjusted budget. The substantial growth is owing to the significant increase of 23.95 per cent on Conditional Grants, 3.74 per cent on Own Revenue and 11.98 per cent on Equitable Share.

The contribution of Equitable Share to the total provincial receipts decrease slightly from 78.42 per cent in 2007/08 to 77.35 per cent in 2009/10, Conditional Grants accounts for 19.30 per cent while provincial own receipts constitute 3.35 per cent of the total provincial receipts. In the first year of the 2009 MTEF, the equitable share grows by 11.98 per cent from R12.713 billion in the 2008/09 adjusted appropriation to R14.236 billion. Equitable share is growing with at a declining rate of 11.98 per cent in 2009/10, 8.64 per cent in 2010/11 and with 6.46 per cent in the last year of the MTEF.

The surplus funding before financing relates to earmarked funding from National Treasury for the specific purpose of making provision for the Occupation Specific Dispensation (OSD) for Doctors and Specialists. This money may however only be allocated and appropriated after the finalization of the Framework for the OSD and will be made available for this purpose only.

Excluding the unallocated OSD money, the current payments account for 75.61 per cent in year one of the MTEF which represent an increase of 0.77 per cent compared to the adjusted appropriation in the 2008/09 financial year. Current payments are estimated to grow by 14.74 per cent on the 2008/09 adjusted budget. The share of current payments to the total provincial expenditure is estimated to decline marginally over the 2009 MTEF from 75.61 per cent in 2009/10 to 74.79 per cent and 74.35 per cent in 2010/11 and 2011/12 financial years respectively.

Transfers and subsidies share make up 13.17 per cent of the provincial total payments. The share of transfer payments grows to 13.33 per cent and 13.36 respectively over the last two years of the MTEF.

The share of payments for capital assets from the total provincial expenditure takes up 11.22 per cent in the 2009/10 financial year grows marginally to 11.88 per cent in 2010/11 and then to 12.29 per cent in the 2011/12 financial year. Capital expenditure grows by 8.16 per cent from the 2008/09 adjusted budget. Estimated growth for 2010/11 is 16.90 per cent and 12.02 per cent growth is projected for the 2011/12 financial year. The projected growth in payment for capital assets is mainly intended to fund development and maintenance of infrastructure with the view of stimulating economic growth in the province.

1.3 Financing

Table 1.1 indicates consolidated surplus of R182.051 million over the 2009 MTEF period. As mentioned earlier this surplus relates to the unallocated earmarked funding for the specific purpose of funding the OSD for Doctors and Specialists. The Provincial Government is therefore tabling a balanced budget for the 2009/10 financial year and no deficit-financing requirement is needed.

The overdraft facility that is negotiated annually with the provincial banker will be used only for the bridging finance in order to address temporary liquidity requirements.

Flowing from the Budget Council resolutions, provinces agreed that they should refrain from borrowing for the time being, except for temporary purposes using the bridging finance facility of their provincial bankers. If in the future, an agreement is reached through the Budget Council that other forms of borrowing will become available to provinces, details of the types, amounts, and terms and conditions of new borrowings will be provided.

2. The budget process and the medium term expenditure framework

The Provincial Treasury developed and implemented a comprehensive and credible budget process. This budget process is intended to ensure that integrated planning, budget and reporting principles are observed. A key output relating to the successful implementation of the comprehensive budget process is the extent to which the provincial budget supports the Free State Growth and Development Strategy and 2008 Medium Term Budget Policy Statement (MTBPS).

Key activities relating to the 2009 Provincial Budget Process were the following:

- Launch of the Free State Socio Economic Review – 15 May 2008
- Evaluation of the 2007/08 rollover requests was completed by the end of June 2008
- Initial allocation letters were sent to the departments on 30 June 2008
- National Treasury visited the Province during the period 31 July to 1 August 2008
- First draft annual performance plans were submitted to National Treasury - 3 September 2008
- Provincial MTEC hearings (16,18 and 22 September 2008)
- Socio-Economic Workshops in District Municipalities 16 Oct 2008 (Motho), and 13 Nov 2008 (Lejweleputswa)
- Second quarterly infrastructure review meeting was held on from 29 – 31 October 2008
- Provincial Budget Lekgotla was held on 14 November 2008
- Adjustment budget was tabled in the Legislature on 25 November 2008
- 2nd Draft Database and Budget Statement submitted to National Treasury on 27 October 2008
- Provincial Treasury attended a pre-benchmark exercise meeting on 4 November 2008
- Executive Council approved preliminary allocation on 03 December 2008
- Main benchmark exercise meeting at National Treasury's offices on the 13th of January 2009
- Third (Quarterly Infrastructure Review) meeting will be held on 11 to 13 March 2009
- Tabling of the Provincial budget - 20 February 2009

The launch of the first Free State Socio Economic review was attended by more than 250 people representing various sectors of the public and private sector, NGO's and Community Groups. During the launch presentations were also made by amongst others the Financial and Fiscal Commission (FFC).

As part of the annual budget process, the National Treasury visits provincial treasuries twice a year. The first visit was from 31 July to 1 August 2008. This engagement constitutes an important mechanism through which an assessment is done on the previous year's budget outcome, implementation of the current fiscal year and pressures facing the provincial budget. The purpose informed by the objectives of the visits was to look in detail at the following:

- Review of specific performance issues with specific emphasis on the performance of each department during the previous year (2007/08) and the departments' plans to improve performance
- Review of specific financial issues with emphasis on In-year spending pressures and spending patterns as well as efficiency savings by departments
- Spending plans on rollover requests
- Audit outcomes
- Vacancies in the departments
- Evaluate progress made with regard to the implementation of projects and sector specific issues
- Discussions on conditional grants spending and donor funding

The Provincial Medium Term Expenditure Committee hearings were held on 16, 18 and 22 September 2008. These hearings were chaired by the MEC for Finance and Members of the Executive Council led the delegations of their respective departments. National Treasury also formed part of the hearings. The hearings focused on the following:

- Review of the 2007/08 financial year highlights of the Annual Report.
- Actual expenditure and projections for the 2008/09 financial year as on as at 31 July 2008.
- The 2008/09 Budget Allocations constraints and challenges in spending.
- Detailed discussion of performance in the sector specific areas including the progress made on the implementation of the funded sector priorities.
- Detailed discussions on the departments' requirements for the 2009 MTEF Period.
- Linkage of the Annual Performance Plan to the Provincial Growth and Development Strategy.
- Proposed changes to the programme structure, purpose and measurable objectives.
- Reprioritization within the baseline and motivation for departmental bids.

Over and above the last mentioned issues the hearings were also intended to determine the extent to which the provincial departments give effect to the policy priorities as reflected in the Medium Term Budget Policy Statement and Free State Growth and Development Strategy. The hearings did provide a platform for a shared understanding between the provincial departments and the National and Provincial Treasuries on the key priorities underpinning each provincial department's budget and the province as a whole.

The Free State Provincial Budget Lekgotla was held on 14 November 2008 in order to finalise budget allocations to departments for the 2009/10 – 2011/12 MTEF period. The Premier and Members of the Executive Council, Accounting Officers, the Provincial Budget Office and Chief Financial Officers attended the Provincial Budget Lekgotla. The Provincial Budget Lekgotla assessed the 2008/09 provincial budget with special focus on the spending trends and progress made with regard to the implementation of funded sector specific priorities. The Provincial Treasury presented to the Lekgotla for consideration and inputs of the 2009 MTEF proposals and the rationale/assumptions behind the allocations. The Provincial Budget Lekgotla recommended and referred the proposal to the Executive Council for approval and endorsement. Following the recommendations by the Provincial Budget Lekgotla, the Executive Council approved the 2009 preliminary allocations on the 3rd of December 2008.

In an effort to strengthen Provincial Own Revenue collection processes and improve related processes in the 2008/09 financial year, the Provincial Treasury, through the Fiscal Policy unit provided technical and strategic support for institutional capacity building of provincial departments responsible for revenue collection by assisting with strengthening capacity building and initiatives that would encourage proper and effective management of, and improve on the projections and revenue collection outlook.

The Provincial Treasury:

- Hosted eight revenue workshops as part of efforts to strengthen the province's capacity to collect and maximize the provincial own revenue. Provincial Treasury engaged in revenue bilateral meetings with relevant departments and three Revenue Task Team meetings were held during the 2008/09 financial year.

- Held four Revenue Policy Drafting workshops in the second quarter of the 2008/09 financial year to assist the departments on how to improve, maximize and optimize Provincial Own Revenue. These workshops were held during the months of June and July 2008;
- Assisted with the setting of revenue targets together with the relevant departments and assisted with developing a revenue base for each department;
- Oversaw the compliance with revenue policies, PFMA and Treasury Regulations through the enforcement of Norms and Standards for own revenue;
- Investigating current bases for tax revenue while researching ways in which they can be improved;
- Assisted departments to review their revenue structures while creating an avenue for improved service delivery;
- Researched and reviewed relevant legislation and prescripts and making sure that all the departments adhered to;
- Participated in, study and understand National Fiscal Policy Framework to determine its impact on the provincial fiscal framework and
- Completed five chapters including the Provincial Medium Term Fiscal Framework and Provincial Medium Term Budget Policy Statement.

The main purpose of these initiatives was to make sure that relevant departments can produce policies that will lead to effective and efficient performance in this area.

In order for the Provincial Treasury to perform its role of monitoring infrastructure delivery, infrastructure site-visits have to be conducted to reinforce monitoring for the various departmental projects and to monitor progress against programmes. Random Infrastructure site-visits were conducted throughout the province from 26 - 29 May 2008 and again from 8 - 10 October 2008.

The monitoring entails:

- The evaluation of physical progress and spending patterns.
- See tangible proof of construction and to ensure correct usage of funds.

Infrastructure Officials are accompanied by the Financial Analysts, Public Finance and Budget Officials on these visits. Allocations may only be utilized on the registered projects. Sites are visited monthly but in-depth visits are conducted quarterly during January, April, August, and October, prior to the Departmental Quarterly Review in order to provide the MEC of Finance with the feedback on the infrastructure delivery within the Districts.

The participation of the Executive Council in the budget process and specifically their attendance of the Provincial MTEC hearings and Provincial Budget Lekgotla continue to enhance the process and remain critical for ensuring that the budget reflects both national and provincial priorities as espoused in the Free State Growth and Development Strategy.

3. Socio-Economic Review and Outlook

The current debate around a “developmental state” is in essence a debate on what the role of government in less developed countries should be. In a provincial context, the legitimacy of a developmental state lies in its ability to promote sustained development, including but not limited to high rates of economic growth and structural change in the productive system, both domestically and in its relationship to the national economy. In essence, a developmental state must have the capacity to implement socio-economic policies sagaciously and effectively, with such capacity determined by institutional, technical, administrative and political factors. Thus, a developmental state must have a pro-poor agenda, which is nothing else but an improvement in the conditions of living of its poorest people.

This section serves as an input in capacitating both the provincial and local government in their quest to improve the quality of life of the people of the Free State within the context of severe resource constraints, partly a result of the current global economic recession. It should also be acknowledged that effective pro-poor policy interventions require politically difficult decisions to be made. Without an in-

depth understanding of the underlying issues and challenges, it will be difficult, if not impossible, for government to conceive, design and implement credible, relevant and effective policy interventions. The analysis below seeks to facilitate such by providing an overview of the socio-economic conditions in the province. For more information, the full 10-year Socio-Economic Review, published in May 2008, is available on www.treasury.fs.gov.za

3.1 Demographic Profile

The size of the population and in particular the number of households are some of the important determinants of the needs of the inhabitants. These needs are expressed in the demand for infrastructural and social services, including water, sanitation, electricity, housing, hospitals, social grants, etc. The population of Free State in absolute terms has increased from 2.63 million in 1996 to 2.70 million in 2001, and 2.77 million in 2007, thus making up 6.0 per cent of the national population (StatsSA, Community Survey, 2007).

In terms of the age profile of the population, the Community Survey of 2007 shows the following trends between 2001 and 2007:

- Overall decline in the 0-19 age group from 21 per cent to 19.6 per cent of the male population, with 10-19 age group mainly responsible with a cumulative decline of 2.4 per cent. This implies a decline in the proportion of school going age population in the province, especially at the middle and secondary schooling phase with negative implications for the province's education share of equitable share;
- From 20-34 years of age, the profile takes a new complexion, the male population increased by 0.2 per cent from 12.2 per cent to 13.2 per cent, whilst the female population declined by 0.2 per cent from 13.5 per cent to 13.2 per cent with accumulative increase of 0.8 per cent. Possibly the given picture might exert pressure on the resources for Further Education & Training Institutions and on the creation of job opportunities for youth and
- A slight increase from 7.3 per cent to 8 per cent in the elderly population, a possible indication of people's preference to retire in the province with implications for access to public health infrastructure and services, welfare and social grants.

Table 3.1 Population Growth rates

Region	1997	2001	2007
Western Cape	2.5%	2.0%	1.2%
Eastern Cape	0.6%	0.7%	0.5%
Northern Cape	1.0%	1.1%	1.1%
Free State	1.2%	0.7%	0.1%
Xhariep District Municipality	2.9%	2.3%	1.0%
Motheo District Municipality	2.2%	1.8%	0.3%
Lejweleputswa District Municipality	-0.5%	-1.1%	-0.7%
Thabo Mofutsanyane District Municipality	1.5%	1.1%	0.3%
Fezile Dabi District Municipality	1.3%	0.8%	0.1%
KwaZulu-Natal	1.8%	1.3%	0.6%
North-West	1.6%	1.2%	0.7%
Gauteng	2.3%	2.0%	0.8%
Mpumalanga	2.2%	1.5%	0.8%
Limpopo	1.2%	1.3%	1.0%

Source: Global Insight Regional eXplorer version 388

On average the country's population growth rates are declining. Amongst the nine provinces, Free State was the least growing province in 2007 with Lejweleputswa District Municipality mainly responsible. Although there could be many reasons for the low population growth rate experienced by the province, the most prominent include the declining contribution of both the agricultural and mining sectors to the Free State economy and the reported ravaging impact of HIV and AIDS with the former closely linked to migration.

Table 3.2 Urbanization rate (% of people living in urban areas)

Year	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu -Natal	North-West	Gauteng	Mpumalanga	Limpopo
1996	89.0%	37.5%	60.2%	68.6%	42.1%	38.9%	93.9%	35.4%	12.2%
2001	89.0%	39.0%	68.3%	74.3%	44.9%	40.8%	93.8%	36.7%	11.4%
2007	88.6%	38.8%	72.2%	78.6%	46.8%	45.1%	92.2%	37.8%	10.2%

Source: Global Insight Regional eXplorer version 388

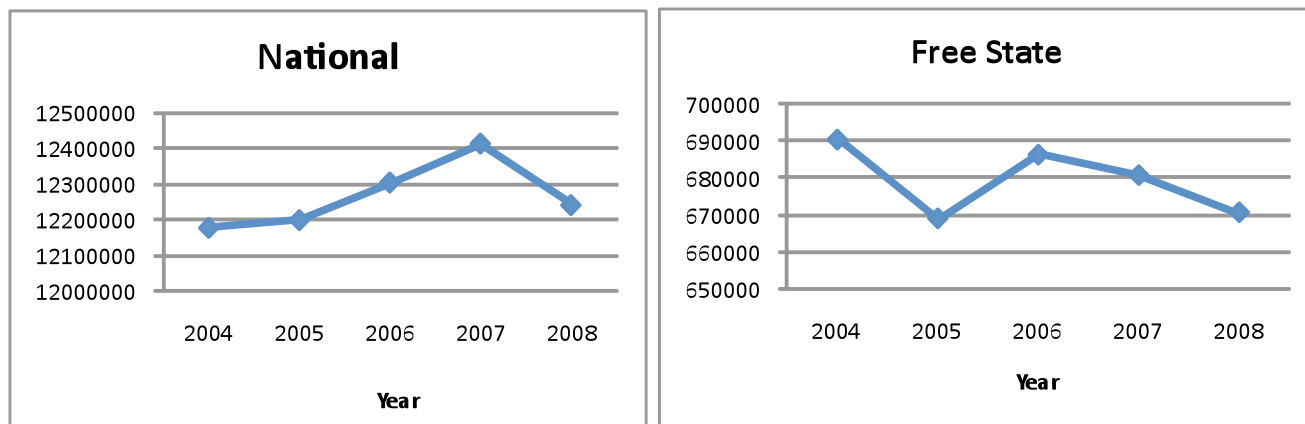
In 2007, about 78.6 per cent of the Free State population resided in urban areas, which was considerably higher than the national average of 57.0 per cent. Rapid urbanization brings with it many problems as it places huge demands on land, water, housing, transport, employment and other government services; such as social grants and low cost housing which often play a part in keeping people where they are, rather than moving to cities. Hence by implication, there is a strong need for redirection of public resources towards rural development programmes and policies.

3.2 Socio Economic Indicators

3.2.1 Education

Ranked 6th, the Free State was home to 6.5 per cent of all public schools in SA in 2008, dropped from 7 per cent in 2006. However, at 42.4 per cent in 2008 there was a decline in the percentage of farm schools from 46.6 per cent in 2006 in the province. The Department of Education reports that in 2008, 53 per cent of all schools in Fezile Dabi were farm schools, followed by 49.29 per cent in Thabo Mofutsanyana, 45.48 per cent in Lejweleputswa, 40.20 per cent in Xhariep and 19.13 per cent in Motheo. On its own, this shows a dominance of farm schools in three of the five districts and it raises the challenge of attracting and retaining suitably qualified and competent educators in rural areas. As a result of these small farm schools scattered throughout the province, the province had a favorable learner-school ratio (LSR) of 403, which was 2nd lowest and below national average of 482 in 2008. The latter, combined with declining learner numbers as shown below, have also resulted in the province having the most favorable learner-educator-ratio (LER) of 27.5 in 2008. However, lower learner school ratio in farm schools has resulted in many farm schools being closed down and learners being transported to other schools or alternatively being accommodated at boarding schools. Lower learner numbers also created problems for educators because schools with a drop in learner numbers means educators will have to be redeployed to other schools where there is a need for extra educators.

Figure 3.1: Number of learners in ordinary, public and independent schools, 2004 to 2008



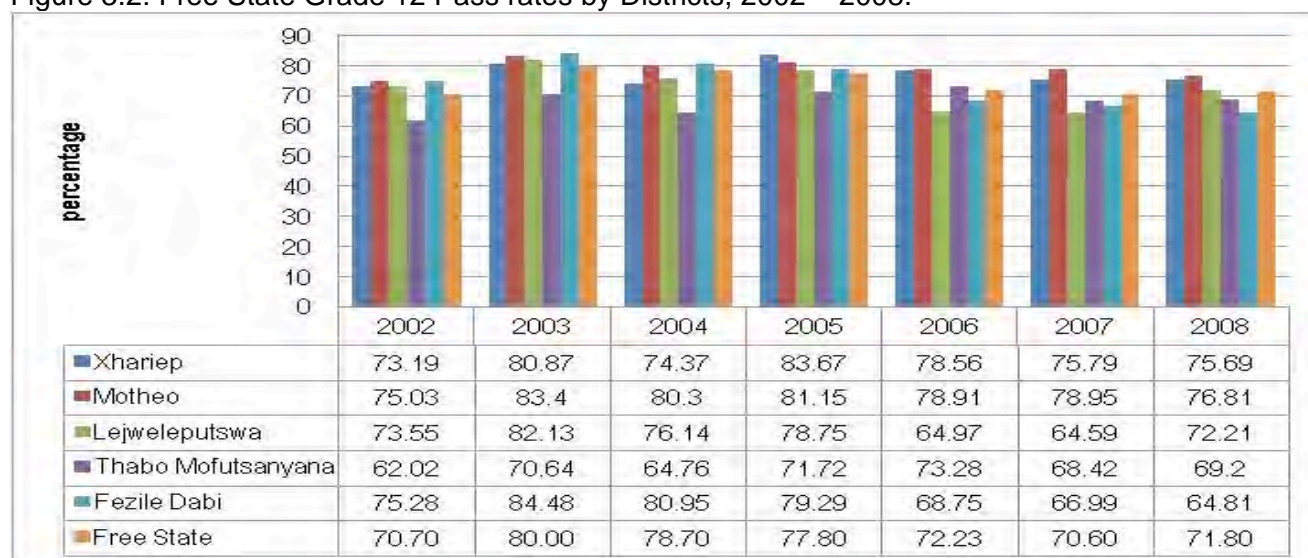
Source: Department of Education, Education statistics at a Glance 2005; School Realities 2007 and 2008.

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An overview of all learners between the ages of 5 years and 24 years in the Free State between 2001 and 2007 shows that the largest proportion of these learners were at school, though the proportion of these learners has decreased from 92.5 per cent to 90.9 per cent in the same period, with the latter slightly below the national average. Furthermore, the proportion of learners at universities increased significantly from 1.9 per cent in 2001 to 2.6 per cent in 2007, thus making the province to have the third largest proportion of learners nationally. The proportion of learners attending Further Education & Training (FET) colleges increased from 1.2 per cent to 2 per cent, again making the province to have the third largest proportion of these learners in the country.

With grade 12 pass rates being considered a good measure of the state of education, it is important to note that the province's performance in this regard seems to have recovered in 2008 from a downturn that started in 2004, as illustrated in Figure 3.2 below. This is a great improvement despite the new curriculum being introduced in grade 12 for the first time in 2008.

Figure 3.2: Free State Grade 12 Pass rates by Districts, 2002 – 2008.



Source: Free State Department of Education, EMIS, 2008

Similarly, it is equally important to highlight the observed trends with regard to the performance of the districts. At 64.8 per cent, Fezile Dabi had the lowest grade 12 pass rate in 2008, followed by Thabo Mofutsanyana at 69.2 per cent. With a 7.6 per cent increase in the pass rate, Lejweleputswa accounted for the overall increase in the pass rate in 2008. Much attention should be given to Thabo Mofutsanyana and Fezile Dabi because of their consistently low pass rates.

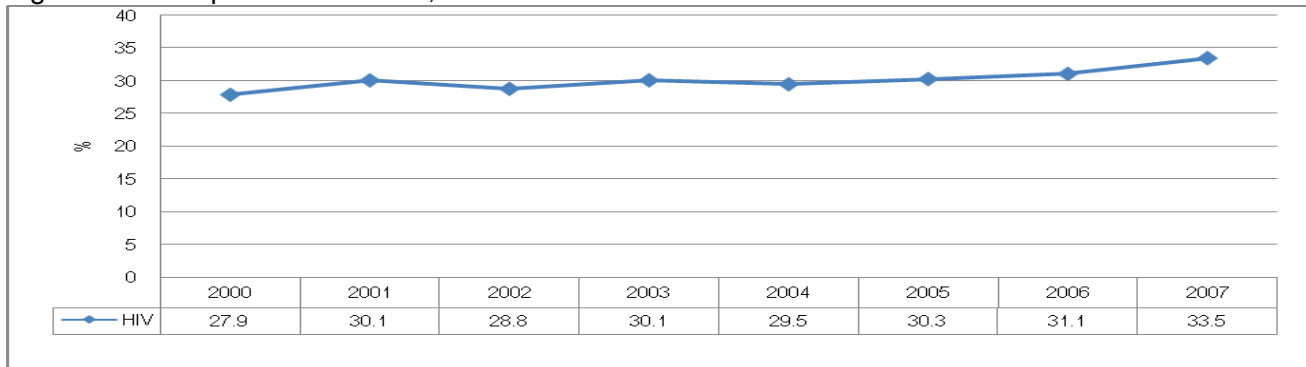
3.2.2 Health

The province has 25 districts hospitals, 5 regional hospitals, one tertiary hospital and one specialized hospital. District and regional hospitals are spatially distributed across the whole province and the latter two hospitals are situated in the Motheo region. Furthermore, the province has 349 clinics located across all five districts. The hospitals alone have a combined total of 5 474 approved beds that cater for a provincial population of around 2.77 million (StatsSA: Community Survey 2007).

According to its annual report for 2007/2008, the provincial health department had a total of 16 258 employees this is inclusive of all occupational categories. At 70.0 per cent, female representation is very high among the staff. In 2001 the department had 548 medical practitioners, which increased to 609 in 2008. This was a marginal increase when compared to 601 medical practitioners in 2007. The province seems to be losing professional nurses, in 2001 the province had 2 909 nurses, and the number declined to 2 485 in 2008. The number of enrolled nurses declined drastically from 731 in 2001 to 425 in 2008. Except for radiographers and pharmacists, the province consistently showed no gains in other occupational categories such as physiotherapists and psychologists during the same period.

In measuring the state of health in the province, various indicators are used, namely HIV prevalence rate, life expectancy at birth, infant mortality rate, immunization rate, maternal death rate, incidence of notifiable diseases and medical aid coverage. According to StatsSA's General Household Survey, in 2006 only 14.8 per cent of the provincial population was on medical aid, implying that 85.2 per cent of the provincial population could be reliant on public health services. Added to this figure are those vulnerable people who cross over from Lesotho, Northern Cape, Eastern Cape, etc, to seek medical help at our health institutions.

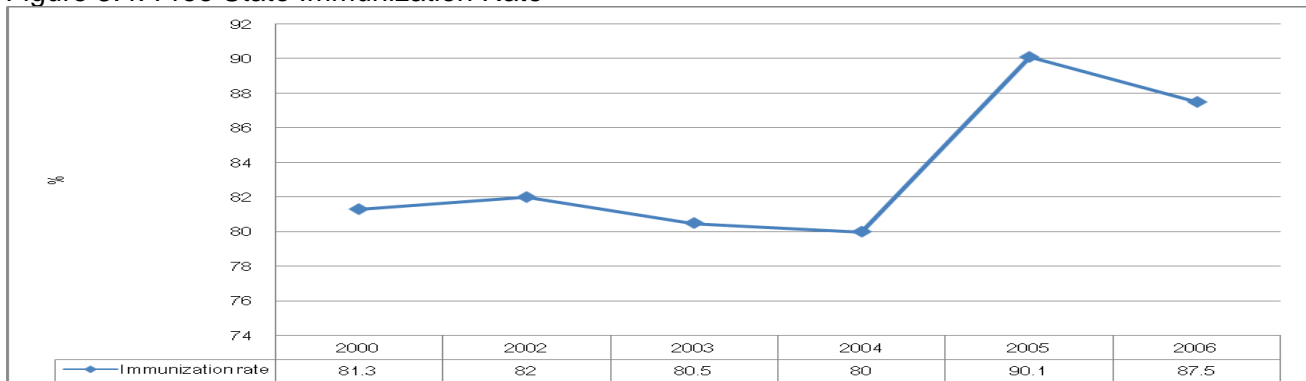
Figure 3.3: HIV prevalence rates, 2000-2007



Source: Health Systems Trust, 2008

HIV prevalence rate, as indicated in figure 3.3 above, has increased from 27.9 per cent in 2000 to 33.5 per cent in 2007, though the District Health Information System estimated HIV prevalence rate to be around 26.1 per cent and 25.3 per cent in 2005 and 2006 respectively. The observed increase in the HIV prevalence rate has adverse implications for the life expectancy in the province. According to Actuarial Society of South Africa's estimates up to 2010, without a significant change in the HIV/AIDS picture in the country and the province, life expectancy is predicted to decline considerably.

Figure 3.4: Free State Immunization Rate



Source: Health Systems Trust, 2007

The success of the immunization programme has a direct impact on infant mortality rate. The immunization rate in the province raised from 81.3 per cent in 2001 to 90.1 per cent in 2005; this was indeed a notable achievement for the province. In 2006 the immunization rate declined slightly to 87.5 per cent.

Table 3.3: Infant mortality rate (per 1 000 live births)

Years	Free State	RSA
2000	61.8	59.1
2002	63.0	59.0
2003	48.1	42.5
2008 ASSA 2003	54.1	44.6

Source: Health Systems Trust, 2008

With regard to the infant mortality rate, in the year 2000 the province reported 61.8 deaths per 1 000 live births, this ratio was higher than the national average of 59.1. In 2003 infant mortality rate for the province increased to 63.0 per 1 000 live births and this was still above the national average of 59.0. In 2003 ASSA (Actuarial Society of South Africa) estimated infant mortality rate to reach 54.1 deaths per 1 000 live births by 2008. The reduction in the infant mortality rate would be strengthened by, inter alia, proper intervention in the management of HIV pandemic, immunization programmes as well as improved access to health services.

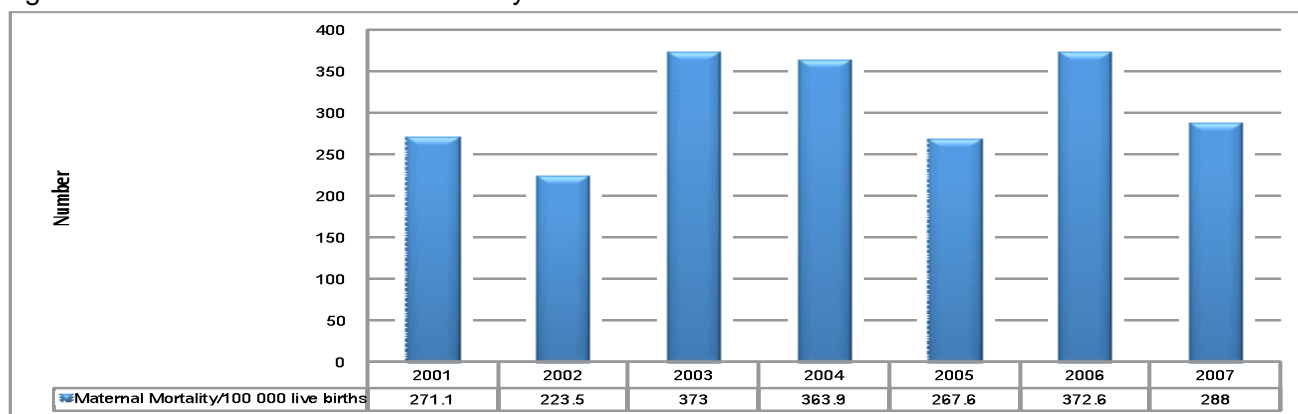
Table 3.4: Free State Notifiable Diseases

Notifiable condition	05/06	06/07	07/08
Cholera	0	0	0
Malaria	54	18	4
Measles	1	0	0
Meningococcal infection	7	5	0
Tuberculosis (all types)	19959	22220	24267
Typhoid	2	0	2
Viral Hepatitis	60	31	19

Source: Free State Department of Health, Annual Report 2007/2008

Table 3.4 above shows various types of notifiable diseases. Free State province had no cases of cholera and only four cases of typhoid were reported in the last three years, this could be attributed to the success of government in supplying safe drinking water and sanitation to its population. In 2005/2006 there were 54 cases of malaria reported, however, this figure declined to 18 and 4 in 2006/2007 and 2007/2008 respectively. Between 2005/2006 and 2006/2007 there were 12 cases of Meningococcal infection in the province and no cases were reported in 2007/2008. Tuberculosis (all types) seems to be stubbornly increasing in the province and this could be attributed to the prevailing high levels of HIV prevalence rates in the province and the country. Considering that only close to 15.0 per cent of the province's population is covered by medical aid this situation could result in budgetary pressures for the province.

Figure 3.5: Free State Maternal mortality



Source: Free State Department of Health, Annual Report 2007/2008

In 2001 the maternal death rate was at 271.1 per 100 000 live births and by 2002 the maternal death rate decreased noticeably to 223.5 per 100 000 live births. However, in the next four years, 2003 to 2006, maternal death rate increased dramatically to an average of 344.3, though in 2007 the rate moderated to 288. With the HIV prevalence rate remaining stubbornly high, the challenge to lower maternal mortality will remain difficult to achieve (Free State Department of Health attributes cases of maternal mortality to HIV/AIDS, Hypertension, Non-pregnancy infections, Post partum haemorrhage as well as Anaesthesia). Hopefully, the intervention undertaken by The Maternal Death Notification Programme will yield positive results with regard to reducing the maternal mortality rate.

3.2.3 Poverty, Welfare and Access to Basic Services

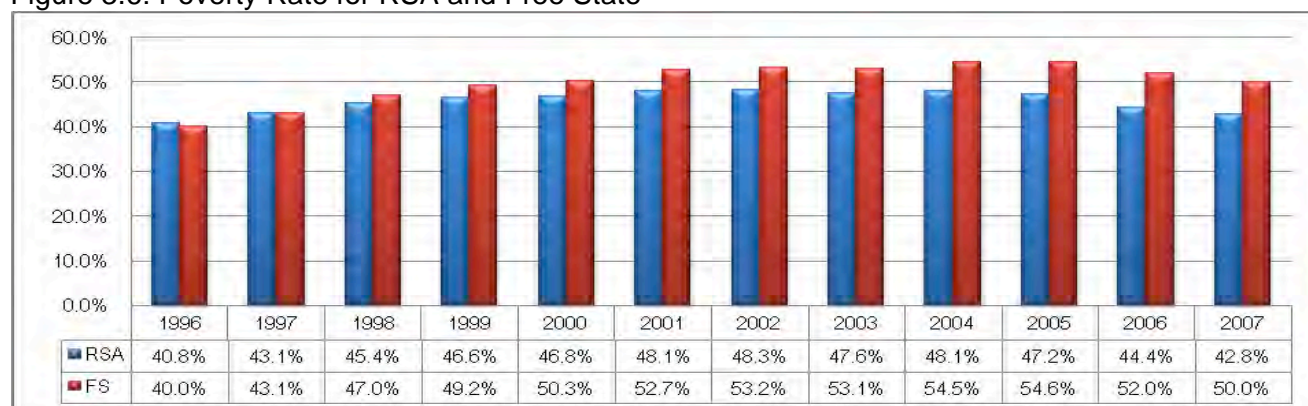
Regarded as one of the most critical challenges of both the provincial and national governments, poverty is one of the central topics in the analysis of any particular region. National Labour and Economic Development Institute (2007), notes that poverty is the result of the unequal distribution of resources, skills and income sources, and is exacerbated in many cases by both gender and spatial dynamics. It is highly accepted that the worst affected by poverty are women, children, youth, people with disabilities, the elderly, families living with HIV/AIDS and people living in rural communities. Poverty is highly related to other social ills such as; *inter alia*, inequality, unemployment, poor health conditions, etc.

The most widely used measures of poverty, i.e. the poverty line and poverty gaps, though important in assessing the extent and levels of income poverty, often display weaknesses in that they do not reflect other state support or assets that are positively affecting the lives of ordinary people. It is for this reason that this document shall go beyond the income measures of poverty and also analyze the asset dimension to see if there were observed changes over a period of time. This document shall attempt to see if there was an improvement in the lives of the people with regards to, *inter alia*, access to housing, electricity, water, refuse disposal and other basic necessities.

Free State's poverty rate, using Global Insight's estimates, has increased from 40.0 per cent in 1996 to 50.0 per cent in 2007. The poverty rate is measured by the proportion of those living in Free State households whose income was less than the poverty income (specified by the Bureau of Market Research at about R1 700 per month in 2007). As is shown in Figure 3.6 below, Free State's poverty rate declined from 54.6 per cent in 2005 to 50.0 per cent in 2007. This is a significant decline in the space of two years and government must be applauded for its clear macroeconomic, social welfare and developmental policies that brought about this decrease in the levels of poverty. The current levels of poverty are expected to stabilize, if not decline further in the coming years.

Furthermore, Free State's poverty rate has consistently been higher than the national average throughout the period from 1996 to 2007, except in 1997 where both recorded a rate of 43.1 per cent. What is also obvious is that Free State's poverty rate has consistently moved in tandem with movements in the national average. It is safe, therefore, to conclude that the national poverty rate is highly likely to explain changes in the provincial poverty rate.

Figure 3.6: Poverty Rate for RSA and Free State



Source: Global Insight Regional eXplorer version 388

Another measure of poverty, the poverty gap, defined as the total difference between the income/expenditure of the poor and the poverty line, or shortfall of the poor, denotes how much, in terms of Rands, is required by the Free State province to fully alleviate poverty in the province.

As shown in Table 3.5 below, in 1996 the national government and Free State provincial government required R17.5 billion and R982 million respectively to fully alleviate poverty. In 2007, however, both these figures had increased monumentally to R37.9 billion, or 7.1 per cent of the national 2007/08 budget, and R2.4 billion, or 18.0 per cent of the provincial budget in the same period. It is important to note that Free State required more than double the proportion of the budget than was required by the national government to fully alleviate poverty in 2007.

Table 3.5: Poverty Gap for RSA and Free State

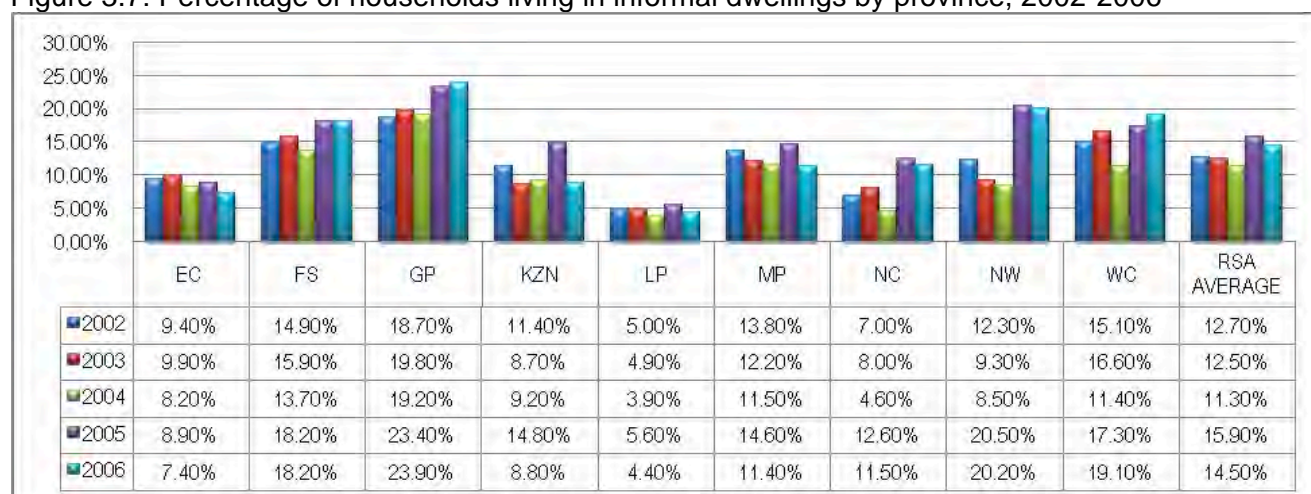
Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
RSA (R million)	17 527	20 376	23 310	25 618	26 852	28 142	30 189	35 288	36 413	38 680	37 897	37 892
Free State (R million)	92	1 165	1 374	1 518	1 609	1 712	1 837	2 164	2 262	2 441	2 408	2 380

Source: Global Insight Regional eXplorer version 388

As was indicated above, income cannot be used as the only measure of poverty. Thus, the part below attempts to quantify the extent of changes in the asset status of households to assess if there was any improvement in the lives of people.

Although not a positive indicator with regard to standards of living, the increasing rate of informal settlements, especially around urban areas, might sometimes be an indicator of socio-economic prosperity. This is because those living in rural areas may want to move to urban areas with expectations of better job opportunities and a relatively better well being. This scenario is confirmed by an increase in the proportion of households living in informal dwellings that increased from 14.9 per cent in 2002 to 18.2 per cent in 2006, which coincided with a splendid performance in the provincial economy. In the same period, the economic growth rate of the province recorded highs of between 3.9 per cent in 2002 to 4.3 per cent in 2006. In terms of the percentage of households living in informal dwellings, Free State was slightly lower than Gauteng (23.9 per cent), North West (20.2 per cent) and Western Cape (19.1 per cent) in 2006.

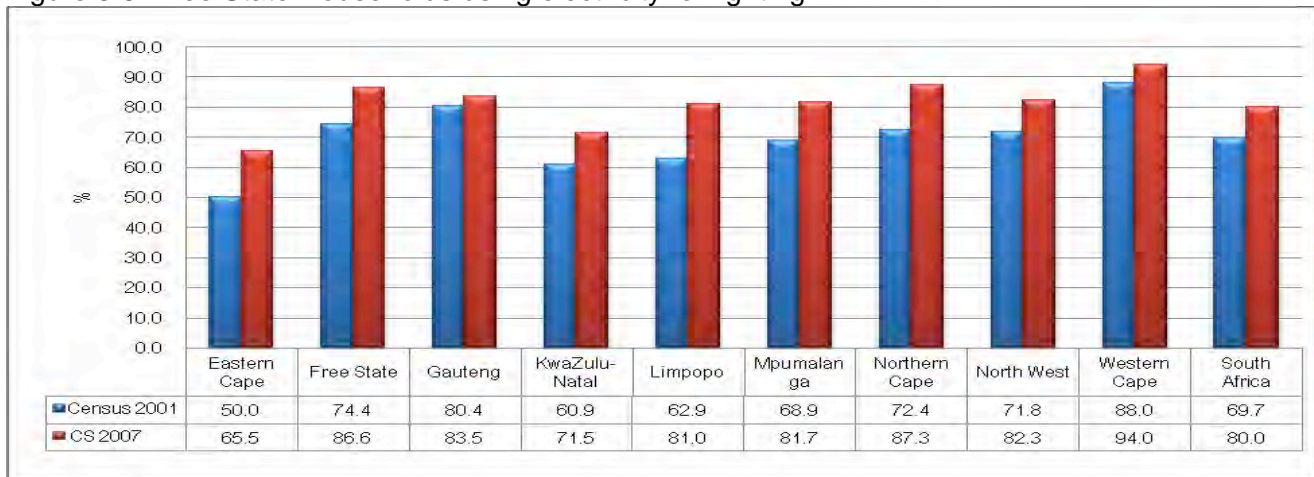
Figure 3.7: Percentage of households living in informal dwellings by province, 2002-2006



Source: StatsSA, GHS 2006

The figure below depicts a significant increase in the percentage of households using electricity for lighting purposes between 2001 and 2007. The Census 2001 results put the Free State at 74.4 per cent in terms of households using electricity for lighting and the results of the Community Survey 2007 were 86.6 per cent for the province, thus a 16.4 per cent increase in the number of households using electricity for lighting for the province. According to the results of the Community Survey 2007, only the Western Cape and the Northern Cape had higher percentages of households using electricity for lighting than the Free State, with an estimated percentage of 94.0 per cent and 87.3 per cent respectively.

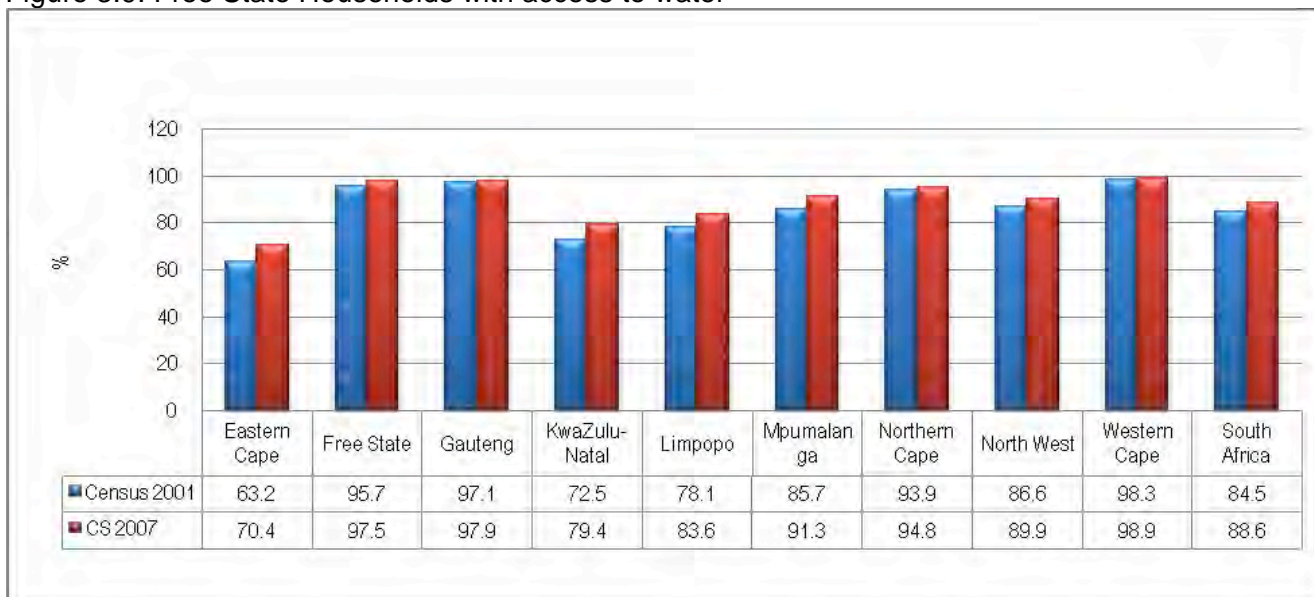
Figure 3.8: Free State Households using electricity for lighting



Source: StatsSA, Community Survey 2007

Nationally there was a 4.9 per cent increase in the number of households with access to piped water, from 84.5 per cent in 2001 to 88.6 per cent in 2007. Turning to the Free State, there was a slight increase of 1.9 per cent, with regard to households with access to piped water in the same period. Western Cape and Gauteng continue to enjoy the highest percentages of households with access to piped water, with estimated proportions of 98.9 per cent and 97.9 per cent respectively.

Figure 3.9: Free State Households with access to water



Source: StatsSA, Community Survey 2007

According to Table 3.6 below, we realize that there was an increase in the percentage of flush toilets between 2001 and 2007. The percentage of households with flush toilets in South Africa was estimated to be 60.4 per cent in 2007. This figure increased by 16.4 per cent from 51.9 per cent in 2001. Turning to Free State, the percentage was estimated to be at 61.4 per cent in 2007, showing a 32.6 per cent increase from 46.3 per cent in 2001. Shifting to the bucket toilet system, the Free State experienced a decline in the use of the bucket system, from 20.5 per cent in 2001 to 12.5 per cent in 2007.

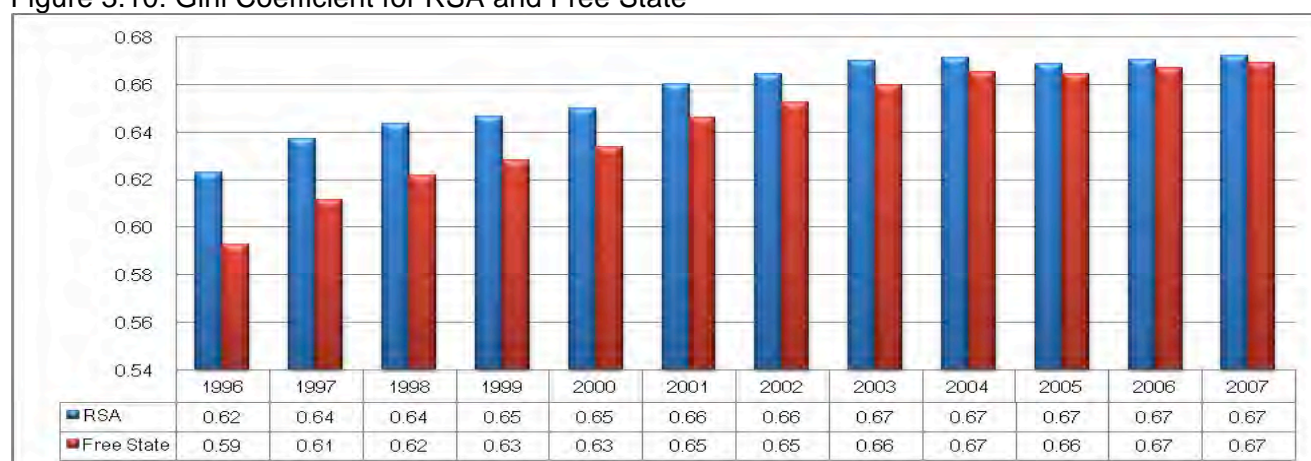
Table 3.6: Access to toilets by type of toilet facility

	Flush toilet		Chemical Toilet		Pit latrine with ventilation (VIP)		Pit latrine without ventilation		Bucket toilet system		None	
	Census	CS	Census	CS	Census	CS	Census	CS	Census	CS	Census	CS
	2001	2007	2001	2007	2001	2007	2001	2007	2001	2007	2001	2007
Free State	46,3%	61,4%	0,8%	0,1%	6,2%	7,9%	16,5%	14,7%	20,5	12,7	9,7	3,2
South Africa	51,90%	60,4%	1,9%	0,4%	5,7%	6,8%	22,8%	21,5%	4,1	2,3	13,6	8,6

Source: StatsSA, Community Survey 2007

The Gini Coefficient is the best measure widely used to determine inequality or lack thereof. As can be seen in Figure 3.10 below, both South Africa's and Free State's Gini Coefficient has consistently been higher than 0.5 for the period between 1996 and 2007. In 2007 the Gini Coefficient for both regions was 0.67. This situation is a reflection of the imbalances created by the past regime, and calls for a rigorous implementation of the redistributive and developmental policies of the current government.

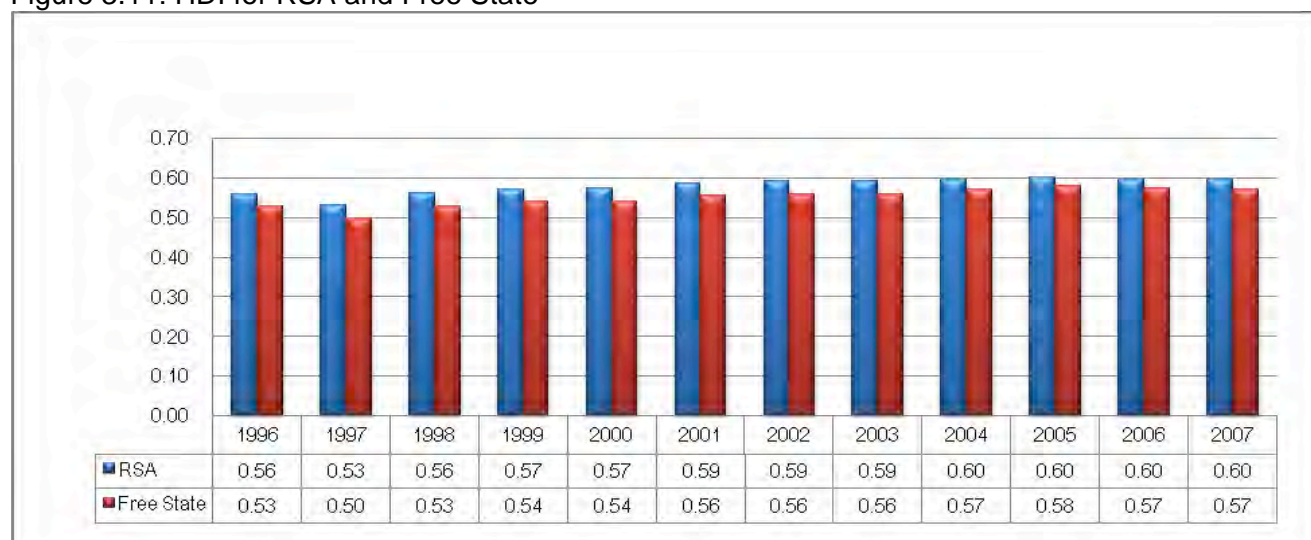
Figure 3.10: Gini Coefficient for RSA and Free State



Source: Global Insight Regional eXplorer version 388

The Human Development Index (HDI) attempts to quantify the extent of human development of a region or community by using measures of life expectancy, literacy and income. While South Africa's HDI has stabilized around 0.60 since 2001, Free State's index has been slightly erratic in the same period, increasing from 0.56 in 2003 to 0.58 in 2005, only to fall back to 0.57 in 2006.

Figure 3.11: HDI for RSA and Free State



Source: Global Insight Regional eXplorer version 388

3.2.4 Labour and Employment

Table 3.7 below indicates that the province had 840 000 or 43.6 per cent of its working age population not economically active in 2007, as compared to close to 1.1 million or 56.4 per cent that are active. Of those that are active, the province is home to 287 000 (26.4 per cent) individuals that are unemployed. One of the main reasons for this is that the traditional large employers in the province, i.e. the mines and especially the gold mines, have been registering negative growth rates per annum in employment levels for a number of years recently.

Table 3.7: Estimated population of working age (15 – 65 years), 2007
By province, sex and labour market status (Official definition of unemployment)

Provinces	Male						Female						Total					
	Total	NEA	Economically Active				Total	NEA	Economically Active				Total	NEA	Economically Active			
			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate			Total	Workers	Unemployed	Rate
	N (1000)						N (1000)						N (1000)					
South Africa	14625	5410	9215	7270	1944	21.1	15568	7799	7769	5378	2391	30.8	30195	13211	16984	12648	4336	25.5
Western Cape	1586	401	1185	1000	185	15.6	1684	641	1043	846	197	18.9	3270	1042	2228	1846	382	17.2
Eastern Cape	1860	918	942	727	215	22.8	2179	1249	930	667	263	28.3	4039	2166	1873	1395	478	25.5
Northern Cape	290	86	205	163	41	20.1	300	149	151	98	53	35.3	591	253	355	261	94	26.5
Free State	915	326	589	475	114	19.4	1012	514	498	325	172	34.6	1927	840	1087	801	287	26.4
Kwazulu-Natal	2908	1197	1712	1254	457	26.7	3175	1647	1528	1039	489	32.0	6084	2844	3240	2293	946	29.2
North West	1212	451	760	566	195	25.6	1248	666	582	347	235	40.4	2460	1117	1343	913	430	32.0
Gauteng	3479	887	2592	2149	443	17.1	3115	1264	1851	1290	561	30.3	6595	2152	4443	3439	1004	22.6
Mpumalanga	970	352	618	491	126	20.5	1045	518	527	352	175	33.2	2015	870	1145	844	302	26.3
Limpopo	1405	794	611	445	167	27.3	1809	1151	658	413	245	37.2	3215	1945	1270	858	412	32.4

Source: Source: StatsSA, Labour Force Survey, March 2007

The above table also indicates that women constitute the highest percentage of individuals who are not economically active (50.8 per cent) as compared to their male counterparts (35.6 per cent); this indicates that the province still has large source of productive potential which still remains untapped, and also the unemployment rate among males is still lower than that of females.

Table 3.8: Free State Province labour characteristics, 3rd quarter 2008

Indicators	Apr-Jun 2008	Jul-Sep 2008	change	% change
Population 15-64 yrs	1 854	1 857	3	0.2%
Labour Force	1 122	1 092	-30	-2.7%
Employed	831	842	11	1.3%
Unemployed	291	250	-41	-14.1%
Not economically active	732	764	32	4.4%
Rates (%)				
Unemployment rate	25.9%	22.9%	-3.0%	
Employed / population ratio (Absorption)	44.8%	45.3%	0.5%	
Labour force participation rate	60.5%	58.8%	-1.7%	

Source: StatsSA, QLFS, Quarter 3, 2008

The latest quarterly data from StatsSA indicates a decline in the unemployment rate (-3.0 per cent) and the labour force participation rate (-1.7 per cent), and a slight increase in the absorption rate (0.5 per cent). What is of interest in the table above is to note that even though the unemployment rate decreased by 14.1 per cent, the employment rate increased by only 1.3 per cent. This can be explained by the 2.7 per cent decrease in the labour force, and a 4.4 per cent increase in the “not economically active” population. Therefore, it could be that the unemployment rate decreased because people have become discouraged rather than people finding employment.

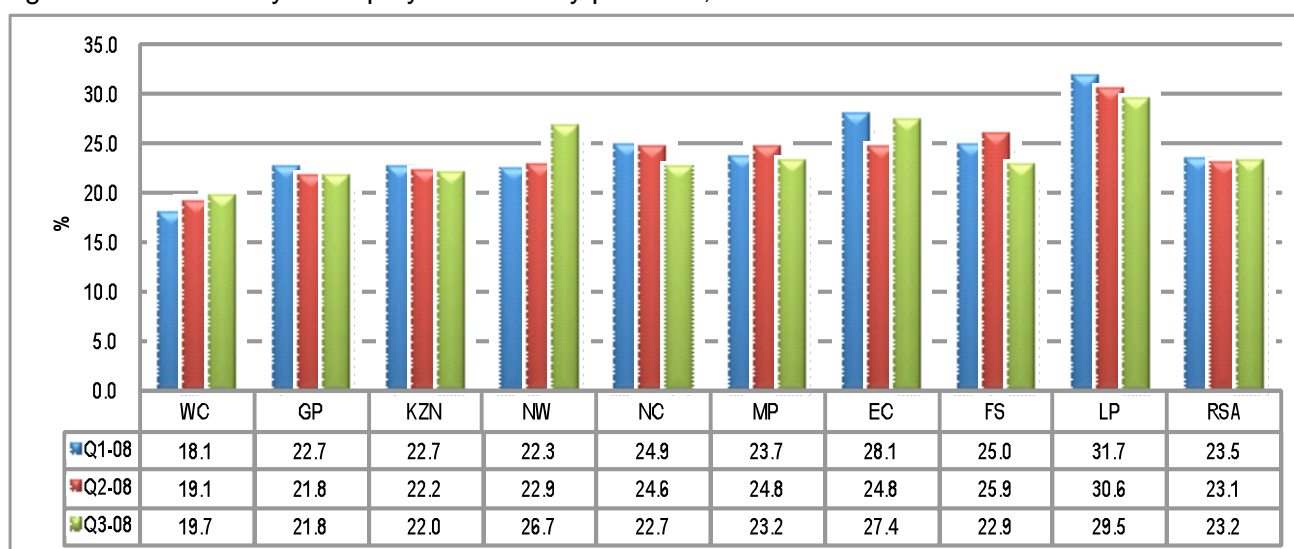
Table 3.9: Official unemployment rate by province, September 2001 – September 2007

Province	Sept 2001	Sept 2002	Sept 2003	Sept 2004	Sept 2005	Sept 2006	Sept 2007
Western cape	17.7	19.6	19.5	18.6	18.9	15.0	15.7
Eastern Cape	31.4	32.7	31.7	29.6	29.9	32.0	26.1
Northern Cape	25.0	24.9	26.4	24.5	24.7	28.7	26.0
Free State	27.0	29.1	28.0	28.6	30.2	26.5	25.2
KwaZulu-Natal	33.8	35.0	31.6	28.7	32.8	26.6	30.0
North West	28.6	30.6	28.4	28.0	27.4	29.7	24.6
Gauteng	30.4	30.5	27.6	25.7	22.8	23.2	17.4
Mpumalanga	29.2	30.1	25.3	24.8	26.9	28.0	22.0
Limpopo	34.6	34.1	31.1	27.8	30.1	32.0	27.3
RSA Average	29.4	30.4	28.0	26.2	26.7	25.5	22.7

Source: Stats SA, Labour Force Survey, September 2007

The unemployment rate in the Free State declined from 27.0 per cent in 2001 to 25.2 per cent in 2007, averaging 27.8 per cent during that period. In comparison, the Free State had the fifth lowest unemployment rate of 25.2 per cent in 2007 after North West (24.6 per cent), Mpumalanga (22.0 per cent), Gauteng (17.4 per cent) and Western Cape (15.7 per cent). Since 2004, the Free State's unemployment rate has consistently remained above the national average.

Figure 3.12: Quarterly unemployment rate by province, 2008



Source: StatsSA, QLFS, Quarter 3, 2008

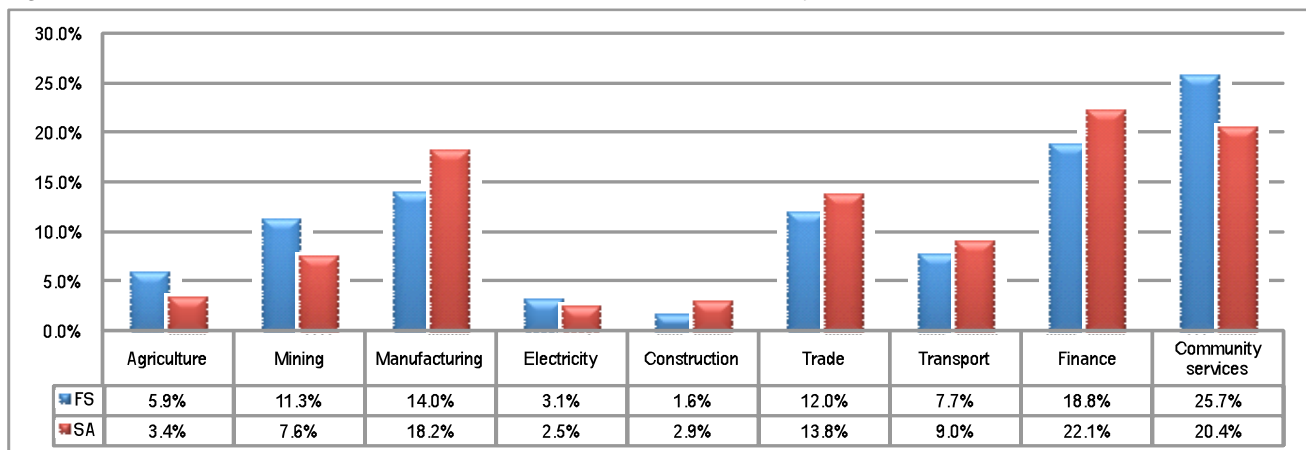
For the first three quarters of 2008, the unemployment rate in the Free State averaged 24.6 per cent, indicating further declines from 25.5 per cent in September 2007. The province's unemployment rate decreased from 25.0 per cent in the first quarter to 22.9 per cent in the third quarter. What is encouraging for the province is the fact that in the third quarter of 2008, the Free State unemployment rate fell below the national average, which has not happened since 2004.

Although Free State's unemployment rate is continuing to decline; the provincial economy has not been able to create enough job opportunities for its growing labour force. Much still remains to be done in the creation of sustainable employment opportunities especially for new entrants in the provincial labour market, particularly women and the youth in general.

3.3 Economic Indicators

Historically, the economy of the Free State has been based on mining and agriculture. The development of other sectors has been largely in support of these two primary activities. Both pillars of the provincial economy have been declining since the early 1990s. What is clear from the economic data is that the structural change of the provincial economy is continuing to take shape, with the mining sector contributing less, whilst the service sector has experienced a dramatic increase. However, using the tress index, statistics show that the Free State economy is less concentrated than the national. Further, the trend indicates that the Free State economy is becoming more dependent on few sectors than was the case in previous years, thus becoming more vulnerable to exogenous variables such as adverse climate conditions, commodity price fluctuations, and so on.

Figure 3.13: Free State and South Africa's GDP contribution by sector, 2007

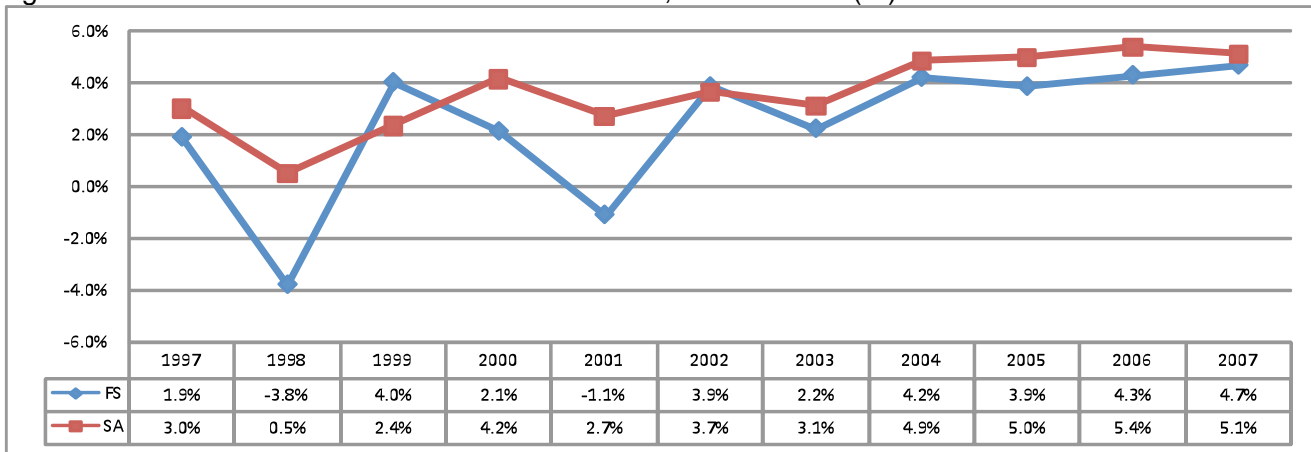


Source: Global Insight Regional eXplorer version 388

The largest sectors in the Free State economy in 2007 were community services (25.7 per cent), finance, real estate & business services (18.8 per cent), manufacturing (14.0 per cent), and wholesale & retail trade (12.0 per cent). The smallest were construction (1.6 per cent), water & electricity (3.1 per cent) and agriculture (5.9 per cent). At both the provincial and the national level, the services sectors continue to dominate the GDP contribution with the finance, real estate and business services sector as well as the community services sector combined contributing over 40 per cent in both instances.

In terms of the performance, during the period 1996 to 2007 the Free State economy grew on average by 2.4 per cent compared to the country's total growth of 3.6 per cent for the same period. The province's economy grew positively during that period except in 1998 and 2001 where the province experienced growth of -3.8 per cent and -1.1 per cent respectively. The primary contributors to this negative growth in 1998 and 2001, as illustrated in the table below, were agriculture, forestry & fishing (-34.8 per cent and -15.1 per cent, respectively) as well as mining & quarrying (-16.7 per cent and -11.7 per cent respectively). The other sectors were construction in 1998 (-6.5 per cent) and wholesale & retail trade in 2001 (-7.8 per cent). All in all, the Free State economy only outgrew the country's average in 1996, 1999 and 2002; otherwise it has grown at rates below the country's average in each year.

Figure 3.14: Free State and South Africa Real GDP, 1997 – 2007 (%)



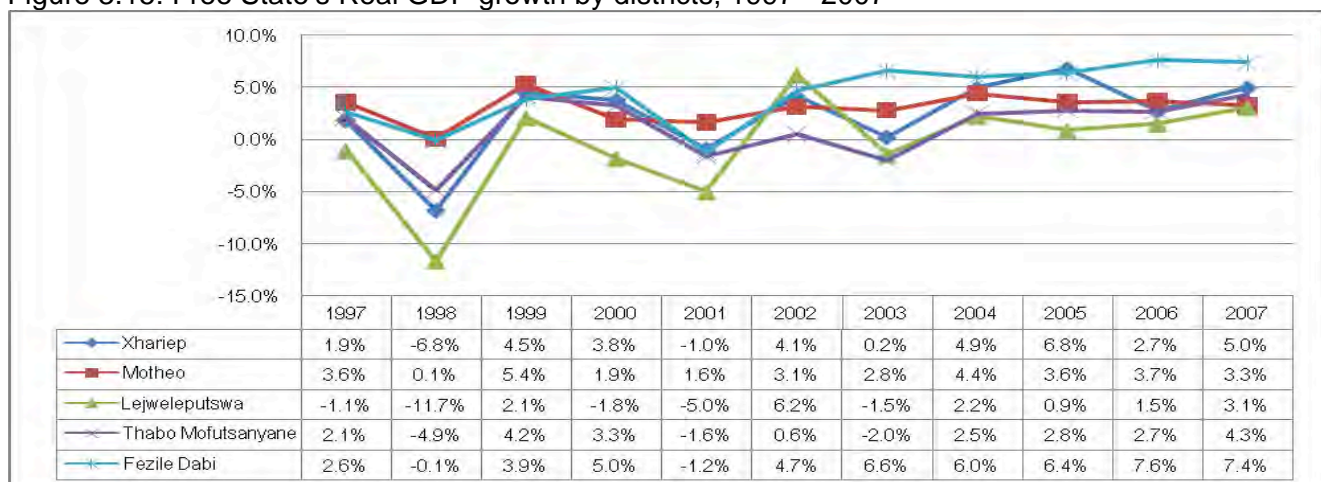
Source: Global Insight Regional eXplorer version 388

When a shorter time period is considered, from 2004 to 2007, the economic growth rate performance is better, averaging 4.3 per cent, reflecting a potential upward shift for the province. However, the province is still growing at a slower rate than the country as a whole, which is averaging 5.1 per cent for the same period. The growth performance of the province, whilst below the national, still mirrors the latter with a difference of approximately 1 per cent observed between 2003 and 2007. This is important for drawing forecasts of the province’s economy into the future.

The main contributors to the increase in economic activity in 2007 were construction (21.7 per cent), finance, real estate & business services (6.9 per cent), transport & communication services (6.3 per cent) and agriculture, forestry & fishing (6.2 per cent). The least growing sectors for the same year were mining & quarrying (2.0 per cent), manufacturing (2.1 per cent) and community services (3.0 per cent). The primary industries were the only industries which experienced a negative growth rate for the period 1996 to 2007, with mining & quarrying and agriculture, forestry & fishing growing by -1.6 per cent and -1.9 per cent on average respectively.

In terms of the performance of districts, Fezile Dabi District was the best growing district in the Free State for the period 1996 to 2007 with an average growth rate of 4.4 per cent, followed by Motheo District (3.0 per cent) and Xhariep District (2.3 per cent). Lejweleputswa District was the worst performing district with an average of -0.6 per cent (largely due to the diminishing mining sector which contributes 39.5 per cent to the district’s GGP) followed by Thabo Mofutsanyana District with 1.3 per cent.

Figure 3.15: Free State’s Real GDP growth by districts, 1997 - 2007



Source: Global Insight Regional eXplorer version 388

Global Insight (2008) forecasts the Free State economy to grow by 3.1 per cent on average between 2007 and 2012 compared to the national forecast of 3.8 per cent. This projected provincial growth is expected to be driven by growth in construction (7.4 per cent), agriculture, forestry & fishing (4.2 per cent), manufacturing (4.1 per cent) and wholesale & retail trade (3.8 per cent) whilst mining & quarrying, and water & electricity are expected to be on the lower end of growth with forecasts of -0.8 per cent and 1.3 per cent respectively. According to Global Insight, the Free State economy is projected to grow by a mere 1.9 per cent in 2009 compared to the 2.2 per cent projected for the national economy. The biggest contributors to the sluggish growth forecasted for 2009 are the mining industry with growth projected at -1.0 per cent and the tertiary sector projected to average 1.5 per cent, mainly due to electricity supply constraints, high interest rates and inflation rates, and a severe global economic slowdown. The five districts in the province are projected to grow as follows over the period 2007 to 2012: Fezile Dabi 3.8 per cent, Motheo 3.3 per cent, Thabo Mofutsanyana 3.0 per cent, Xhariep 2.8 per cent, and Lejweleputswa 1.7 per cent.

4. Receipts

4.1 Overall position

The total provincial receipts for the 2009/10 financial year are estimated at R18.405 billion. The National Transfers consisting of Equitable Share and Conditional Grants are the main source of provincial receipts to enable the province to carry out its mandate. The total National Transfers for 2009/10 amounts to R17.788 billion which constitute 96.65 per cent of total provincial receipts. This encompasses equitable share funding of R14.236 billion and Conditional Grants of R3.552 billion. The provincial own receipts for 2009/10 financial year is projected at R616.627 million or 3.35 per cent of total receipts. Table 4.1 below shows the actual receipts for 2005/06 to 2007/08, the estimated revenue for 2008/09 as well as for the 2009/10 MTEF period.

Table 4.1: Summary of provincial receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Transfer receipts from National									
Equitable share	8 969 181	9 731 272	10 918 513	12 412 932	12 713 176	12 713 176	14 236 280	15 466 344	16 465 163
Conditional grants	1 618 182	1 807 248	2 147 229	2 785 982	2 865 483	2 865 483	3 551 846	4 230 812	4 655 486
Total transfer receipts from National	10 587 363	11 538 520	13 065 742	15 198 914	15 578 659	15 578 659	17 788 126	19 697 156	21 120 649
Provincial own receipts									
Tax receipts	197 789	221 432	240 710	278 572	292 637	292 637	310 264	329 924	359 622
Casino taxes	11 243	16 131	25 283	28 722	33 891	33 891	42 364	45 573	49 184
Horse racing taxes	5 090	5 654	5 495	7 752	7 752	7 752	8 217	8 710	9 232
Liquor licences	2 420	2 703	2 295	3 247	3 247	3 247	3 636	3 927	4 320
Motor vehicle licences	179 036	196 744	207 637	238 851	247 747	247 747	256 047	271 714	296 886
Sales of goods and services other than capital assets	143 331	146 562	172 279	162 968	190 944	196 666	192 671	208 631	218 464
Transfers received	10	483	640			610			
Fines, penalties and forfeits	11 231	14 166	13 040	21 847	23 101	23 486	20 190	21 413	23 335
Interest, dividends and rent on land	64 972	77 419	67 028	78 248	74 502	41 324	77 864	81 369	85 367
Sales of capital assets	1 287	1 769	6 800	7 661	438	385	5 309	1 525	439
Financial transactions in assets and liabilities	29 160	25 635	45 893	7 070	12 795	13 527	10 329	10 661	11 052
Total provincial own receipts	447 780	489 466	546 390	556 366	594 417	568 635	616 627	653 523	698 279
Provincial rollovers					38 202				
Total provincial receipts	11 035 143	12 027 986	13 612 132	15 755 280	16 211 278	16 147 294	18 404 753	20 350 679	21 818 928

The total provincial envelope increases by R2.193 billion in nominal terms from the 2008/09 adjusted appropriation to 2009/10, which is equivalent to a 13.53 per cent increase year on year. Total provincial receipts increase by a total of R5.608 billion over the MTEF or an average of 10.43%. In the outer years of 2009/10 MTEF, the total provincial revenue is anticipated to be R20.351 billion and R21.819 billion respectively. The equitable share, which forms the larger of national transfers to the province, is R14.236 billion for 2009/10, R15.466 billion for 2010/11 and R16.465 billion in 2011/12. This is a nominal increase of R1.523 billion in 2009/10, R1.230 billion in 2010/11 and R998.819 million in 2011/12. This is therefore equivalent to an average increase of 9.03 per cent over the 2009/10 MTEF. The conditional grants, are adjusted upwards to R3.552 billion in 2009/10 and further to R4.231 billion and R4.655 billion in 2010/11 and 2011/12 respectively.

Even though provincially raised revenue only forms a small percentage of the total provincial receipts when compared with nationally appropriated funds (Equitable Share and Conditional Grants), the role of the Fiscal Policy component in terms of seeking to address some of the key provincial priorities should never be underestimated. The Provincial Own Revenue shows a growth of only 3.74 per cent. This growth is below the inflation expectations of 5.2 per cent as published in the MTBPS for the 2009/10 financial year. The low growth can mainly be attributed to the cautious approach in the outlook for Investment income by the Provincial Treasury due to the current projected over-expenditure in the 2008/09 financial year as well as slow growth in the expected receipts from Motor Vehicle License Fees due to the slow down in the sale of Motor Vehicles in the country. The Growth in Own Revenue however increases to 5.98 per cent and 6.85 per cent respectively over the two outer years of the MTEF.

The contribution of Provincial Own Revenue to the total provincial receipts reduces over the MTEF from 3.35 per cent in 2009/10 to 3.21 per cent and 3.20 per cent respectively in 2010/11 and 2011/12. The main contributor to the Provincial Own Revenue is still tax receipts which emanates mainly from the collection of Motor Vehicle License Fees. Tax receipts constitute 50.32 Per cent of the total projected Own Revenue budget for 2009/10.

4.2 Equitable share

The allocation process under section 214(2) of the Constitution states that the Act referred to in subsection 10 may be enacted only after the provincial governments, organized local government and the Financial and Fiscal Commission have been consulted, and any recommendations of the Commission have been considered.

The equitable share formula is merely an objective mechanism that allocates funds between provinces and not to functional areas. The Division of Revenue Act provides for the equitable division of revenue raised at national level among the three spheres of government, i.e. national, provincial and local levels. The division is made in terms of the Provincial Equitable Share formula.

The updating of the components in the 2008 Equitable Share Formula once again impacted negatively on the Total Equitable Share that the Province should have received. Amongst other things the steady decline in learner numbers in the province, caused the province's share to decline from 6.3 per cent in 2008/09 to 6.2 per cent, 6.1 per cent and 6.0 per cent respectively over the three years of the MTEF.

The paragraph below outlines the components and weights of the formula:

- Education – the enrolment and school age cohort (51 per cent)
- Health – based on the proportion of population with and without medical aid (26 per cent)
- Basic - province's share of total population (14 per cent)
- Poverty - the level of poverty in the province (3 per cent)
- Economic activity – based on the Regional Gross Domestic Product data (1 per cent)
- Institutional - equal division among provinces (5 per cent)

The weights of the components have been updated with the data from the General Household Survey. The results of the Snap Survey by the national Department of Education have been used to update the education component.

Taking into account the expenditure pattern over the past three years, the shares of the components remain unchanged and will be used over the next three years to ensure stability.

4.3 Conditional grants

Conditional Grants, which mainly focus on funding national priorities that are delegated to provinces, continue to experience sustained growth. Broadly, conditional grants mostly enhance the Social and Human Development sectors such as Health, Education, Sport, Arts and Culture and Local Government and Housing.

Though the framework for conditional grants caters mostly for Health, Education and Local Government and Housing, these three departments are central to achieving our Social and Human Development priority of the Free State Growth and Development Strategy. These grants are used by the national government as an intervention mechanism to ensure that national policies are funded and implemented in terms of the national framework and the Division of Revenue Act.

Some grants will gradually be converted into the provincial Equitable Share once their activities form part of the broader mandate of the department, for example the Further Education and Training College Grant (Education) to be converted into the Provincial Equitable Share in 2009/10. It should be noted that this conditional grant was not necessarily discontinued but rather became part of the Equitable Share. Some of the major increases in conditional grants include the National School Nutrition Programme Grant which grows from R100.425 million in 2008/09 to R122.306 million in 2009/10 and then to R195.194 million and R244.699 respectively in 2010/11 and 2011/12.

The Comprehensive HIV and Aids Grant grows from R189.630 million in the 2009/10 financial year to R235.792 in 2009/10, R326.658 in 2010/11 and finally to R 350.365 in 2011/12.

The Hospital Revitalization Grant is also growing strongly from R202.753 million in 2008/09 to R247.886 million in 2009/10, R378.426 million in 2010/11 and R421.883 million in 2011/12 representing a growth of 22.26 per cent in 2009/10, 52.66 per cent and 11.48 per cent over the last two years of the MTEF period

The Integrated Housing and Human Settlement Development Grant also grows substantially from R791.122 million in 2008/09 to R962.759, R1.301 billion and R1.380 billion over the respective years of the MTEF.

The Infrastructure Grant to Provinces also continues to grow very strongly from the current allocation of R569.278 million to R717.182 million in 2009/10; it further grows to R867.987 million in 2010/11 and R1.001 billion in the last year of the MTEF period. Though this grant is shared between the departments of Community Safety and Transport, Education and Health, the bulk of these funds are allocated to Roads component within the Department of Community Safety and Transport to deal with province's roads infrastructure.

Agriculture remains critical to unlock the economic potential of this province; this sector is well suited for rapid job creation and can provide growing opportunities for emerging black farmers. The Comprehensive Agricultural Support Programme Grant is growing strongly from the current allocation of R56.063 million in 2008/09 to R65.659 million, R79.149 million and R88.894 million over the MTEF period representing increases of 17.12 per cent, 20.55 per cent and 12.31 per cent over the MTEF.

Mass Sport and Recreation Participation Programme Grant increases from R20.355 million in 2008/09 to R26.591 million, R28.186 million and R29.877 million over the MTEF.

The new conditional grants in terms of the current framework are the following:

- Llima/Letsema Projects Grant which aims at assisting the Department of Agriculture with Land and Agrarian Reform.
- The Public Transport Operations Grant to ensure the continuation of Bus Subsidies to Bus operators as well as for other enhancement and the management of the Public Transport system/s and
- The Expanded Public works Programme Incentive Grant which aims at promoting Extended Public Works Programmes in the Province.

Table 4.2: Summary of Conditional Grants by department

Department/Grant	Outcome			Main Appropriation	Adjusted Appropriation	Revised estimate	Medium Term Estimates		
	2005/06	2006/07	2007/08	2008/09			2009/10	2010/11	2011/12
Agriculture	66 296	32 323	58 550	67 517	85 858	85 858	87 272	109 509	145 516
Agricultural Disaster Management Grant	26 328	3 255	17 050	15 000	26 367	26 367	11 000		
Comprehensive Agricultural Support Programme Grant	36 463	25 306	38 084	49 089	56 063	56 063	65 659	79 149	88 894
Land Care Programme Grant: Poverty Relief & Infrastructure Development	3 505	3 762	3 416	3 428	3 428	3 428	4 113	4 360	4 622
Lima/Letsema Projects Grants							6 500	26 000	52 000
Education	69 344	111 646	113 742	144 498	162 425	162 425	132 647	205 913	256 061
Early Childhood Development Grant	756								
Financial Management and Quality Enhancement Grant									
Further Education and Training College Sector Recapitalisation Grant		30 000	36 574	52 200	52 200	52 200			
HIV and Aids (Life Skills Education) Grant	7 961	8 913	9 164	9 800	9 800	9 800	10 341	10 719	11 362
National School Nutrition Programme Grant	60 627	72 733	68 004	82 498	100 425	100 425	122 306	195 194	244 699
Health	717 489	792 226	859 771	1 091 620	1 091 620	1 070 931	1 270 123	1 519 171	1 631 774
Comprehensive HIV and Aids Grant	100 479	142 265	153 646	189 630	189 630	189 630	235 792	326 658	350 365
Forensic Pathology Services Grant	317	35 591	41 713	46 698	46 698	31 198	32 855	37 218	39 451
Health Professions Training and Development Grant	92 518	92 517	97 143	102 000	102 000	102 000	110 755	117 400	124 444
Hospital Construction Grant									
Hospital Revitalisation Grant	92 157	63 810	86 324	202 753	202 753	202 753	247 886	378 426	421 883
Malaria and Cholera Prevention Grant									
National Tertiary Services Grant	432 018	458 043	480 945	550 539	550 539	545 350	642 835	659 469	695 631
Housing	370 130	528 400	473 160	791 122	791 122	791 122	962 759	1 300 691	1 380 185
Integrated Housing and Human Settlement Development Grant	370 130	528 400	473 160	791 122	791 122	791 122	962 759	1 300 691	1 380 185
National Treasury	210 331	294 045	509 081	569 278	569 278	569 278	717 182	867 987	1 000 756
Infrastructure Grant to Provinces	210 331	294 045	509 081	569 278	569 278	569 278	717 182	867 987	1 000 756
Provincial Infrastructure Grant: Flood Rehabilitation Grant									
Provincial and Local Government	13 621								
Disaster Relief Grant									
Local Government Capacity Building Grant and CMP	13 621								
Sport and Recreation South Africa	2 488	9 818	15 986	20 355	20 355	20 355	26 591	28 186	29 877
Mass Sport and Recreation Participation Programme Grant	2 488	9 818	15 986	20 355	20 355	20 355	26 591	28 186	29 877
Other (not included above)	42 906	27 764	16 251	155 993	156 192	156 192	355 272	199 355	211 317
Library Service Grant			16 251	30 927	31 126	31 126	40 315	45 197	47 909
Integrated Social Development Services Grant									
Provincial Project Management for MIG	1 923	27 764							
Hospital Management and Quality Improvement	13 393								
Integrated Nutrition Programme	7 296								
Devolution of Property Rate Fund Grant to Provinces				125 066	125 066	125 066	140 144	154 158	163 408
Child Support Extension Grant									
Social Grant Arrears									
HIV and Aids (Community-Based Care) grant	20 294								
Public Transport Operations Grant							151 805		
Expanded Public Works programme Incentive Grant							23 008		
Total conditional grants	1 492 605	1 796 222	2 046 541	2 840 383	2 876 850	2 856 161	3 551 846	4 230 812	4 655 486

4.4 Total provincial own receipts

Table 4.3: Summary of provincial own receipts by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Vote 01: Office of the Premier	2 094	2 098	2 608	1 433	1 838	1 838	1 862	2 156	2 506
Vote 03: Tourism, Environmental and Economic Affairs	35 745	37 551	54 374	55 579	71 475	71 475	76 922	86 844	89 541
Vote 04: Provincial Treasury	53 462	73 813	63 196	72 941	72 941	40 071	75 553	78 770	82 703
Vote 05: Health	69 777	70 648	83 645	82 296	85 605	91 717	86 761	87 132	89 449
Vote 06: Education	30 642	14 185	13 792	13 732	15 752	15 982	15 738	16 679	17 452
Vote 07: Social Development	9 687	9 264	937	975	975	1 922	1 004	1 042	1 102
Vote 08: Local Government and Housing	2 933	2 191	2 830	3 024	2 319	2 267	3 207	3 507	3 840
Vote 09: Public Works	12 566	15 891	25 970	8 481	6 726	6 726	7 077	7 453	7 816
Vote 10: Community Safety and Transport	227 986	251 950	269 021	311 886	325 617	325 617	336 811	357 301	389 764
Vote 11: Agriculture	2 677	7 359	28 046	3 669	3 669	3 520	3 817	3 976	4 144
Vote 12: Sport, Arts and Culture	211	4 516	1 971	2 350	7 500	7 500	7 875	8 663	9 962
Total provincial own receipts by Vote	447 780	489 466	546 390	556 366	594 417	568 635	616 627	653 523	698 279

Table 4.3 above shows the history of actual own revenue receipts, the estimates for 2008/09 and 2009 MTEF period. In an attempt to create a credible own revenue base, the 2008/09 own revenue budget was adjusted with an amount of R38.051 million from R556.366 million to R594.417 million. This represents an increase of 6.84 per cent from the main appropriation. With the exception of the Departments of Local government and Housing, Provincial treasury and Agriculture all departments managed to adjust their own revenue budget upwards.

The province is projecting an overall under collection of approximately R26 million for all departments based on the current collection trends in the departments. The projected under collection relates mainly to lower than expected interest on investments by the Provincial Treasury due to the current over expenditure on the budgets of certain departments. Revenue bilateral meetings were held throughout the course of the year to iron out specific problems in all departments and to establish better communication between the Provincial Treasury and the departments. During these meetings particular attention was also given to the credibility of each department's Provincial Own Revenue Budget and some inconsistencies in the budgets were highlighted.

5. Payments

5.1 Overall position

The total outlays for 2009/10 MTEF period for the Free State province are budgeted as follows:

- Financial year 2009/10: R18 373 982 000
- Financial year 2010/11: R20 289 781 000
- Financial year 2011/12: R21 728 546 000

In the 2009 MTEF period, the provincial spending is expected to rise from R18.374 billion in 2009/10 to R21.729 billion in the 2011/12 financial year. Despite the slow down in the global economy these growth percentage of 13.57 per cent, 10.43 per cent and 7.09 per cent respectively over three years of the MTEF are substantially higher than the inflation projections as published by National Treasury in the 2008 Medium Term Budget Policy Statement. The increased level of expenditure represents a real opportunity for departments to stabilize the departmental budgets and to improve on the quality of service delivery to the people of Free State province.

In line with the government priorities to expand service delivery and improve infrastructure networks, the increase in 2009/10 MTEF period is mainly directed to the social and economic services departments. This focus is aimed at improving the living standards of the people of Free State Province. Table 5.1 below indicates that the social sector departments (i.e. Education, Health and Social Development) consume R13.265 billion or 72.19 per cent of the estimated total provincial payments of R18.374 billion for the 2009/10 financial year. Education still consumes the bulk of the social sector budget and R7.383

billion or 55.66 per cent of the R13.265 billion allocated to the Social sector goes to Education. Health and Social Development takes up 39.19 per cent and 5.15 per cent of the Social Sector respectively. The share for non-social sector departments increases marginally from 27.39 per cent in 2008/09 to 27.81 per cent in 2009/10 with an estimated budget of R5.109 billion. The department of Community Safety and Transport has the largest budget share of R1.624 billion or 31.79 per cent of the non-social sector departments' allocation. The payments for the 2009 MTEF period are estimated to increase by 29.70 per cent in 2009/10, decrease by 1.31 per cent in 2010/11 and then increase by 6.49 per cent in 2011/12. The decrease in 2010/11 is due to the fact that the allocation for the new Transport Operations Conditional Grant has not been finalized yet by National Treasury for the two outer years of the MTEF.

5.2 Payments by vote

Table 5.1: Summary of provincial payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08	2008/09	2008/09		2009/10	2010/11	2011/12
Vote 01: Office of the Premier	86 099	97 084	110 277	120 096	124 506	124 448	133 904	141 809	148 826
Vote 02: Provincial Legislature	66 677	75 152	81 916	95 240	133 346	133 346	121 497	128 142	135 001
Vote 03: Tourism, Environmental and Economic Affairs	174 548	226 696	268 026	303 776	303 776	303 776	328 730	346 532	365 971
Vote 04: Provincial Treasury	98 060	104 308	123 652	137 131	141 131	141 131	152 389	162 290	170 972
Vote 05: Health	3 121 275	3 461 337	3 833 997	4 287 858	4 469 305	4 691 147	5 197 838	5 883 355	6 297 776
Vote 06: Education	4 916 135	5 345 739	5 797 303	6 598 569	6 721 166	7 068 907	7 383 261	8 123 917	8 734 429
Vote 07: Social Development	382 906	442 985	426 048	536 193	555 947	555 902	683 462	734 975	802 435
Vote 08: Local Government and Housing	527 219	722 488	695 880	1 022 024	1 070 617	1 068 442	1 248 877	1 604 617	1 698 320
Vote 09: Public Works	372 048	447 842	507 895	720 319	712 703	737 484	785 915	810 140	866 834
Vote 10: Community Safety and Transport	513 564	1 009 044	950 910	1 244 653	1 252 269	1 260 725	1 624 154	1 602 845	1 706 794
Vote 11: Agriculture	298 710	227 011	292 186	334 154	372 495	359 495	400 515	434 501	486 888
Vote 12: Sport, Arts and Culture	118 616	138 706	187 210	284 890	321 078	346 081	313 440	316 658	314 300
Total provincial payments and estimates by Vote	10 675 857	12 298 392	13 275 300	15 684 903	16 178 339	16 790 884	18 373 982	20 289 781	21 728 546

Table 5.1 above reflects the summary of payment and estimates by vote from 2005/06 to 2011/12. The 2009/10 provincial expenditure is anticipated to grow by R2 196 billion or 13.57 per cent from the adjusted 2008/09 budget to 2009/10. The growth in the non-social departments are mainly driven by the substantial increases in the Conditional Grant allocations from National Treasury as discussed before. Departments that are affected by this are the department of Local Government and Housing, Public Works as well as the department of Community Safety and Transport.

On average all departmental budgets are increasing above the CPIX targets as published in the 2008 MTBPS. The exceptions to this are the Free State Legislature and the Department of Sport Arts and Culture. The allocations to these two departments are affected by once off allocations in the 2008/09 financial year. R64.5 million was allocated to the Department of Sport, Arts and Culture as a once-off for the completion of the Mangaung Stadium for the 2010 Soccer World Cup. The allocations made to this department for the hosting of MaCUFE as well as for Phakisa related activities are also gradually reduced over the MTEF as it is anticipated that these activities would become self-sustainable over the MTEF. The budget for this department therefore decreases with 2.38 per cent in 2009/10. An amount of R30 million was allocated in the 2009/10 adjustment budget as a once-off allocation the Provincial Legislature for the funding of political parties during the 2009 general elections. This allocation will not continue over the 2009 MTEF and the budget for the Legislature consequently decreases by 8.89 per cent in 2009/10.

The allocations for the departments of Public Works and Community Safety and Transport however still include approximate amounts of R34.4 million, R36.6 million and R38.6 million respectively which relates to the administrative component of Roads for which the transfer of funds will be finalized in the 2009 Adjustment Budget as the finer details are still to be ironed out by the two respective departments.

5.3 Payments by economic classification

Table 5.2: Summary of provincial payments and estimates by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Current payments	8 643 767	9 764 830	10 544 308	11 760 168	12 108 442	12 778 483	13 892 678	15 175 352	16 154 801
Compensation of employees	6 718 796	7 212 235	8 070 027	9 008 822	9 200 605	9 744 348	10 569 688	11 373 630	12 043 094
Goods and services	1 872 619	2 458 995	2 395 624	2 751 346	2 907 798	2 986 475	3 322 612	3 800 989	4 111 438
Interest and rent on land	40 994	55 348	71 531		39	17			
Financial transactions in assets and liabilities	10 967	37 943	7 003			4 572	378	732	269
Unauthorized Expenditure	391	309	123			43 071			
Transfers and subsidies to:	1 403 309	1 458 885	1 431 321	2 025 488	2 164 166	2 159 899	2 419 999	2 704 723	2 904 298
Provinces and municipalities	99 175	80 616	51 365	210 043	231 108	212 863	188 709	184 511	176 231
Departmental agencies and accounts	28 193	49 774	51 798	63 462	65 982	80 761	92 022	75 642	79 397
Universities and technikons	1 102	1 142	1 100	1 100	1 100	993	1 175	1 232	1 289
Public corporations and private enterprises	33 509	31 387	27 679	15 015	31 595	30 318	172 278	24 717	21 262
Foreign governments and international organisations									
Non-profit institutions	752 828	701 116	736 079	877 247	922 554	921 010	895 007	999 900	1 103 877
Households	488 502	594 850	563 300	858 621	911 827	913 954	1 070 808	1 418 721	1 522 242
Payments for capital assets	628 781	1 074 677	1 299 671	1 899 247	1 905 731	1 852 502	2 061 305	2 409 707	2 669 447
Buildings and other fixed structures	516 182	913 393	1 150 003	1 734 191	1 742 533	1 726 817	1 819 538	2 103 159	2 350 252
Machinery and equipment	107 116	154 903	146 007	159 668	152 519	121 973	234 412	299 965	312 472
Cultivated assets	3 340	1 047	735	0	206	992	5 000	5 360	5 360
Software and other intangible assets	2 027	1 970	2 655	4 988	5 823	2 070	1 555	233	274
Land and subsoil assets	116	3 364	271	400	4 650	650	800	990	1 089
Total economic classification	10 675 857	12 298 392	13 275 300	15 684 903	16 178 339	16 790 884	18 373 982	20 289 781	21 728 546

Table 5.2 above reflects the summary of provincial payments and estimates by economic classification from 2005/06 to 2011/12. The largest share of the provincial payments is consumed by current payments in particular compensation of employees. For the 2009/10 financial year, current payments absorb 75.61 per cent of the budget of which 76.08 per cent is allocated to compensation of employees. From the total provincial estimate compensation of employees' share is 57.53 per cent in 2009/10, 56.06 per cent and 55.43 per cent in 2010/11 and 2011/12 financial years respectively. The decrease in personnel over the MTEF clearly indicates the provincial government's intention to move resources towards service delivery particularly infrastructure development and maintenance.

The transfers and subsidies constitute 13.17 per cent share of the total provincial payments in 2009/10, 13.33 per cent in 2010/11 and 13.37 per cent in 2011/12. A significant decrease is noted in transfers to public corporations and private enterprises from R172.278 million in 2009/10 to R24.717 million in the 2010/11 financial year. This is mainly due to the new Public Transport Operations Conditional Grant which was only allocated by National Treasury for the first year of the MTEF. Transfers to households are growing at an average rate of 21.28 per cent over the MTEF. This is mainly due increased funding made available for the delivery of Houses in the province.

Payments for capital assets shows an increase of 8.16 per cent from R1.906 billion in 2008/09 to R2.061 billion in 2009/10. There is an increase in buildings and other fixed structures allocation from R1.743 billion in 2008/09 to R1.820 billion in the 2009/10 financial year. This is mainly attributed to the increase in the Infrastructure Grant to Provinces. Payments for machinery and equipment increase with 53.69 per cent in 2009/10. This growth is mainly attributed to the department of Health for the purchase of ambulances and other health related equipment.

5.4 Payments by policy area

Table 5.3: Summary of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
General public services	608 903	718 789	926 562	1 155 162	1 225 343	1 249 246	1 325 175	1 382 644	1 470 267
Public order and safety	159 666	175 178	180 609	215 301	222 917	232 542	253 849	266 998	281 246
Economic affairs	895 583	1 355 919	1 318 415	1 664 771	1 687 673	1 673 456	2 071 679	2 087 575	2 247 353
Environmental protection	61 706	80 583	95 836	115 749	123 572	123 620	124 772	132 419	139 942
Housing and community amenities	411 067	579 156	509 320	826 410	851 338	849 981	1 020 506	1 361 240	1 440 798
Health	3 121 275	3 461 337	3 833 997	4 287 858	4 469 305	4 691 147	5 197 838	5 883 355	6 297 776
Recreation, culture and religion	118 616	138 706	187 210	284 890	321 078	346 081	313 440	316 658	314 300
Education	4 916 135	5 345 739	5 797 303	6 598 569	6 721 166	7 068 907	7 383 261	8 123 917	8 734 429
Social protection	382 906	442 985	426 048	536 193	555 947	555 902	683 462	734 975	802 435
Total provincial payments and estimates by polic	10 675 857	12 298 392	13 275 300	15 684 903	16 178 339	16 790 884	18 373 982	20 289 781	21 728 546

Table 5.3 above shows the summary of expenditure by policy area, the details of which are shown in table A: 4 of the Annexure to the Budget Statement One. This table indicates the policy priority areas that are funded from the provincial allocation. Education is still the highest priority and accounts for R7.383 billion or 40.18 per cent of the total provincial expenditure in 2009/10. The expenditure in respect of this policy area demonstrates an increase of 10.03 per cent and 7.51 per cent in the two outer years to an estimated R8.734 billion in the 2011/12 financial year. It is also important to note the Provincial Government's intention to stimulate the Free State economy by investing in the Economic sector policy area. The Economic sector amounts to R2.072 billion in 2009/10 to R2.247 billion in 2011/12 or an average of 11.05 per cent over the three years of the MTEF. The provincial payments for all policy areas except Recreation, Culture and Religion are showing a positive growth over the 2008 MTEF.

5.5 Infrastructure payments

5.5.1 Provincial Infrastructure payments

Table 5.4: Summary of provincial infrastructure payments and estimates by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
Vote 03: Tourism, Environmental and Economic Affairs	6 091	25 145	38 174	46 000	50 160	55 077	49 454	52 879	55 629
Vote 05: Health	170 953	157 387	236 107	377 568	377 568	377 568	419 990	570 837	635 022
Vote 06: Education	170 291	177 567	227 411	450 647	450 647	449 737	342 579	384 607	477 444
Vote 07: Social Development	19 114	9 257	10 528	12 817	17 398	15 759	41 650	14 537	15 366
Vote 09: Public Works	139 443	146 557	163 640	83 735	80 935	81 029	113 323	92 696	90 202
Vote 10: Community Safety and Transport	332 947	953 815	745 997	991 647	994 647	1 003 812	1 160 172	1 299 094	1 386 992
Vote 11: Agriculture	64 273	29 068	51 500	82 717	89 691	76 691	101 206	113 702	125 104
Vote 12: Sport, Arts and Culture	25 099	24 897	23 657	104 885	104 885	97 244	74 740	61 175	63 999
Total provincial infrastructure payments and estimates by Vote	928 211	1 523 693	1 497 014	2 150 016	2 165 931	2 156 917	2 303 114	2 589 527	2 849 758

Table 5.4 above shows the provincial infrastructure payments and estimates from 2005/06 to 2011/12, which will increase by R683.827 million from an adjusted R2.166 billion in 2008/09 to R2.850 billion in the 2011/12 financial year. The infrastructure spending is anticipated to realize healthy average growth of 9.60 per cent over the 2009 MTEF period. These funds are intended for infrastructure development and to assist the province in its endeavor to boost economic development, job creation as well as to provide and enhance sustainable infrastructure facilities as stated in the Free State Growth and Development Strategy. This allocation includes national conditional grants earmarked for infrastructure, for example, Infrastructure Grant to Provinces, Hospital Revitalisation, Comprehensive Agricultural Support Programme, Land Care, and a top up from the provincial equitable share (Infrastructure Enhancement Allocation Grant).

On average, over the 2009 MTEF approximately 49.68 per cent of the total infrastructure budget is allocated to the department of Community Safety and Transport for roads infrastructure and for transport related investments. The infrastructure budget of the department of Education is decreasing by 23.98 per cent from R450.647 million in 2008/09 to R342.579 million due to the once-off payment of R180 million which was specifically for the eradication of platooning schools in the province. Stripping off the once-off of R180 million, the infrastructure allocation to this department is increasing by 12.27 per cent and 24.14 per cent respectively in 2010/11 and 2011/12. These increases mainly relates to Grade R and special schools infrastructure. Worth mentioning is the significant growth in infrastructure payments for Health which is increasing with 11.24 per cent from R377.568 million in 2008/09 to R419.990 million in 2009/10. This is attributed to an increase in the Hospital Revitalisation Grant and an increase in the allocation of the Provincial Infrastructure Grant to this department. The infrastructure allocation of the department of Sport, Arts and Culture has decreased from R104.885 million in 2008/09 to R74.740 million in 2009/10 due to once-off funding towards the 2010 legacy projects.

5.5.2 Provincial Public-Private Partnership (PPP) projects

Table 5.5: Summary of provincial Public-Private Partnership (PPP) projects

Project description	Annual cost of project			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Outcome								
R thousand	2005/06	2006/07	2007/08	2008/09			2009/10	2010/11	2011/12
Projects under implementation	(2 275)	(1 990)	(6 166)	(3 331)		(3 331)	(3 664)	(4 030)	(4 433)
PPP unitary charge									
Advisory fees									
Revenue generated (if applicable)	(2 275)	(1 500)	(6 166)	(3 331)		(3 331)	(3 664)	(4 030)	(4 433)
Project monitoring cost		(490)							
New projects		(200)							
PPP unitary charge									
Advisory fees									
Revenue generated (if applicable)									
Project monitoring cost		(200)							
Total	(2 275)	(2 190)	(6 166)	(3 331)		(3 331)	(3 664)	(4 030)	(4 433)

Currently the only department with a Public-Private Partnership arrangement is Health.

5.6 Transfers

5.6.1 Transfer to public entities

Table 5.6: Summary of provincial transfers to public entities by transferring department

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
Vote 01: Office of the Premier	9 531	9 252	13 845	11 578	11 578	11 578	12 388	13 255	13 878
Vote 03: Tourism, Environmental and Economic Affairs	12 914	35 721	30 522	45 100	45 100	45 100	49 087	50 719	53 369
Vote 12: Sport, Arts and Culture	2 778	4 834	3 895	4 684	15 173	15 173	7 773	10 917	6 284
Total provincial transfers to public entities	25 223	49 807	48 262	61 362	71 851	71 851	69 248	74 891	73 531

The transfer payment to Free State Youth Commission is increasing by 7 per cent for both the 2009/10 and 2010/11 financial years while it increases by 4.77 per cent in the 2011/12 financial year. The transfer payments for public entities under the department of Tourism, Environmental and Economic Affairs are increasing by 8.84 per cent from R45.1 million to R49.087 million in the 2009/10 financial year and further grows at a declining rate of 3.32 per cent in 2010/11 due the decrease in the allocation of the Free State Liquor Authority. It further increases by 5.22 per cent in the 2011/12 financial year. The transfer payments from the Department of Sport, Arts and Culture are mainly to Phakisa Major Sports Event and development Corporation. The transfer payments to this entity are R7.773 million in 2009/10, R10.917 million in 2010/11 and R6.284 million in 2011/12.

5.6.2 Transfers to Development corporations

Table 5.7: Summary of provincial transfers to development corporations by entity

Entity	Provincial department	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
		2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
R thousand										
Free State Development Corporation	Tourism, Environmental & Economic Affairs	30 000	24 500	22 000	10 000	10 000	10 000	10 700	11 300	11 978
Total provincial transfers to development corporations		30 000	24 500	22 000	10 000	10 000	10 000	10 700	11 300	11 978

Table 5.7 above illustrates the transfer payment to the Free State Development Corporation. The allocation to the Corporation was reduced by 54.6 per cent from R22 million in 2007/08 financial year to R10 million with a view of re-positioning the entity to focus only on providing support to Small Medium and Micro Enterprises (SMME's) which will stimulate economic growth and advance Black Economic Empowerment in line with the Free State Growth and Development Strategy.

In the 2009/10 financial year, the allocation to this entity increases by 7 per cent to R10.7 million and further increases by 5.6 per cent and 6 per cent respectively in the 2010/11 and 2011/12 financial years.

5.6.3 Transfers to local government

Table 5.8: Summary of provincial transfers to local government by category

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates			
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11	2011/12
Category A										
Category B	67 099	69 295	48 769	84 045	88 779	86 876	552	1 000	1 500	
Category C	32 076	11 321	2 596	125 998	142 329	125 987	188 157	183 511	174 731	
Total provincial transfers to local government		99 175	80 616	51 365	210 043	231 108	212 863	188 709	184 511	176 231

5.7 Personnel numbers and costs

Table 5.9: Summary of personnel numbers and costs by Vote

Personnel numbers	As at	As at	As at	As at	As at	As at	As at
	31 March 2006	31 March 2007	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
Vote 01: Office of the Premier	290	301	306	315	322	327	332
Vote 02: Provincial Legislature	0	26	35	77	79	81	81
Vote 03: Tourism, Environmental and Economic Affairs	731	683	650	754	904	1 084	1 284
Vote 04: Provincial Treasury	269	269	324	405	409	409	409
Vote 05: Health	15 807	14 465	16 175	16 252	16 318	15 868	15 418
Vote 06: Education	30 364	30 685	31 766	31 530	31 752	31 752	31 752
Vote 07: Social Development	1 338	1 405	1 515	1 606	1 769	1 773	1 775
Vote 08: Local Government and Housing	323	594	641	785	819	827	827
Vote 09: Public Works	2 079	2 306	2 378	2 152	2 336	2 341	2 341
Vote 10: Community Safety and Transport	2 433	2 086	2 092	2 216	2 233	4 333	2 233
Vote 11: Agriculture	1 171	1 125	1 129	1 219	1 277	1 287	1 297
Vote 12: Sport, Arts and Culture	418	607	702	794	857	862	867
Total provincial personnel numbers	55 223	54 552	57 713	58 105	59 075	60 944	58 616
Total provincial personnel cost (R thousand)	6 718 796	7 212 235	8 070 027	9 744 348	10 569 688	11 373 630	12 043 094
Unit cost (R thousand)	122	132	140	168	179	187	205

1. Full-time equivalent

Table 5.10: Summary of provincial personnel numbers and costs

	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
Total for province									
Personnel numbers (head count)	55 223	54 552	57 713	57 479	57 593	58 105	59 075	60 944	58 616
Personnel cost (R thousands)	6 718 796	7 212 235	8 070 027	9 008 822	9 200 605	9 744 348	10 569 688	11 373 630	12 043 094
Human resources component									
Personnel numbers (head count)	538	909	867	892	861	862	879	915	950
Personnel cost (R thousands)	60 070	195 297	122 292	134 347	139 519	140 205	154 077	164 735	172 832
Head count as % of total for province	0.97%	1.67%	1.50%	1.55%	1.49%	1.48%	1.49%	1.50%	1.62%
Personnel cost as % of total for province	0.89%	2.71%	1.52%	1.49%	1.52%	1.44%	1.46%	1.45%	1.44%
Finance component									
Personnel numbers (head count)	532	792	728	771	761	763	777	810	839
Personnel cost (R thousands)	68 734	209 122	185 988	210 900	225 691	226 343	243 113	260 534	277 804
Head count as % of total for province	0.96%	1.45%	1.26%	1.34%	1.32%	1.31%	1.32%	1.33%	1.43%
Personnel cost as % of total for province	1.02%	2.90%	2.30%	2.34%	2.45%	2.32%	2.30%	2.29%	2.31%
Full time workers									
Personnel numbers (head count)	52 425	51 126	54 760	53 920	54 109	54 621	54 981	56 798	54 406
Personnel cost (R thousands)	6 260 318	6 818 596	7 552 967	8 309 472	8 408 854	9 053 920	9 703 992	10 442 029	11 061 699
Head count as % of total for province	94.93%	93.72%	94.88%	93.81%	93.95%	94.00%	93.07%	93.20%	92.82%
Personnel cost as % of total for province	93.18%	94.54%	93.59%	92.24%	91.39%	92.91%	91.81%	91.81%	91.85%
Part-time workers									
Personnel numbers (head count)	1 069	1 870	1 409	1 769	1 769	1 769	2 249	2 259	2 266
Personnel cost (R thousands)	182 850	135 572	154 704	253 130	256 368	266 796	375 581	408 440	432 918
Head count as % of total for province	1.94%	3.43%	2.44%	3.08%	3.07%	3.04%	3.81%	3.71%	3.87%
Personnel cost as % of total for province	2.72%	1.88%	1.92%	2.81%	2.79%	2.74%	3.55%	3.59%	3.59%
Contract workers									
Personnel numbers (head count)	501	420	428	319	331	329	360	393	414
Personnel cost (R thousands)	27 119	19 471	64 983	70 180	68 091	56 214	52 376	57 048	50 555
Head count as % of total for province	0.91%	0.77%	0.74%	0.55%	0.57%	0.57%	0.61%	0.64%	0.71%
Personnel cost as % of total for province	0.40%	0.27%	0.81%	0.78%	0.74%	0.58%	0.50%	0.50%	0.42%

5.8 Payments on training

Table 5.11: Summary of provincial payments on training by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
Vote 01: Office of the Premier	487	746	685	748	768	707	823	880	931
Vote 02: Provincial Legislature									
Vote 03: Tourism, Environmental and Economic Affairs	1 359	618	1 141	1 206	1 206	1 206	1 266	1 338	1 363
Vote 04: Provincial Treasury	1 382	1 093	1 307	1 596	897	897	900	900	900
Vote 05: Health	45 079	42 367	39 209	66 111	66 111	66 111	81 178	89 125	98 000
Vote 06: Education	29 961	27 949	36 137	44 296	36 296	38 797	58 204	63 140	66 779
Vote 07: Social Development	750	789	1 285	2 774	5 774	2 501	1 430	1 509	1 592
Vote 08: Local Government and Housing	2 364	2 437	2 510	1 549	1 549	1 549	1 151	1 520	1 600
Vote 09: Public Works	2 936	8 667	6 266	8 732	7 955	5 767	12 793	13 732	15 426
Vote 10: Community Safety and Transport	5 300	6 276		8 500	8 500	8 500	8 500	8 500	7 500
Vote 11: Agriculture	974	821	1 695	2 079	2 010	2 010	2 027	2 219	2 401
Vote 12: Sport, Arts and Culture	544	617	873	1 026	1 026	1 026	1 292	1 430	1 505
Total provincial payments on training	91 136	92 380	91 108	138 617	132 092	129 071	169 564	184 293	197 997

Annexure A to Budget Statement 1

Table A.1: Information relating to Conditional grants

Vote and Grant	2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12	
	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Actual transfer	Audited expen- diture	Adjusted appro- priation	Revised transfer estimate	Revised expen- diture estimate	2009/10	2010/11	2011/12	Medium-term estimates	
R thousand														
Agriculture														
Agricultural Disaster Management Grant	72 977	72 977	66 296	35 887	30 887	32 323	69 817	69 817	69 817	69 817	69 817	69 817	69 817	145 516
Comprehensive Agricultural Support Programme Grant	33 000	33 000	26 328	6 672	6 672	3 255	28 417	28 417	28 367	28 367	28 367	28 367	28 367	11 000
Land Care Programme Grant: Poverty Relief & Infrastructure Development	36 483	36 463	36 463	25 306	25 306	25 306	38 084	38 084	38 084	38 084	38 084	38 084	38 084	65 559
Limel/Lesema Projects Grants	3 514	3 514	3 506	3 909	3 909	3 782	3 416	3 416	3 428	3 428	3 428	3 428	3 428	4 113
														6 500
														26 000
														52 000
Education														
Early Childhood Development Grant	77 654	77 654	68 344	111 537	111 537	111 646	113 814	113 814	113 814	113 814	113 814	113 814	113 814	205 913
Financial Management and Quality Enhancement Grant	737	737	750											132 647
Further Education and Training College Sector Recapitalisation Grant														52 200
HIV and Aids (Life Skills Education) Grant	8 402	8 402	7 960	8 865	8 865	8 913	9 217	9 217	9 164	9 164	9 164	9 164	9 164	10 341
National School Nutrition Programme Grant	68 515	68 515	65 622	72 672	72 672	72 733	68 023	68 023	68 004	68 004	68 004	68 004	68 004	122 336
Health														
Comprehensive HIV and Aids Grant	73 955	73 955	71 489	79 306	810 402	792 226	863 866	863 866	859 771	859 771	859 771	859 771	859 771	1 270 123
Forensic Pathology Services Grant	100 874	100 874	100 479	142 265	142 265	142 265	153 646	153 646	153 646	153 646	153 646	153 646	153 646	235 792
Health Professions Training and Development Grant	2 366	2 366	311	46 883	41 494	35 591	41 713	41 713	41 713	41 713	41 713	41 713	41 713	32 855
Hospital Construction Grant	92 517	92 517	92 516	92 517	92 517	92 517	97 143	97 143	97 143	97 143	97 143	97 143	97 143	110 755
Hospital Revitalisation Grant	106 082	106 082	92 157	99 598	76 081	63 810	90 419	90 419	86 324	86 324	86 324	86 324	86 324	247 886
Maternal and Child Health Grant	432 116	432 116	432 016	458 043	458 043	458 043	480 945	480 945	480 945	480 945	480 945	480 945	480 945	642 835
National Tertiary Services Grant	492 144	492 144	370 130	528 629	528 629	528 400	557 858	553 508	473 160	473 160	473 160	473 160	473 160	962 759
Housing														
Integrated Housing and Human Settlement Development Grant	492 144	492 144	370 130	528 629	528 629	528 400	557 858	553 508	473 160	473 160	473 160	473 160	473 160	962 759
National Treasury	214 358	130 276	210 331	294 043	294 043	294 043	509 978	509 978	509 978	509 978	509 978	509 978	509 978	717 182
Infrastructure Grant to Provinces	214 358	130 276	210 331	294 043	294 043	294 043	509 978	509 978	509 978	509 978	509 978	509 978	509 978	717 182
Provincial Infrastructure Grant: Food Rehabilitation Grant	13 813	13 813	13 621											247 886
Disaster Relief Grant	0													378 456
Local Government Capacity Building Grant and CMIP	13 813	13 813	13 621											659 469
Sport and Recreation South Africa	2 670	2 670	2 498	9 962	9 962	9 818	15 326	15 326	15 306	15 306	15 306	15 306	15 306	20 355
Mass Sport and Recreation Participation Programme Grant	2 670	2 670	2 498	9 962	9 962	9 818	15 326	15 326	15 306	15 306	15 306	15 306	15 306	20 355
Other (not included above)	43 328	43 328	41 996	27 864	27 864	27 764	16 470	16 470	16 251	16 251	16 251	16 251	16 251	352 272
Library Services Grant														199 355
Provincial Project Management for MIG	1 923	1 923	1 922	27 864	27 864	27 764	16 470	16 470	16 251	16 251	16 251	16 251	16 251	45 197
Hospital Management and Quality Improvement	13 393	13 393	13 393											28 166
Integrated Nutrition Programme	7 296	7 296	7 296											28 166
Devolution of Priority Rate Fund grant to Provinces														28 166
Child Support Extension Grant														154 158
HIV and Aids (Community-Based Care) grant														151 805
Public Transport Operator Grant														23 008
Expanded Public Works programme Incentive Grant														
Total conditional grants	1 659 909	1 555 817	1 482 966	1 807 248	1 791 460	1 799 222	2 147 229	2 142 879	2 046 541	2 046 541	2 046 541	2 046 541	2 046 541	3 551 846
														4 220 812
														4 656 465

Table A.2: Details of total provincial own receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Tax receipts	197 789	221 432	240 710	278 572	292 637	292 637	310 264	329 924	359 622
Casino taxes	11 243	16 131	25 283	28 722	33 891	33 891	42 364	45 573	49 184
Horse racing taxes	5 090	5 854	5 495	7 752	7 752	7 752	8 217	8 710	9 232
Liquor licences	2 420	2 703	2 295	3 247	3 247	3 247	3 636	3 927	4 320
Motor vehicle licences	179 036	196 744	207 637	238 851	247 747	247 747	256 047	271 714	296 896
Sales of goods and services other than capital assets	143 331	148 562	172 279	162 868	190 944	196 666	192 671	208 631	218 464
Sale of goods and services produced by department (excluding capital assets)	143 273	148 367	172 194	162 868	190 694	196 458	192 381	208 333	218 160
Sales by market establishments	7 431	72 081	18 665	7 489	13 228	13 305	13 888	14 991	16 573
Administrative fees	56	361	89	120	120	120	135	155	173
Other sales	135 786	75 925	153 440	155 079	177 346	183 033	178 358	193 187	201 414
Of which									
Health patient fees									
Other (Specify)									
Other (Specify)									
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	58	195	85	300	250	208	290	298	304
Transfers received from:	10	483	640			610			
Other governmental units									
Universities and technikons									
Foreign governments									
International organisations									
Public corporations and private enterprises	10	483	640			610			
Households and non-profit institutions									
Fines, penalties and forfeits	11 231	14 166	13 040	21 847	23 101	23 486	20 190	21 413	23 335
Interest, dividends and rent on land	64 972	77 419	67 028	78 248	74 502	41 324	77 864	81 369	85 367
Interest	64 972	77 419	67 028	78 248	74 502	41 324	77 864	81 369	85 367
Dividends									
Rent on land									
Sales of capital assets	1 287	1 769	6 800	7 661	438	385	5 309	1 525	439
Land and subsoil assets		1 161	1 144						
Other capital assets	1 287	608	5 656	7 661	438	385	5 309	1 525	439
Financial transactions in assets and liabilities	29 160	25 635	45 893	7 070	12 795	13 527	10 329	10 661	11 052
Total provincial own receipts	447 780	489 466	546 390	556 366	594 417	568 635	616 627	653 523	698 279

Table A.3: Details of provincial payments and estimates by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates			
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11	2011/12
Current payments	8 643 767	9 764 830	10 544 308	11 760 168	12 108 442	12 778 483	13 892 678	15 175 352	16 154 801	
Compensation of employees	6 718 796	7 212 235	8 070 027	9 008 822	9 200 605	9 744 348	10 569 668	11 373 630	12 043 094	
Salaries and wages	5 960 648	6 237 169	6 964 945	7 791 764	7 974 926	8 398 804	9 078 918	9 778 818	10 343 407	
Social contributions	758 148	975 066	1 105 082	1 217 058	1 225 679	1 345 544	1 490 770	1 594 812	1 699 687	
Goods and services	1 872 619	2 458 995	2 395 624	2 751 346	2 907 798	2 986 475	3 322 612	3 800 989	4 111 438	
<i>of which (refer to section 5.3, table 5.2 in Budget Statement 1)</i>										
Leamer Teacher Support Material	56 272	81 771	56 038	109 826	94 996	93 996	94 876	112 233	124 029	
Medicine	231 222	263 258	273 463	409 860	409 860	460 109	425 169	523 340	544 582	
Medical Consumables	107 475	161 582	156 368	201 826	201 826	232 642	259 392	313 622	310 301	
Other	1 477 650	1 952 384	1 909 755	2 029 834	2 201 116	2 199 728	2 543 175	2 851 794	3 132 526	
Interest and rent on land	40 994	55 348	71 531		39	17				
Interest			406		39	17				
Rent on land	40 994	55 348	71 125							
Financial transactions in assets and liabilities	10 967	37 943	7 003			4 572	378	732	269	
Unauthorised expenditure	391	309	123			43 071				
Transfers and subsidies to:	1 403 309	1 458 885	1 431 321	2 025 488	2 164 166	2 159 899	2 419 999	2 704 723	2 904 298	
Provinces and municipalities	99 175	80 616	51 365	210 043	231 108	212 863	188 709	184 511	176 231	
Provinces ²				50	50	50				
Provincial Revenue Funds				50	50	50				
Provincial agencies and funds										
Municipalities ³	99 175	80 616	51 365	209 993	231 058	212 813	188 709	184 511	176 231	
Municipalities	98 997	80 569	51 365	209 993	231 044	212 812	188 709	184 511	176 231	
<i>of which: Regional service council levies</i>										
Municipal agencies and funds	178	47			14	1				
Departmental agencies and accounts	28 193	49 774	51 798	63 462	65 982	80 761	92 022	75 642	79 597	
Social security funds	3 971	3 000	3 412	4 922	4 922	4 922	5 820	6 314	6 678	
Provide list of entities receiving transfers ⁴	24 222	46 774	48 386	58 540	61 060	75 839	86 202	69 328	72 719	
Universities and technicons	1 102	1 142	1 100	1 100	1 100	993	1 175	1 232	1 289	
Public corporations and private enterprises ⁵	33 509	31 387	27 679	15 015	31 595	30 318	172 278	24 717	21 262	
Public corporations	32 810	29 335	25 895	15 015	25 524	25 197	18 473	22 217	18 262	
Subsidies on production										
Other transfers	32 810	29 335	25 895	15 015	25 524	25 197	18 473	22 217	18 262	
Private enterprises	699	2 052	1 784		6 071	5 121	153 805	2 500	3 000	
Subsidies on production							151 805			
Other transfers	699	2 052	1 784		6 071	5 121	2 000	2 500	3 000	
Foreign governments and international organisations										
Non-profit institutions	752 828	701 116	736 079	877 247	922 554	921 010	895 007	999 900	1 103 877	
Households	488 502	594 850	563 300	858 621	911 827	913 954	1 070 808	1 418 721	1 522 242	
Social benefits	44 603	56 197	47 970	57 687	57 482	43 496	55 338	59 015	61 984	
Other transfers to households	443 899	538 653	515 330	800 934	854 345	870 458	1 015 470	1 359 706	1 460 258	
Payments for capital assets	628 781	1 074 677	1 299 671	1 899 247	1 905 731	1 852 502	2 061 305	2 409 707	2 669 447	
Buildings and other fixed structures	516 182	913 393	1 150 003	1 734 191	1 742 533	1 726 817	1 819 538	2 103 159	2 350 252	
Buildings	291 052	443 151	584 286	893 273	901 989	904 889	811 645	962 771	1 114 812	
Other fixed structures	225 130	470 242	565 737	840 918	840 544	821 928	1 007 893	1 140 388	1 235 440	
Machinery and equipment	107 116	154 903	146 007	159 668	152 519	121 973	234 412	299 965	312 472	
Transport equipment	1 433	252	325	232	514	514	1 116	8 916	7 353	
Other machinery and equipment	105 683	154 651	145 682	159 436	152 005	121 459	233 296	291 049	305 119	
Cultivated assets	3 340	1 047	735		206	992	5 000	5 360	5 360	
Software and other intangible assets	2 027	1 970	2 655	4 988	5 823	2 070	1 555	233	274	
Land and subsoil assets	116	3 364	271	400	4 650	650	800	990	1 089	
Heritage assets										
Specialised military assets										
Total economic classification	10 675 857	12 298 392	13 275 300	15 684 903	16 178 339	16 790 884	18 373 982	20 289 781	21 728 546	

Table A.4(a): Payments summary by policy area (simple example of bridging table)

Function	Category	Department	Programme		
General public services	Legislative	Premier	Administration Management services		
		Provincial Legislature	Administration National Council of Provinces Management services		
	Financial and fiscal affairs	Finance	Administration Financial planning and resource management Financial management Procurement Management services		
			Public order and safety	Police services	Provincial Safety and Liaison
Economic Affairs	General economic affairs	Economic Affairs	Administration Trade, industry and tourism development Economic and development services Consumer protection and inspectorate services Management services		
			Agriculture	Agriculture	Administration Agricultural development and research Veterinary services Conservation management Environmental management Specialist environmental services Management services
					Transport
	Communication	Tourism	Tourism		
	Environmental Protection	Environmental protection		Conservation management Environmental management Specialist environmental services	
Housing and community amenities	Housing development	Housing	Technical service Planning and development		
Health	Outpatient service	Health	District health services Primary nutrition programme		
	R&D health (CS)		Health science		
	Hospital services		Provincial hospital services Specialised hospital services		
Recreation, culture and religion	Recreational and sporting services	Sport, recreation, arts and culture	Sport and recreation		
	Cultural services		Art, culture and heritage Facility development		
Education	Pre-primary and primary	Education	Pre-primary Primary		
			Secondary education	Secondary	
	Subsidiary service to education		Provision of subsidiary		
	Education not definable by level		ABET		
Social protection	Social security services	Social service and population development	Administration Social security Social assistance Social welfare services Social development Population development Management services		

Table A.4(b): Details of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
General Public Services									
Executive and Legislature	152 776	172 236	192 193	215 336	257 852	257 794	255 401	269 951	283 827
Office of the Premier	86 099	97 084	110 277	120 096	124 506	124 448	133 904	141 809	148 826
RDP									
Provincial Legislature	66 677	75 152	81 916	95 240	133 346	133 346	121 497	128 142	135 001
Financial and Fiscal Services	98 060	104 308	123 652	137 131	141 131	141 131	152 389	162 290	170 972
Provincial Treasury	98 060	104 308	123 652	137 131	141 131	141 131	152 389	162 290	170 972
General Services (Public Works, Local Government)	358 067	442 245	610 717	802 695	826 360	850 323	917 385	950 403	1 015 468
Total: General Public Services	608 903	718 789	926 562	1 155 162	1 225 343	1 249 248	1 325 175	1 382 644	1 470 267
Public Order and Safety									
Police Services	159 666	175 178	180 609	215 301	222 917	232 542	253 849	266 998	281 246
Safety and Liaison	159 666	175 178	180 609	215 301	222 917	232 542	253 849	266 998	281 246
Total: Public Order and Safety	159 666	175 178	180 609	215 301	222 917	232 542	253 849	266 998	281 246
Economic Affairs									
General Economic Affairs	112 842	146 113	172 190	188 027	180 204	180 156	203 958	214 113	226 029
Dept of Economic Affairs	112 842	146 113	172 190	188 027	180 204	180 156	203 958	214 113	226 029
Agriculture	298 710	227 011	292 186	334 154	372 495	359 495	400 515	434 501	486 888
Dept of Agriculture Affairs	298 710	227 011	292 186	334 154	372 495	359 495	400 515	434 501	486 888
Transport	484 031	982 795	854 039	1 142 590	1 134 974	1 133 805	1 467 206	1 438 961	1 534 436
Department of Transport	484 031	982 795	854 039	1 142 590	1 134 974	1 133 805	1 467 206	1 438 961	1 534 436
Total: Economic Affairs	895 583	1 355 919	1 318 415	1 664 771	1 687 673	1 673 456	2 071 679	2 087 575	2 247 353
Environmental Protection									
Environmental Protection	61 706	80 583	95 836	115 749	123 572	123 620	124 772	132 419	139 942
Total: Environmental Protection	61 706	80 583	95 836	115 749	123 572	123 620	124 772	132 419	139 942
Housing and Community Amenities									
Housing Development	411 067	579 156	509 320	826 410	851 338	849 981	1 020 506	1 361 240	1 440 798
Department of Housing	411 067	579 156	509 320	826 410	851 338	849 981	1 020 506	1 361 240	1 440 798
Total: Housing and Community Amenities	411 067	579 156	509 320	826 410	851 338	849 981	1 020 506	1 361 240	1 440 798
Health									
Outpatient services									
R and D Health (CS)									
Hospital Services	3 121 275	3 461 337	3 833 997	4 287 858	4 469 305	4 691 147	5 197 838	5 883 355	6 297 776
Total: Health	3 121 275	3 461 337	3 833 997	4 287 858	4 469 305	4 691 147	5 197 838	5 883 355	6 297 776
Recreation, Culture and Religion									
Sporting and Recreational Affairs	118 616	138 706	187 210	284 890	321 078	346 081	313 440	316 658	314 300
Sport, Arts and Culture	118 616	138 706	187 210	284 890	321 078	346 081	313 440	316 658	314 300
Total: Recreation, Culture and Religion	118 616	138 706	187 210	284 890	321 078	346 081	313 440	316 658	314 300
Education									
Pre-primary & Primary Phases									
Secondary Education Phase									
Subsidised Services to Education									
Education not defined by level	4 916 135	5 345 739	5 797 303	6 598 569	6 721 166	7 068 907	7 383 261	8 123 917	8 734 429
Total: Education	4 916 135	5 345 739	5 797 303	6 598 569	6 721 166	7 068 907	7 383 261	8 123 917	8 734 429
Social protection									
Social Security Services									
Social Services and Population Development	382 906	442 985	426 048	536 193	555 947	555 902	683 462	734 975	802 435
Total: Social protection	382 906	442 985	426 048	536 193	555 947	555 902	683 462	734 975	802 435
Total provincial payments and estimates by policy area	10 675 857	12 298 392	13 275 300	15 684 903	16 178 339	16 790 884	18 373 982	20 289 781	21 728 546

Table A.5: Details of payments for infrastructure by category

Category/type of structure	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
R thousands									
New and replacement assets	57 071	166 954	173 465	336 147	430 690	406 694	514 559	317 360	487 049
Public Works						42 000	35 517	44 609	45 557
Health									
Education	6 282	128 452	115 748	237 111	303 761	291 919	307 328	104 589	176 180
Sport, Art and Culture	14 326	13 196	15 512	28 247	13 785	4 905	24 190	24 450	46 521
Tourism, Environmental and Economic Affairs							49 454	52 879	55 629
Social Development				12 817	17 398	15 759	41 650	14 537	15 366
Agriculture	36 463	25 306	36 384	39 972	35 746	35 746	29 854	34 704	35 283
Community Safety and Transport			5 821	18 000	18 000	16 365	26 566	41 592	112 513
Maintenance and repairs	274 184	476 225	376 811	362 301	281 291	285 606	356 328	348 294	359 881
Public Works	98 443	99 511	99 670				23 008		
Health	2 310	8 329	37 086	60 013	60 013	60 013	109 104	116 411	123 639
Education	8 325	7 558	8 308	11 440	11 440	10 531	13 290	14 074	17 918
Sport, Art and Culture	1 917	1 262	1 079	2 850	2 840	2 840	3 021	3 197	6 500
Tourism, Environmental and Economic Affairs	2 456	12 571	26 000						
Social Development									
Agriculture	3 505	3 762	3 416	3 428	3 428	3 428	5 113	4 360	4 622
Community Safety and Transport	157 228	343 232	201 252	284 570	203 570	208 794	202 792	210 252	207 202
Upgrades and additions	155 419	414 435	355 550	474 474	452 224	452 647	144 419	216 430	288 086
Public Works	41 000	40 985	58 169	73 000	31 200	31 200	45 000	38 000	34 000
Health									
Education	26 336	27 800	93 776	154 383	87 733	99 574	440	60 056	118 859
Sport, Art and Culture	8 856	10 439	7 066	9 288	9 288	10 548	9 839	15 000	10 978
Tourism, Environmental and Economic Affairs	3 635	12 574	12 174						
Social Development									
Agriculture				9 117	14 317	14 317	33 805	41 945	50 611
Community Safety and Transport	75 592	322 637	184 365	228 686	309 686	297 008	55 335	61 429	73 638
Rehabilitation, renovations and refurbishments	312 189	452 322	579 909	818 881	818 881	824 229	1 246 468	1 684 633	1 709 743
Public Works		6 061	5 801	10 735	7 735	7 829	9 798	10 087	10 645
Health	168 643	149 058	199 021	317 555	317 555	317 555	310 886	454 426	511 383
Education							19 871	204 106	162 488
Sport, Art and Culture									
Tourism, Environmental and Economic Affairs									
Social Development	19 114	9 257	10 528						
Agriculture	24 305		10 000	30 200	30 200	17 200	30 434	30 193	31 588
Community Safety and Transport	100 127	287 946	354 559	460 391	463 391	481 645	875 479	985 821	993 639
Infrastructure transfer - current							1 650	1 782	1 999
Public Works									
Health									
Education							1 650	1 782	1 999
Sport, Art and Culture									
Tourism, Environmental and Economic Affairs									
Social Development									
Agriculture									
Community Safety and Transport									
Infrastructure transfer - Capital	129 348	13 757	11 279	158 213	182 845	187 741	39 690	21 028	3 000
Public Works									
Health									
Education	129 348	13 757	9 579	47 713	47 713	47 713			
Sport, Art and Culture				64 500	78 972	78 951	37 690	18 528	
Tourism, Environmental and Economic Affairs				46 000	50 160	55 077			
Social Development									
Agriculture			1 700		6 000	6 000	2 000	2 500	3 000
Community Safety and Transport									
Total provincial infrastructure	928 211	1 523 693	1 497 014	2 150 016	2 165 931	2 156 917	2 303 114	2 589 527	2 849 758

Table A5 (a): Summary of Infrastructure Enhancement Allocation payments and estimates by Vote

R' thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Public Works and Roads				16 602	16 602	4 326	22 118	15 932	6 008
Health	48 063	82 373	105 490	99 816	99 816	99 816	101 104	102 411	107 139
Education	74 023	82 939	80 721	280 026	280 026	280 026	101 428	102 739	107 483
Sport, Art and Culture	25 099	22 800	23 657	104 885	104 885	99 666	74 740	61 175	63 999
Tourism, Environmental and Economic Affairs	6 091	10 000	20 000	30 000	30 000	30 000	30 204	30 594	32 007
Agriculture			10 000	30 200	30 200	30 200	30 434	30 193	31 588
Community Safety and Transport	129 775	213 809	363 595	602 986	602 986	607 818	726 482	742 348	787 280
Total provincial Infrastructure	283 051	411 921	603 463	1 164 515	1 164 515	1 151 852	1 086 510	1 085 392	1 135 504

Table A5 (b): Summary of Infrastructure Grant to Provinces

R' thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Public Works and Roads			10 000						
Health	48 063	51 365	29 112	45 000	45 000	45 000	71 000	90 000	106 000
Education	61 607	59 270	119 714	129 066	129 066	129 066	187 546	219 650	293 480
Agriculture	24 305								
Community Safety and Transport	76 356	183 410	350 255	395 212	395 212	395 212	458 636	558 337	601 276
Total provincial Infrastructure	210 331	294 045	509 081	569 278	569 278	569 278	717 182	867 987	1 000 756

Table A.6: Transfers to local government by category and municipality

R thousand	Outcome			Main appropriation	Adjusted appropriation 2008/09	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2009/10	2010/11	2011/12
Category A									
Municipality									
Category B	67 099	69 295	48 769	84 045	88 779	86 876	552	1 000	1 500
Letsemeng	1 414	4 908	244	365	32	312	54	60	70
Kopanong	1 477	17 624	284	420	242	392	73	80	90
Mohokare	3 513	2 810	0	304	216	1 296	44	50	60
Naledi	540	4 298	8 300	104	1 604	1 604	44	50	60
Mangaung	29 178	20 155	7 577	67 893	65 867	67 051			
Mantsopa	581	380	9 000	406	343	343		50	60
Maslionyana	369	1 400	0	9 660	15 312	9 557		60	70
Tokologo	903	5 379	5 000	104	104	104	44	50	60
Tswelopele	236	200	911	104	74	94	44	50	60
Majhabeng	717	1 730	878	1 405	1 089	1 512			63
Nala	3 275	390	0	160	116	156	44	50	60
Selsoto	2 773	586	705	144	450	240		50	60
Dihlabeng	2 874	849	0	156	956	856			60
Nketoana	8 418	2 980	12 000	144	189	89		50	60
Maluti a Phofung	627	330	533	156		100			63
Phumelela	2 906	776	2 500	88		79		50	60
Moqhaka	1 224	1 076		156	55	120		75	100
Ngwathe	1 802	754		314	559	100			100
Metsimaholo	3 680	117	537	1 574	1 221	1 993	205	225	284
Mafube	592	2 553	300	388	350	878		50	60
Category C	32 076	11 321	2 596	125 998	142 329	125 987	188 157	183 511	174 731
Xhariep	2 545	5 254	10	50 098	53 273	37 390	56 058	61 663	63 663
Motheo	9 357	2 417		9 010	8 975	8 929	9 810	15 791	12 791
Lejweleputswa	8 817	746		37 598	37 568	37 548	42 043	46 247	48 247
Thabo Mofutsanyane	5 339	1 198	2 575	25 228	27 169	26 602	28 029	30 832	32 832
Fezile Dabi	2 749	658		4 064	15 344	15 518	41 894	18 153	5 875
Unallocated	1 846	1 048	11				10 323	10 825	11 323
Inter-provincial transfers	1 423								
Total transfers to local government	99 175	80 616	51 365	210 043	231 108	212 863	188 709	184 511	176 231

Table A.7: Summary of provincial payments and estimates by region, district and municipal ward

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2005/06	2006/07	2007/08				2008/09	2009/10	2010/11
Region									
Xhariep	8 949	30 596	538	51 187	53 763	39 390	56 229	61 853	63 883
Letsemeng	1 414	4 908	244	365	32	312	54	60	70
Kopanong	1 477	17 624	284	420	242	392	73	80	90
Mohokare	3 513	2 810		304	216	1 296	44	50	60
Xhariep	2 545	5 254	10	50 098	53 273	37 390	56 058	61 663	63 663
Motheo	39 656	27 250	24 877	77 413	76 789	77 927	9 854	15 891	12 911
Naledi	540	4 298	8 300	104	1 604	1 604	44	50	60
Mangaung	29 178	20 155	7 577	67 893	65 867	67 051			
Mantsopa	581	380	9 000	406	343	343		50	60
Motheo	9 357	2 417		9 010	8 975	8 929	9 810	15 791	12 791
Thabo Mofutsanyana	22 937	6 719	18 313	25 916	28 764	27 966	28 029	30 982	33 135
Setsoto	2 773	586	705	144	450	240		50	60
Dihlabeng	2 874	849		156	966	856			60
Nketoana	8 418	2 980	12 000	144	189	89		50	60
Maluti a Phofung	627	330	533	156		100			63
Phumelela	2 906	776	2 500	88		79		50	60
Thabo Mofutsanyana	5 339	1 198	2 575	25 228	27 169	26 602	28 029	30 832	32 832
Fezile Dabi	10 047	5 158	837	6 496	17 529	18 609	42 099	18 503	6 419
Moghaka	1 224	1 076		156	55	120		75	100
Nqwathe	1 802	754		314	559	100			100
Metsimaholo	3 680	117	537	1 574	1 221	1 993	205	225	284
Mafube	592	2 553	300	388	350	878		50	60
Fezile Dabi	2 749	658		4 064	15 344	15 518	41 894	18 153	5 875
Lejweleputswa	14 317	9 845	6 789	49 031	54 263	48 971	42 175	46 457	48 560
Masilonyana	369	1 400		9 660	15 312	9 557		60	70
Tokologo	903	5 379	5 000	104	104	104	44	50	60
Tswelopele	236	200	911	104	74	94	44	50	60
Matjhabeng	717	1 730	878	1 405	1 089	1 512			63
Nala	3 275	390		160	116	156	44	50	60
Lejweleputswa	8 817	746		37 598	37 568	37 548	42 043	46 247	48 247
Unallocated funds	1 846	1 048	11				10 323	10 825	11 323
Intrr - provincial transfer	1 423								
Total provincial payments by district	99 175	80 616	51 365	210 043	231 108	212 863	188 709	184 511	176 231

PART B: Budget Statement 2: Departmental Estimates