

2010/11 Free State Provincial Budget Speech

05 March 2010

**MEC for Finance
Seiso Mohai**

Together doing more and better for decent work and sustainable livelihoods

2010/11 Free State Provincial Budget Speech by Free State MEC for Finance, Seiso Mohai

Honourable Speaker;

Honourable Premier;

Members of the Provincial Executive Council;

Members of the Free State Legislature;

Executive Mayors and Mayors;

Distinguished guests;

People of the Free State;

Ladies and Gentlemen:

The tabling of this Budget happens 97 days before the kick-off of the 2010 Soccer World Cup. We are waiting in anticipation for the biggest world sporting carnival of the Beautiful Game on our shores. Ubuntu and compassion will be the hallmark of 2010 Soccer World Cup. Our Free State Stadium has been completed. We have increased the number beds for accommodation. We are ready! Ke Nako!

This budget is buttressed by our electoral mandate of doing more and better in our quest for building a better life for all. The Premier, in the tabling of the State of the Province Address last week, reiterated that the five strategic priorities of education, health, decent work together with sustainable livelihoods, rural development and community safety constitute a cardinal programmatic framework of Government. He also indicated that infrastructure development, local government and human settlements will also have significant prominence in our work.

We table this budget as our national economy has begun recovery from its first recession in 17 years which was precipitated by the deepest world recession in 70 years.

Structural unemployment and poverty remain intolerably high in our province as in the entire country. South Africa is now the most unequal society in the world in terms of income and wealth distribution.

More than the recession our main economic crisis lies in the structural problems of our economy which was inspired by more than three centuries of racial political and economic exclusion. Even before the recession we still had deep seated structural challenges of unemployment and poverty. The global meltdown therefore served to aggravate internal systemic weaknesses and delayed the reduction of poverty and unemployment. Even though we could have been on course to halving unemployment and poverty by 2014, before the recession, the growth path that was underway until 2007 already had signs of unsustainability in that it was a consumption driven growth, with no contribution to savings and the productive capacity of the economy.

The case for a new growth path must therefore help change the structure of our economy for better, create jobs, fight poverty and fast track the economic recovery in the wake of the recession. Joseph Stiglitz, the 2001 winner of the Nobel Prize for Economics, advocates for “*an economic policy and philosophy that views the relationship between government and markets as complementary*” and goes further to say: “*Inequality and unemployment are issues in which government to take an important role*”

This budget is therefore not just about numbers. It is about the policy choices and tradeoffs we have made given the many competing demands on the limited resources. This budget is most importantly about our people; their needs, their desires and their hopes.

The 20th anniversary of Nelson Mandela’s release from prison should serve to inspire us that change in the socio-economic conditions of our people is urgent and realisable. Mandela represents the triumph of human spirit against brutal adversity. He represents tenacity, courage, human compassion and solidarity.

We borrow the battles-cries of the generation of Madiba for finding, once more, the spirit of the fundamental change for a better life for all! Where they said: *Mayibuye i-Africa*; we say: *Mawubuye unmntho wase Africa* (Political freedom was the goal in the past; economic freedom is the goal today). Where they said: freedom in our lifetime, we say: A better life for all in our life time. Where they said Amandla, Power to the people; we say people’s power for economic development and empowerment! We therefore continue to say: **show us the way to socio-economic emancipation, Madiba!**

A New Growth Path for the Province

Speaker, President Jacob Zuma and the Finance Minister Pravin Gordhan have both emphasised the need for a new economic growth path. The main pillars for the new growth path as captured by Minister Gordhan in his 2010/11 Budget Speech include the following:

1. A concerted effort to reduce joblessness among young people
2. Support for labour-intensive industries through industrial policy interventions, skills development, public employment programmes and a rural development strategy.
3. Sustaining high levels of public and private investment and raising our savings level.
3. Improving the performance and effectiveness of the state, especially the provision of quality education and training at all levels.
4. Reforms to increase inclusion and participation in the labour market, alongside efforts to improve competition in product markets.
6. Keeping inflation low, striving for a stable and competitive exchange rate, and providing a buffer against global volatility.
7. Raising productivity and competitiveness, opening up the economy to investment and trade opportunities that can boost exports. We need to produce the goods and services that other people desire to have; that we can export to the rest of the world.

Clearly the new growth path should put the creation of decent jobs at the centre of economic policy. Recently, the national Government has unveiled an Industrial Policy Action Plan aimed at promoting the long term industrialisation and diversification of the South African economy by

expanding manufacturing and other productive sectors of the economy which are the engines of long-term sustainable growth and job creation in developing countries such as ours. The Action Plan sets the target of creating 2.5 million jobs over the next 10 years. There is no alternative to industrial development for the creation of sustainable decent jobs in the long term!

As Free State province, we will therefore step-up our efforts for industrial development and diversification and promoting the expansion of the productive sectors of the provincial economy. The work we are doing in the mining, manufacturing and agricultural industries will have to go beyond just saving these industries to increasing their productive capacity and value chain. This will be done in our work to promoting labour intensive industries as part of our efforts for creating decent jobs for unemployed. The economic development strategy of the province will therefore have to integrate three main pillars, namely industrial development, rural development and SMME development.

The infrastructure development programme will also be central in driving the expansion and diversification of productive industries in the province. This includes the construction industry and supplier industries. The procurement in the construction industry should contribute to the development of local economies as well as that of the Free State province.

Honorable Speaker, the Fifteen Year Review released by the Presidency in July 2008 notes the major problem of an industrial development trajectory still skewed to the highly developed minerals and energy complex with weak linkages to other industries domestically had poor employment outcomes. Our major task is therefore to change the structure of our economy to be more industrially diverse productive, labour absorbing and competitive in both export markets and domestic markets.

Towards a Developmental State

Speaker, the Fifteen Year Review also notes problems within Government with regard to service delivery. We must therefore continue to build capacity of government towards a developmental state that guides national economic development and mobilise domestic and foreign capital and other social partners. The developmental state we seek to build must have attributes that include:

- capacity to intervene in the economy in the interest of higher rates of growth and sustainable development;
- effecting sustainable programmes that address challenges of unemployment, poverty and underdevelopment with requisite emphasis on vulnerable groups; and
- mobilising the people as a whole, especially the poor, to act as their own liberators through participatory and representative democracy.

The new Outcomes Based Planning Approach should be understood as part of Government efforts to build a developmental state. Our past experience as government shows that we have improved access to services and expenditure which together constitute inputs, but we still must do more in converting these inputs into positive outcomes.

We have therefore derived from both the electoral mandate and the (2009-2014) Medium Term Strategic Framework twelve distinct priority outcomes which represent 80% of the budget. The allocations of this Budget to various government departments have been done according to this Outcomes Based Approach.

As the Premier correctly highlighted, in the State of the Province Address, Operation Hlasela will be taken to new and greater heights in the 2010/11 financial year. The spirit of Hlasela is that of collaboration, of doing more with the limited available resources. It is the spirit of maximising the developmental impact of our programmes and increasing service delivery to our communities. This Budget advances Operation Hlasela.

Provincial Economic Outlook

Speaker, until 2008, the structure of the Free State economy was dominated by the tertiary sector at 68% comprising of such industries as general government services, community services and finance, transport, and wholesale and retail trade. The Secondary Sector constitutes 19% of the provincial economy and comprises of the manufacturing, construction, and electricity and water industries. The primary sector which comprises of mining and agriculture industries only made up 12% of the provincial economy in 2008.

On average, between 2000 and 2008, most of the provincial economic growth has been concentrated in the secondary and tertiary industries whilst the primary industries have contracted.

Both the third quarter gross domestic product (GDP) results of 0.9 % growth and fourth quarter results of 3.2% growth of GDP indicate that as country we are out of recession and the recovery has begun in earnest. The year 2009 was a very difficult one for the country's economy and the province was not immune. The province was one of the hardest hit in terms of job losses in the first three consecutive quarters of the year. However, a slight increase was observed in the fourth quarter of 2009 where the province recovered and managed to create 32 000 jobs.

Although the percentage of people living in poverty has reduced by 8% between 2000 and 2008, a lot of work to reducing poverty further down must still be done.

Revenue Proposals 2010/11 to 2012/13

Honourable Speaker, the budget that we table in this House focuses on the outcomes that this government has set for itself, guided by the will of the people of this province expressed in the 2009 ANC Election manifesto. Furthermore, this budget seeks to accelerate service delivery to areas and people that need them the most. **Ka tekanyetso-kabo ena, re hlasela ho hloka mesebetsi (joblessness), re hlasela bofuma (poverty), re hlasela ho sa lekane (inequality), re hlasela ho kula (ill-health), re hlasela HIV/Aids, re hlasela botloko-tsebe le bobodu (crime and corruption), re hlasela ditsela (roads) le ho kwala “di-pothole”, re hlasela kgethollo ya morabe (racial discrimination) le bong (gender discrimination), re hlasela tlhekefetso ya basadi, bana le banna (abuse of women, children and men), re hlasela ho se boloke (culture of dis-saving)!** It is only through sustained attacks on these that we, as a developmental state, can create a vibrant and prosperous Free State. Speaker some will argue that perhaps we are overly optimistic, but I say, you name it, if it is bad for the people of this province, we will attack it! By the way speaker, whilst the concept of attack could be misconstrued by others as militant and inciting violence, to us it revolves around a sense of urgency.

But in order to attack, you need resources, more so financial resources. In this regard, let me deal with the revenue proposals for the next three years. Although real GDP is forecast to grow by 2.3% in 2010, the estimate for real tax revenue increases is more conservative, and tax financing will continue to be supplemented by loan financing. The Minister of Finance in his speech placed significant emphasis on the need to improve tax compliance, and subsequently

suggested that some of the revenue estimates for the MTEF outer years might be fairly optimistic if tax evasion was not addressed and the tax base was not broadened. **Bo-Mme le Bo-Ntate, ha re lefeng lekgetho la rona ka nako le ka tsela e nepahetseng! Ladies and gentlemen, pay your taxes, it is the right thing to do!**

Revenue Envelope

The national and provincial priorities are financed from three main sources: firstly, transfers from national government through the equitable share which on average makes up 74.6% of the provincial fiscal envelope, secondly conditional grants which forms 22.4% of the provincial budget in 2010/11, thirdly provincial own receipts (taxes and fees) which contribute on average 3%. Donor funding is an additional source of funding and it accounts for 0.1% of the total provincial funding in the 2009/10 financial year. **In total, the provincial budget grows from an adjusted R19.35 billion in 2009/10 to R21.40 billion in 2010/11, R23 billion in 2011/12 and R24.1 billion in 2012/13, an addition of R4.72 billion into the provincial fiscus over the MTEF.** In real terms, the growth in these figures is below inflation, thus confirming the increased strain on the fiscal resources of the province and the need for prudence! **Karolo ya lekgetho eo re e fumanang ho tswa mmusong o bohareng e ya e fokotseha, ho bolelang hore re tlamehile ho sebedisa chelete ya mmuso ka bokgabane. Re hloka ho etsa ho hongata ka ho honyenyane!**

Equitable Share

Poor tax collection in 2009/10 and the anticipated sluggish rate of tax revenue recovery can also be attributed to high levels of household debt at the time the economic crisis commenced. Households had to sharply curtail expenditure as their circumstances changed, and indeed it is VAT collection which was underestimated to the largest extent in last year's National Budget. High indebtedness also means that rising incomes in the future will only partly go towards increased consumption, which accounts in part for the slow recovery of tax revenue even when growth does pick up.

During the previous budgets, we have outlined the factors that influence the revenue-sharing formula and further explained what is likely to happen going forward. The heavily demographic driven formula for the sharing of revenue across provinces appears to have permanently

relegated the province to the position of receiving the second smallest slice of the pie. Although Free State's equitable share funding has increased in monetary terms, the province's weighted share continues its unabated decline from 6.4% in 2005/06 to 6.1% in 2010/11, prompted on the one hand mainly by declining learner numbers, whilst ignorant of undocumented migration trends on the other.

Notwithstanding the R70 billion revenue shortfall announced by the Minister of Finance, **our equitable share grows from an adjusted R15 billion in 2009/10 to R16 billion in 2010/11, R17 billion in 2011/12, and R17.79 billion.** Again the real growth of this funding is way below the function and its relative contribution to the envelope continues its decline.

Conditional Grants

Speaker, funding from this source of revenue grows from an adjusted R3.74 billion in 2009/10 to R4.79 billion in 2010/11 and R5.31 billion in 2011/12 and R5.58 billion in 2012/13. The increase in the contribution of conditional grants in relation to the revenue source, driven by its comparatively substantial growth, adversely affects our autonomy as a provincial government and goes to the heart of the fiscal decentralization debate. This is more so considering the slow spending on some of the conditional grants. At the end of December 2009, only R2,7 billion or 71% of the allocated R3,7 billion had been spent, representing under-expenditure of 4%. Fourteen out of the twenty-one conditional grants in the province had spent less than the expected 75% of their budgets by the end of the 3rd Quarter. This under-expenditure remains a challenge as it does not only reflect on our capacity constraints as government, but represents a loss of opportunity to improve the lives of the people of this province, especially the vulnerable groups. **This performance has been chronic and needs to be corrected!**

Own-source Revenue

Ena ke karolo ya chelete eo mmuso wa provinsi o e fumanang ho tswa ditshebeletsong tseo o fanang ka tsona. E kenyeletsa dintho tse tshwanang le ditifello tsa mangolo a makoloi, ditshebeletso tsa bophelo bo botle, jwalo-jwalo. Hape ena ke karolo ya lekeno leo mmuso wa provinsi o nang le boikarabello hodima ho e bokella le ho e sebedisa.

Mr Speaker, optimizing revenue collection must be a collective effort by Departments and hence as Provincial Departments we must strategize and ensure that revenue targets are met in the coming financial year. Provincial Treasury is committed to developing a credible revenue budget for the Province and to achieve this, it will continue to review the revenue targets of departments annually through the Adjustment Budget Processes. Over and above the assistance that we give to departments to attain their revenue targets, Provincial Treasury has also embarked on a number of Revenue Enhancement Projects to enhance the achievement of departmental revenue targets. Departments will be requested to submit revenue plans that clearly indicate the measures that will be undertaken to attain their revenue targets for the 2010/11 financial year. **In addition, no claims against revenue will be processed if the requesting Department has outstanding revenue to pay to the Provincial Revenue Fund.**

This source of revenue grows from R647.41 million in 2010/11 to R678.27 million in 2011/12 and R710.29 million in 2012/13. Provincial Own Revenue is generated by twelve (12) Departments and out of them, four (4) Departments contribute a revenue budget of R602 million or 93% of the overall budget for 2010/11 financial year.

Alone, the Department of Police, Roads and Transport contribute R366 million or 57% of the overall budget, mainly through Motor Vehicle License Fees which contributes R293 million or 45% of the overall budget. The Department of Health's contribution of R88 million, mainly from patient fees, makes them the second highest contributors to this source of revenue at 14%. Motsamaisi wa dipuisano, ho bohlokwa hore batho ba tshepahale. Bao ba kgonang ho lefella ditshebeletso tsa sechaba, ba tshwanetse ho etsa joalo! Re hloka ho tshehetsa mmuso ona wa rona ka ho etsa dintho tse nepahetseg! E re ke fane ka mohlala: Ho ya ka dibuka tsa rona tsa dilemo tse tharo tse fetileng, ho na le sekoloto sa R382,3 million bakeng sa ditshebeletso tsa bophelo bo botle (patient fees). Even after writing off R109,8 million or 29% of this outstanding debt, the remaining balance of R272,5 million is too substantial. Yet another example Speaker: Statistics show that since April 2003 to date, over 68 thousand people in the province have not paid their motor vehicle licenses, with the total outstanding figure now amounting to R105, 5 million. 31% of these defaulters are in Bloemfontein, 11% in Welkom and 6% in Sasolburg.

Provincial Treasury is the third highest revenue collecting Department with a revenue budget of R86 million or 13.2% for 2010/11 financial year mainly from interest on short-term investments. Last year, the department reviewed its Investment Strategy and the spinoffs arising from this have been spectacular. At the time of the review, given the financial state of the province and the economic recession, the department was considering to revise its revenue downward. **In the first nine months of the 2009/10 financial year, the department had collected R65,5 million or 80% of the projected R82 million.**

The fourth highest contributor to provincial own source revenue is the Department of Economic Development, Tourism and Environmental Affairs with a revenue budget of R62 million or 10% for the 2010/11 financial year, mainly collected from casino taxes. This source of revenue was adversely affected by the recession, with the result that the department had to revise its projected revenue collectable on this by R18,6 million for the 2009/10 financial year.

Speaker, whilst donor-funding is not a major source of funding for our province, it remains critical for a number of reasons. Surrendering of unspent Donor Funds after each financial year by Departments remains a challenge and Provincial Treasury will continue to work with National Treasury to enforce that these funds be returned to the Reconstruction and Development Fund (RDP Fund), unless otherwise stated in the Donor contract. **I must warn that Donor funds must only be used for what they are intended and Departments must comply with the agreed conditions in the Donor contract. Non-compliance regarding Donor Funding destroys our reputation as a Country and Province. Like I said earlier Speaker, we will attack anything that is bad for the people of this province! Moving forward, Provincial Treasury will involuntarily reduce the amounts that are unspent and owed to Donor Countries from the equitable share of the Departments and pay them over to the RDP fund.**

Budgeting for Accelerated Service Delivery

During his State of the Nation Address, our State President, Jacob Zuma, emphasized on a ***“state that responds to the needs and aspirations of the people, and which performs better and faster”***. That is the type of the state that we seek to build. Guided by his message that ***“this year, 2010, shall be a year of action”***, Free State Provincial Government embarked

on extensive budget reprioritization bilateral meetings and workshops. Part of this process was to inculcate the notion of a performance-driven state through an outcomes-based approach. Secondly, this process sought to break down the silo-approach to service delivery, and rightfully concretize the notion of working together we can do more. More importantly, this process needed to ensure that all financial resources are channeled towards the attainment of these outcomes, thus making sure resources are not wasted on whatever government programme that does not contribute positively to this. This approach also endorses the principle that public resources must be utilized economically, efficiently and effectively.

This process also flowed from deliberations at the national level, starting with the crafting of the Medium Term Strategic Framework (MTSF) in the early days of this administration, which was subsequently informed by the ANC's 2009 Election Manifesto. Speaker, from this year, the people will not have to judge us by the length nor content of our speeches, but by our performance on the twelve outcomes. Whilst we recognize that no department can single-handedly guarantee the achievement of any of the 12 outcomes, lead departments have been identified for each outcome. I will use outcome 1 to illustrate this point. Having been in government for the past 15, we are now not only wiser, but smarter too! Speaker we now know that in terms of the Pareto Principle, 80% of what is expected from each outcome is likely to come from 20% of the departments contributing to such outcome, whilst the remaining 80% of the constituent departments will contribute 20%. This approach allows us to focus on the lead departments per outcome, a task that I will immediately turn my attention to. Having said that, it is also important to realize that the outcomes-based approach allows us to coordinate our efforts and maximize the impact of what we seek to do.

Quality Basic Education

Speaker, this government has identified at least nine fundamentals of quality basic education. They include High quality of teaching and learning; Improved literacy and numeracy at schools; Better Senior Certificate or Grade 12 exam performance; Early Childhood Development; Effective management, leadership and governance of schools; Effective infrastructure development and basic services; Safe and supporting environments for all children; Improvement in learner attainment and retention, and Improved social cohesion, discipline and excellence through extra-curricular activities.

In addition to these fundamentals, there a number of interventions that EXCO Lekgotla resolved on. **Letona la Thuto le tla nama ditabeng tse na. As a leading department for this outcome, the Department of Education receives an allocation of R8.54 billion in 2010/11, an increase of half-a-billion on their current budget. This increases to R9.2 billion and R9.66 billion in the outer years of the MTEF. Cumulatively, the Department of Education receives an additional R1 billion over the MTEF.**

Eight other departments will contribute to the achievement of a quality basic education. Though I shall deal with the allocations to these departments later, let me highlight some of their planned contributions to this outcome alone. The Department of Sport, Arts, Culture and Recreation will provide information and learning material at libraries as well as internet connectivity; the Department of Human Settlement will provide shelter for Educators in rural areas and the vulnerable; the Department of Agriculture will establish school gardens and resuscitation of Agricultural schools; the Department of Police, Roads & Transport will implement random search and seizure procedures, deal with taverns close to schools and acts of violence and sexual harassment, as well as provide access roads to schools and bicycles for farm and rural learners; the Department of Social Development will introduce mobile programmes for children in rural areas, informal settlements (playgroups, toy libraries) and work closely with Education to introduce outcome based approach to ECD; Public Works and Rural Development will establish Village School Gardens linked to food security, agriculture, health and education; lastly, Economic Development, Tourism and Environmental Affairs will establish 30 cooperatives in schools for the Schools Nutrition Programme.

A Long Healthy Life for All

Speaker, like Education, the health of our people remain a priority. With many of our people deprived of access to medical aid, public health remains the hope of many in our province. The grossly inadequate number of critical health professionals has prompted us to set aside just over R6 million over the MTEF for the re-opening of the Thaba Nchu Hospital School. Similarly, around R491 million has been set aside to the deal with Occupational Specific Dispensation (OSD) for doctors and specialists, therapists, pharmacists and EMS staff, whilst R281.1 million has been set aside to deal with the Improvement of Conditions of Service (ICS) for the sector.

To improve the health profile of the Free State, the following shall receive attention: Reduction of Maternal Mortality Rate; Reduction of Infant Mortality Rate; Reduction of the Mortality of under 5's; Improvement in the Life Expectancy Rates; Reduction of Incident rates for HIV by Half by 2015 and the Reduction of incident rates for TB. In this regard, the Department of Health plays a leading and critical role.

Department of Health receives an allocation of R6.15 billion in 2010/11, R6.67 billion and R7.02 billion in the outer years of the MTEF. Cumulatively, the Department of Health receives an additional R872 million over the MTEF.

Honourable Speaker, reducing maternal mortality is quite critical in the context of a province with a population growth that is very low. Amongst the key activities funded to reduce the maternal mortality rate is an increase in the percentage of pregnant women who book for antenatal care; increase in the percentage of mothers and babies who receive post-natal care as well as an increase in the percentage of maternity care facilities.

Honourable Speaker, [bana ke lefa la setjhaba!](#) We cannot allow our children to die of things that we can effectively control. Amongst others, the Department of Health will increase the immunization coverage rate to above 90% in all districts; increase the number of) trained professional nurses to above 60% in all PHC facilities; Strengthen implementation of school health services targeting crèches, Grade R & Grade1 Learners.

The issue of HIV/Aids and TB remain on our radar screen. We remain concerned about the persistently high levels of HIV incidence. I wish to plead with our critics that our resolve to deal with HIV/Aids not be judged by the number of words or sentences we write about it, but by the amount of resources committed to this cause. Half-a-billion Rands has been allocated to deal with the pandemic over the MTEF.

Social Development remains the centre of government's response to fighting poverty, addressing the plight of the vulnerable groups and thereby re-integrate them to society. It helps to unleash the potential of vulnerable groups, and revive the spirit of Vuk'uzenzele. **Department of Social Development receives an additional R51 million in 2010/11million to take its budget to R721.7 million, which increases by another R66.8 million and R41 million in the**

outer years of the MTEF, increasing the department's budget to R788.5 million and R829.5 million, respectively. These increases cater for ICS and OSD for Social Workers to the tune of R60.6 million over the MTEF. Important to mention as well is the allocation of R105 million for infrastructure enhancement.

One Department that also has a critical role to play in this regard is Sport, Arts, Culture and Recreation. **They remind us all the time that "A Sporting Nation is a Healthy Nation".** Amongst others, the Department of Sport, Arts, Culture and Recreation plans to improve the physical and social wellbeing of elderly, women, people with disabilities, youth and sport personnel. In this regard, the Department will organize events such as Senior Citizen Games (in collaboration with Dept of Social Development); Indigenous Games (in collaboration with COGTA and Human Settlement); and Community based Leagues and competitions (in collaboration with Local and District Municipalities)

The Department of Sport, Arts, Culture and Recreation is allocated R373.4 million in 2010/11, R355.4 million in 2011/12 and R374.8 million in 2012/13 to amongst others plan, organize and implement the following talent and sport development events:

- OR Tambo Games;
- Establishment and implementation of Local Talent Development leagues;
- To deliver and support provincial school sport teams that participate in accredited national school sport competitions; and
- To ensure active participation, development and training of all learners and educators and the identification of talent in quality and sustainable sport and recreation programmes.

Honourable Speaker and Premier, [Ke nako!](#)

The Department's budget is distorted by once-off allocations such as the R10 million allocated in 2010/11 fiscal year for the FIFA World Cup, R50 million allocated in 2010/11 and 2011/12 for the completion of the Fesile Dabi Stadium. Speaker, this department also gets the benefit of R15.9 million over the MTEF arising from the function shift of the Film Commission from Economic Development, Tourism and Environmental Affairs.

All South Africans Feel Safe

Speaker, whilst the effects of crime are wide and varied, they are all bad! A study commissioned by the Presidency on the impact of crime on small businesses revealed that the direct costs, made up of monetary value of goods stolen and/or the cost of damage to property, could be less critical as compared to the indirect costs. These indirect costs include the cost of the disruption to business/lost work hours owing to staff time off work, loss of necessary equipment or temporary closure of the business, medical expenses, loss of staff, and increased insurance premiums. Businesses also incur security costs, which can comprise a significant proportion of turnover for small firms. They must also contend with the opportunity costs of crime – which may see businesses limiting growth or staff numbers, or shortening operating hours, to try to reduce their risk of crime. **Based on our knowledge of the effects of crime on society and business, we proclaim that this government will not rest until its citizens and all within its borders are and feel safe.** Speaking at the press conference to announce the performance outcomes and measurable outputs approved by National Cabinet on 12 February 2010, Minister Collins Chabane said: ***“We will fight corruption in society and initiate various measures to fight corruption in the system”.***

Even though this is a task that goes way beyond policing, the Department of Police, Roads and Transport plays a leading role in this regard. **The allocation to this Department increases from R1.48 billion in 2009/10 to R1.68 billion in 2010/11, R1.8 billion in 2011/12 and R1.88 billion in 2012/13.**

The additional allocation to this department should allow it to deal comprehensively with the Improvement in the Conditions of Service, the upgrading of posts for Traffic Officers and Revenue officials, and the installation of security infrastructure. **Furthermore, an additional R403 million is allocated to upgrade the state of our roads.**

Decent Employment through Inclusive Economic Growth

Speaker, whilst the creation of decent jobs is not exclusive to government, over and above creating a conducive environment for private sector to thrive, our focus on people as opposed to profits allow us to take certain risks. So we will continue to create job-opportunities for young, inexperienced but energetic and determined young people, we will go to rural areas and revive their economies, we will create social amenities where nobody is willing to. However Speaker, we cannot do this alone, hence we call upon the private to assist us. In this regard, the subsidy to employers for youth employment announced by the Finance Minister should therefore make it easier and more attractive for the private sector in the Free State to increase its intake of young people, particularly graduates.

The Department of Economic development, Tourism and Environmental Affairs is the lead department in the creation of decent employment through inclusive economic growth. The budget of this department increases to R370.7 million in 2010/11, and rises further to R382.3 million and R403.6 million in the outer years of the MTEF. The additional money allocated to this department provides for amongst other:

- Enhancement of Provincial Economic Development;
- Merger of FIPA and FDC;
- Merger of Gambling Board and Liquor Board ;
- Tourism Marketing;
- Completion of Phillip Saunders;
- Marketing of the 2010 FIFA World Cup.

The growth of the department's budget is also reduced by a cumulative amount of R48.8 million arising from the Function Shift of Film Commission to Sport, Arts Culture and Recreation, the Shifting of Qwa Qwa Park to National Parks Board as well as the Centralization of Leases and Municipal Services to Public Works and Rural Development. With the exception of Public Works and Rural Development, the latter impacts on all departments.

As is the case with the other outcomes, the creation of decent jobs is a collective exercise. Whilst the contribution that EPWP makes to the achievement of this outcome is hereby acknowledged, the allocation to the Department of Public Works and Rural Development is dealt with under the outcome dealing with rural development and this is consistent with the department's view. Speaker, even though I have singled out these two, the creation of decent jobs is the responsibility for all of us. I leave the pronouncements of the nuts and bolts of other contributions to this outcome to the departments themselves.

Infrastructure Development

Speaker, infrastructure development programme will continue to feature prominently in our economic work. We will build infrastructure such as roads, schools, houses, hospitals and other public buildings for facilitating social development and growing the provincial economy in a shared and inclusive manner. The total allocation for infrastructure, including the Human Settlement Grant, for the 2010/11 financial year is R3.76 billion.

The Province will go beyond the provincial envelope to fund our infrastructure development, including in roads, in ways that also cover for the backlogs we have in infrastructure. In this regard, various funding options and measures will be explored and these will include borrowing and the creation of a Provincial Fund. To this extent, Provincial Treasury is working earnestly with the Department of Police, Roads and Transport.

Vibrant, Equitable and Sustainable Rural Communities Contributing Towards Food Security for All

Rural areas continue to be marginalised economically, and are highly dependent on social grants. There is, however, potential to create jobs and generate economic activity to create sustainable livelihoods. This is an area where bold and decisive government interventions are needed. **This is where government needs to take the first step!** The Presidency outlines the outputs of this outcome as land and agrarian reforms that are mutually supportive; improvements on the quality of local governments in rural areas to create enabling environments for economic growth where possible – e.g. agro-processing, mining, tourism and

natural resource management; increasing the capacity and accountability for rural local government and at the same time simplifying the requirements of the IDPs (Integrated Development Plans) to be an accurate reflection of local needs and plans.

Together with the Department of Agriculture, the Department of Public Works and Rural Development plays an important role for this outcome. Whilst the former will be focusing on food security, the latter will focus more on rural development. **In order to assist these departments to deal with this challenging outcome, the Department of Public Works and Rural Development receives an additional R114 million to its current R804 million. This increases its budget to R948.3 million for 2010/11, R1.1 billion in 2011/12 and 2012/13. A bulk of this increase relates to the centralization of leases and municipal services to this Department.**

The Department of Agriculture, on the other hand, receives R408.9 million in 2010/11, R463.3 million in 2011/12 and R486 million in 2012/13. From what I have seen during deliberations in the preparation of this budget, these two departments will embark on a number of exciting and effective projects, the unveiling of which I leave to my colleagues, the MECs for Public Works and Rural Development and Agriculture.

Sustainable Human Settlements and Improved Quality of Household Life

Rapid urbanization and apartheid spatial planning have created enormous problems as far as the provision of affordable, sustainable accommodation is concerned. In an attempt to deal with this challenge as a matter of urgency, the Department of Human Settlements has devised a 10-point plan. This plan will among others:

- Fast-tracking the process of identifying beneficiaries for special programmes
- Eradicate of two-roomed houses;
- Provide socio- economic amenities in old and new human settlements;
- Upgrade of informal settlements, and
- Accelerate the delivery of Social Housing and Rental Housing Stock.

The Honourable Premier pronounced on some of the initiatives that will be implemented in this year during his State of the Province Address. Key to the achievement of this outcome is the

Department of Human Settlement. **Commensurate with this responsibility, the Department of Human Settlement receives an additional R350 million in the first year of the MTEF to increase its budget to R1.37 billion. Its budget further increases to R1.45 billion in 2011/12 and reduces to R1.41 billion in 2012/13, with the reduction in year 3 of the MTEF due to downward adjustment to the Integrated Housing & Human Settlement Development Grant.**

Responsive, Accountable, Effective and Efficient Local Government System

Motsamaisi wa dipuisano, ntumelle hore ke qotse hape mantswe a Letona kantorong ya moPresidente ha a bua ka di masepala: **“Diketsahalo tsa mehla di-masepaleng, haholoholo lemong se fetileng, di entse hore re le mmuso re batle mekgwa ya ha fetola tsamaiso ya tsona”**. He continues to say **“We need a differentiated approach to municipalities, as a strong link exists between the institutional and socio-economic vulnerability of municipalities. Furthermore, municipalities vary considerably in terms of size, economic base and poverty concentrations. There are very high levels of basic infrastructure services backlogs, low levels of governance and accountability, financial management is poor and there is a high staff vacancy rate”**. **Ka bokhutswanyane, mathata a di-masepala ha a tshwane** and therefore a one-size fits all approach will not work.

To attack the problems besieging local government, we have also come up with a 10-point plan. In this regard it is important that we improve the quantity and quality of municipal basic services to the people, enhancing the municipal contribution to job creation and sustainable livelihoods through Local Economic Development (LED), building and strengthening the administrative, institutional and financial capabilities of municipalities and uprooting fraud, corruption, nepotism and all forms of maladministration affecting local government.

Speaker MEC Zwane will deliberate more on this during his Vote Speech, I can only tell you that the budget for this department increases from R291.3 million in 2009/10 to R320 million in 2010/11, rising further to R333.86 million and R352 million in the outer years of the MTEF.

An Efficient, Effective and Development-Orientated Public Service and An Empowered, Fair And Inclusive Citizenship.

Speaker, the Department of the Premier, the Provincial Treasury and Legislature will ensure that the public service is economic, efficient and effective.

In total, the Department of the Premier receives an additional R23.3 million over the MTEF, taking their budget from R161.9 million in 2009/10 to R167.9 million in 2010/11, R176.4 million in 2011/12 and R185.1 million in 2012/13. R18 million and R31.8 million is set aside respectively for ICS and the improvement of communication over the MTEF. Speaker, the reprioritized budget of this department also provides for R67.5 million for the operation of the Planning Commission. Let me highlight just a few of the activities and plans that the Department will be rolling out over the MTEF:

- Development of the Provincial M&E Strategy;
- Development of the Provincial Evaluation Framework;
- Conduct of Impact assessments on Operation Hlasela Projects
- Development of a Provincial Database of Social Indicators;
- Monitoring of Service Delivery Agreements;
- Review and/or development of a Provincial Planning Framework;
- Review of the FS Growth & Development Strategy and FS Spatial Development Framework;

Provincial Treasury receives an additional R18 million in 2010/11 million to take its budget to R177.5 million, with further small increases of R9.1 million and R9.6 million in the outer years of the MTEF, increasing the department's budget to R186.6 million and R196.3 million, respectively. A bulk of these increases centres around two focus areas, namely the strengthening of the MFMA Support to the tune of R15 million over the MTEF as well as provisions for the SITA account to the tune of R53.6 million during the same period. Key to this outcome, the management of transversal contracts for the procurement of goods and services in the FS Province will be centralized in this department. We believe that this is a crucial step in stamping out corruption in the province. We will also review the procurement processes with an aim of introducing efficiency & reduction of costs

Speaker, Setswana se re “moja morago ke kgosi”! Legislature is an important organ of the state that plays a law-making role and provides the necessary oversight to the executive branch of the state for effective accountability and public participation in governance. **In order to assist it to deal effectively with these and other issues, the Legislature receives an additional R9.3 million over the MTEF. The Legislature’s budget rises from R153.6 million in 2010/11 to R160.9 million in 2011/12 and R168 million in 2012/13. Provided for in this allocation is the funding of Political Parties and general operations of the Legislature.**

Conclusion

Mr Speaker, we call upon all stakeholders to seize this opportunity presented by the Free State Government to work towards a common developmental vision and practise. We need to take our engagement and commitment to a higher level, a level beyond the signing of Memorandums of Agreements to putting our resources together for effective and lasting improvement in the lives of the people of the Free State.

With this budget we hope to advance the quest for a better life for all our people. Our people in Pitseng village in Qwaqwa, in Bethulie in the Xhariep District expect improved and accelerated services for development from us!

I thank the Premier for his stewardship during the process of developing this budget. I thank the Treasury Committee and colleagues in the Executive Council for their frank engagement during the budget process. I also thank Finance Portfolio Committee for their ongoing oversight role and critical contributions.

I thank the Senior Management and the entire Treasury staff for the professional efforts they have put in drawing this budget.

Lastly I also thank my family for the continued support.

Speaker, the 2010/11 Budget is hereby tabled. **Afrika, Ke Nako!**

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