

2013

**PROVINCIAL
BUDGET SPEECH**

06 MARCH 2013



FREE STATE PROVINCE

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FREE STATE PROVINCE

2013 Provincial Budget Speech

MEC for Finance Honorable Seiso Mohai

06 March 2013



2013 Provincial Budget Speech by Finance MEC Seiso Mohai, 06 March 2013

Honourable Acting Speaker;

Honourable Premier Magashule;

Members of the Executive Council;

Chairperson of the Portfolio Committee for Finance;

Members of the Free State Legislature;

Executive Mayors and Mayors;

Members of the House of Traditional Leaders;

Office of the Public Service Commissioner

Business Executive in the Office of the Auditor General – Mr Odwa Duda

Representatives from the Fiscal and Financial Commission and National Treasury

The Director General of the Province and Chairpersons of our Public Entities;

Heads of Departments and CEOs of Public Entities;

Senior Management of Financial Institutions in our midst;

Business leaders and entrepreneurs of Free State;

Leaders of labour;

The top five learners in the 2013 Grade 12 Provincial Budget Competition from various schools in Botshabelo, their parents and accompanying Educators;

Grade 12 Learners from Reikaeletse Secondary School in Koffiefontein and their Educators; and

Distinguished guests;

People of the Free State:

Professor Chomsky reminds us: ***“Optimism is a strategy for making a better future. Because unless you believe that the future can be better, you are unlikely to step up and take responsibility for making it so.”***

This 2013 Provincial Budget is inspired by the optimism for a better future. And it is at the same time an instrument to help build the better future we yearn for. Our enthusiasm about a better future does not

only rest on the lofty picture of this future, but is accompanied by the spirit of will and a planned action. We believe in the interactive richness of concrete initiatives that will change existing reality.

Building a better Free State for the future

Acting Speaker, during its historic fifty-third national conference held in this historically rich town of Mangaung, the African National Congress conceded that ***“the starting point of our macroeconomic policy is the goals and objectives of the second phase of the transition to a national democratic society: confronting the triple challenge of unemployment, poverty and inequality directly”***. The ANC further welcomed and embraced Vision 2030 and the National Development Plan as a critical basis for a united action by all South Africans to build a truly united, non-racial, non-sexist, democratic and prosperous society. As articulated by the Honourable Premier in the State of the Province Address, by the year 2030, we want to see and have a ***“Free State that has a resilient, thriving, productive and competitive economy that is inclusive with immense prospects for human development anchored on the principles of unity, dignity, diversity, equality and prosperity for all.”*** By then, we want to have here in the Free State Province:

- Inclusive Economic Growth and Employment Creation on a large scale
- Quality Education, Innovation and Skills Development
- Improved Quality of Life
- Sustainable Rural Development
- Build Social Cohesion, and A Capable Developmental State with Good Governance

Notwithstanding the challenging and turbulent times on the economic front, we remain resolute to our vision for this province. The National Development Plan and our Free State Growth and Development Strategy are an expression of our approach of building a better future today, by casting our eyes into this future, and responding to real socioeconomic challenges borne from historical legacies and contemporary manifestations. The FSGDS shall guide and coordinate the allocation of national, provincial and local resources, and private sector investment to achieve sustainable development outcomes. The FSGDS also maps-out strategic interventions and measures to build a Free State Province that is economically productive and efficient, meets social needs, and addresses equity issues.

But then our 2030 Vision is not some distant future we wishfully dream of, with the hope of waking up in, one day in 2030. It will and it has to be a direct result of our hard work as Government working

together with our social partners in business, labour and our communities. Our journey today will lead us to a better future. So the implementation of the Growth and Development Strategy and the National Development Plan has begun in earnest. Our annual plans and mid-term plans have to reflect the imperatives and the targets of our long-term planning as expressed in the Provincial GDS and the NDP. Our annual and midterm reports from this year will also have to reflect on the milestones achieved.

So this 2013 Provincial Budget as an instrument for planning therefore takes cue from the National Development Plan and the Free State Growth and Development Strategy.

We have now reached a point in history wherein economic power relations have to be meaningfully changed in order to advance our social transformation project into a higher trajectory, based on social solidarity and inclusivity. The old economic power relations that remain intact are becoming dangerous to the stability of our hard won democracy. Without a meaningful material improvement in the lives of our people, which can only happen on a sustainable basis through economic development and expansion, our democracy will be hollow and with no social justice at all. Genuine economic development will certainly require decisive economic transformation and the breaking down of old economic power structures. **We must halt and reverse the growing inequalities!**

The GDS enjoins us to develop our infrastructure in ways that links up with the industrial development strategy it proposes. The new emphasis is that infrastructure maintenance is as important as the development of new infrastructure. State-owned enterprises should be involved in structures that plan major infrastructure. We must anchor Free State growth opportunities on multimodal transport network. And that logistics should be a priority, given our central geographic location as a province.

Two sets of critical challenges will arise as we pursue these major developmental tasks. One set of challenges is about building the capacity and requisite competencies of the State in the Free State to drive the development agenda as envisaged in the GDS. Another set of challenges is about building a working partnership with the private sector to achieve development outcomes of higher economic growth and job creation on a large scale.

The development and transformation of the Free State economy will be a critical contribution to the inclusive economic growth and social development of South Africa as whole. Let's do it together as Government, Business, Labour and the community at large. This Provincial Budget is therefore a Budget for development and economic growth! It is however unfolding within the

context of challenging macro-economic realities that we have to confront with great sense of urgency and purpose.

Macroeconomic Performance and Economic Outlook

The world economy as a whole is going through a period of a slow down following the great recession of 2008-2009. The recovery is taking longer than initially anticipated and has in many respects signs of stagnation. Even China and India and other emerging economies that were initially driving the recovery, in the immediate aftermath, have now been affected by the general crisis and have also slowed down.

The South African economy has continued on a positive yet dull recovery, with a GDP growth of 2.5 per cent in 2012 and anticipated to be 2.7 per cent in 2013.

The Free State provincial economy has navigated through the pressures brought about by the 2009 global economic crisis. The provincial contribution to the national economy has been on a gradual decline, decreasing by roughly 10.9 per cent between 1996 and 2010, and projected to decline even further by 4.3 per cent between 2010 and 2015.

The key problem is that the structure of the Free State economy is limiting to the creation of employment. Whereas 30 years ago the primary sector constituted 50 per cent of the provincial economic output, today it makes up only 13 per cent. Some have mistakenly thought of this as a necessity demonstrating a maturity trend for an economy that evolves from a primary, secondary to tertiary sectors, as has been the trend elsewhere in developed countries.

This trend however has been detrimental to the provincial economy as it resulted in increasing de-industrialisation of the economy and shrinking the productive base, and thus destroying the capacity for labour absorption. Historically, mining and agriculture were the mainstay of the provincial economy, however their contributions to both output and employment have significantly declined. Furthermore, our manufacturing sector in the Free State remains weak and never fully developed. The greatest challenge is the concentration of this sector by the largely capital-intensive petrochemicals.

Unemployment is the most serious issue confronting the Free State economy. According to the most recent labour force survey, unemployment in the 4th quarter of 2012 stood at 33.2 per cent.

Acting Speaker, I am deliberately outlining this sad state of our provincial economy so as to concretely locate the discussion in addressing the economic reality as it obtains in our province, instead of just postulating theoretical schemes.

We must transform and develop the main industries in our province, namely, mining, agriculture, manufacturing, tourism and infrastructure (both physical infrastructure and ITC). We must create and sustain the value adding production sectors in mining and agriculture through beneficiation and agro processing. We must develop and expand the manufacturing sector beyond the dominance of petrochemicals to include textiles and food processing as large portions of the manufacturing sector.

Fiscal Policy and the 2013 Provincial Medium-Term Expenditure Framework

Acting Speaker, as mentioned earlier on, the 2013 MTEF fiscal framework is very constrained. Whilst this is a challenge on its own, it also presents an opportunity for mandatory paradigm shift. This reminds me of a little story involving a cow, a dog, a chicken and a cat. Recited from the book entitled **“RARE Total Leadership”** by Professor Ngambi, Executive Dean of the College of Economic and Management Sciences at the University of South Africa, the story goes...

“Once upon a time, there was a family that kept a cow, a dog, a chicken and a rat. A rat was seen in the house and the owner of the house set a trap to kill it. The rat then called a meeting with the other animals in the house and asked for their help in removing the trap. All the other animals, especially the chicken and the cow, told the rat off, saying that the trap did not concern them since it could not trap them. The trap eventually caught a poisonous snake, but not before the snake had fatally bit the owner of the house while he was trying to stop a fight between the cat and the dog. The cat and the dog, each blaming the other for the owner’s demise, fought one another to the death. For the owner’s funeral, the cow was slaughtered and, for the last funeral rites, so was the chicken!”

Fellow Free Staters, if for some reason you thought “it doesn’t concern you”, I want you to know that it does! We need to jointly embrace the challenges we face as a province and jointly find and own a solution to these challenges! We all need to pull in the same direction! *“It is not only what we do, but also what we do not do, for which we are accountable” - Molière*

We view the current challenges as an opportunity to focus our concerted strengths on key priorities that are designed to yield better economic growth prospect, improved employment creation and

opportunities as well as bettering the living conditions of our citizenry. The core principle of prudence and fiscal discipline in utilizing public resources by all stakeholders is at the heart of this 2013 MTEF budget. Furthermore, commitment to cost saving measures and reprioritization of budget to high impact services will still guide us as we implement our developmental plans for the MTEF ahead, a point I shall return to later during this address.

At a national level, government has chosen three fiscal policy objectives, firstly to moderate growth in government expenditure in the midst of declining revenue, secondly to restructure and reprioritise the budget towards capital spending as opposed to current spending and lastly to reduce the public debt. As a result, government has cautioned that all new priorities will have to be funded from existing baselines.

Honourable members, what this means for the province is that we will have to tighten our fiscal belt and focus our resources on key priorities that have the potential to stimulate economic growth and job creation. We will have to carefully consider what it is that we can do and what it is that we cannot do.

Premier and honourable members allow me to take you through our revenue envelope for 2013 MTEF. The total provincial fiscus amounts to **R26.872 billion** in 2013/14, **R27.720 billion** in 2014/15 and **R29.551 billion** in 2015/16, representing nominal growth of 4 per cent, 5.1 per cent and 6.9 per cent, respectively. Over the next three financial years the province will spend an estimated **R84.143 billion**.

Equitable Share

Acting Speaker, I shall now deal with the sources of revenue for our provincial budget, first of which is the Provincial Equitable Share. They say when the national sphere of government sneezes, all the other spheres of government catch cold. As a province we are unfortunately not insulated from the economic turbulence affecting our national sphere of government. In the Province, we have our own pressures arising from the declining share of the Equitable Share due to demographic changes and population shifts. As a result, our equitable share as a province has reduced by **R1.141 billion**. Added to this are reductions due to the reprioritization of national budget which amount to **R289 million** over the MTEF. Cumulatively, our province's equitable share is reduced by **R1.430 billion** over the 2013 MTEF. Additional funding of R1.898 billion over the MTEF has been received from National Treasury, of which R1.495 billion is earmarked for improvement on conditions of employment over the MTEF and the remainder is allocated to the province as a cushion for Census 2011 changes.

In summary, the Provincial Equitable Share grows from **R18.795 billion** in 2012/13 to **R20.000 billion** in 2013/14; this represents growth of **6.4 per cent**. On the outer years, the equitable share grows by **4.5 per cent** and **4.7 per cent** respectively, are both well below projected inflation. All in all, nominal growth in the equitable share averages **5.2 per cent** over the 2013 MTEF.

Conditional Grants

Honourable Members, conditional grants remain our second biggest source of revenue. The 2013 MTEF allocations for Conditional Grants amount to **R18.659 billion**; this amount is divided as follows: **R6.021 billion** in 2013/14, **R5.923 billion** in 2014/15 and **R6.715 billion** in 2015/16. I must hasten to indicate to the House that there have been serious reforms and downward revisions of budget baselines with regard to conditional grants.

In 2012, the Honourable Minister for Finance cautioned that ***“Over the next three years government aims to achieve better value for money from investment in provincial infrastructure. A new approach to infrastructure conditional grants is intended to institutionalise proper planning. Provinces will be required to bid for these allocations two years in advance and financial incentives will be built into the grant for provinces that implement best practices in delivering infrastructure.”*** Effective from 2013/14, infrastructure conditional grants are being reformed and incentives will be introduced in existing grant structures to complement capacity support and to promote good Infrastructure Delivery Management System (IDMS) practices. These incentives will aim to address infrastructure planning and procurement failures in the delivery of infrastructure. Provincial Treasuries are encouraged to ensure that sufficient funds are provided to fund the organisational structures necessary for the infrastructure units within Provincial Treasuries and Provincial Public Works.

From 2015/16 provinces will only be eligible to receive allocations for the Health Infrastructure grant and Education Infrastructure grant if they have complied with qualification criteria that require them to meet certain planning criteria. Provinces will be required to bid for their infrastructure grant allocations two years in advance (i.e. during 2013/14 provinces will bid for their 2015/16 allocations). There are a set of pre-requisites for bidding and criteria will be used to evaluate bids. Unsuccessful bids will not be funded and those allocations will be pooled in an unallocated fund, which provinces with successful bids can apply for. **Provinces will only be entitled to bid for funds if they have the following in place:**

- **An agreed framework that outlines the roles and responsibilities within a provincial infrastructure delivery management system (IDMS) which has been adopted and signed off by the Provincial Cabinet. This framework must also be supported by the appropriate capacity.**
- **Long term infrastructure plans (i.e. User Asset Management Plan) for each sector aligning a department's strategic objectives and infrastructure needs.**
- **Appropriate monitoring systems and contract management systems that enable filing, record keeping and tracking project expenditure.**

I shall now turn attention to other reforms and revisions that have been implemented on the following sectors:

On Health, all infrastructure grants within this sector have been collapsed into one grant and this is effective from 2013/14 financial year. I must indicate that this consolidation of infrastructure grant has resulted in loss of funding for provincial infrastructure. Secondly, National Health Insurance grant has been reduced significantly and the details of these changes are reflected in the 2013 Division of Revenue Bill. There is also creation of health indirect grant which will be managed nationally and thus the national sphere will spend this grant on behalf of provinces.

On Education, the subsidy portion of the FET Colleges conditional grant that is currently transferred to FET Colleges by provincial education departments will be removed from the conditional grant and transferred directly to the FET Colleges by the Department of Higher Education and Training (DHET) as from 01 April 2013. Furthermore, allocations on education infrastructure grant and schools infrastructure backlogs grant have been reduced due to the constraint domestic outlook and slow spending, respectively.

On Roads, a new formula has been developed for provincial road maintenance grant over the 2013 MTEF and in this regards our provincial allocation will increase and thus allowing for better maintenance of our roads.

On the Human Settlements Development Grant, there is still work being done by our national counterpart to update the formula used to allocate this grant with data from the Census 2011. Once the work is concluded we will then be in a position to pronounce on this grant.

On Sport, Arts, Culture and Recreation, there are additions to the community library services grant for function shift and the promotion of dual purpose libraries to fund: (i) staff capacity; (ii) library material for learners in line with dual purpose libraries; (iii) operations, information and communication infrastructure (ICT); and (iv) upgrading and building of new libraries.

Provincial Own Revenue

Honourable Premier, the third and last source of revenue of our budget is provincial own revenue. This source of revenue is projected to increase from **R820.966 million** in 2012/13 to **R850.563 million** in 2013/14. Honourable Members, this represents a nominal growth of 4 per cent. For 2014/15 and 2015/16 provincial own revenue is estimated at **R891.683 million** and **R938.742 million**, respectively. Over the 2013 MTEF provincial own revenue is estimated to grow, on average, by 5 per cent.

National transfers received by the Free State Provincial government are dominantly earmarked and there is little discretion for the Province to fund provincial priorities. As a result, the Provincial Own Revenue is used for funding provincial specific priorities. As much as the collection on own revenue has been increasing, there is still scope for increasing the current revenue baselines. During 2012/13 we introduced the Provincial Revenue Enhancement Strategy whose purpose was to fund projects with a potential to increase the provincial own revenue. Projects of this nature were funded through the Revenue Enhancement Allocation (REA) in the 2012/13 financial year and these will be closely monitored to ensure that the desired results are achieved.

Proposed Allocations to Departments

Honourable Acting Speaker, before I outline the proposed allocations to the different departments and institutions that constitute the provincial government, **let it be clear to this esteemed House that there is in fact no scope to introduce new and additional priorities without significant trade-offs.** As such, what is needed is the innovation and creativity to use the little resources we have as a province in order to make our challenges disappear. **Instead of us looking at our immediate surroundings to say “we want more”, we should get into the habit of looking at the bigger picture and say, where can we cut, what can we sacrifice?**

Let me now deal with allocations to Departments.

Quality Basic Education

Honourable Acting Speaker, let me remind this Esteemed House of our President's call in his State of the Nation Address in 2009: ***"We want our teachers, learners and parents to work with government to turn our schools into thriving centres of excellence"***. A few weeks ago, our President, Honourable Jacob Zuma reminds us that ***"All successful societies have one thing in common – they invested in education"***. It is precisely for this reason that this government declared education as an apex priority. Empirical analysis shows that due to the legacy of apartheid, quality education is still concentrated in schools in areas where the majority is non-African.

Nevertheless, Census 2011 reports that the proportion of the provincial adult population with no formal schooling has declined from 16 per cent in 1996 to 7.1 per cent in 2011, whilst the proportion of those with Grade 12 has more than doubled, increasing from 13.5 per cent to 27.1 per cent. Worth celebrating is the fact that our province has the third largest proportion of people with higher education qualifications after Gauteng and Western Cape, all we need to do to keep these people in the province is to have a vibrant, fast growing economy that is consistent with their aspirations!

Honourable Premier and the people of the Free State, we have indeed made major breakthroughs in this area of our work. Let me join the Premier and others in congratulating my colleague, Honourable MEC Tate Makgoe, for exceeding the targeted pass rate of 80 per cent set for the province for 2012.

Madam Acting-Speaker, as we celebrate these victories, we are not oblivious to the many challenges still facing our education. In a paper entitled *"South Africa's economics of education: A stock-taking and an agenda for the way forward (2010)"*, Gustafsson and Mabogoane postulate that ***"teachers are at the centre of the education process, and yet the factors that influence their current productivity, and the factors that might improve that productivity, are not well understood"***. Various studies have found that improving weak teaching may be one of the most effective means of raising pupil achievement. These contend that teachers' classroom practices and the teaching 'process' may matter more to student learning than teachers' observed résumé characteristics. These findings, amongst others, suggest that there are areas which if strengthened, will not only improve the outcomes of our education in the province but also unlock savings which could be redirected either elsewhere in the sector or the province at large. Nevertheless, together with National Treasury, Provincial Treasury will review the baseline of this Department to ensure that the achievements of the province in this sector

are sustained. Accordingly, the Department of Education is allocated approximately 40 per cent of the provincial budget as follows, **R10.456 billion** in 2013/14, **R11.018 billion** in 2014/15 and **R11.804 billion** in 2015/16; thus over the 2013 MTEF the province will spend **R33.278 billion** on education.

Long and Healthy Life for All

Health remains a strategic priority of the ruling party and government. The key objectives of this government cannot be attained without an effective and optimally functioning Department of Health. We are aware of the challenges facing the sector and in this regard we commit ourselves to supporting the department in achieving its key outputs, such as reduction of infant and maternal mortality as well as strengthening of health systems for better delivery of health services.

In the Free State, we have seen a considerable achievement with regard to the fight against the scourge of TB and other communicable diseases; we also note the strides that have been made with regard to access to ARVs and primary health care in the province, as well as the revitalization of health infrastructure. To further improve on these gains and strengthen public health in the province, the department of Health is allocated an amount of **R7.895 billion** in 2013/14, **R8.370 billion** in 2014/15 and **R8.848 billion** in 2015/16. Over the 2013 MTEF, the department's budget grows by an average of 5.1 per cent.

Social Protection

In March 2011 when I presented the 2010/11 Budget Speech I indicated to the House that Social Development remains at the centre of government's response to fighting poverty, addressing the plight of vulnerable individuals. This statement remains true to this day—the spirit of Vuk'uzenzele is still driving us to this very day. We note the very important role played by Non-Governmental Organizations as well as Social Workers in ensuring that social ills are eradicated from our communities. ***I wish to join Honourable MEC Ntombela in reminding the youth of this province that they remain our jewel, the cornerstone of our future. We call upon the young people of this province to desist from substance and alcohol abuse, from the abuse of women and children in particular, to channel their energies into constructive activities that will build the Free State we want to see in 2030 and beyond!***

In an essay submitted for this year's Grade 12 Provincial Budget Competition, Mr Mokone Molefi, a Grade 12 Learner from Kgauho Secondary School in Botshabelo writes: "... many

people fake sicknesses like TB and injuries only to receive grants". These are the unwarranted and unintended consequences of government's noble cause that must be revealed, reported and squashed!

Acting Speaker, for the important work that it does, the Department of Social Development is allocated an amount of **R951.229 million** in 2013/14, **R985.160 million** in 2014/15 and **R1.032 billion** in 2015/16. Over the MTEF the budget increases by 5.8 per cent on average. This budget demonstrates our on-going support to the Department in its quest to strengthen the relationships with progressive NGOs as well as the recruitment of social worker graduates.

Economic Development, Tourism and Environmental Affairs

Acting Speaker, we do agree with the Honourable Minister of Finance, Mr Pravin Gordhan when he says: ***"the best way to generate resources is to grow the economy faster..."***. The 2013 MTEF budget is clearly designed and focuses on creating economic growth in the province. Whilst economic growth and job creation remain a fundamental goal of this government, we are the first to acknowledge that it is a shared responsibility amongst all stakeholders in the economy—and thus we invite private businesses to travel with us along this journey of ensuring that-

- Our economy grows
- Job opportunities are created
- Unemployment is reduced
- Inequality and poverty is reduced

This government will continue to create an enabling environment for business development. We will continue supporting the establishment of enterprises and the up-coming Small, Micro and Medium Enterprises, and more so the development and sustainability of cooperatives in the province. **Acting Speaker, we must congratulate the department in its achievement with regard to re-development of resorts such as Philip Saunders and others. We hope that through re-development of our resorts the province will be able to attract more visitors to our shores; we need to improve our tourist attractions and if this is done effectively we will surely derive economic benefits such as work opportunities for our people.** The department is allocated **R450.195 million** for 2013/14, **R448.703 million** for 2014/15 and **R465.873 million** for 2015/16.

Public Works

Our resolve to invest in infrastructure development calls for a vibrant public works department. Effective delivery of socio-economic infrastructure cannot be achieved without the critical role played by the department. **Madam Acting Speaker, the only way to ensure that our people benefit from our government infrastructure programme is to utilize labour intensive methodologies.**

We are again reminded by the National Development Plan as reflected by the Minister of Finance and I quote him: **“South Africa needs to invest in a strong network of economic infrastructure designed to support the country’s medium and long term economic and social objectives”**. No one is positioned well than our Public Works department in ensuring that our infrastructure investments and plans are coordinated and implemented effectively for better economic growth. For this reason, the Department of Public Works is allocated an amount of **R1.418 billion** in 2013/14, **R1.459 billion** in 2014/15 and **R1.501 billion** in 2015/16. Therefore, over the 2013 MTEF the budget increases by an average of 5.6 per cent.

Police, Roads and Transport

Honourable members, I am quite certain that by now we all agree that the key word in addressing the three evils of **unemployment, poverty and inequality** is sustainable economic growth. You cannot achieve this noble objective if economic infrastructure is inadequate and is not maintained properly. We need to ensure that our roads are maintained and are safe for use. Our province occupies a strategic position in terms of access to other provinces—freight from almost all provinces traverses across our province. We must derive economic benefits from our provincial network of roads. We are thus delighted by the pronouncement by the Premier in his State of the Province address when he outlined the strategic projects such the Durban-Free State-Gauteng Development Corridor as well as N8 Corridor—and hope that through improved maintenance of our roads the province will indeed draw economic benefits.

The allocation to the Department of Police, Roads and Transport amounts to **R2.260 billion** in 2013/14, **R2.356 billion** in 2014/15 and **R2.694 billion** in 2015/16; this represent an average growth of 11.5 per cent over the MTEF. (In fact this is the fastest growing department during this MTEF). This allocation will also enable this Department to effectively implement a sustainable transport management strategy, including but not limited to the coordination and implementation of the crime prevention strategy.

Human Settlements

The need for the provision of decent and sustainable human settlements remains a strategic priority for government. This is compounded in the Free State by rapid rates of urbanization and deterioration of socio-economic conditions. To deal with this challenge, the Department of Human Settlements receives an allocation of **R1.234 billion** in 2013/14, **R705.883 million** in 2014/15 and **R719.329 million** in 2015/16. Thus the department will spend just above **R2.659 billion** over the 2013 MTEF. The allocation for this department is mainly dominated by the Human Settlements Development Grant and therefore caters for provision of comprehensive human settlements for the province.

Agriculture and Rural Development

In the early 1990s Agriculture was the mainstay of our economy and provided significant employment. However, over the years the sector has been declining both in terms of creating jobs and boosting the economy. Our FSGDS prominently places agriculture as a strategic sector of our province. In this regard, our priorities remain the creation of sustainable rural development, development and maintenance of rural infrastructure, food security and agro-processing.

Agriculture and Rural Development receives **R673.294 million** in 2013/14, **R696.528 million** in 2014/15 and **R709.433 million** in 2015/16.

Healthy population through Sport, Arts, Culture and Recreation

My colleague, who is responsible for this portfolio has been campaigning tirelessly to ensure that our provincial population is healthy through regular exercises and involvement in recreational activities. Honourable Premier, there is a compelling need to support the noble objective of this department. The reports from World Health Organization have indicated that diseases of lifestyle are more common not only in the developed countries but also in the developing countries. We must strengthen our intervention in school sports and ensure that children are kept active and involved in sport, art, culture and recreation activities. **We have noted with disbelief the report on obesity that is endangering our societies—we need to take a corrective stance against obesity now rather than later.** This department also plays a critical role in preserving and promoting our national heritage and forging social cohesion. The department of Sport, Arts, Culture and Recreation receives a total allocation of **R515.137 million** in 2013/14, **R584.341 million** in 2014/15 and **R630.566 million** in 2015/16. The

budget grows by 10.9 per cent over the 2013 MTEF. The funding also makes provision for infrastructure development.

Budgeting for Responsive, Accountable, Effective and Efficient Governance

Madam Acting Speaker, the challenges facing us require concerted commitment to clean governance. If we dare lose focus of clean, responsive, accountable, effective and efficient governance—at all levels of government—we might as well accept now that we have failed in our duties. In our budget speech last year we reflected on the importance of clean audits by 2014; and yes we are the first to admit that things are not panning-out as planned. But that does not allow us to rest on our laurels and admit defeat. We remain committed to ensuring that all the departments, municipalities and public entities strive towards achieving clean audits. A number of departments play critical roles in ensuring that governance issues in the province are beyond reproach. We commend the Department of the Premier as well as the Provincial Treasury for their achievement of clean audits. Their achievements have laid a solid foundation which should inspire all the other departments and government institutions.

Cooperative Governance and Traditional Affairs

The allocation to this department amounts to **R348.413 million** in 2013/14, **R373.086 million** in 2014/15 and **R392.140 million** in 2015/16. On average the budget grows by 8 per cent over the MTEF ahead. The budget will assist the department in its quest to ensure that our municipalities are assisted as per legislative requirements and that service delivery to our communities is improved. Premier, our local sphere of government is quite critical in uplifting our communities through better coordinated service delivery; we therefore need to be vigilant and strive to warrant that the operations of municipalities are seamless, effective and efficient. The critical issues of clean governance, accountability and responsiveness to the need of our people cannot be overemphasized—these are basic principles that must be adhered to.

Department of the Premier

The Department of the Premier plays a critical role in providing strategic direction to translating policy decisions into implementable programmes of government. Furthermore, this department exercises oversight on the implementation of government's programmes and the overall performance of government in the province. For its part, the Department of the Premier receives **R279.956 million** in 2013/14, **R274.295 million** in 2014/15 and **R282.797 million** in 2015/16. This funding will assist in

ensuring that the broad mandate of the department is achieved and that effective governance in the province is enhanced.

Free State Legislature

As an independent branch of the government, Legislature has the privilege of fostering accountability by all organs of state. Madam Acting-Speaker, **we salute our Provincial Legislature for sterling work done in this current financial year and hope that the honourable members through their respective committees will continue keeping us on our toes.** The Free State Legislature is allocated an amount of **R173.698 million** in 2013/14, **R179.227 million** in 2014/15 and **R184.956 million** in 2015/16. The reduction in the baseline of the Legislature is as a result of the allocation for the construction of the Legislature Building being allocated to the Department of Public Works as the implementing agent.

Provincial Treasury

Provincial Treasury remains the custodian of government resources, financial and non-financial. The oversight and monitoring role played by this department cannot be under estimated. Provincial Treasury is allocated **R216.355 million** in 2013/14; **R223.397 million** in 2014/15 and **R230.714 million** in 2015/16.

Conclusion

Acting Speaker, as a province we plan to continue deriving savings through reduced spending on non-core functions and activities, and this includes shifting of resources from administrative components to frontline services. We also acknowledge the fact that investment in infrastructure is key to economic growth and creation of work opportunities in the province. To this effect, the composition of spending during this MTEF and beyond will mainly be directed towards infrastructure development. This move is in line and supports the policy direction undertaken by the government as articulated in the National Development Plan.

We wish to emphasise to this House that thorough planning is needed to accelerate the delivery of infrastructure. National Treasury has noted that ***“most failures to meet deadlines, budgets or specifications are the result of insufficient planning!”***

Honourable Premier, we remain steadfast in our commitment of ensuring that all plans that are to be implemented are informed by credible feasibility studies, detailed costing and clear implementation plans. Feasibility studies during the planning stage are instrumental in assessing whether a project represents value for money.

For this reason, Provincial Treasury has been mandated by the Executive Council to continue to facilitate further reprioritization of the budget and improve efficacy, efficiency and economical deployment of public resources. These include amongst others the introduction of strict conditions for spending the earmarked funds for which specific conditions must be met prior to incurring any expenditure. Non-compliance to these conditions will result in Provincial Treasury suspending the allocated funds for re-appropriation. On cost containment, very aggressive measures which are estimated to unlock more than half a billion Rands will be implemented.

Vote of Thanks

Acting Speaker, putting together this budget has been incredibly challenging. I take this opportunity to thank the Honourable Premier Magashule, whose leadership promotes debates, discussions and is consensus-seeking. Premier has been very instrumental in ensuring that we are all united behind a common vision for the province.

I wish to also thank my colleagues in the Executive Council for the many enriching discussions and debates that culminated in the budget that we are tabling before this House;

Acting Speaker, allow me to thank the CEO of the Provincial Treasury, Mr Kgomongwe, and the Senior Management of the Provincial Treasury for the central role they play in ensuring that Provincial Treasury stays true to its vision of prudence and discipline in fiscal management;

My heartfelt thanks go to the Budget Office. Thank you all for your efforts, your endless hours in the office, the people of the Free State will judge you by how well you served them when you had the opportunity;

I also want to thank my office for its diligence and support;

Lastly, my sincere gratitude goes to my wife Moyanda, my children Thato, Mosa, Thuto and Tsebo and the rest of our family for their unwavering support, both during good and bad times. I know I can count on your unconditional love.

Acting Speaker, it is an honour to serve! I hereby table the 2013 Appropriation Bill and the accompanying documents.

I Thank You!