



FREE STATE PROVINCE

2015 FREE STATE PROVINCIAL BUDGET SPEECH

Hon. Elzabe Rockman

MEC for Finance

11 March 2015

Honourable Speaker;
Honourable Premier;
Members of the Provincial Executive Council;
Members of the Free State Legislature;
Executive Mayors, Mayors and Mayoral Committee Members responsible for Finance;
The Provincial Business Executive of the Office of the Auditor-General
Our Director General, Heads of Departments, Chairpersons and Chief Executive Officers of our Provincial Public Entities and Municipal Managers
Distinguished guests;

It is a privilege to present the first budget of the fifth administration of the Free State Province in a post-apartheid South Africa. The first twenty years of the transition from the oppressive legacy of colonialism and apartheid to a democratic South Africa achieved significant gains for freedom, democracy and the restoration of the dignity of our people. It laid the foundation from which the first inroads have been made to push back the frontiers of the triple challenge of poverty, unemployment and inequality.

The future of the political and economic path of our country is inevitably built on the legacy of our past. Our priorities today are rooted in the fundamental need to redress the results of the fragmented exclusivity that the ideological school of “apartheid” brought about in the political, cultural and economic soul of our country. We must tell it as it was and as it is and do so unapologetically. We developed and formulated the provincial budget we are tabling today well aware of the momentous responsibilities and obligations that our history places on us.

We therefore pay tribute to the adoption of the Freedom Charter sixty years ago in Kliptown, Soweto. Chief Albert Luthuli, then President of the banned African National Congress, captured the significance of that historical moment when he remarked that;
“... it will be the first time in the history of our multi-racial nation that its people from all walks of life will meet as equals, irrespective of race, colour and creed, to formulate a Freedom Charter for all people in the country.”

Concluding his blow-by-blow account of how the ANC has lived and pursued the ideals of the Freedom Charter in the January 8 Statement this year, our Honourable President Jacob Zuma reiterated that; ***“Today, as South Africans, we pledge to leave no stone unturned until we have achieved economic freedom for we know that political freedom, without economic emancipation, is incomplete.”***

We equally pay tribute to the commemoration of the fifty-fifth anniversary of the Sharpeville Massacre. The lives lost in that massacre reflected the commitment of the people assembled at Kliptown when they pledged; ***“... to strive together, sparing neither strength nor courage, until the democratic changes have been won.”***

This year, we also acknowledge the formation of the trade union federation, the Congress of South African Trade Unions (COSATU), thirty years ago. Since its formation, the broad strategic objectives of COSATU have always been to improve the material conditions of its members and of the working people as a whole, to organise the un-organised workforce and to ensure worker participation in the struggle for peace and democracy. The struggle of workers against economic exploitation is inseparable from our second phase of transition to implement radical socio-economic transformation to meaningfully address poverty, unemployment and inequality.

The National Development Plan is our vision to realise the ideals of the Freedom Charter to create a South Africa that truly belongs to all who live in it. The electoral mandate of the fifth democratic government is to deepen transformation and implement the National Development Plan (NDP). We remain committed to ensuring that we align the programmes of the Free State provincial government with the six pillars of the NDP, namely;

- To unite all South Africans around a common purpose.
- An active citizenry
- Growing an inclusive economy
- The need to improve capabilities

- The need for a capable and developmental state and
- The responsibilities of leaders throughout society to work together to solve our problems

The profound challenge of youth unemployment, underdevelopment and poverty requires of all of us to continuously review the impact of our strategy for radical socio-economic transformation and to adjust our implementation processes where necessary to achieve qualitative changes in the lives of our young people.

Honourable Speaker, the innovation and creativity of our youth must be celebrated. Over the last four years, the Provincial Treasury, in collaboration with the FS Department of Education, extended our search for answers and solutions to young people of this province through the Grade 12 Budget Essay Competition. This year we gave an opportunity to the learners of the towns in the Moqhaka Local Municipality, namely Kroonstad, Viljoenskroon and Steynsrus, to share their views with us on the provincial budget.

Fourteen secondary schools took part in the competition. The learners who achieved the top 5 positions (in alphabetic order) are as follows:

- Jeremiah Manzi from Bodibeng Secondary School, Kroonstad
- Thabo Andrew Mofokeng from Matlwang-tlwang Secondary School, Steynsrus
- Lerato Mokoena from Matlwangtlwang Secondary School, Steynsrus
- Moleboheng Moletle from Kgabareng Technical School, Viljoenskroon
- Selloane Keneiloe Mosia from Kananelo Secondary School, Kroonstad

These 5 learners, accompanied by their fellow learners, their parents and educators, are my guests of honour this afternoon. We will be announcing the overall winner of this year's competition after the tabling of the Provincial Budget. Allow me, hon. Speaker, to extend my appreciation to the officials of the Provincial Treasury and the Education

Department, as well as our sponsors, Vodacom and Standard Bank, for having grown this competition into one of our flagship projects.

REVIEW AND FORECAST OF GLOBAL, REGIONAL, NATIONAL AND PROVINCIAL ECONOMIC CONDITIONS

Hon. Speaker, allow me to briefly set out the macro-economic environment and conditions within which the 2015 Provincial Budget has been set.

Global Economic Conditions

According to the International Monetary Fund, certain key developments have shaped the global outlook since the release of the October 2014 World Economic Outlook. These include;

- The decline in oil prices (in U.S. dollar terms) by about 55 percent since September 2014 with consequent effects for both oil importing and exporting countries
- Although global growth increased broadly, divergences among major economies are becoming more marked. This is illustrated by the fact that the recovery in the United States was stronger than expected, whilst economic performance in all other major economies—most notably Japan—fell short of expectations.
- With more marked growth divergence across major economies, the U.S. dollar has appreciated about 6 percent in real effective terms relative to the values used in the October 2014 World Economic Outlook. In contrast, the euro and the yen have depreciated by about 2 percent and 8 percent respectively, and many emerging market currencies have weakened, particularly those of commodity exporters. This week we have seen the weakening of the South African Rand to a 13-year low

against the US Dollar, despite comment from Standard and Poor that it is unlikely to downgrade South Africa's credit status in the next 24 months.

Regional Economic Conditions (Sub-Saharan Africa)

Growth in sub-Saharan Africa is expected to remain strong, at about 5.75 percent in 2015. Solid growth will continue in most of the region's countries, driven by sustained infrastructure investment, buoyant services sectors, and strong agricultural production, even as oil-related activities provide less support. The prevailing conditions of macroeconomic constraints will require striking the right balance between scaling up public investment in human capital and physical infrastructure and maintaining debt sustainability.

Madam Speaker, during the State of the Province Address, the Honourable Premier announced that the Free State will be hosting the Free State chapter of China in South Africa Week this year. Our expanding relationship with China is not simply based on the BRICS agreement, but also on the recognition of changing trade patterns in the world. In the year 2000, only 4.7 % of Sub-Saharan exports went to China. By 2013, 24.1 % of Sub-Saharan exports went to China.

Through the hosting of China Week, the Free State provincial government is taking a proactive approach towards facilitating access to the Chinese markets in the interests of the advancing the economic growth potential of the Free State province.

Socio-economic linkages with Lesotho

Hon Speaker, the political and economic history of Lesotho and the Free State Province are inextricably intertwined and are reflected in our contemporary relationship. Today we commemorate the passing of the father of that nation, *Morena Moshoeshoe I*, who died on this day in 1870.

Honourable Members, a prosperous South Africa and a thriving Free State need a stable and growth-oriented Lesotho. Let me remind this hon. House that in 2004, the Free State provincial government commissioned a study on the development of appropriate social and economic linkages between the Free State Province and Lesotho.

Recommendations were made in the areas of industry, manufacturing and trade; agriculture; tourism and infrastructure. Those recommendations focused on the respective strengths in identified areas, such as textiles in Lesotho and the chemical industry in Sasolburg, the agricultural potential of the Mohokare Valley Zone, tourism potential and linkages between Ladybrand/Clarens/Golden Gate and the Lesotho Highlands Water Scheme and Oxbow Lodge and its ski-facilities as well as cooperation in the roads and transport sectors and cross-border coordination.

During 2013, the hon. Premier led an official delegation to Lesotho to rebuild these relations. There remains untapped potential for economic growth that will benefit both the people of the Free State and Lesotho if we succeed in prioritizing our focus to include regional economic cooperation of this nature.

National Economic Conditions

During the tabling of the 2015 Budget Speech, the Honourable Minister of Finance projected South Africa's economic growth for 2015 at 2 % - a downward revision from 2.5 % in October last year with growth projected to rise to 3 % in 2017. Consumer price inflation declined to 4.4 per cent last month, and is expected to average 4.3 per cent in 2015, laying a foundation for economic growth.

Minister Nene advised that; "The best short-term prospects for faster growth lie in less energy-intensive sectors such as tourism, agriculture, light manufacturing and housing construction. These are also sectors that employ more people, and so they contribute to more inclusive growth."

Hon Speaker, there has been considerable analysis of the constraints to growth in South Africa over the last five years. These analyses have made recommendations on macro-economic issues, including the balance of fiscal and monetary policy, the potential role for fiscal rules and the volatility of the exchange rate. More emphasis has also been placed on micro-economic and structural reforms in areas such as education and skills, competition and trade policy, industrial policy, network industries, institutional development and public administration, as well as black economic empowerment. The diagnostics make the case for a much more robust policy focus on the creation of an enabling micro-economic environment to raise the rate of potential output growth and allow job creation at the rate needed to reduce poverty permanently.

Provincial Socio-Economic Conditions

We have articulated our concern that the Free State's real GDP annual growth rate has consistently been lower than the national average during the period 2004 to 2013, with the exception of the year 2012 when the Free State achieved a growth rate of 3 %. The official unemployment rate for the Free State was recorded at 32.2 % by the Fourth Quarter in 2014 – down from 34.6 %.

These statistics are offset by the following also recorded in the Fourth Quarter of 2014;

- Discouraged workers as a percentage of the labour force in the Free State were recorded at 6.7 %;
- The Free State had the 4th highest percentage of working age population employed amongst all provinces. The Absorption Rate was recorded at 41.5 %.
- The Province also had the 3rd highest percentage of its working age population that is part of its labour force amongst all provinces. The Labour Force Participation Rate was recorded as 61.1 %

The revised Free State Growth and Development Strategy and its alignment with the resolutions of the 2014 SMME and Cooperatives Indaba, will reposition the Free State's economic performance and expand the possibilities to achieve a higher and more sustainable economic growth rate and expand employment opportunities. This is critical for both our provincial receipts as well as the allocation of resources.

The economic potential of the Free State should be unlocked through its strategic location as the province at the heart of our country. The province hosts six of the fourteen national roads, with the artery between Gauteng and the Western and Eastern Cape, the N1, cutting right through the centre of the Free State. The development of the strategic KwaZulu-Natal - Free State - Gauteng Corridor will further provide stimulus to the strategic economic centrality of our Province.

Hon. Speaker, let us further remind ourselves of the economic potential of our province that is locked up in the agricultural, mining, tourism and industrial sectors. Research conducted by the Provincial Treasury confirms that we should promote investment in agriculture, mining and manufacturing as these have the strongest positive multiplier-effects on income, output as well as employment. Added to this, we need to further explore the potential of our tourism sector.

We therefore need targeted interventions, both financial and non-financial from the public and private sector, towards beneficiation in the mining sectors, agro-processing, as well as construction and maintenance of infrastructure if we are to confront the triple challenge of unemployment, poverty and inequality.

Hon. Speaker, the Free State is not deficient in economic potential and opportunities. Indeed, this province could be poised for greatness. It needs commitment, relentless hard work and focus to ensure that both the public and private sector collaborates to unlock this potential. As we continue to implement our strategies to bring about radical socio-economic transformation, specific attention must be given to create the

appropriate space in which cooperatives, the SMME-sector and our youth can participate in economic development and empowerment opportunities.

FISCAL FRAMEWORK

Hon Speaker, let us focus on the 2015 Medium Term Budget Framework. When we presented the 2014 budget last year, I reflected on the national and provincial fiscal challenges. This remains the reality of the South African fiscal environment that has escalated down to both provincial and local government levels.

It is within this fiscal environment, that we are called upon to ensure the appropriate resourcing of the Medium Term Strategic Framework (MTSF) that articulates Government's commitment to implement the National Development Plan and delivering on its electoral mandate as well as its Constitutional and statutory obligations.

The MTSF is structured around 14 priority outcomes which cover the focus areas identified in the NDP and Government's electoral mandate. The priorities identified in the MTSF are incorporated into the plans and programmes of provincial departments and public entities and are articulated in detail in the Annual Performance Plans that has been tabled in the Legislature. These priority outcomes form the foundation for the development of the provincial budget.

Government spending must be focused and prioritized towards the achievement of the 14 outcomes that form the core of our government priorities. The constructive suggestions and inputs of officials in the Departments of Economic Development, Small Business, Tourism & Environmental Affairs as well as Agriculture and Rural Development have emphasized the need to balance the restrictions of non-core spending against unforeseen and unintended consequences.

Allow me hon. Speaker, to deviate briefly and to acknowledge the sterling work done by the South African Revenue Services in the collection of revenue that primarily funds the priorities of government. Surely it is our responsibility – individually and collectively – to

promote and encourage individual and corporate tax compliance. To this end, the Free State Provincial Treasury and the South African Revenue Services will be embarking on a partnership programme to strengthen and promote tax compliance both by private individuals and the business sector with the aim of strengthening and enhancing the national revenue base. We will announce further details of this initiative in the presentation of the budget vote of the Provincial Treasury later this month.

Hon. Speaker, we remain supportive of the fiscal consolidation policy stance. The 2015 Medium Term Budget Framework continues to protect social spending, specifically in the education and health sectors, despite the increasing challenges posed by the shrinking fiscal environment.

During the tabling of the Adjustment Budget last year, we indicated that the Free State will lose approximately R372 million over the coming two financial years as a result of the expenditure ceiling announced by the Minister of Finance during October 2014. In addition, the impact of the incorporation of data changes in the equitable share formula has resulted in a further reduction of R329 million in the allocation of the province over the next two years. Hon. Members will undoubtedly appreciate the impact of these reductions on the provincial fiscal envelope and the consequences thereof for our resourcing decisions.

Hon. Speaker, allow me to present the 2015 MTEF Budget. I must mention that this budget is the result of an extensive consultation process involving benchmarking consultations with National Treasury as well as engagements with our provincial departments and public entities. This process has resulted in developing a common understanding that indeed, sometimes the hardest thing to do and the right thing to do are the same.

Though the 2015 MTEF framework is constrained, it must enable us to grow our economy, create work opportunities and push back the challenges of unemployment, inequality and poverty. In the medium term period ahead, the Free State will spend:

- R29.374 billion in 2015/16
- R30.689 billion in 2016/17 and
- R32.376 billion in 2017/18

The projected increase of our fiscus remains subdued; over the MTEF our total allocation increases by 4.28 percent. This growth is against the projected average inflation of 5.6 percent over the MTEF (2014 MTBPS).

Equitable Share

I have previously indicated the impact of the review of the provincial equitable share formula on the provincial fiscal envelope. Allow me to summarize it as follows;

- The Free State loses R62 million in 2015/16 due to data changes but in the subsequent financial year (2016/17), the province will be gaining R60 million.
- Our equitable share declines by a further R372 million over the next two years as a result of fiscal consolidation

In addition, there are further adjustments to the provincial equitable share. Firstly, in the forthcoming MTEF, an amount of R738 million is shifted away from the province. This shifting is necessitated by the shifting of Adult Basic Education and Training (ABET) Programmes to the Department of Higher Education. This amount is constituted by the following:

- R55.4 million makes provision for compensation and goods and services;
- R660.1 million relates to the movement of the function of Adult Basic Education and Training;
- R22.4 million is for payments of auxiliary and associated services (payments to SITA and external examinations)

Additional to the adjustments mentioned above is also the shifting of the function of Port Health Services and a change in the funding formula of the National Health Laboratory

Services (NHLS) to the National Department of Health. In this regard, the provincial equitable share is further revised downward by R74.5 million over the MTEF.

The total downward reduction in the Free State's fiscal envelope for the 2015/16 financial year is R465.9 million; in 2016/17 it is estimated at R383 million and in the outer financial year of 2017/18 it is projected at R292.6 million. We must acknowledge, however, that approximately 71 % of the reduction is as a result of the shifting of functions to the relevant national departments of Education and Health.

It is equally important to mention that the provincial equitable share formula which is utilized to allocate funds horizontally across provinces is mainly driven by statistics; and in this regard statistics pertaining to the education and health sectors impact heavily on allocations. It is imperative that our data management ensures the integrity, accuracy, quality and reliability of data and statistics supplied to national government. This will become an increasingly important focus area of the Provincial Treasury over the MTEF period ahead.

Conditional Grants

Hon. Speaker, conditional grants accounts for 22.4 percent of our total estimated allocation over the MTEF period. These grants remain the second largest source of revenue for our province.

There are continuing structural revisions to provincial conditional grants. National Treasury has reprioritized and ring-fenced funding for health facilities that were damaged by earthquakes. Provision for houses and schools damaged by earthquakes has also been made through ring-fencing of funds within the Human Settlements and Education Infrastructure Grants, respectively. This, however, did not affect the Free State and we receive no allocation in this regard.

Secondly, the Comprehensive HIV and AIDS grant has been revised to make provisions for direct funding to the National Department of Health for National Health Laboratories

Services. The National School Nutrition Programme Grant will from 2015/16 be extended to include provision for the deworming of learners.

The quality of planning and implementation of infrastructure remains of critical importance to the economic growth path of the country. The Infrastructure Incentive Grant requires that provinces bid for funding and present best approaches on infrastructure delivery two years in advance. The forthcoming financial year—2015/16—will be the first year of allocation of these funds and it is specifically earmarked for education and health infrastructure. The incentive part for education and health infrastructure remains unallocated and subject to the bidding process that I have made mention of.

Hon. Speaker, the total conditional grants allocation to the province are as follows;

R6.609 billion in 2015/16,
R6.854 billion in 2016/17 and
R7.280 billion in 2017/18.

Therefore the MTEF total allocation to the province totals R20.7 billion.

Provincial Own Revenue

We have emphasized to the hon. Premier and Members of the Executive Council the imperative to increase provincial own revenue and the need to develop new strategies aimed at enhancing our systems and management of revenue collection. This includes a range of initiatives targeting debt owed by ex-employees of the public service, the consideration of disposal of non-core immovable provincial assets, enhancing corporate social investment in identified programmes and projects, sourcing of additional funding for major infrastructure projects and the implementation of alternative payment platforms in respect of traffic fines.

The budget maintains provision for the ring-fencing of funds earmarked for projects that have the potential to enhance revenue collection and generation within provincial departments and entities. In the forthcoming financial year, funds are allocated to the Departments of Public Works and Infrastructure, Health and Provincial Treasury for identified revenue enhancement projects.

Contrary to the recent economic challenges, revenue collection in the province has fared quite well. Our provincial revenue is mainly generated through motor vehicle licenses and traffic fines; patient fees; interest on investments; gambling receipts; resorts and reserves; and the sale of game. Revenue collection in the province has shown steadfast growth of R48.9 million over the past three financial years.

Hon. Speaker, the current provincial revenue estimates were adjusted upward by R64.9 million or 7.2 percent to R965.8 million. In 2015/16, the province estimates to generate R1.007 billion which represent an increase of 4.3 percent. For 2016/17 and 2017/18 revenue is estimated to reach R1.059 billion and R1.117 billion respectively. On average, provincial own revenue is expected to grow by 5 percent over the MTEF period.

Specific own revenue initiatives will be detailed by respective Departments in the presentation of their budget vote speeches to the hon. House.

2015/16 MTEF ALLOCATIONS

I will now turn my focus to the proposed 2015 MTEF allocations to provincial departments in accordance with the cluster approach of the provincial government.

SOCIAL SECTOR CLUSTER

Hon. Speaker, the **SOCIAL SECTOR CLUSTER** comprises of the Departments of Education, Health, Social Development and Sport, Arts, Culture and Recreation.

On average over the forthcoming MTEF, 72.4 percent of our estimated allocations go to the Departments of Education, Health and Social Development.

Education

Madam Speaker, education remains central to the growth and sustainability of the economy. The National Development Plan identifies education as a critical trajectory to economic development and fighting poverty and other societal ills. The success achieved by the Department of Education has been rooted in harnessing the strength and resilience of all stakeholders in the education sector to ensure that active learning and teaching takes place.

The election of School Governing Bodies commenced last week and this schedule will be unfolding until the 28th of March. The scope of these elections is such that it is the single largest democratic process in South Africa with some 300 000 representatives to be elected. This is the opportunity for all parents to heed the call of the National Development Plan for an “active citizenry” – either through participating as a candidate or voting in the elections.

The Department is allocated R11.538 billion for 2015/16, R12.019 billion for 2016/17 and R12.702 billion for 2017/18. In total, the department will spend R36.259 billion over the MTEF period. This allocation makes provision for addressing some of the following priorities, including;

- Continuing funding for quintile 1, 2 and 3 schools (no fee schools)
- Learning and Teaching Support Materials (LTSM)
- Increasing the number of teachers in quintile 1 schools
- Further expansion of Grade R
- Tertiary Bursaries for students within the limitations announced by the hon. Premier during the State of the Province Address
- Training and development of educators

- Education Infrastructure
- Occupational Specific Dispensation (OSD) for therapists

The Provincial Treasury and Department of Education will be working together to address certain identified structural budget matters, specifically focusing on the escalating component of compensation of employees and its consequent impact on other critical programmes as well as strengthening and enhancing the financial management of the Department.

Health

Hon. Speaker, we are encouraged by the achievements of our provincial Department of Health as outlined by the hon. Premier in the State of the Province Address despite the significant resource challenges faced by the Department. This includes an improvement in immunization coverage, an improved uptake of rotavirus and pneumococcal vaccines and the noted achievement with regard to the Tuberculosis cure rate.

The collaboration between the Provincial Treasury and Health Department in dealing with critical financial management challenges over the past few months have laid the foundation for an increasingly stable financial environment. We remain confident that prior year accruals will completely be eliminated during the forthcoming financial year,

During the new financial year, the component responsible for HIV/AIDS coordination in the Office of the Premier will be transferred to the Department of Health together with the appropriate budget allocation.

An estimated amount of **R27.3 billion** will be spent on key health sector priorities over the forthcoming MTEF period. Speaker, this amount is divided as follows: **R8.675 billion** in 2015/16, which increases to **R9.062 billion** in 2016/17 and **R9.612 billion** in the outer year. The 2015 MTEF allocations include the following key priorities;

- Addressing challenges of HIV/AIDS and TB

- Expansion of Medical Male Circumcision
- Public Hospital norms and standards
- Health infrastructure
- Improving general health capacity
- Reduction of maternal, infant and child mortality
- Rollout of Human Papillomavirus (HPV) Vaccine

Social Development

Hon Speaker, government escalated the importance of a comprehensive, responsible and sustainable social protection system to become Outcome 13 in the 2009 to 2014 Medium Term Strategic Framework. One of the key targets that the MTSF seeks to achieve is that; “By 2024, an essential age- and developmentally stage-appropriate package of quality early childhood development (ECD) services is available and accessible to all young children and their caregivers.” The MTSF further states that; “The role of NGOs in the social welfare system will be clarified, as well as consolidating the different community-based services through which many social services are provided. The funding model for social services will be reviewed.”

The Department of Social Development leads the provincial government’s initiatives with regard to these critical priorities. We will have to consider the impact that a possible extension and intensification in the scope of the Department’s mandate will have on our future resource allocations.

In the forthcoming financial year, the responsibility for coordinating matters affecting children will relocate from the Office of the Premier to the Department of Social Development together with the relevant budget allocation.

Though we have achieved much, we are not oblivious to the social challenges still facing our communities and the need to implement a comprehensive and practical programme aimed at preventing and redressing such challenges.

The department receives an amount of **R1.020 billion** in 2015/16, **R1.084 billion** in 2016/17 and **R1.108 billion** in 2017/18. Amongst others, this budget also makes provision for support to Non-Governmental and Community Based Organizations, Early Childhood Development Centres, shelters for victims of substance abuse and infrastructure.

Sport, Arts, Culture and Recreation

Madam Speaker, the Department of Sport, Arts, Culture and Recreation must assume responsibility for the implementation of certain core elements of Outcome 14, in the Medium Term Strategic Framework, namely; “A diverse, socially cohesive society with a common national identity.” These elements include issues pertaining to the usage and knowledge of national symbols, cultural redress, marginalized languages, social cohesion, an active citizenry and sport. These matters form part of the core mandate of the Department. In addition, the Department supports other critical priority outcomes in Education and Health.

The Department continues to set an example for all of us in the utilization of its very limited resources through creativity, innovation and the active pursuit of partnerships and collaboration with the broader sphere of government, non-governmental organizations and the private sector. In addition, the Department’s commitment to sound financial management has ensured that it has retained its clean audit status for two consecutive years. We commend the political and management leadership of the Department on this achievement.

The development of sport infrastructure such as that taking place at the Seisa Ramabodu stadium as well as at other stadia including the Keizer Sebothelo, Siphon Mutsi, Fezile Dabi and Charles Mopeli stadia is evident of our commitment to invest in the sport and recreational requirements of our communities.

We remain committed to supporting the development of the arts and culture sector in the Free State. The hon. Premier announced the establishment of a Heroes Park at the Regional Park in Thaba Nchu and this Department will be responsible for bringing this concept to life. In addition, provision has been made for MACUFE in the main Appropriation Bill with reviewed targets for revenue expected to be raised.

The Department of Sports, Arts, Culture and Recreation is allocated **R679.6 million** in 2015/16, **R639 million** in 2016/17 and **R638 million** in 2017/18. The noted decline of the budget in the outer two financial years will mainly be as a result of the completion of infrastructure projects. Over the MTEF, the department will spend an estimated amount of R1.9 billion. In addition to the matters mentioned earlier, the allocation also provides for development and support to sport codes and library, the commemoration of official days of significance and provincial archive services.

ECONOMIC AND INFRASTRUCTURE CLUSTER

The core of the **ECONOMIC & INFRASTRUCTURE CLUSTER** is constituted by the Departments of Agriculture and Rural Development, Economic & Small Business Development, Tourism and Environmental Affairs, Public Works and Infrastructure, Police, Roads and Transport and Human Settlement as well as the provincial public entities, with various other Departments also feeding into the work of the Economic & Infrastructure Cluster.

The provincial budget is also focused on ensuring that we stimulate economic activities and growth and facilitate an environment conducive to the creation of job opportunities. We are therefore allocating 21.6 percent of our total budget to sectors that have the potential to achieve these goals. These sectors include roads and transport, human settlements, tourism, agriculture and rural development as well as public works and infrastructure.

Agriculture and Rural Development

Hon. Speaker, the economy of the Free State Province is intrinsically linked to the wellbeing of the agricultural sector. The mandate of the Department of Agriculture and Rural Development is informed by the National Development Plan, the Agricultural Policy Action Plan, the Mohoma-Mobung / Zero Hunger Strategy and Fetsa Tala / Rekgaba ka Diratswana policy initiatives.

The overarching goal of these strategies is to increase agricultural production and profitability inclusive of value adding, agro-processing and marketing. Central to the approach taken is to provide support to efforts that promote and support Broad Based Agri-BEE, Job Creation and Poverty Reduction.

The department is allocated **R744.5 million** for 2015/16 financial year, **R763.9 million** for 2016/17 and **R798 million** for 2017/18.

Economic & Small Business Development, Tourism and Environmental Affairs

Hon Speaker, we need to acknowledge that this Department is often viewed as being responsible to meet the expectations of the established and emerging commercial sector for the Free State's economic growth and resuscitation. The 2014 to 2019 Medium Term Strategic Framework includes as specific focus area the development and support of the small business sector, including cooperatives, which has the potential to contribute significantly to job creation and economic growth. The implementation of the Department's mandate requires a collective effort between government departments, organized labour and business. The Department will be implementing various programmes in support of integrated economic development, support to SMMEs and cooperatives as well as foreign direct investment opportunities.

The Department is equally responsible for tourism development, environmental management and protection as well as regulatory and inspection services with regard to the gambling and liquor industries. The scope of its work with respect to the

transformation of the game industry is significant. Funding is allocated towards the implementation of various programmes focused on the core mandate in the forthcoming year.

The 2015 MTEF allocation to the department amounts to **R472.2 million** in 2015/16, which increases to **R473.1 million** in 2016/17 and **R498.9 million** in 2017/18.

Human Settlements

Speaker, a marked change in the mere provision of housing to our communities was brought about by government's approach to introduce the establishment and development of comprehensive and sustainable human settlements. The NDP proposes an urban development strategy comprising both economic and institutional reforms. Progress needs to be made towards breaking apartheid spatial patterns and integrating residential and commercial hubs in our cities and towns.

Funding is allocated towards the implementation of programmes focused on, amongst others, the delivery of incremental housing, social and rental housing, mixed housing developments and strategic land acquisition.

The Department of Human Settlements is allocated **R1.224 billion** in 2015/16, **R1.383 billion** in 2016/17 and **R1.467 billion** in 2017/18.

Public Works and Infrastructure

The National Development Plan identifies infrastructure development as a key trajectory for economic growth and consequently in the creation of decent job opportunities. Over the forthcoming MTEF, the province will spend an estimated amount of more than R10.9 billion on infrastructure. This expenditure relates, amongst others, to the construction of health facilities, schools, roads and bridges as well as houses.

The Department of Public Works and Infrastructure is the primary custodian of the planning, development and implementation of major infrastructure projects in the Free

State. This is done in the context of the Free State's Infrastructure Development Management System that focuses primarily on the education and health sectors. Together with the Department of Education, the Department of Public Works will be participating in the work to be undertaken by the Office of the Chief Procurement Officer of National Treasury with regard to the standardization of the planning and design of school infrastructure. In addition, the Department takes the lead in coordinating all Expanded Public Works Programme initiatives throughout the provincial government.

An amount of **R1.492 billion** is allocated for 2015/16 financial year, **R1.517 billion** for 2016/17 and **R1.595 billion** for 2017/18. This allocation also provides for, amongst others, property rates and taxes (municipal services), office leases and the maintenance of government buildings.

Police, Roads and Transport

Madam Speaker, the Department of Police, Roads and Transport is responsible for the construction and maintenance of our roads infrastructure in the Free State for enhanced economic activity. There can be no doubt that significant progress has been made over the past few years to aggressively address and improve the state of our roads infrastructure. In addition, the Department executes its responsibilities towards the regulation of the transport industry and its monitoring, oversight and coordination functions with the South African Police.

Funding is allocated towards the planning and implementation of labour-intensive projects as well as roads rehabilitation and maintenance projects. Support is provided to the Contractor Development Programme and Asset Management. From the start of the new financial year, the Department also becomes responsible for the management and administration of learner transport as this function, together with the corresponding budget, shifts from the Department of Education. In addition, funding is made available to support crime prevention initiatives and the further implementation of the Fusion Centre as resolved by the Provincial Crime Prevention Summit.

The Department of Police, Roads and Transport receives **R2.391 billion** in 2015/16, which increases to **R2.495 billion** in 2016/17 and **R2.662 billion** in 2017/18.

GOVERNANCE & ADMINISTRATION CLUSTER

The **GOVERNANCE & ADMINISTRATION CLUSTER** comprises primarily of the Office of the Premier, the Department of Cooperative Governance and Traditional Affairs and the Provincial Treasury whilst it also deals with governance matters relevant to all other provincial departments and public entities.

Office of the Premier

Madam Speaker, the Office of the Premier continues to execute its constitutional and statutory obligations, specifically with regarding to the development and implementation of provincial legislation as well as national legislation within and outside the functional areas as prescribed by the Constitution, developing and implementing provincial policy, and coordinating the functions of the provincial administration and its departments.

The 2015 budget will sustain and strengthen the current activities of the department, including provincial planning, monitoring and evaluation programmes, coordination of responses to the Presidential Hotline, functions of the Office of the State Law Advisors, the programmes of Community Development Workers and Community Liaison Officers as well as the activities of the Free State Training and Development Institute. I have also made mention of function shifts in respect of HIV/AIDS and children from the Office of the Premier to other provincial Departments.

The Office of the Premier is allocated an amount of **R283.9 million** in 2015/16, **R292 million** in 2016/17 and **R306.1 million** in 2017/18.

Cooperative Governance, Traditional Affairs and Human Settlements

Hon. Speaker, during the SALGA Finance Week last year, I shared my view that; “Local government is the crucible in which the complex processes of development,

governance, transformation and living conditions takes place on a daily basis. This is the space in which our children grow to adulthood, where our talents and ambitions are shaped, our institutions operate and our wellbeing is determined.”

Government’s Back to Basics approach focuses on five pillars, namely:

- Putting people and their concerns first;
- Creating conditions for decent living;
- Demonstrating good governance;
- Ensuring sound financial management and
- Building and maintaining sound institutional and administrative capabilities

The Provincial Treasury and the Department of COGTA have aligned their respective support programmes in respect of the local government sector in accordance with this Back to Basics approach. We are encouraged by the positive strides made by the Mangaung Metropolitan Municipality and its entity CENTLEC as well as the Naledi, Tokologo, Metsimaholo and Setsoto Local Municipalities in improving their audit outcomes of the 2013/14 financial year.

Hon. Speaker, the budget allocation to COGTA amounts to **R376.4 million** in 2015/16, which increases to **R399.6 million** in 2016/17 and **R416.1 million** in 2017/18. The MTEF allocation provides for the support in respect of the provision of water and sanitation services, municipal support, the institution of traditional leaders and disaster management.

Provincial Treasury

Hon. Speaker, the Provincial Treasury equally executes its constitutional and statutory obligations. The economic, effective and efficient management and utilization of public resources remains the cornerstone of our mandate. Funding is made available to

support our activities in respect of Sustainable Resource Management, Asset and Liability Management, Financial Governance and Municipal Finance Management.

I have previously made mention in the hon. House that we remain firmly on track to achieve the improvement in the financial management and administration of the provincial government sector as evidenced by the audit outcomes of the 2014/15 financial year. We are particularly pleased that the Provincial Treasury maintained its “clean” audit outcome for the fifth consecutive financial year.

We have proactively established partnerships and collaboration with stakeholders in relevant sectors, including the Association of Certified Fraud Examiners (ACFE), the South African Institute of Chartered Accountants (SAICA), the South African Institute of Internal Auditors (SAIIA), the South African Revenue Service and NERSA. These partnerships further enhance our commitment to ensure that we provide a more comprehensive and proactive support service to our provincial departments, provincial public entities and the local government sector.

In addition, hon. Speaker, the Provincial Treasury will continue with its work in respect of government employees doing business with government and the clean-up of our supplier database. The work we have undertaken with regard to the supplier database will enable integration with the supply chain management initiatives undertaken by the Office of the Chief Procurement Officer. Another specific focus area for the forthcoming year will be to monitor government spending to advance youth and gender economic empowerment.

Provincial Treasury is allocated an amount of **R295.5 million** in 2015/16; **R305.6 million** in 2016/17 and **R288.4 million** in 2017/18.

Free State Legislature

Our august house—the Free State Legislature is allocated an amount of **R181.7 million** in 2015/16, **R190.3 million** in 2016/17 and **R199.7 million** in the outer year. The

allocations will provide for the execution of the Legislature's core mandate, namely the consideration of legislation, public participation, awareness and education, the execution of its oversight function and support to political parties represented in the Legislature.

CONCLUSION

Madam Speaker, in 2009 we reformed the provincial budget process, broadened and deepened budget consultations. The rationale for doing so was to eliminate fragmentation and isolation in the planning and execution of the provincial government's mandate.

We are convinced that as strenuous and intensive as the budget consultation process has been, we have established a new culture characterized by our collective responsibility towards the identification, planning, implementation and monitoring of our provincial government priorities. This has been further enhanced by the cluster approach that ensures our coordination and cooperation at inter-governmental level.

Let us ensure that we pledge today to; "strive together, sparing neither strength nor courage, until economic freedom has been won."

Allow me to express my appreciation to the Premier and colleagues in the Executive Council for the collective wisdom, creativity, criticism and innovation that they have brought to the budget development process. The strategic and technical contributions of the Director-General, Heads of Departments and Chief Financial Officers during the finalization of this budget are equally commended.

Lastly, allow me to convey my gratitude to the Chief Executive Officer of the Provincial Treasury together with the Senior Management and officials of the Sustainable Resource Unit, specifically the Provincial Budget Office, who has worked with tireless dedication to ensure that we produce a budget that translates the needs and aspirations of our people into concrete and achievable programmes.

I hereby table the 2015 Appropriation Bill and the accompanying documents.

I Thank You.