



Member of the Executive Council
for Finance
FREE STATE PROVINCE

2019 FREE STATE PROVINCIAL BUDGET SPEECH

**Hon. Elzabe Rockman
MEC for Finance**

5 MARCH 2019

Honourable Speaker

Honourable Premier

Members of the Executive Council

Members of the FS Legislature

Executive Mayors and Mayoral Committee Members

Director-General, Heads of Departments, Chairpersons and CEOs of our Public Entities

The Provincial Business Executive of the Office of the Auditor General

Moremoholo Mopeli, Principal Traditional Leader and other traditional leaders

Distinguished guests,

I wish to make special mention of the educators and learners from the schools who participated in our annual essay competition. They represent the St Bernard Secondary School from Bloemfontein, Phiritona Secondary School from Heilbron, Setjhaba-se-Maketse Combined School from Botshabelo, Wongalethu Secondary School in Bethulie and the Relebohile-Sibulele Secondary School in Smithfield.

We appreciate the opportunity to table the Free State provincial budget for the 2019/2020 financial year as we approach the end of the 5th administration. This year we again have the opportunity to strengthen and defend our democracy through our participation in the national and provincial elections scheduled to take place on the 8th of May. Each of us has a role to play in ensuring the success of 2019's general elections.

The electoral season inspires ordinary citizens to escalate their participation in our democratic processes starting from voter registration, updating of registration details up to casting their votes. The thousands of volunteers who work tirelessly on the election campaigns of political parties are the modern-day heroes of our democracy in action. Equally, so are the men and women of the Electoral Commission of South Africa who are tasked to ensure that the environment and infrastructure are in place to

facilitate free and fair elections. Let us all publicly commit to ensure that we support the work of the Electoral Commission.

Hon. Speaker, certain developments in the local government sphere also require our attention today. We welcome the appointment of the new Municipal Demarcation Board last week. The Free State is well represented in the board through Mr. Thabo Manyoni, who will be the chairperson, as well as Dr. David Mohale. These individuals have the required knowledge and experience to ensure that the Board executes its mandate.

Allow me to also congratulate the hon. Mathabo Leeto on her election as the President of the South African National Civics Organisation (SANCO) over the past weekend. The voice of SANCO as an effective and vibrant reflection of civic society is essential for our democracy.

Today we return to the Xhariep district to fulfil the commitment that we made in 2017 when we first presented our provincial budget speech here. We indicated then that the provincial budget speech will be hosted here until the end of the fifth administration. This decision was not the result of some sentimental idiosyncrasy towards the Xhariep district. We recognized that the Xhariep district traditionally holds the smallest share of the provincial budget. The dynamics of this district, specifically its huge geographical area, low population numbers and its exposure to climatic conditions, are key contributing factors to the stubborn prevalence of unemployment, poverty and inequality. Its potential in economic sectors such as tourism, solar energy and agriculture remain largely unexplored. We therefore intentionally put Xhariep in the forefront of the conscience of decision makers when it comes to decisions around resource allocations and implementation of departmental mandates.

During the recent State of the Nation Address and the State of the Province Address, the hon. President and the hon. Premier respectively reflected on the successes and shortcomings of the first 25 years of democratic governance. The fifth administration has demanded a focused effort to implement our commitment to meaningfully improve the lives of our people when the availability of resources have continued to decline.

Midway through the current administration, we stated that; “There is no guarantee that the road ahead will be any less strenuous. The only guarantee is that there will be new and differing challenges to the ones that we faced yesterday and today.” The end of the fifth administration has brought us to this moment that the hon. Premier characterized as; “...the moment of hope and the age of courage.” Those are the characteristics that will strengthen and support the sixth administration that will be formed after the 8 May general elections.

The 2019 Medium Term Expenditure Framework require of us to continue to consolidate our fiscal environment through various means in the next financial year in order to maximize on the opportunities presented in the two outer years of the MTEF period.

ECONOMIC OUTLOOK

Hon Speaker, the South African economy is exposed to both the direct and the indirect effects of adverse global developments. We take note of the following indicators;

- The world economic growth rate has been revised downwards from 3.7% in 2018 to 3.5% in 2019 based on the forecasts of the International Monetary Fund and the World Bank.
- Interestingly, economic growth in the Sub-Saharan Africa region remain resilient and promising and is expected to rise from 2.9% in 2018 to 3.5% in 2019.

The South African economy has remained under severe pressure as was evidenced by the technical recession experienced in the 2nd quarter of 2018. Multiple initiatives implemented by national government, including the Investment Summit and Jobs Summit, contributed to reversing the technical recession.

National economic growth is projected at about 1.5% in 2019 – a modest increase from the recorded growth rate of 0.7% in 2018. It is anticipated that the Economic Stimulus and Recovery Plan will contribute significantly to accelerate national economic growth. Key elements of this plan include the implementation of growth enhancing economic

reforms, addressing urgent matters in education and health and investing in municipal social infrastructure improvement.

Provincial Economic Outlook

The provincial economic outlook is reflected in the economic performance as well as the socio-economic and labour market dynamics of the Free State. Some of the most significant of these provincial indicators are as follows;

- The Free State contribution to the national Gross Domestic Product (GDP) has remained stagnant at 5 % between 2014 and 2017.
- The province experienced a dramatic decline in the primary industries of agriculture and mining from 2009 to 2017. The secondary industries of manufacturing, electricity and construction remained almost stagnant whilst a marginal increase in the tertiary industries were recorded during the same period.
- The Free State unemployment rate was recorded at 32.9% at the end of the fourth quarter in 2018 with unemployment amongst women being substantially higher at 36.5 % than amongst men at 29.9%
- The provincial youth unemployment rate (at above 50%) continues to be higher than other age groups throughout the country, irrespective of education levels.
- Of particular concern is that we have seen an increase in the share of people in the Free State living below the food poverty line of R547 per month over the four-year period of 2014 to 2017.

In 2019, the Free State economy is projected to recover marginally and to grow by 0.9%. This growth is expected to be supported mainly by the transport (3.2%), agriculture (2.9%) and finance (2.8%) sectors. These sectors are, however, also vulnerable to a number of external factors such as the fluctuating prices of crude oil and fuel and climate conditions. These three industries are also projected to provide the highest average growth rates over the MTEF period.

The marginal growth rate of 0.9 % is not sufficient to substantially address the socio-economic challenges of the Free State. The development of the Provincial Economic Recovery and Stimulus plan has been initiated by Provincial Treasury with all other departments and provincial entities contributing to this initiative. It contextualizes the key elements of the national plan to the prevailing socio-economic dynamics of the Free State with particular reference to -;

- research-based policy interventions in the agriculture, mining and manufacturing sectors,
- labour intensive policies and programmes, with specific reference to implementation models for infrastructure development
- escalating our initiatives to attract foreign and local direct investment in the Free State, including the Maluti-a-Phofung Special Economic Zone,
- ensuring the optimal utilization of the revitalized industrial parks in Phuthaditjhaba and Botshabelo upon completion and
- maximizing the tourism potential of the province.

The next administration will also undertake a further review of the Free State Growth and Development Strategy (FSGDS) – our policy framework that is aligned with the National Development Plan and Vision 2030.

THE 2019 FISCAL FRAMEWORK

Hon Speaker, the provincial fiscal framework for 2019/2020 continues to be predominantly characterized by the requirements of fiscal consolidation and sustainability. The Free State is allocated R119.099 billion over the MTEF as follows;

- R37.274 billion in 2019/20;
- R39.593 billion in 2020/21; and
- R42.232 billion in 2021/22

The 6 fundamental prescripts of the national budget set out by the hon. Minister of Finance during the national budget speech, are equally applicable but contextualized to speak to the dynamics of the Free State. These prescripts include;

- Achieving a higher rate of economic growth
- Increase tax collection – though the provincial dynamics will focus on maximizing the collection of provincial own revenue and propagating for the payment of municipal services, rates and taxes by all those who can afford to do so
- Reasonable, affordable expenditure – specifically to prioritize our spending according to needs and impact
- Stabilising and reducing provincial debt – specifically to reduce our accruals and payable at the end of each financial year
- Managing the public sector wage bill and
- Continuing to monitor and review the efficiencies of the reconfigured provincial public entities.

The provincial fiscal envelope is required to provide for the implementation of the 2018 Public Sector Wage Agreement. This results in the continued need to further reprioritize existing funds, to proactively manage the expanding provincial wage bill and to redirect savings towards key priorities.

I will briefly outline each of the Province's revenue streams:

Equitable Share

Our provincial equitable share grows at an average rate of 7.4 % over the MTEF period. The total equitable share allocation of the Free State over the MTEF amounts to **R90.936 billion** with an allocation of;

R28.187 billion in 2019/20;

R30.338 billion and

R32.411 billion in 2020/21 and 2021/22 respectively.

Included in the above allocations are specific earmarked funds amounting to **R194.713 million**. These are earmarked funds for *specific* projects including the up-scaling of the sanitary dignity project (Department of Education), funding for Cuban doctors (Department of Health), municipal interventions for municipalities under section 139 and building infrastructure monitoring capacity within Provincial Treasury as well as specific projects related to the Department of Social Development.

Conditional Grants

The Free State is allocated **R24.418 billion** for conditional grants over the forthcoming MTEF period. The allocation for 2019/20, amounts to **R7.863 billion** and for the outer two financial years **R7.985 billion** and **R8.570 billion** respectively. These allocations represent an average growth of 4.2% over the MTEF period.

There are a number of changes to conditional grants over the forthcoming MTEF that affects various of our provincial departments. These can be summarized as follows;

Department of Agriculture and Rural Development (CASP)

The Comprehensive Agricultural Support Programme grant (CASP) allocations has reduced over the MTEF to fund the following;

- The establishment of a food and mouth disease facility by the Agriculture Research Council.
- Redirected funding to the Land Bank for the implementation of a new blended finance mechanism developed to leverage both government and private funds to extend more affordable credit to black farmers.

The Free State's allocation for CASP for 2019/2020 has reduced with R11.103 million for the 2019/20 financial year to R168.373 million. The reduction in the two outer years amounts to R6.165 million and R2.791 million respectively.

Department of Education

Additional funding has been allocated towards the Schools Infrastructure Backlogs Grant over the MTEF period to address the challenges of pit latrines in the education sector throughout the country. This is also an indirect conditional grant. The Free State Department of Education will receive R77.466 million in 2019/20 and R32 million and R52 million in the outer years for the eradication of pit latrines in the province.

Our Department of Education has qualified to receive the infrastructure performance-based incentive grant for the second consecutive year. The Department will receive R188.071 million for the incentive component for the Education Infrastructure grant for 2019/2020. The total amount allocated to the Free State for the Education Infrastructure Grant amounts to R833.485 million.

Department of Health

There are reforms to two grants in the Health sector, namely the Comprehensive HIV, AIDS and TB grant and the Health Infrastructure grant. Changes to the HIV, AIDS and TB grant relates to the inclusion of a malaria component for provinces affected by malaria outbreaks. The Free State does not benefit from the malaria component of the grant.

The tuberculosis component of the grant will now be a stand-alone component, allowing for effective monitoring and evaluation of spending and outcomes. The Free State receives R29.459 million in 2019/2020 for this component and this increases to respectively R31.079 and R32.788 million in the two outer years.

The Health Infrastructure grant has been reduced for all provinces. The Free State's allocation for this grant reduces with R77.649 million to R498.713 million for the new financial year in comparison to the current financial year.

Department of Human Settlements

Changes to conditional grants of the Department of Human Settlements relate to the Title Deeds Restoration grant and the Human Settlements Development grant

(HSDG). The Title Deeds Restoration grant comes to an end in 2020/21 and will be phased back into the Human Settlements Development grant (HSDG) baseline.

A total of R950 million was moved out of the HSDG towards the National Housing Finance Cooperation for the Finance Linked Individual Subsidy Scheme (FLISP). This move is aimed at improving coordination and support to targeted individuals. As a result of this, the Free State receives R18.310 million less for this component of the HSDG.

Within the Human Settlements Development Grant, there is a new window created in 2019/20 which requires that 15 % of the grant must be spent on the upgrading of informal settlements.

Department of Police, Roads and Transport

The Provincial Road Maintenance grant has been reduced by an amount of R119.5 million. The Free State, however receives a marginal increase of R40.535 million in respect of the Provincial Road Maintenance Grant for the 2019/2020 financial year in comparison to the 2018/19 financial year.

Expanded Public Works Programme Integrated Grant & Social Sector EPWP Incentive Grant for Provinces

Allocations to EPWP programmes across all provinces has been reduced by R41.8 million over the MTEF. The 2019/20 allocation to the Free State is thus reduced by R6.872 million when compared to the 2018/19 allocation. The reductions include both social and Integrated EPWP grants.

Hon. Speaker, the reductions in conditional grants remind us of the African proverb that says; “No matter the economy of the jungle, the lion will never eat grass.” Our fiscal environment calls upon our strength and resilience to ensure that we continue to rise above these challenges.

Provincial Own Revenue

Hon. Speaker, provincial own revenue is an indispensable source through which we augment the provincial fiscal envelope. On average, our provincial revenue has maintained an annual growth rate of 5.5 % over the last five financial years. We have benchmarked our respective tariff structures to ensure that we remain competitive in the national market.

In the MTEF ahead, the province projects to raise its provincial own revenue as follows;

- R1.225 billion in 2019/20,
- R1.270 billion in 2020/21 and
- R1.251 billion in 2021/22.

The Department of Police, Roads and Transport continues to be our main contributor to provincial own revenue through motor vehicle licenses and other associated revenue items. The Department is developing further revenue enhancement proposals that will further enhance our provincial revenue base.

We fully support and welcome the re-introduction of game auctions by the Department of Economic & Small Business Development, Tourism and Environmental Affairs (DESTEA). The most recent game auction in February this year raised almost R10 million for our Revenue Fund.

Provincial Treasury initiated a review of projects and programmes funded through the Provincial Revenue Enhancement Allocation since its introduction in 2011. This review is aimed at ensuring that we maximize our investment in programmes that have proven to offer us a substantial return on investment. Our preliminary findings confirm that the best return on investment we receive is through funded programmes in the Department of Police, Roads and Transport, specifically the upgrade of testing stations and our increased capacity in debt management.

The review process will enable Provincial Treasury to make informed recommendations to the Executive Council to adjust revenue enhancement as and when required.

THE 2019 MTEF ALLOCATIONS TO PROVINCIAL DEPARTMENTS

Hon. Speaker, the provincial budget we present today is the result of extensive engagement processes that informs the development of the annual provincial budget. Our fiscal environment necessitates that we critically evaluate and review our resource allocation decisions. In addition, we recognize the imperative to address some of the perpetual fiscal challenges that characterize our environment.

The budget for the first year of the 2019 Medium Term Expenditure period focuses on fiscal consolidation and the financial sustainability of the provincial government. It creates the foundation for the fiscal space we require to enable future adjustments and reorganization. Cost containment measures and the management of the public wage bill remain in place. This will enable us in the outer years of the medium-term period to substantially address some of our prevailing fiscal challenges.

Whilst addressing the imperatives of fiscal consolidation and financial sustainability, it is our belief that this budget also creates the enabling environment within which economic development and infrastructure-led growth can take place. We strengthen support to our social sector departments such as education, health and social development. Our support for youth advancement initiatives cuts across all provincial departments. All of these objectives can only be achieved through good and effective governance practices. In addition, our departments charged with ensuring good and effective governance are enabled to exercise their monitoring, oversight and coordination roles.

Hon. Speaker, I will now focus on the 2019 MTEF proposed allocations to provincial departments. The details of the allocations are set out in the 2019/20 Estimates of Provincial Revenue and Expenditure as well as the 2019/20 Appropriation Bill.

SOCIAL SECTOR

The Departments of Education, Health, Social Development and Sport, Arts, Culture and Recreation is allocated approximately 75.8 % of the total provincial allocation over the three-year MTEF period.

EDUCATION

Hon. Speaker, our commitment to the provision of quality education remains at the core of government. There is no better example that illustrates the truth that; “Working Together, We Can Do More” than our provincial education family.

This family - comprising of the managers, educators, administrators, unions, learners, parents, private sector partners and non-governmental organizations – have united behind a common vision of excellence. We salute the contribution of each and every one of these stakeholders in the successes obtained by Free State Education.

Hon. Makgoe, our vision for education must echo the words of Dr Martin Luther King Jr that; “The function of education is to teach one to think intensively and to think critically. Intelligence plus character – that is the goal of true education.”

The department is allocated the total amount of **R47.677 billion**, over the MTEF as follows;

- R14.733 billion in 2019/20,
- R15.873 billion in 2020/21 and
- R17.071 billion in outer financial year.

The following matters should be highlighted in the budget of the Department of Education;

- The function of learner transport, together with the budget, shifts back to the Department of Education from the Department of Police, Roads and Transport

- The function of Early Childhood Development Centres (ECDs) in respect of Grade RR and Grade R, shifts from the Department of Social Development to the Department of Education. The budget shift relating to this will be done as part of the Adjustment Appropriation process during November this year
- An additional amount of R74.379 million is allocated towards Compensation of Employees to begin to address the perpetual over-spending on this budget item during the forthcoming financial year. Further allocations of R149.280 million and R282,503 million are also added to Compensation of Employees in the two outer years of the MTEF period.

In total, over the 2019 MTEF period, we are therefore allocating an additional amount of R506.168 million to address the critical challenges we have been experiencing with over-expenditure on Compensation of Employees in the Department of Education. This funding is made available through additional funding received from national government as well as a 2 % top-slicing of the budgets of some provincial departments.

- Earmarked funding of R13.881 million is set aside for the Sanitary Dignity project to affirm our commitment that no female learner should miss school due to limited access to sanitary needs.

The budget allocation of the Department continues to fund Norms and Standards in our schools, Learner Teacher Support Material, the Education Management Information System, support to school hostels, matric support programmes, the provision for exemption of school fees, school connectivity and school infrastructure, including maintenance.

HEALTH

The Economic Stimulus and Recovery Plan will address urgent matters in the health sector. These matters relate to necessities in hospitals such as beds and linen as well as the funding of critical medical posts, including nurses and interns. Hon. Tsiu, let us

never forget the teachings of the Arab proverb that; “He who has health, has hope, and he who has hope, has everything.”

The department will spend more than **R35.877 billion over the 2019 MTEF period**. The 2019 budget responds to identified key sector priorities. The allocation to the department is disaggregated as follows,

R11.142 billion in 2019/20,

R11.946 billion in 2020/21 and

R12.789 billion in 2021/22.

We remain cognisant of the work that still needs to be done in strengthening the value chain of our health system. Though notable strides have been made with the implementation of the National Health Insurance in the province, more still needs to be done to ensure that our health system is effective and responsive. We will continue to pay particular attention to the provision and maintenance of proper infrastructure and ICT systems, adequate and innovative staff as well as the strengthening of management at facility levels. We shall never tire to encourage the health sector to leverage on technology to maximize efficiencies in the system.

Over the MTEF period, the budget makes provision for amongst others, the following priorities;

- Medicine and Medical Supplies, including Anti-Retroviral treatment and children’s vaccines
- Laboratory Services (NHLS) and Blood Supply and Services
- Food Services and Relevant Supplies
- Infrastructure and Non-Infrastructure Maintenance
- International Bursaries in the fields of medicine and related professions and
- Emergency Medical Services (EMS) – The Department will be strengthening its internal capacity through increasing the number of departmental ambulances and paramedics.

Hon Speaker, as part of our Thuma Mina campaign in Treasury, we visited Rouxville in the Mohokare Local Municipality last year. As a result of that visit, we have agreed with the Department of Health to expedite and finalize the construction of the Rouxville clinic during the 2019/20 financial year through massification and the EPWP programme.

SOCIAL DEVELOPMENT

Hon. Speaker, in his address to The Campaign to Make Poverty History, former President Mandela cautioned that; "...as long as poverty, injustice and gross inequality persist in our world, none of us can truly rest". Our Department of Social Development leads the initiatives of the provincial government aimed at the most vulnerable sectors of our society, including women, children and youth, the elderly and the disabled.

We acknowledge that the month of March is celebrated as Social Workers Month and the 19th of March is celebrated as World Social Work Day. It is appropriate that we pay tribute to the critical role that social workers play as they help families and individuals confront, cope with, and overcome challenges.

The Department's budget allocation amounts to;

R1.375 billion in 2019/20,

R1.428 billion in 2020/21 and

R1.492 billion in 2021/22.

The budget allocation of the Department is also characterized by a number of changes. This includes earmarked funding in the amount of R85.090 million over the MTEF period. The earmarked funds relate to the shifting of the Food Relief Function to provinces and the conversion of two grants to equitable share funding, namely the Social Worker Grant and the Substance Abuse Treatment Centre grant.

As indicated earlier, the functions of ECD's in respect of Grade RR and Grade R shifts to the Department of Education whilst the shifting of the budget will be addressed during the adjustment appropriation process later this year. We also confirm that the

ECD subsidy increases from R15 per child per day to R17 per child per day for 264 days.

In general, the 2019 Budget caters for the following sector priorities:

- ECD and Partial Care
- Office on the Rights of Children
- Victim Empowerment
- Sanitary towels initiatives
- Statutory services rendered by the NGOs
- Maintenance of facilities

The implementation of the NAWONGO judgment remains a national sector challenge. It is crucial that we expedite the completion of the Substance Abuse Treatment Centre in Botshabelo during the new financial year. Provincial Treasury will be working closely with the Departments of Social Development and Public Works and Infrastructure to finalize this project.

SPORT, ARTS, CULTURE AND RECREATION

The Department must deliver on its very diverse mandate within a very limited fiscal environment. Its developmental and nurturing role is counter-balanced by continuous calls for support to various professional bodies in the sport, recreation and creative sectors.

In addition, the Department must fulfil its responsibilities towards our provincial libraries, the language, heritage and archive functions and to develop appropriate infrastructure facilities. We also expect the Department to play a leading role to build and promote social cohesion and social integration.

The Department of Sport, Arts, Culture and Recreation, is allocated **R2.338 billion** over the 2019 MTEF period as follows;

- **R753.543 million** for 2019/20,
- **R776.049 million** for 2020/21, and
- **R807.938 million** in the outer year.

There is an urgent need for our local government sector and communities to play a far more active role in protecting the infrastructure, facilities and equipment that have been developed across the province. The vandalization of sport facilities and theft of equipment is an alarming trend that needs to be eradicated.

In addition to the standard budget programmes, this budget also provides for the completion of the Fezile Dabi Stadium and the Qibing (Wepener) Library. Budget provision has also been made to commence with the renovation of the Charles Mopeli stadium in QwaQwa.

Hon. Leeto, we continue to be inspired by the words of the former President of the Congo, Patrice Lumumba; “The day will come when history will speak... Africa will write its own history... it will be a history of glory and dignity.”

ECONOMIC AND INFRASTRUCTURE CLUSTER

Hon Speaker, investment in infrastructure is key for economic growth and job creation. The 2019 MTEF allocations respond to the directives of National Development Plan and thus strive to create inclusive economic growth through infrastructure development. The economic and infrastructure cluster will spend more than **R23.462 billion** over the 2019 MTEF period.

HUMAN SETTLEMENTS

Hon. Speaker, the Department of Human Settlements will spend more than **R4.304 billion** implementing its key sector priorities in the upcoming MTEF period. Hon. Kotzee, the people of Madagascar advise that we should; “Move like a chameleon. Keep one eye on the past and the other on the future”. This will undoubtedly help us focus on completing outstanding work from previous years whilst pursuing the new targets that we have to meet.

The following allocations will be spent over the next three financial years:

- **R1.410 billion** in 2019/20,
- **R1.424 billion** in 2020/21 and,
- **R1.470 billion** in 2021/22

The department is mainly funded through conditional grants, namely the Human Settlements Development grant, the Title Deeds Restoration grant and EPWP grant. The changes in the conditional grant framework for Human Settlements have already been outlined.

In the coming MTEF period, the Title Deed Restoration Programme together with the delivery of quality human settlement is expected to be fast tracked to improve the living conditions and restore the dignity of our people.

PUBLIC WORKS AND INFRASTRUCTURE

Infrastructure development as a direct and indirect catalyst to support economic growth and job creation remains one of the pillars of our Provincial Economic Recovery and Stimulus Plan. The department will spend a total amount of **R5.751 billion** over the 2019 MTEF, which is disaggregated as follows:

- **R1.803 billion** in 2019/20,
- **R1.930 billion** in 2020/21, and
- **R2.018 billion** in the outer year

Given the unique role of the Department of Public Works and Infrastructure, we expect more work opportunities to be created through infrastructure-related projects over the MTEF period. Hon. Kotzee, we know the practical value of the African proverb that says; “When deeds speak, words are nothing”. We remain resolute in our effort to strengthen the implementation and monitoring of the Expanded Public Works Programme (EPWP).

Our internal professional capacity in the Department of Public Works has significantly improved over the last few years. This will strengthen the Department's ability to develop, implement and monitor infrastructure development projects on behalf of the various provincial client departments.

This 2019 budget also makes provision for the payments of municipal services and property rates and taxes as well as the Township Revitalization and Contractor Development Programme. The function and budget relating to the implementation of biometrics in provincial government-owned buildings is shifted from the Department of Police, Roads and Transport to the Department of Public Works and Infrastructure. Provision is made for the fees of transaction advisors required for the FS provincial government building and the Legislature precinct. The Department will also dispose of non-strategic assets and acquire certain other strategic assets.

POLICE, ROADS AND TRANSPORT

The execution of the multiple mandates that falls within the ambit of the Department of Police, Roads and Transport is supported with a budget allocation of;

- **R2.889 billion** in 2019/20,
- **R2.886 billion** in 2020/21 and
- **R3.046 billion** in 2021/22.

The budget allocation of the Department is affected by a number of function shifts, including learner transport to the Department of Education and biometrics to the Department of Public Works and Infrastructure.

The Department of Police, Roads and Transport is, however, also the recipient of the function shifts together with the relevant budget of transport economists and the Harrismith Logistics Hub from the Office of the Premier. The budget for the purchase of fire-fighting equipment has been transferred from the Department of COGTA but the allocation will remain the responsibility of the Department of COGTA.

The fiscal position of the Department's Fleet Management Trading Entity will benefit from the donation of the identified white fleet to the municipalities currently using it. We tabled the required enabling legislation for this earlier today. The entity will be disposing off two hundred and forty seven (247) units of white fleet with the current book value of R11.593 million to the nine affected municipalities. We anticipate to derive annual cost savings of R110.4 million per year for the operational costs of these vehicles.

The provision of a suitable provincial road network and related infrastructure is a critical part of our plan to stimulate economic growth and create jobs in our province. The completion of various regional roads (such as the R700, R707, R26, R727 and R702) will be directly beneficial not only for commuter transport but will also benefit the rural economy.

The recently delivered State of the Province Address outlined some of the key programmes that will be implemented over the 2019 MTEF. It includes, amongst others, the construction of roads, intensifying the fight against crime and gangsterism, the creation of job opportunities through EPWP initiatives and infrastructure development. This budget allocation also provides for support to public transport operators, revenue collection and the procurement of fire fighting equipment.

As the main contributor to the Provincial Own Revenue, we maintain the principle that Provincial Treasury should augment the baseline budget to match the actual expenditure that the Department incurs in respect of the SA Post Office and cash-in-transit activities. If necessary, further adjustments in this regard will be made during the adjustment appropriation process.

Hon. Mashinini, the Department together with the relevant law enforcement agencies, have consistently been reducing the burden of crime on our communities. Let us benefit from the wisdom of the African proverb that teaches us not to lose focus and suffer; "Because we focused on the snake, we missed the scorpion".

AGRICULTURE AND RURAL DEVELOPMENT

Hon. MEC Malakoane will have a particular appreciation for the sentiment expressed by the former President of Burkina Faso, Thomas Sankara, that; “He who feeds you, controls you.” Funding allocated to the Department of Agriculture and Rural Development comprises over the MTEF comprises of;

- **R821.354 million** in 2019/20,
- **R871.396 million** in 2020/21 and
- **R916.891 million** in 2021/22.

The Free State agricultural sector will remain vulnerable to the effects of climate change. The Executive Council declared a drought disaster on 30 January 2019 in terms of the Disaster Management Act (No 57 of 2002). Approval was granted for the Department of Agricultural and Rural Development to utilize R13.5 million in the current financial year on Drought Relief projects. The funds will be used for drilling and development of 45 boreholes and restoration of 35 earth dams.

The budget makes provision for key provincial priorities, including landcare programmes, support and training of farmers, veterinary services, Mhoma-Mobung programmes such as mechanisation, livestock, aquaculture projects, broiler productions and processing as well as infrastructure investment. The Vrede dairy project is now managed directly by the Department of Agriculture and the farm operations will be funded through our equitable share funding. The Department will also be commemorating the centenary of Glen Agricultural College through a number of initiatives this year.

DESTEA (Economic and Small Business Development, Tourism and Environmental Affairs)

The Department’s mandate places it at the centre of the provincial government’s socio-economic development and transformation agenda. It also extends to the development, regulation and support of economic and small business development, tourism and the protection and management of the environment. Hon. Mahasa, during

these challenging fiscal times, we benefit from the wisdom of the first female Prime Minister of Mozambique, Luisa Diogo, who reminds us that; “It is no country’s destiny to be poor.”

The budget allocation of DESTEA over the 2019 MTEF period is as follows;

- **R630.925 million** for 2019/20,
- **R661.348 million** for 2020/21 and
- **R684.981 million** for 2021/22

The budget includes provision for environmental programmes, programmes in support of radical economic transformation, waste management, revitalization of provincial resorts and support to SMMEs and Cooperatives.

The funding allocation to DESTEA includes transfers to public entities in the province. The allocations are as follows;

- The **Free State Gambling, Liquor and Tourism Authority** will receive **R117.775 million** in 2019/20, **R124.253 million** and **R131.087 million** respectively in the outer years of the MTEF.
- The **Free State Development Corporation** is allocated an amount of **R47.516 million** in 2019/20 and **R45.726 million** and **R48.241 million** in the outer two years, respectively. This allocation includes transfers to the Maluti-A-Phofung Special Economic Zone.

DEPARTMENTS AT THE CENTRE OF GOVERNMENT

Hon. Speaker, the success of the provincial government cannot be attained without the foundation of an efficient, effective and accountable public service. The institutions at the centre of our provincial government, namely the Office of the Premier; the Department of Cooperative Governance and Traditional Affairs, Provincial Treasury

and the Free State Legislature will cumulatively spend more than **R5.388 billion** over the 2019 MTEF period.

OFFICE OF THE PREMIER

Hon Premier, we must be inspired by this challenge from Liberian President Ellen Johnson Sirleaf, namely; “If your dreams do not scare you, they are not big enough”. Our dreams and vision for the Free State must be big and bold enough to deliver a hopeful and prosperous future to the next generation.

The Office of the Premier is allocated the sum of **R625.682 million** in 2019/20, **R651.631 million** in 2020/21 and **R685.442 million** in 2021/22. This budget caters for, amongst others;

- Local and International Bursary Programme
- Free State Training and Development Institution
- Community Development Workers
- Provincial Planning Monitoring and Evaluation
- Legal and Corporate Services
- Communication and ICT functions
- Intergovernmental Relations

COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (COGTA)

Our local sphere of government is the coal-face of service delivery and the first link with our people. Hon. Khoabane, former Namibian President Sam Nujoma summarized the importance of service delivery to our communities when he said; “The right to vote would be a sham if the representatives whom the people vote into office do not deliver in respect of their promises of a better life, provision of electricity... and clean water...”.

We must equally execute our constitutional and legislative obligations in respect of traditional affairs in the Free State. In the forthcoming financial year, COGTA must finalize the standardization of tools of trade for Traditional Leaders for all Provinces.

The MTEF allocation of COGTA is as follows;

R456.135 million in 2019/20,
R478.994 million in 2020/21 and
R499.918 million in 2021/22

Amongst others, this budget also makes provision for support to the Back to Basics programme, the municipal support programme (including municipal interventions) and support for water laboratories in municipalities.

Key stakeholders like COGTA, SALGA and the Provincial Treasury will continue to explore viable options of addressing the governance and financial sustainability challenges of municipalities, municipal debt (including the outstanding debt owed to the Water Boards and ESKOM) as well as infrastructure and service delivery challenges. More specifically, COGTA and Treasury will be escalating their work in respect of the development of financial recovery plans for affected municipalities.

PROVINCIAL TREASURY

This budget of Provincial Treasury makes provision for sustainable resource management, the strengthening of financial governance at provincial and local government level, asset and liability management and our municipal support programme.

Over the MTEF period, the Provincial Treasury is allocated;

R367.624 million in 2019/20;
R372.693 million in 2020/21 and
R388.975 million in 2021/22.

Hon. Speaker, we continue to derive value from our research work. Provincial Treasury, together with our key partners and stakeholders such as the University of the Free State and the Central University of Technology, hosted the second *Provincial Research Colloquium* during 2018. Substantial progress has been made with the establishment of the research repository between the provincial government, the Central University of Technology (CUT) and the University of the Free State.

The first phase of our pilot project on Gender Responsive Budgeting has been completed. The findings have largely confirmed that much work remains to be done to mainstream gender equality into all core processes and programmes of the provincial government. We will be sharing these findings in more detail with the Executive Council and Legislature.

The latest provincial and local government audit outcomes emphasized the need to escalate our work to improve and strengthen our financial management environments. As a result, we implemented a different approach to our Fraud Awareness Week in 2018. Our engagements were expanded to include sessions with service providers as well as direct engagement with Audit Committees of departments and municipalities. We remain appreciative of the cooperation and support we receive from the Office of the Auditor-General and the implementation of the enabling legislation that will strengthen and broaden the mandate of the Auditor-General through the Public Audit Amendment Act, 2018.

FREE STATE LEGISLATURE

Hon. Speaker, our Legislature must be enabled and resourced to execute its constitutional mandate effectively. The Legislature receives the following funding over the 2019 MTEF period;

R266.242 million in 2019/20;

R285.521 million in 2020/21 and

R289.197 million in 2021/22

This budget allocation provides for, amongst others, the funding of political parties represented in the Legislature and the provincial party-political fund, the functions of the Committee system, participation in the National Council of Provinces, public participation and education initiatives as well as support of the Legislature's financial and administrative services. Additional funding allocated relates to the modernization project that the Legislature will be initiating in the new financial year.

CONCLUDING REMARKS

Hon Speaker, we appreciate the input we received for our "Budget Tips" campaign. We acknowledge the input and demands around 30-day payments, continued support to SMMEs, including the 30% sub-contracting in line with preferential procurement, improved financial governance of provincial departments and local municipalities, the implementation of consequence management, additional assistance in respect of the implementation of MSCOA and CSD in municipalities, advocating for more Agriparks and increasing ECD subsidies. The provincial budget makes the required resource allocations possible whilst the strengthening of our governance processes require all of our cooperation.

I wish to acknowledge and appreciate the role of the Premier and Executive Council, supported by the Director General, Heads of Departments and Chief Financial Officers in the preparation of this budget. Our appreciation also goes to the Chairperson and Members of the Public Accounts and Finance Committee for the further engagements we will have on the budget.

I table the following documents for consideration by this House:

- The 2019 Appropriation Bill with its Explanatory Memorandum
- Estimates of Provincial Revenue and Expenditure
- A copy of the provincial budget speech
- People's Guide to the Budget

In conclusion, hon. Speaker, let me share with this House the sentiments of former President of Kenya, Jomo Kenyatta;

“I ask you to dedicate yourselves to the memory of those who have gone before us and to those who must follow us. I ask you to resolve to put aside all selfish desires and to strain every ounce of muscle and brain to building a nation which shall honour our dead, inspire our living and prove a proud heritage for those who are yet to come.”

I thank you.