

# BUDGET PEOPLE'S GUIDE

## 2024/25

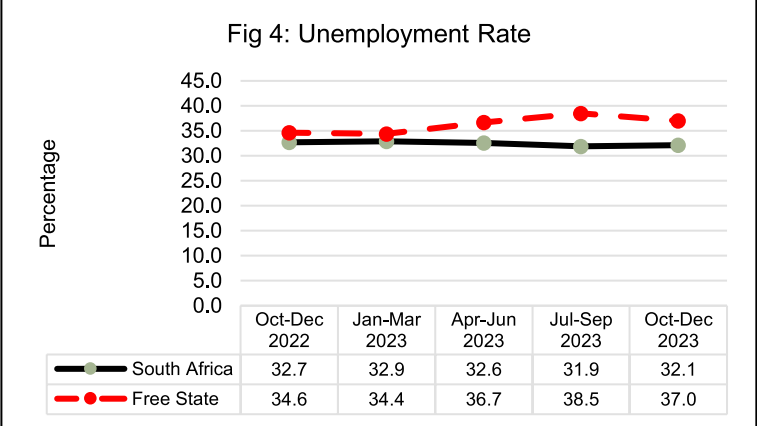
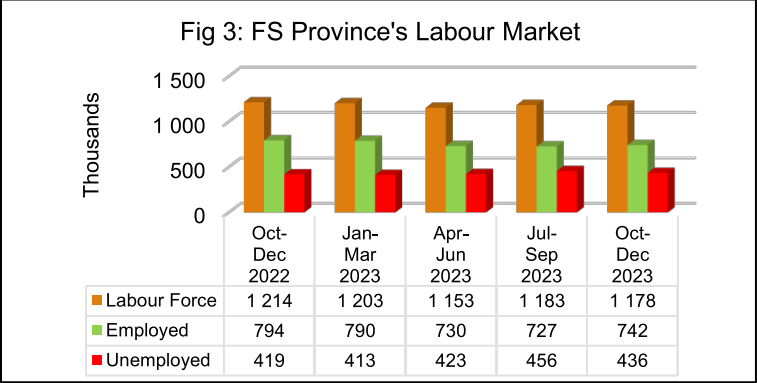
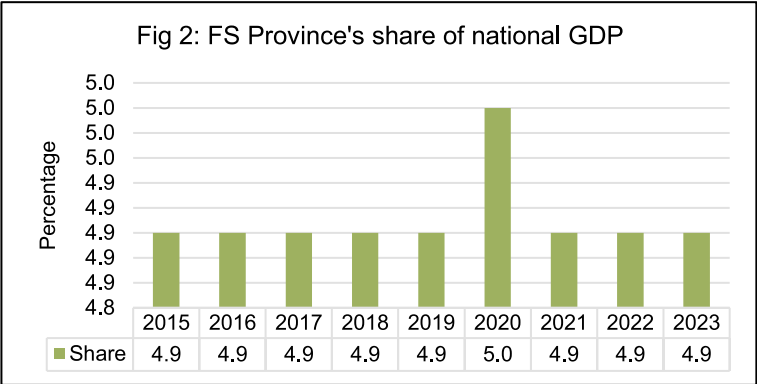
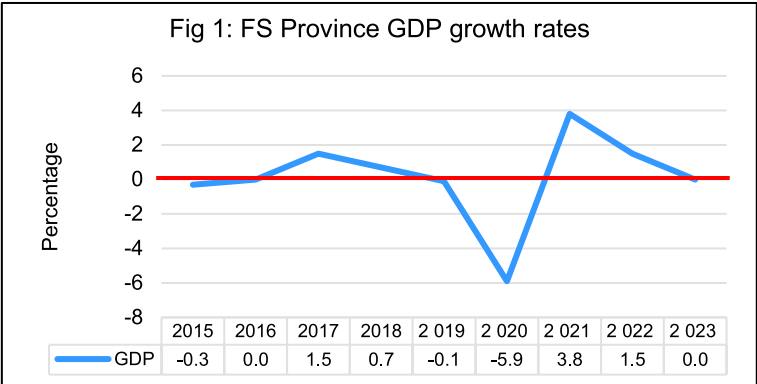
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FREE STATE PROVINCE

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PROVINCIAL ECONOMIC OVERVIEW



IMPLICATIONS ON THE BUDGET

The post-COVID-19 pandemic recovery resulted in an economic growth rate of 3.8% for the Free State province in 2021, as global and domestic economic activity increased. However, the Russia-Ukraine war resulted in reduced global trade, disrupted supply chain linkages, heightened inflation rates, and tightened monetary policy, which led to a lower economic growth rate of 1.5% in 2022 and stagnation in 2023. Furthermore, endogenous factors such as load shedding and logistical constraints contributed towards the 2022/23 economic performance (Fig. 1).

However, the Free State economy is projected to expand by 1.1% in 2024 and 2.5% in 2025, as global inflation rates subside, and monetary policy becomes accommodative. Furthermore, significant private and public investments are expected in the construction industry, whilst load shedding is anticipated to subside as interventions continue and renewable energy projects gain momentum. However, the key risks to the 2024/25 economic outlook are the subsiding global commodity prices and the increased geo-political instability on global trade.

The Free State's average contribution to the national GDP was 4.9% between 2015 and 2023 (Fig.2). The province's limited and stagnant share of the national economy, together with the shrinking population share, continues to adversely impact the FS Provincial Equitable Share (PES).

FS labour force is worryingly declining (Fig.3). There was approximately 36 000 less active population in 2023:Q4 compared to 2022:Q4. Furthermore, employment decreased while the number of unemployed people increased year-on-year.

The unemployment levels are persistently higher post-2018, reaching about 436 000 unemployed people in Free State, alongside a growing long-term unemployment consisting of 343 000 people and those facing short-term unemployment comprising 93 000 in 2023:Q4. Currently, the unemployment rate in Free State increased significantly to 37.0% in 2023:Q4, from 34.6% recorded a year ago. The deterioration of the labour market metrics reflects the economic performance of the province.

The subdued economic outlook coupled with the continuing fiscal consolidation is expected to exert constraints on provincial budgets.

# 2024 MTEF BUDGET

Budget refers to a plan of action that outlines how the government generates, allocates and spend the limited public funds over the three year period. Budgeting inherently involves funding of government priorities with the aim of responding to people’s needs such as healthcare, housing and education.

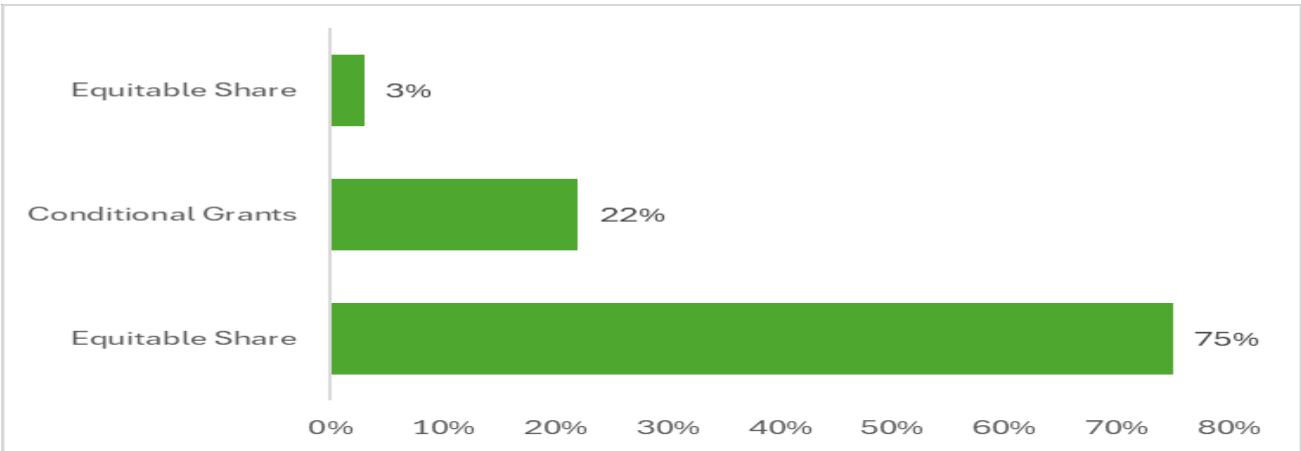
## SOURCES OF INCOME

The province finances its expenditure through the following sources:

- **National Transfers:** These are funds transferred to the province by the national government in the form of equitable share (fair share for each province based on population size, demand for health services, learner numbers etc.) and conditional grants (these are funds used for implementation of national government priorities such provision of TB treatment).
- The conditional grants are meant for specific priorities such as construction of schools, clinics and roads and provision of antiretroviral and tuberculosis medicine.
- National government raises these funds through taxes and then allocates to provinces to implement government priorities.
- **Provincial Own Revenue:** Provinces generate own income through, amongst others, renewal of motor vehicle licences, drivers’ licences, patients’ fees, tax on gambling etc. Figure 1 below indicate sources of income and their proportionate share respectively.

Types of Tax:

Personal Income Tax  
Value Added Tax  
Corporate Tax  
Fuel Levies  
Transfer Duty  
Sin Taxes etc.



## 2024 MEDIUM TERM FISCAL FRAMEWORK

- In the next 2024 MTEF period the province plans to spend R135.4 billion.
- Over the financial years of this MTEF period the the province will spend R43.8 billion in 2024/25, R44.9 billion and R46.651 billion in 2025/26 and 2026/27, respectively.
- Included in the budget for the 2024 MTEF period is a total amount of R27.9 billion which is for conditional grants, these grants are allocated across nine departments in the province.

FINAL BUDGET ALLOCATIONS: 2024 MTEF										
Source of funding	2023/24			2024/25	2025/26	2026/27	% Growth rates: Estimated actual (Nominal)			
	Receipts	Dept Allocations	Un-allocated	Medium Term Expenditure Framework			2023/24 - 2024/25	2024/25 - 2025/26	2025/26 - 2026/27	Average 2023/24-2026/27
R'000										
Equitable share (ES)	29 848 344	29 848 344	-	30 293 886	31 732 231	33 297 397	1.5%	4.7%	4.9%	3.7%
IEA	540 088	540 088	-	615 974	610 974	600 974	14.1%	-0.8%	-1.6%	3.9%
Other earmarked ES	2 100 789	2 100 789	-	2 180 947	2 238 819	2 289 524	3.8%	2.7%	2.3%	2.9%
Total ES	32 489 221	32 489 221	-	33 090 807	34 582 024	36 187 895	1.9%	4.5%	4.6%	3.7%
Own Revenue	1 226 875	1 225 160	1 715	1 135 234	1 111 542	1 125 206	-7.5%	-2.1%	1.2%	-2.8%
REA	3 500	3 500	-	50 000	60 000	60 000	1328.6%	20.0%	0.0%	449.5%
Other Earmarked Revenue	54 600	54 600	-	47 627	48 013	48 374	-12.8%	0.8%	0.8%	-3.7%
Total Revenue	1 284 975	1 283 260	1 715	1 232 861	1 219 555	1 233 580	-4.1%	-1.1%	1.2%	-1.3%
Donations/ Retained revenue	30 055	30 055	-	-	-	-	-100.0%	0.0%	0.0%	-33.3%
TOTAL PROVINCIAL	33 804 251	33 802 536	1 715	34 323 668	35 801 579	37 421 475	1.5%	4.3%	4.5%	3.5%
CONDITIONAL GRANTS	9 256 167	9 256 167	-	9 547 797	9 158 565	9 229 669	3.2%	-4.1%	0.8%	0.0%
FINAL BUDGET ALLOCATIONS: 2024 MTEF	43 060 418	43 058 703	1 715	43 871 465	44 960 144	46 651 144	1.9%	2.5%	3.8%	2.7%

IEA: Infrastructure Enhancement Allocation (this is a provincial top-up allocation for infrastructure delivery)

REA: Revenue Enhancement Allocation (Funds set aside for revenue enhancing projects)

### FINAL ALLOCATIONS BY CLUSTER

Department per cluster	R'000	Adj 2023/24	Medium Term Expenditure Framework			% Share			
			2024/25	2025/26	2026/27	2024/25	2025/26	2026/27	Average
Premier		598 441	632 629	643 525	656 364	1.5%	1.5%	1.5%	1.5%
Legislature		315 635	284 911	295 149	306 720	0.7%	0.7%	0.7%	0.7%
COGTA		387 662	416 985	430 226	445 363	1.0%	1.0%	1.0%	1.0%
Provincial Treasury		347 542	367 937	380 462	395 270	0.9%	0.9%	0.9%	0.9%
Sub total: Governance Cluster		1 649 280	1 702 462	1 749 362	1 803 717	4.0%	4.0%	4.0%	4.0%
Health		13 080 639	13 717 509	14 079 707	14 665 239	31.9%	32.1%	32.6%	32.2%
Education		18 230 561	17 895 390	18 578 689	19 483 026	41.6%	42.3%	43.3%	42.4%
Social Development		1 209 034	1 305 194	1 354 005	1 412 297	3.0%	3.1%	3.1%	3.1%
Sport, Arts, Culture & Recreation		632 029	641 789	654 419	676 705	1.5%	1.5%	1.5%	1.5%
Sub total: Social Cluster		33 152 263	33 559 882	34 666 820	36 237 267	78.0%	79.0%	80.6%	79.2%
Public Works & Infrastructure		2 064 858	2 107 386	2 293 220	2 374 751	4.9%	5.2%	5.3%	5.1%
Community Safety, Roads & Transport		3 555 827	3 606 448	3 291 216	3 214 784	8.4%	7.5%	7.2%	7.7%
Agriculture & Rural Development		823 585	829 092	879 287	915 606	1.9%	2.0%	2.0%	2.0%
DESTEA		648 097	666 654	684 427	707 282	1.5%	1.6%	1.6%	1.6%
Human Settlements		1 134 738	1 268 835	1 276 715	1 190 153	2.9%	2.9%	2.6%	2.8%
Sub Total: Economic Cluster		8 227 105	8 478 415	8 424 865	8 402 576	19.7%	19.2%	18.7%	19.2%
Total		43 028 648	43 740 759	44 841 047	46 443 560	101.7%	102.2%	103.3%	102.4%
Unallocated		1 715	130 706	119 097	207 584	0.3%	0.3%	0.5%	0.3%
Total		43 030 363	43 871 465	44 960 144	46 651 144	102.0%	102.8%	103.8%	102.7%



## ALLOCATION OF BUDGET: 2024/25 FINANCIAL YEAR

### Social Cluster



R33.6 billion to be spent on social services: education, health, social development, sports, arts, culture, and recreation in 2024/25 financial year.

### Economic Cluster



We plan to spend more than R8.5 billion on economic development in 2024/25 financial year.

### Governance Cluster



R1.7 billion allocated for promotion and instilling of good governance in 2024/25 financial year.

## 2024 Provincial Budget

**R43.871 billion: Budget for growth, job creation, youth, women, and persons with disabilities**



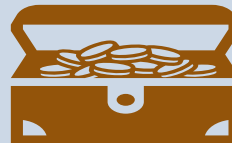
**R632.6 million for  
Office of the Premier**



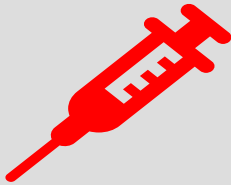
**R284.9 million for  
Legislature**



**R666.6 million for  
DESTEA**



**R367.9 million for  
Treasury**



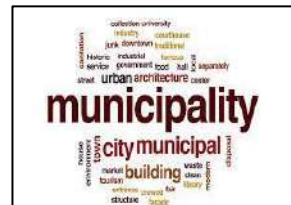
**R13.7 billion for Health**



**R17.9 billion for  
Education**



**R1.3 billion for Social  
Development**



**R416.9 million for  
COGTA**



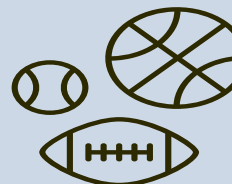
**R2.1 billion for Public  
Works & Infrastructure**



**R3.6 billion for  
Community Safety,  
Roads & Transport**



**R829.1 million for  
Agriculture & Rural  
Development**



**R641.8 million for Sport,  
Arts, Culture &  
Recreation**



**R1.3 billion for Human  
Settlements**

## 2024 MTEF INFRASTRUCTURE ALLOCATIONS

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2023/24	Revised estimate	Medium-term estimates		
	2020/21	2021/22	2022/23				2024/25	2025/26	2026/27
<b>Existing infrastructure assets</b>	<b>2,288,037</b>	<b>2,504,880</b>	<b>2,964,863</b>	<b>3,181,573</b>	<b>3,474,058</b>	<b>3,474,058</b>	<b>3,465,158</b>	<b>2,886,899</b>	<b>2,733,390</b>
Maintenance and repairs	1,266,082	1,082,351	1,473,852	1,723,635	1,892,834	1,892,834	2,029,062	1,828,460	1,618,372
Upgrades and additions	444,484	616,097	482,454	584,377	664,847	664,847	470,597	380,279	436,530
Refurbishment and rehabilitation	577,471	806,432	1,008,557	873,561	916,377	916,377	965,499	678,160	678,488
<b>New infrastructure assets</b>	<b>216,796</b>	<b>225,853</b>	<b>231,604</b>	<b>317,997</b>	<b>312,450</b>	<b>312,450</b>	<b>375,767</b>	<b>425,458</b>	<b>522,053</b>
<b>Infrastructure transfers</b>	<b>848,191</b>	<b>993,298</b>	<b>902,088</b>	<b>1,136,191</b>	<b>862,779</b>	<b>862,779</b>	<b>1,006,738</b>	<b>993,213</b>	<b>896,087</b>
Infrastructure transfers - Current	29,830	104,918	43,634	80,753	60,753	60,753	63,056	35,001	35,001
Infrastructure transfers - Capital	818,361	888,380	858,454	1,055,438	802,026	802,026	943,682	958,212	861,086
<b>Infrastructure: Payments for financial assets</b>									
<b>Infrastructure: Leases</b>									
<b>Non Infrastructure</b>	<b>373,686</b>	<b>224,233</b>	<b>368,021</b>	<b>435,769</b>	<b>400,429</b>	<b>400,429</b>	<b>307,084</b>	<b>342,419</b>	<b>385,462</b>
<b>Total provincial infrastructure payments and estimates</b>	<b>3,726,710</b>	<b>3,948,264</b>	<b>4,466,576</b>	<b>5,071,530</b>	<b>5,049,716</b>	<b>5,049,716</b>	<b>5,154,747</b>	<b>4,647,989</b>	<b>4,536,992</b>



Infrastructure investment continues to impact positively on provincial economy.

Infrastructure investment by private and public institutions is expected to create more job opportunities over the MTEF period.

Over the MTEF ahead the province estimates to invest more than R14.3 billion on infrastructure investment.

For more information regarding the detailed budget documents visit: [www.treasury.fs.gov.za](http://www.treasury.fs.gov.za)

## FREE STATE PROVINCIAL TREASURY

Private Bag X20537  
Bloemfontein  
9301

Tsebo Building  
G02 Ground Floor  
Corner Zastron and Fichardt Street  
9300

Tel: 051 403 3407  
Fax: 051 403 3475

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