

**2006/07 FREE STATE
PROVINCIAL BUDGET SPEECH
TABLED BY MR. PHI MAKGOE,
MEC FOR FINANCE, IN THE
FREE STATE PROVINCIAL
LEGISLATURE ON FRIDAY,
17 FEBRUARY 2006**

INTRODUCTION

Honourable Speaker,

Madame Premier,

Members of the Executive Council,

Members of National Parliament,

Permanent delegates to the National Council of Provinces,

Members of the Free State Provincial Legislature,

Members of the House of Traditional Leaders,

Honourable Mayors and Councillors,

Delegates from National Treasury,

Distinguished guests,

Members of the media,

Ladies and gentlemen,

It is my pleasure to present the 2006/07 – 2008/09 provincial Medium-Term Expenditure Framework (MTEF) estimates of revenue and expenditure to this House.

THE MACRO FRAMEWORK INFORMING THE DRAWING OF THE 2006/07-2008/09 FREE STATE PROVINCIAL MEDIUM-TERM EXPENDITURE FRAMEWORK BUDGET

Mr. Speaker, in order to appreciate the rationale informing the formulation of the primary developmental objectives of the Free State Growth and Development Strategy, of:

- stimulating economic development and sustainable job creation;
- developing and enhancing the development of infrastructure for economic growth and social development;
- poverty alleviation through human and social development;
- ensuring a safe and secure environment for all the people of this province;
- promoting effective and efficient governance and administration;

it is, perhaps, opportune to briefly sketch some of the important features of the economy of this province, for the benefit of all present here today.

In this regard, the following aggregates for 2004 (expressed in 2004 prices) may be enlightening:

- R131,3 billion worth of output produced in the province, which constitutes 5,08% of total South African production, of which 45,3% can be attributed to primary inputs, with intermediate inputs accounting for the remaining 54,7%;
- Value added generated in the Free State, amounts to approximately 5,38% of the national GDP recorded in South Africa;
- Free State household expenditure constitutes 5,78% of total South African household expenditure;
- Expenditure by National Government comprises 58% of total government expenditure in the Free State, with the provincial government contributing 32% and local government 10%;
- Government contributes 27% to gross fixed capital in the province and all other sectors 73% (or some R11,7 billion);
- Chemicals and chemical products (inclusive of plastic products), account for the single biggest contribution (of 65%) to value added per main economic sector in the province;

- Contribution of various spheres of Government to total government investment in the province, is made up as follows:
 - central government: 65%;
 - local government: 21%;
 - provincial government: 14%;
- main contributors to exports from the province are:
 - mining: 28%;
 - manufacturing: 27%;
 - financial and business services: 14%;
- main contributors to imports of goods and services to the province are:
 - manufacturing: 51%;
 - transport and communication: 11%;

I have taken the liberty of outlining these key features of the Free State economy, to illustrate that the Free State Growth and Development Strategy represents a deliberate attempt of this Government to create conducive conditions to steer the Free State economy towards a higher growth trajectory that fully discounts the reality of our present economic status-quo position.

Mr. Speaker, let me put it on record that the provincial budget that is tabled today, is the culmination of a consultative engagement process that commenced with the launch of the Provincial Growth and Development Strategy on 20 May 2005. This strategy was the product of the alignment of provincial and national priorities, aimed at creating a systematic framework for the alignment of Municipal Integrated Development Plans (IDP's) and the strategic plans and budgets of provincial departments and provincial entities, to ensure collaborative service delivery in support of the objectives of the Growth and Development Strategy.

In pursuance of this objective, the 2006/07-2008/09 MTEF budget proposals attempt to achieve a heightened focus on government priorities, by moving away from an approach largely informed by historical departmental baselines, in favour of an approach that seek to utilize policy priorities as the mandating framework informing resource allocations. This approach necessitated an effective alignment of the provincial budget to the objectives of the Growth and Development Strategy, by ensuring adequate funding for key priority areas.

Proposed allocations to individual provincial departments thus:

- Firmly focus provincial service delivery on areas that will meaningfully contribute towards the achievement of the objectives of the Growth and Development Strategy.
- Enhances synergy in needs assessment and resource planning of economic as well as social-sector departments.
- Creates a resource framework in which it would be easier to more effectively align local economic development strategies to the Growth and Development Strategy, and the provincial spatial development framework.

KEY DEVELOPMENTS SHAPING THE 2006/07 – 2008/09 MTEF BUDGET PROPOSALS

‘We cannot predict the future, but we can prepare it’

Ilya Prigogine (Nobel Prize winner)

Mr. Speaker, for the benefit of the general public, allow me to briefly outline some key developments that shaped the drawing of the 2006/07 – 2008/09 MTEF budget proposals for this province.

BUGET REFORMS SUPPORTING THE ADVENT OF DEMOCRACY

Where we find ourselves today as a Nation and a Province is not the mere automatic end-result of yesterday’s tomorrow, but the result of strategic reforms aimed at supporting the advent of democracy in South Africa.

Those with short memories might find it sobering to recall that the fiscal state of affairs that this Government inherited from the predecessor, left virtually no room whatsoever for the new Government to improve the equity of public service delivery, due to the system of annual budgets that perpetuated racial inequity within a general fiscal environment of:

- high net borrowing requirements for the annual National Budget – 8,7% of Gross Domestic Product (GDP) in 1992/93.
- unacceptably high public debt ratios – some 47% of GDP in 1994/95

The aforementioned situation, and its implied constraining effect on effective public service delivery, led to a situation where deliberate reforms with regard to public expenditure management, were introduced in this Country, since the mid-1990’s. Key to such reforms, were the complete overhaul of the system of budget planning, implementation and management.

Initially, it focussed on supporting the attainment of macro-economic stability and strengthening public spending. Such reforms supported budget stability and resource predictability within a system that was more transparent and allowed for a more disciplined budget planning process.

Later, focus shifted towards emphasis on the effectiveness of resource allocation and the efficiency with which public goods and services are delivered.

Key elements of such reforms include the introduction of:

- 3-year rolling expenditure plans under the MTEF
- new formats for budget documentation and strategic and annual performance plans, to enable a sharper focus on service delivery information, including non-financial information
- monthly in-year monitoring expenditure reports against voted allocations, and quarterly publication of provincial financial as well as non-financial performance information against strategic plans and conditions set in the Division of Revenue Bill.

These, and other reforms and initiatives, put actual budget implementation information including non-financial performance information, in the public domain making it possible for Parliament, the Provincial Legislature and other stake holders to monitor provincial budget implementation.

At a more fundamental level, these reforms also continue to contribute to a situation where, today, we find ourselves in a position where the provincial budget estimates are no longer a mere mechanism for the funding of public goods and services emanating from our provincial constitutional mandate. Indeed, it is now possible to shift focus to the allocation of resources to strategically-devised service delivery plans, as opposed to the funding of item-by-item costs, based on historical item expenditure.

Against the backdrop of what I have said, it is thus very important that everybody in this province should understand and appreciate that the 2006/07 – 2008/09 MTEF budget proposals tabled in this House today, represents the result of a deliberate attempt of this Government, to direct provincial expenditure towards those particular areas of operation that will, first and foremost:

- ensure that all provincial expenditure plans are aligned with the vision of the President's State of the Nation Address and our Premier's State of the Province Address
- ensure meaningful contribution towards the achievement of the objectives of the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA)

- support the attainment of the goals and objectives of the Free State Growth and Development Strategy
- focus provincial development effort towards the attainment of the Millennium Development Declaration through Vision 2014

IMPROVED INFRASTRUCTURE DELIVERY

Mr. Speaker, infrastructure delivery remain the most important ingredient in propelling this province towards a higher growth trajectory.

Infrastructure serves as a much-needed catalyst to move this province closer to:

- a situation of accelerated growth in the whole provincial economy through the backward and forward linkages associated with infrastructure delivery
- sustainable employment creation through the achievement of a sustained increase in the rate of productive capacity and the subsequent creation of opportunities for the effective participation of the marginalized in formal economic activity.

Let me indicate to this House, that is it the consideration of these very factors that moved the Provincial Treasury to finalize all roll-overs of funds needed to complete infrastructure projects, by the end of June 2005, to afford spending departments sufficient time to complete infrastructure projects.

In addition to this initiative, another intervention to enhance effective infrastructure delivery in the Province, is the introduction of the Infrastructure Delivery Improvement Programme (IDIP), which is being rolled out in the Department of Education and Department of Public Works, Roads and Transport.

This programme, broadly comprises the following three components, namely:

- the development of an Infrastructure Delivery Management System, which is essentially an infrastructure toolkit that maps out the delivery process and set guidelines on how to perform key actions identified by the system
- a capacity building programme, targeting the line departments that deliver infrastructure
- the development of a monitoring and reporting system for infrastructure projects, which assesses spending on projects and progress made.

The Provincial Treasury will play an active role in ensuring the successful roll-out of the programme in this province. Glancing through the past weekend's newspapers, I was also pleased to see that the department of Public Works, Roads and Transport has advertised a number of posts to boost their capacity to deliver infrastructure projects. Likewise, the Provincial Treasury, is building in-

house capacity, to make effective infrastructure delivery through the IDIP process a reality.

Mr. Speaker, it is thus clear that the substantial increases in allocations for infrastructure projects that I will be announcing later is well-informed by provincial initiatives in this regard and such proposed allocations, in fact, give substance to the Provincial Executive Council's endorsement for the implementation of IDIP and related initiatives aimed at fast tracking appropriate and cost-effective infrastructure deliver in the Free State Province.

Let me also sound a warning to infrastructure delivery departments that this is one of the highest priorities of Government over the next MTEF period. The Provincial Treasury will also do regular assessments to report progress in this regard to the Provincial Executive Council and such feedback will be based on physical site visits to infrastructure projects, assessment on whether all suppliers are paid within thirty days of services delivered and whether infrastructure spending adequately supports historically disadvantaged individuals and small, medium and micro enterprises.

IMPROVED RESOURCE MANAGEMENT THROUGH THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA)

The introduction of the Municipal Finance Management Act (MFMA), Act number 56 of 2003, which seeks to:

- promote sound financial governance through the classification of roles and responsibilities of Council and officials;
- ensure a strategic approach to budgeting, through forward-looking three-year budgets linked to Integrated Development Plans (IDP's) of Municipalities, as one process;
- promote sustainable local government, capable of delivering on its service mandate;

marked an important step in South Africa's evolving intergovernmental fiscal system.

The advantage of the introduction of this Act and the institution of a dedicated MFMA oversight unit in the Provincial Treasury, puts the province now in a better position to ensure that budgets and IDP's of municipalities are effectively aligned to the Free State Growth and Development Strategy, the provincial budget and strategic plans of provincial departments.

To maximize service delivery and ensure continuous support and improvement, the MFMA does not only afford communities and residents the opportunity to become involved in municipal governance, but require a closer co-operative

relationship within and between the different spheres of government. In this regard, assistance with regard to the following can be expected by municipalities:

- multi-year budgets, including service delivery budget implementation plans;
- integration of budget and planning processes and monthly, quarterly and annual reporting
- supply chain management policies and processes.

The main advantage of this is that it allows for collaboration between provincial departments and municipalities in public service delivery, especially in the area of infrastructure delivery.

An unintended beneficial spin off of these developments will be that my colleague for Local Government and Housing, the Honourable Mr. Joe Mafereka, will sleep a little better over the next MTEF period.

THE 2006/07-2008/09 PROVINCIAL REVENUE ESTIMATES

Mr. Speaker, I now wish to deal with the 2006/07 – 2008/09 provincial revenue estimates, to give an indication of the components constituting the provincial fiscal envelope.

Before I do so, I need to indicate that included in the provincial equitable share allocation, is an amount for the Government Employee Medical Scheme (GEMS) of R50,9 million in 2006/07, R100,7 million in 2007/08 and R149,4 million in 2008/09. Consequently, provinces will not allocate such funds until the guidelines have been finalised.

GEMS has been introduced since January 2006, because although medical schemes is one of the benefits that public servants are entitled to, some 40% of public servants, presently do not enjoy this benefit, due to the high cost of privately provided medical schemes. GEMS is thus introduced as a low cost scheme for both the covered and currently uncovered.

In addition, with effect from 1 April 2006, the delivery of social security assistance will no longer be administered by Provinces through a conditional grant, as the national department of Social Development will assume this responsibility through the South African Social Security Agency (SASSA), which will be responsible for the administration and disbursement of social assistance.

Including GEMS, but excluding Social Security Assistance, the Province receives the following MTEF allocations, namely; R11,677 billion in 2006/07; R13,048 billion in 2007/08; and R14,328 billion in 2008/09.

Stripping out Social Security from the 2005/06 voted budget for comparison purposes, these allocations represent nominal year-on-year growth of 10,3% in 2006/07; 11,7% in 2007/08; 9,8% in 2008/09; with the composition of the relative shares of different revenue sources for 2006/07 is as follows: Equitable share of nationally, collected revenue: 82,2%; Conditional grants received from National Departments: 14,4%; Provincially collected own revenue: 3,4%.

PROVINCIAL EXPENDITURE PROPOSALS

'Ants are good citizens – they place group interest first'

Clarence Day

Mr. Speaker, I now want to set out the main expenditure proposals. As a preamble to the proposals, I need to indicate that it is the contention of this Government, that the objectives of the Free State Growth and Development Strategy, will not be realised, unless we consciously promote a collaborative approach to public service delivery.

During the 2005/06 financial year, the provincial cluster approach to planning and service delivery integration and co-ordination, was further refined to ensure that departmental budgets are aligned to the objectives of the Growth and Development Strategy, and that expenditure programmes that support provincial priorities, take precedence over lower-priority department-specific priorities.

Clearly, such collaborative approach holds the promise of a sharpened focus on macro provincial priorities that will move this province towards the attainment of provincial objectives, as opposed to departmental-specific silo approaches to service delivery that might not always, meaningfully contribute towards the attainment of broader provincial objectives.

In line with the aforementioned, I want to break with the traditional approach of focussing on the expenditure programme detail of allocations proposed in respect of specific provincial departments, as such detail will be tabled and debated when respective departments table their 2006/07-2008/09 estimates for their Votes in this House.

I take this route:

- partly because the citizens of this province are more interested in what the focus areas of Government will be over the next MTEF year, rather than what specific allocation goes to which particular department;
- I also take this route partly because I see no logical sense to engage in line-by-line and item-by-item comparisons of budget estimates with historical data.

In this regard, the relative budget size and specific structural configuration of various departments are largely irrelevant and incidental to this Government's

commitment to ensure that high service priority areas, are adequately funded and that funding for non-priority activities, are eliminated.

EXPENDITURE PROPOSALS IN RESPECT OF KEY PROVINCIAL PRIORITIES

Mr. Speaker, considering expenditure proposals in support of key provincial priorities, gives a clear indication of Government's priorities and the importance of clustering departments in enhancing service delivery. It also demonstrates our commitment towards narrowing the divide between social progress and economic development through pro-poor expenditure proposals.

<p style="text-align: center;"><i>FUNDING IN RESPECT OF KEY PRIORITY 1: ECONOMIC DEVELOPMENT AND EMPLOYMENT CREATION</i></p>

The proposed allocation in respect of this priority area dealing with economic development, employment creation and infrastructure delivery, amounts to R1,389 billion in 2006/07, where after it grows with 38% to R1,923 billion in 2007/08, and a further 19% to R2,296 billion in 2008/09, and is aimed at creating the necessary conducive environment to steer the Free State provincial economy towards attainment of 6% growth by 2010-2014, to enable this province to half the unemployment rate by 2014.

Mr. Speaker, no doubt these allocations in support of economic development and job creation at a time when unprecedented confluence of consumer and business confidence is underpinned by a healthy fiscal position, subdued inflation and low interest rates, will go a long way in creating conducive conditions for further direct private investment in the province and will likewise support the improvement of public service delivery and enhance opportunities for more effective co-operation between the three spheres of government with regard to economic development and job creation initiatives.

Allocations to respective departments that directly support this priority area are as follows:

➤ DEPARTMENT OF TOURISM, ENVIRONMENTAL AND ECONOMIC AFFAIRS

R230 million allocated in 2006/07, growing with a further 5% to R241 million in the second year, and a further 7% to an amount of R257 million in 2008/09.

Funding for key areas of operation, are as follows in respect of the 2006/07 financial year:

- R26,5 million for the re-positioning of the Free State Development Corporation (FDC), to support a more focused emphasis on the development of small, medium and micro enterprises (SMME's);

- R13,2 million for the upgrading of tourism facilities;
- R2,9 million for the establishment of an office at Vredefort Dome to facilitate development;
- R10,5 million to market the province as a tourism destination through the Tourism Marketing Authority;
- R23,9 million to co-ordinate programmes aimed at the protection of human health and the environment in the Province.

➤ DEPARTMENT OF AGRICULTURE

The budget allocated to Agriculture increased steadily from R120 million in 2001/02 to R246 million in the 2007/08 financial year and is budgeted to grow at an average annual rate of 15 percent over the medium term to reach R263 million by 2008/09.

Programme 3, Farmer Support experience real growth from an expenditure of R35, 537 million in 2001/02 to R85, 672 million in 2007/08. The sharp growth in this programme is mainly attributed to the conditional grant Comprehensive Agricultural Support Programme which is budgeted at R25, 306 million, R38, 084 million and R39, 912 million respectively over the MTEF period. This trend reflects the government's policy of increasing agricultural support to historically disadvantaged and emerging farmers in the province. Farmer Support programme will take about 34,6% of the total budget for the department in the 2006/07 financial year.

The 2006/07 allocation of R223 million will also be utilised to fund the following areas of agricultural development and support, namely:

- R3,1 million, to facilitate the planning, development and implementation of land care projects;
- R5,9 million for the implementation of food security;
- R19,9 million for agricultural research services and the development of an information system with regard to crop and animal production technology;
- R10,9 million for the provision of tertiary agricultural and non-formal training through the Glen College of Agriculture.

Mr. Speaker, it goes without saying that no macro plan for the Free State can be completed without adequate focus on agriculture. These allocations manifest this Government's determination to create a conducive environment for the growth and diversification of the agricultural sector and the mainstreaming of emerging farmers into the formal agricultural sector.

➤ PUBLIC WORKS, ROADS AND TRANSPORT

Allocations to this Department to support the roads and public works components of the department (i.e. excluding traffic management which is a monitoring function) are as follows: R936 million in 2006/07, growing by 53,5% to R1,436 billion in 2007/08, and 23,7% to R1,776 billion in 2008/09.

The substantial increases over the MTEF period to these areas of operation demonstrate this Government's commitment to put its money where its mouth is, as work done by this department forms one of the most important pillars of the Growth and Development Strategy.

The 2006/07 allocation will, amongst others, fund the following areas of operation to support the creation of economic infrastructure in the Province, namely:

- R103 million for the construction of new roads;
- R113 million for road rehabilitation and upgrading;
- R322 million for recurrent road maintenance;
- R255 million for works projects;
- R14 million to support the implementation of the Community Based Public Works Programme (CBPWP), inclusive of the Expanded Public Works Programme (EPWP).

FUNDING IN RESPECT OF KEY PRIORITY 2: SOCIAL AND HUMAN DEVELOPMENT

The proposed allocation in respect of this priority area, dealing with social and human development, amounts to R9,788 billion in 2006/07, where after it grows with 8% to R10,552 billion in 2007/08, and a further 9% to R11,376 billion in 2008/09.

Allocations to departments that directly support this priority area are as follows:

➤ DEPARTMENT OF EDUCATION

The allocation of the department of Education grew rapidly by R2,1 billion from actual expenditure of R3,2 billion in 2001/02 to an estimated R5,3 billion in 2006/07 and further increases by R800 million to R6,1 billion in 2008/09 financial year.

Public ordinary school programme as the main programme of the department has been key in terms of enabling citizens to participate and contribute to the modern economy.

This is demonstrated by an increase of R1,5 billion from R2,6 billion actual expenditure in 2001/02 to an estimated R4,1 billion in 2006/07 financial year. The allocation of this programme has increased constantly in order to allow for the real growth in learner teacher support material expenditure. The growth in this budget has made it possible over the years to increase the pass rate from 59% in 2001 school year to an improved 77,8 % in 2005 school year.

Further allocations to this department is R5, 6 billion in 2007/08 and R6, 1 billion in 2008/09, which represents nominal growth of 6% and 9% in the respective outer years.

The following critical programmes will be funded in 2006/07:

- R4, 1 billion for the provision of public ordinary education from grades 1-12, with special focus on the implementation of no-fee schools in quintile 1, and the implementation of the National Curriculum Statement (NCS) and the provision of Learner Teacher Support Material (LTSM).
- R36, 5 million for the expansion of the Education Management Information System (EMIS);
- R155, 8 million for the provision of further education and training (FET), including the re-capitalisation of FET Colleges;
- R106, 3 million for the provision of Basic Education and Training (ABET);
- R49, 6 million for improved funding of Early Childhood Development (ECD);
- R130, 8 million for the construction of new school infrastructure;
- R39, 6 million for the rehabilitation and upgrading of school infrastructure;
- R10, 9 million for the recurrent maintenance of school infrastructure.

➤ DEPARTMENT OF HEALTH

Health's budget continues to grow strongly over a seven year period, from 2001/02 actual expenditure of R1, 927 billion to R3, 469 billion in 2007/08 which represents 80% increase. Programme 2, District Health Services, (which mainly caters for primary health care) continue to consume a huge share of the department's budget. In 2001/02 this programme recorded expenditure of R657 million and increases substantially to R1, 338 billion in 2007/08.

The number of clinics in the province as at 2002/03 was 167 and during that financial year the department built and additional 11 clinics across the province. The department further spend R13 million for upgrading in that same financial year. In the 2004/05 financial year, the department built 3 new clinics and spent R24,7 million on upgrading of clinics. 3 new clinics are under construction in the 2005/06 financial year and the department will spend R19 million for the upgrading of other clinics. This brings the total number of new clinics to 17 from 2003/04 to 2005/06 financial year and the total number of existing clinics after completion of new clinics will be 181 in the province.

Other key priorities that will be funded in 2006/07, include:

- R1 billion or comprehensive primary health care;
- R153 million for HIV and AIDS treatment management, care and support;
- R145 million for emergency medical services;
- R841 million for general and psychiatric hospitals;
- R556 million for central hospital services;
- R17 million for the construction of new health facilities;
- R128 million for the rehabilitation and upgrading of health infrastructure.

➤ DEPARTMENT OF SOCIAL DEVELOPMENT

The department of Social Development strives to create a socially cohesive and empowered Free State community, through meeting the human and social needs of poor and vulnerable communities, through inter-sectoral and integrated developmental social services.

The budgetary allocation to this Department is R418 million in 2006/07, R443 million in 2007/08 (6% increase) and R469 million in 2008/09 (6% increase).

The 2006/07 allocation will cater for the following:

- R259,6 million for integrated developmental social welfare services;
- R42,2 million for youth development and sustainable livelihood;
- R32,5 million for HIV and AIDS home based care programmes;
- R149,9 million for the funding of non-governmental service organisations.

➤ DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

For the 2001/02 financial year, actual expenditure on Housing Subsidy Conditional Grant was R252 million compared to the 2008/09 budgeted figure of

R718 million. Over 11 year period, 1994 to 2005, the province has provided houses (including houses under construction) of about 121 052 units. The consolidated 3-Year MTEF figure of R1, 9 billion in respect of Housing Subsidy Conditional Grant is expected to drastically increase the number of houses to be built over this period. Given the 2006/07 budget of R522 million, it is estimated that the department will provide additional subsidies to qualifying beneficiaries of various housing programmes of about 9000.

The allocation further makes provision for the integration of local government and housing infrastructure which is key to the objective of social and human development. R718 million is allocated in the first MTEF year, growing with 19% to R858 million in the second year and a further 9% to R935 million in the last year of the MTEF period.

Further expenditure priorities for 2006/07 include: R5,2 million for disaster management; R19,6 million for municipal infrastructure; and R86,3 million to support local economic development, integrated development planning, spatial planning and traditional affairs.

➤ DEPARTMENT OF SPORT, ARTS, CULTURE, SCIENCE AND TECHNOLOGY

The department of Sport, Arts, Culture, Science and Technology remain of cardinal importance to our goal of uniting all the people of our province through their operations aimed at managing and promoting sport and recreation development, promoting arts, culture and heritage awareness, as well as library and information services, aimed at developing a literate and informed community that can meaningfully participate in the civil and economic life of a democratic information society.

Allocation to this Department is as follows: R131 million in 2006/07; R140 million in 2007/08 (7% increase); and R152 million in 2008/09 (9% increase).

The 2006/07 budget, provides for the following key programmes:

- R42,5 million for cultural affairs,
- R43 million for library and information services, and
- R24,6 million for sport and recreation

<i>FUNDING IN RESPECT OF KEY PRIORITY 3: JUSTICE, CRIME PREVENTION AND SECURITY</i>
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The allocation to this area of operation, which includes functions performed by the Department of Public Safety, Security and Liaison, as well as the Traffic Management component of the Department of Public Works, Roads and

Transport amount to R163 million in 2006/07, R170,5 million in 2007/08 (5% increase), and R182,5 million in 2008/09 (7% increase).

Key programmes that will be funded in 2006/07 to strengthen crime prevention and enhance the management of road traffic and safety in the province, are:

- R5,6 million to oversee the conduct of the South African Police Services through civilian oversight programmes;
- R5,3 million to co-ordinate social crime prevention activities and ensure effective community policing forums;
- R3,9 million for public education and crime awareness programmes;
- R131 million to ensure the effective management of road traffic and safety in the Province.

<p style="text-align: center;"><i>FUNDING IN RESPECT OF KEY PRIORITY 4: EFFECTIVE GOVERNANCE AND ADMINISTRATION</i></p>
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Mr. Speaker, members of this House will agree that it goes without saying that in order to strengthen Government's ability to deliver public goods and services to the people of the Free State, we need to constantly improve the effectiveness and efficiency of governance and administration and our ability to monitor and evaluate service delivery and the impact it has on the lives of all our people.

To give effect to this objective, R285,5 is allocated to Departments directly charged with the aforementioned responsibility, which allocation increases to R301,2 million in 2007/08 (5,5% growth) and R322,7 million in 2008/09 (7% growth).

Allocations to departments that directly support this priority area, are as follows:

➤ DEPARTMENT OF THE PREMIER

R92 million is allocated to this Department in 2006/07, R96,5 million in 2007/08 (5% increase) and R103,2 million in 2008/09 (7% increase).

➤ FREE STATE PROVINCIAL LEGISLATURE

The Legislature receives R74 million in 2006/07, R79 million in 2007/08 (7% increase) and R84,7 million in 2008/09 (7% increase).

➤ FREE STATE PROVINCIAL TREASURY

This Department receives R120 million in 2006/07, R125,6 million in 2007/08 (5% increase) and R134,8 million in 2008/09 (7% increase)

CONCLUDING REMARKS

Mr. Speaker, reflecting on the estimates that I have just dealt with, it is clear that this Government is on the right track to direct all available provincial resources to those areas of operation that we all agree has the biggest impact on the present and future development of this Province. All important priorities and its forthcoming service delivery imperatives, are addressed in the best possible way, within the reality of the estimated fiscal envelope. Indeed, casual observers and serious analysts alike will find it difficult to identify any disjuncture between the provincial priorities and the resource allocation, safe to engage in exercises that deliberately ignore the facts as they stand.

The dream of a vibrant and growing Free State economy is within our grasp. Mr. Speaker. At risk of over-emphasising this point, I need to indicate that my optimism is also fuelled, by the following observations, namely that:

- the relative share of compensation of employees of total provincial expenditure, decreases from 63% in 2006/07, to 60% in 2007/08 and 58% in 2008/09.
- provincial infrastructure spending is anticipated to grow rapidly over the MTEF period, with estimated expenditure increasing by some 37% from the voted 2005/06 appropriation, to R1,85 billion in 2006/07. Hereafter, it grows by 42% in 2007/08 and a further 24%, to an amount of R2,08 billion in 2008/09. We are convinced that this sharpened focus on infrastructure development will assist the province in its endeavour to enhance economic development and job creation, which form the cornerstones of the Free State Growth and Development Strategy.
- estimated expenditure on training in 2006/07 is 4% higher than the 2005/06 voted appropriation. In 2007/08 it grows by a further 6% and in the last MTEF year by another 6% to an estimated amount of R121 million in 2008/09.

Mr. Speaker, these positive developments will no doubt further contribute towards boosting the attainment of the provincial priorities and hasten the dawn of historically unheard of growth rates for this Province.

Whilst members of this House are well aware that this Legislature will only debate and ultimately approve the appropriation Bill in respect of the 2006/07 financial year's allocation, it remains important that the debates, that will ensue in this House will adequately focus on the indicative outer year estimates, as these form the basis of the medium term resource envelope to support the attainment of the objective of the Free State Growth and Development Strategy.

Such lengthening of the resource planning horizon is also important to enhance credibility of forward projections, to enhance better co-ordination in service delivery between the different spheres of government.

Another issue, that will be critically important over the 2006/07 – 2008/09 MTEF period and beyond, is the implementation of effective supply chain management practices and procedures in all provincial departments and public entities, as this remain key to the achievement of the objective of effective and efficient management of provincial resources.

Mr. Speaker, it goes without saying that effective and efficient supply chain management practices, remain key to the achievement of the objective of effective and efficient management of provincial resources.

- The Supply Chain Management must remain high on the agenda of this Government and departments need to ensure that where gaps exist, those are addressed as a matter of extreme urgency.

Mr. Speaker, to ensure that all matters relating to supply chain management receive the attention it deserves, this Government will very soon operationalise a toll free hotline that will afford the general public an avenue to raise matters related to problems experienced with regard to, amongst other matters;

- bid processes;
- preferential procurement practices;
- black economic empowerment imperatives and practices as it relates to public procurement;
- payment of suppliers within the stipulated 30 day timeframe.

This Government will also gauge progress in utilising public procurement to develop small, medium and micro enterprises, enhance broad based black economic empowerment and mainstream historically disadvantaged individuals into formal economic activities, through continuous assessment and evaluation by the Treasury's Supply Chain Management Unit and the Provincial Department of Tourism, Environmental and Economic Affairs.

Mr. Speaker, hope is the difference between probability and possibility. To achieve this, you need to lay a foundation, strong enough to support future performance.

We believe that this budget supports our aim of uniting the people of this province, through addressing our common goal of economic growth and job creation as well as social equity.

It is my hope that members of this Legislature will assist in the task of ensuring that we effectively use today's budget to create the necessary stepping stones to triumph over poverty, overcome obstacles to development and realise our full potential as a player in the South African and global economy.

Mr. Speaker, allow me to extend my gratitude to the Premier and my colleagues in the Executive Council for their support in the finalisation of this budget. I also wish to thank my family for their support, Head of the Department and the provincial budget office for their assistance in the preparation of this budget.

Mr Speaker, my immediate task has now been completed and I look forward to constructive debates that will happen in this House on the 2006/07 Appropriation Bill and the 2006/07-2008/09 MTEF Budget Statements.

Let the good times roll!

I thank you