

# 2008/09 FREE STATE PROVINCIAL BUDGET SPEECH

TABLED BY:

MR. PHI MAKGOE,  
MEC FOR FINANCE,

IN THE

FREE STATE  
PROVINCIAL LEGISLATURE

ON  
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***Budgeting for growth, job creation and equality!***

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## INTRODUCTORY REMARKS

Honourable Speaker,  
Madame Premier,  
Members of the Provincial Executive Council,  
Members of National Parliament,  
Permanent delegates to the National Council of Provinces,  
Members of the Free State Legislature,  
Marena, Dikgosi le Mafumahadi,  
Honourable Mayors and Councillors,  
Delegates from National Treasury,  
Distinguished guests,  
Members of the media,  
Invited learners,  
Ladies and Gentlemen,

Another year has rapidly passed and it is yet again my privilege to present the Free State Appropriation Bill for 2008/09 and related Provincial Budget Statements for the 2008/09 - 2010/11 Medium Term Expenditure Framework (MTEF) period, to this House.

Dr. Kaiser Bengali, one of Pakistan's leading economists and Managing Director of the Social Policy Development Centre (SPDC), in his paper that served as a guideline that was to assist the Pakistani Government to deal with the challenge of poverty reduction, writes that:

***“Budgeting for Poverty Reduction” is designed to serve as a support document which helps enhance the parliamentarians’ knowledge about the complex nature of poverty and provides practical options for developing pro-poor budgetary policies.”***

He further goes on to say, ***“The Budget is an important policy document through which the government establishes its economic and social priorities and sets the direction of the economy. It reflects the fundamental values underlying the government’s economic policies and objectives. As elected representatives, parliamentarians can play a crucial role in defining these objectives and priorities”***

Honourable Speaker, the people of this province, the elderly, workers, students, youth, women and academia, will agree that the main challenge facing this Province is the dual challenge of sustained economic growth and effective poverty redress. It is my view, that many a wise word is learnt from ordinary people because they are acutely aware of the challenges that they face and the dreams that they cherish. Therefore, if I were to say to an ordinary Free State citizen that the budget that I table here today, in the simplest terms, can be seen as a comprehensive government-wide plan that links policy priorities to expenditure allocations within a fiscal framework informed by realistic macro-economic and revenue forecasts over the next 3-year forward planning horizon, the response of this ordinary citizen would probably be something like, ‘my word ... you do speak very good English indeed, but tell me, will this budget of yours promote job creation, economic growth, lead to an improvement in the lives of Free Staters and reduce poverty and inequality’?

Should my answer to this straight forward question be, ‘yes, it will’, the citizen’s next question would probably be, ‘for how long’ and ‘for how many people?’

Honourable Speaker, this Government has always believed that the voice of the people matters and what that voice tells you, matters most, because from this imaginary conversation with Citizen X, it is clear that public service delivery should not only focus on the achievement of output goals that are short term in nature, but rather on the maximum beneficial impact that public services will have on the prevailing socio-economic conditions within which

provincial Government services are delivered. In short: what our imaginary Citizen X wants is an outcome which is not only long term, but sustainable as well, that is, he wants this Government and this House to ensure that the provincial budget is used as a meaningful instrument to effect desirable changes in the prevailing provincial socio-economic conditions.

Honourable Speaker, before we can highlight some of the challenges that we face as a province, we wish to use this budget speech to inform our citizens what they already know, that this government has done what no other government has done for the people of this province since 1994. Some of the achievements of this government include the following:

## In the Social cluster..



- No less than 80 new schools were built since 1994, not only increasing access to education opportunities, but also affording the children of this province an opportunity to study under decent and humane conditions;
- A substantial decline in the number and percentage of learners who failed matric from twenty-three-thousand out of forty-thousand learners or 57.5% in 1997 to only nine-thousand out of thirty-thousand learners or 29.4% in 2007;
- Similarly, the percentage of learners who pass matric with an endorsement has almost doubled, rising from 10.6% in 1997 to 19.7% in 2006. This confirms our view as government that the quality of matric passes in the province has significantly improved over the years;
- Also confirming the above, the number of graduates in the province rose from eighty-two-thousand in 1996 to one-hundred-and-twenty-thousand in 2007;
- No less than 40 new clinics were built since 1994. In fact, by 2007, the province had 258 primary health care facilities, 14 community health centres and 121 mobile clinics, all these providing essential primary health care services to no less than 5 million people in the province.
- Number of grant recipients rose from 93,757 people in 1994 to 747,262 people in 2007, with total expenditure on grants in the province rising from R800 million in 1995/06 to R3,7 billion in 2006/07

## In the Economic front...



- Except for the years 1998 and 2001, the economy of the province has experienced positive real growth in the average of 2.4% between 1994 and 2006, with the result that real per capita income in the province increased significantly from R17,656 to R20,555 in 2006;
- A total of around R2,1 billion was spent by this government on 110 road-related projects across the province between 1995 and 2007;
- Expenditure on the development and establishment of SMME's in the province has tripled between 1994 and 2007, rising from R52 million in the 1994/95 fiscal year to R150 million in 2007/08. In total, R361 million has been spent to-date for this purpose.

Honourable Speaker, if our imaginary Citizen X had to ask **“Do the people of this province have access to basic services like housing, piped water, sanitation, electricity and telecommunications?”**, I will not hesitate to give him an unequivocal YES, not because I'm a politician, but because of what the statistics are confirming!

With poverty defined as a reflection of **deprivation of basic human needs and denial of opportunities and choices most basic to human development**”, the General Household Survey of 2006 by StatsSA confirms the following:

- In the period from 2002 till 2006 the proportion of households in the Free State living in informal dwellings grew steadily from 14.9 % to 18.2%. This means that there were approximately 527 000 households living in informal dwellings in the Free State in 2006;
- Free State households using bucket toilets, or had no toilets, declined slightly from 17.2% in 2002 to 17.0% in 2006. Mr Speaker, this government has resolved to eradicate buckets and has moved earnestly to do so. ***By March this year, the province would have been rid of this inhumane practice!***
- The percentage of households with access to piped water in the Free State has increased from 82% in 2002 to 91.2% in 2006, making the province to have the second highest number of households, after Western Cape,;
- The percentage of households with access to electricity increased from 84.9% in 2002 to 88.6% in 2006;
- Proportion of people who use paraffin or wood for cooking in the province fell from 30.1% in 2002 to 19.4% in 2006, thus making the province to have the second lowest proportion after the Western Cape.

With regard to governance issues,

- The size of the provincial budget increased almost 13 times from R2 billion in 1994 to over R15 billion in 2008/09;
- Our ability to conceptualize and implement policies as government, is clearly demonstrated by the progressive move from ***RDP to Ready to Govern to FSDP and ultimately FSGDS. Honourable Speaker, we are not only becoming better, but we are also getting smarter!***

Mr. Speaker, whilst some Members of opposition parties in this House went on record to indicate that there has been no improvement in the material social conditions prevailing in this Province, we may take solice from the fact that our invited learners listening to this Speech who are still young enough to understand that you cannot change the basic laws of arithmetic to suit your own opinion, would agree that these statistics clearly demonstrate the extent to which Government programmes have improved the lives of ordinary people in this Province. Luckily for us, we can also find solice in the fact that some of these invited learners will grow up to become the political leaders of tomorrow.

Mr Speaker, whilst we celebrate these successes, we remain cognisant of the challenges that we still face as a province. Riddle Markus once said that ***'if you think the way you have always thought and do what you have always done you will get the results that you have always gotten'***. It therefore remains incumbent on all of us, devoid of party political affiliation, to openly debate and share ideas and strategise on how remaining socio-economic challenges can be faced head-on to ensure that whatever backlogs still exist, are effectively eliminated as a matter of extreme urgency.

Allow me in the next two minutes or so to reflect briefly on these socio-economic conditions. I must hasten to mention that a summary of these is contained in Section 3 of the Budget Statement 1, and a full report will be published by Provincial Treasury between March and April of 2008.

**In terms of demographics**, the size of the population and in particular the number of households are some of the important determinants of the needs of the inhabitants as expressed in the demand for infrastructural and social services, including water, sanitation, electricity, housing, etc. The population of Free State in absolute terms has increased from 2.7 million in 2001 to 2.9 million in 2007. What remains a concern is that the province's share of the country's population continues to shrink and is now at 5.7%.

In terms of the age profile of the population, the Community Survey of 2007 shows the following trends between 2001 and 2007:

- An overall decline of 2.4% in the 0-19 age group, implying a decline in the proportion of school going age population in the province, especially at the middle and secondary schooling phase with negative implications for the province's education share of the equitable share;
- An overall increase of 0.6% in the 20-34 age group, implying pressure on the resources for further education and training institutes, and the creation of job opportunities for youth;

- A slight increase from 7.3% to 8% in the elderly population, a possible indication of people's preference to retire in the province with implications for increased demand for access to public health infrastructure and services, welfare and social grants.

Although there could be many reasons for the low population growth rate experienced by the province, the most prominent include the declining contribution of both the agricultural and mining sectors to the Free State economy and the reported ravaging impact of HIV and AIDS, with the former closely linked to migration as well.

Still on the social cluster, the Free State is home to 7.0% of all public schools in SA. However, at 46.5%, there is large concentration of farm schools in the province. The Department of Education reports that in 2006, 56.8% of all schools in Fezile Dabi were farm schools, followed by 52.6% in Thabo Mofutsanyana, 50% in Lejweleputswa, 43.9% in Xhariep and 23.5% in Motheo. On its own, this raises the challenge of attracting and retaining suitably qualified and competent educators in rural areas as well as small towns. As a result of these small farm schools scattered throughout the province, the province had a favourable learner-school ratio of 359, which was 2nd lowest and above national average of 468 in 2006. The latter, combined with declining learner numbers, have also resulted in the province having the most favourable learner-educator-ratio of 28.8 in 2007.

Honourable Speaker, with matric pass rates arguably considered a good measure of the state of education, it is important to note that the province's performance in this regard seems to have retarded. In 2001, the matric pass rate stood at 59%, went up to 80% in 2003 and has been steadily declining since then to the current 70.6% in 2007. Similarly, it is equally important to highlight the observed trends with regard to the performance of the districts. Since 2003, significant drops in the matric pass rates have been noted for the districts, with the exception of Motheo, possibly exacerbating the high shortage of highly skilled labour across all district municipalities. However, these need to be interpreted in a proper context. The good news in this regard is that the number of learners that enrol for matric has increased tremendously in the province in recent years, and both the number and quality of passes has improved over the years.

Turning to health issues, the 2006 General Household Survey shows that only 14.8% of the provincial population was on medical aid, implying that 85.2% of the provincial population relies on public health services. It is worth mentioning that the province has experienced marginal increases in the number of medical practitioners and professional nurses in public health, whilst the number of enrolled nurses declined drastically between 2001 and 2007.

A cursory look at the state of health in the province shows a consistent fall in the child mortality rate from 61.8 of every 1,000 children in the year 2000 to 56 in 2007, an increase in the immunization rates in the province from 81.3% in 2001 to 87.5% in 2006 whilst the HIV prevalence rate seems to have stabilized around 30%.

Honourable Speaker, on the economic cluster, the province has experienced sustained positive growth since 2002. Historically, the economy of the Free State has been based on mining and agriculture. The development of other sectors has been largely in support of these two primary activities. However, it is now common knowledge that the contribution of both these sectors has been declining since the early 1990s. What is clear from economic data is that the structural change of the provincial economy continues to take shape, with the mining sector contributing less, whilst the service sector has experienced a dramatic increase.

Between 2004 and 2006, economic growth averaged 4.1%, partly reflecting the fruits of intensified and targeted interventions by this government since 1994 to-date. The main contributors to the increase in economic activity in 2006 were finance, real estate and business services industry (10.4%); construction industry (9.7%) the wholesale and retail trade, hotels and restaurants industry (6.1%); manufacturing industry (5.8%), and the community, social and other personal services industry respectively.

This tremendous growth performance, Honourable Speaker, has resulted in a remarkable decline in unemployment by 1.8% from 28.3% to 26.5% between 2006 and 2007 in the province. Whilst these and many other statistics

clearly confirm that we, as the people of the Free State, are getting there, we also know that we have not yet arrived! Although Free State's unemployment is continuing to decline, more strategic and targeted interventions and programmes are needed to ensure that the provincial economy is able to create enough sustainable job opportunities for its growing labour force, especially for new entrants in the provincial labour market, particularly women and the youth in general.

Honourable Speaker, answering the socio-economic challenges that confront us everyday means that we must simultaneously accelerate economic growth and transform the quality of that growth. It is correctly argued that the most pressing concern for policy-makers in developing countries and provinces such as the Free State is designing and implementing policies that raise the quality of life for the majority of their citizens within the context of severe resource constraints. Whilst economic growth is not specified as one of the Millennium Development Goals, there is a general recognition that economic growth is a key ingredient of any meaningful poverty reduction strategy. At the same time, it is important to understand that for this government, economic growth is not the ultimate aim. It is the means to the end – **'a better life for all'**.

Honourable Speaker, whilst economic growth has the ability to make a significant contribution to reducing poverty and improving people's livelihoods and future opportunities, these benefits do not always trickle down as it was assumed to be the case a long time ago. To the contrary, high levels of economic growth have often been associated with worsening levels of inequality resulting in wide disparities between the rich and the poor. Our province is no exception in this regard!

The thought that the destinies of the poor and the rich are intertwined and interdependent, that the only option is to find strength and unity in our diversity, and work together towards a shared future, has eluded us for a long time. What we aspire for as a province and as government is not a:

- **JOBLESS GROWTH, where the overall economy grows but does not expand the opportunities for employment;**
- **RUTHLESS GROWTH, where the fruits of economic growth mostly benefit the rich, leaving many struggling in ever-deepening poverty;**
- **VOICELESS GROWTH, where growth in the economy has not been accompanied by an extension of democracy or empowerment;**
- **ROOTLESS GROWTH, which causes people's cultural identity to wither;**
- **FUTURELESS GROWTH, where the present generation squanders resources needed by future generations.**

Honourable Speaker, our vision of a prosperous Free State is a vision that encapsulates all, it is a vision that seeks to unite all the people of the province in the quest for accelerated, shared and sustainable growth. This is not just any other type of growth, but the one that is pro-poor, where issues such as equality and distribution matter. Empirical evidence suggests that, on average and over time, growth does result in the reduction of poverty. However, it is the quality of growth that matters for the extent of impact on poverty.

Honourable Speaker, what this finding means is that the way in which wealth is created (the quality of growth) is just as important as the level of growth, hence the move towards Shared Growth and Development. Shared Growth and Development therefore talks to pro-poor and pro-growth as interdependent goals; **we need a growing economy that grows in a pro-poor way**. If we are to succeed in this quest, we need to ensure that higher levels of growth have a greater impact on reducing poverty when the poor are themselves empowered to participate in economic activity, acting as agents of growth through their own activities. When poor people have access to tangible assets, such as land, housing, water, energy, sanitation, transport, credit, or intangible assets, such as education and health, they hold the means to participate in economic activity themselves and therefore are better placed to benefit from economic growth. We therefore need to guard against a situation where economic growth in the province will mostly benefit the rich and well-off at the expense of the very people that we have a passion to create a better life for; the most vulnerable and the poor.

Honourable Speaker, the key to enhancing sustainable human development is found in the interaction between asset and wealth distribution and growth, and how these impact on poverty over time. **It should be acknowledged that effective pro-poor policy interventions require politically difficult decisions to be made.** In his State of the Nation Address for 2007, President Mbeki affirmed this when he said:

***“For us it is not a mere cliché to assert that the success of our democracy should and will be measured by the concrete steps we take to improve the quality of life of the most vulnerable in our society”***

This is further substantiated in the January 8th Statement for 2008 delivered by the newly elected President of the ANC, Mr Jacob Zuma:

***“Our most effective weapon in the campaign against poverty is the creation of decent work. Moreover, the challenges of poverty and inequality require that accelerated growth takes place in the context of an effective strategy of redistribution...” Accelerating growth and transforming the economy require a democratic developmental state that is able to lead in the definition of a national economic agenda, and mobilise society and direct resources towards achieving this agenda”***

The budget that we present here today is one of the many concrete steps that this government continues to take to push back the frontiers of poverty! This budget seeks to concretize and give effect to the notion of accelerated, shared, sustainable and transformational growth. **Whilst a review of the socio-economic conditions in the province confirms that today is definitely better than yesterday, this budget seeks to affirm that tomorrow will be better than today and that the future will indeed be better.**

This assertion was further supported by our Honourable Premier, Mme Beatrice Marshoff, in her state of the province address, when she said, ***“Our understanding is that government expenditure ... must stimulate and generate economic activism and must empower the people to take part in the economic life of our province.”***

Honourable Speaker, provinces are at the forefront of the delivery of services that seek to reduce vulnerability, poverty and inequality in line with government's programme to improve access and the quality of pro-poor services. The growth in provincial spending needs to translate into intensifying tangible improvements in the quality of life of all South Africans, especially those who use public services.

## 2008/09-2010/11 PROVINCIAL REVENUE ESTIMATES

With the indulgence of Members, I will now briefly deal with the 2008/09-2010/11 provincial revenue estimates to afford Members an idea of the size of the forward estimated provincial fiscal envelope and the relative size of its constituent components.

Honourable Speaker, estimated provincial receipts for 2008/09 amounts to R15,755 billion, which represents an overall nominal increase of R2,342 billion or some 17,5% increase compared to the previous budget. It is estimated that total receipts will grow with a further 12,3% in 2009/10 to R17,689 billion and a further 10,1% to an amount of R19,471 billion in 2010/11.

Over the 3-year MTEF period, the provincial fiscal envelope will be made up of an average of:

- 78.8% of the provincial share of nationally collected revenue;
- 18.3% of conditional grant allocations to the Province from various National Departments; whilst
- 3,5% will be derived from provincially collected revenue.

Honourable Speaker, any sportsperson will tell you that the **first law of winning is not to beat yourself!** From the National Estimates tabled by Minister Manuel last week, it was evident that despite a less-favourable international and national macroeconomic outlook, South Africa's fiscal affairs remain healthy. From the figures that I've just quoted it is, similarly, clear that the growth in provincial receipts remain substantial and significantly above expected rates of inflation over the entire forthcoming 3-year MTEF. Those present today that are blessed with children young enough to only be able to count up to their fingers on one hand, may find it useful to use these growth percentages to practice their counting, as they will have to count up their hand at least twice in respect of any given year of the MTEF.

## **BUILDING A BROAD FRONT FOR SUSTAINED GROWTH AND POVERTY REDRESS: CONSIDERATIONS INFORMING PROVINCIAL EXPENDITURE PROPOSALS**

Honourable Speaker, the Nobel prize winner Ilya Prigogine once said that **'we cannot predict the future, but we can prepare for it!'** Let me hasten to add that the Nobel prize was not awarded because this was said but it, nevertheless, makes a lot of sense, as it reminded me of the **second law of winning ... that you can't stay at the top without doing better, without doing more.** Trying to figure out why I'm quoting these wise words, I realise that I wanted to indicate that today's budget represents the end-result of perhaps the most intense budget preparation process this Province has seen since the dawn of our new democracy in 1994. In the view of the Provincial Treasury, this was probably time well spent to ensure that all provincial departments and the Provincial Executive Council are united by a common aim and moved by the same strategic objectives.

Mr. Speaker, I'm sometimes disappointed, if not saddened by the quality of debates of this very House on budget votes and expenditure programmes which, very often, encompasses no more than a combination of finger-pointing exercises and mudslinging competitions. To avoid any re-occurrence of such fruitless and non-value-adding engagements, I wish to use 2 minutes to share some of the main considerations that informed provincial expenditure proposals.

Firstly, it is important for all to appreciate that the mandating framework informing resource allocation is first and foremost determined by the objectives of the Free State Growth and Development Strategy (FSGDS), the need for alignment to the strategic thrust of the January 8th Statement, the resolutions of the National Cabinet Lekgotla, the resolutions of the Provincial Executive Council Lekgotla and nationally agreed-upon sector priorities.

Consequently, the overall budget strategy and overriding rationale guiding expenditure proposals is one that seeks to ensure meaningful provincial focus on:

- Social and human development
- Economic growth, employment and investment
- Governance and administration
- Justice, crime prevention and security

More specifically, the need for pro-poor budgeting, particularly in respect of social and human development, identified the need to improve the ability of the poor to access government services, through:

- Expansion and strengthening of education, health and social development, services that would benefit the poorest of the population
- Enhanced support to sport and cultural programmes
- Enhanced support for housing delivery initiatives

The need to internalise benefits emanating from the recent improvement in the economic growth of the province, similarly, highlighted the particular need to promote further investment in provincial infrastructure, including roads and to support efforts aimed at absorbing and capacitating greater numbers of the unemployed. The importance of supporting initiatives to enhance oversight functions and strengthen intergovernmental planning and joint implementation processes were also highlighted.

Finally, proposed allocations had to pass the test of proven alignment to critical policy directives and development service delivery imperatives that emanated from it.

Honourable Speaker, it is the view of this government that provincial clusters remain the preferred approach to guide resource allocation, as it contributes towards putting a premium on allocative efficiency through institutionalising integrated and co-ordinated service delivery through cluster-member departments. In outlining the budget estimates for the areas of operation of the 4 provincial clusters, I will focus on broad expenditure proposals in support of key provincial priorities of the Free State Growth and Development Strategy (FSGDS), rather than a line-by-line and item-by-item assessment of historical expenditure trends.

## **SOCIAL AND HUMAN DEVELOPMENT**

This cluster is comprised of the Departments of Education, Health, Social Development, Sports, Arts and Culture and the housing programme of the Department of Local Government and Housing.

Mr. Speaker, it remains an undeniable fact that the importance of social and human development can never be under-estimated as a catalyst to redress socio-economic inequities.

The aggregate allocations to service this area of operations focusing on social and human development, amounts to R12,479 billion in 2008/09, which represents 17,6% growth from the previous financial year. Hereafter, it grows with 11,5% to R13,911 billion in 2009/10 and a further 10,6% to R15,388 billion in 2010/11. Expenditure in support of this objective thus accounts for 79% of the total provincial budget over the MTEF period.

Proposed allocations to the specific departments whose operations directly support this priority area, are as follows:

### **DEPARTMENT OF EDUCATION**

The budget of Education increases with 15,9% in 2008/09 to an amount of R6,599 billion, whereafter it increases with a further 8,7% and 8,1% to R7,170 billion in 2009/10 and R7,748 billion in 2010/11.

These allocations provide for funding of, inter alia, the following important education priorities, namely:

- The development of a comprehensive strategy on early childhood development and the expansion of Grade R.
- The expansion of inclusive education to better cater for learners with disabilities.
- The implementation of an Occupation-Specific Dispensation (OSD) for educators.
- The provision of textbooks for grades 10-12 learners in line with the new curriculum statements.
- The eradication of all platooning schools in the Province, through the construction of 11 new schools and the building of additional facilities at 4 other schools, as already announced in the Premier's State of the Province Address.

Mr. Speaker, this Government is confident that the proposed allocations to Education is adequate to sustain and enhance the delivery of quality education throughout the system in this Province. Moreover, it creates additional room for the department to sustain the matric intervention strategy, give further impetus to the Dinaledi initiative to improve education in mathematics, science and technology and further enhance the ability of educators to deliver quality teaching at all levels.

## DEPARTMENT OF HEALTH

Strong growth is proposed in the allocations to Health with allocations of R4,288 billion in 2008/09, R4,879 billion in 2009/10 and R5,529 billion in 2010/11 resulting in healthy annual growth rates of 18%, 14% and 13% respectively, over the MTEF period.

I urge all Members of this House to support these proposals as it will stabilize the provincial public health care system and put the department in a better position to meet challenges emanating from the reality that only some 15% of the provincial population belongs to medical aid:

In addition, the proposed allocations create room for:

- General expansion and strengthening of health services to stabilize the public health system;
- Funding directed towards the mitigation of the impact of Multi-drug resistance TB as well as the Extreme-drug resistance TB;
- Provision has been made for the implementation of the Occupation Specific Dispensation (OSD). Over and above this, provision has also been made for non-OSD related personnel costs such as the Sunday overtime and housing allowance;
- There is an additional upward adjustment on the Infrastructure Grant to Provinces of R26 million on the two outer years of the MTEF;
- National Tertiary Services grant is revised upwards to cater for higher personnel costs which are a result of higher inflation, while the Hospital Revitalization grant has been increased to step up the department's maintenance budget as well as for the inclusion of a new hospital into the revitalization programme.

## DEPARTMENT OF SOCIAL DEVELOPMENT

Honourable Speaker, like Health, Social Development must be prioritised as one of the necessary core elements of any programme of social transformation aimed at addressing the plight of vulnerable members of society through poverty redress, reducing dependency and eradicating inherent inequalities to seize education and training opportunities and meaningfully participate in the mainstream economy.

In putting our money where our mouth is, the budget of this department grows by 18.3% to R536,193 million in 2008/09, thereafter with a further 24,2% to R665,985 million in 2009/10 and another 7.9% to R718,591 million in 2010/11. An additional R 265,5 million will thus be added to the budget of this department over the MTEF period.

The proposed allocations caters for the following key welfare programmes, namely:

- The expansion of services to children in conflict with the law, together with the expansion of Home and Community-Based Care, including the training of care givers.
- The upgrading of secure care facilities for children in conflict with the law.
- The implementation of an Occupation Specific Dispensation for Social Workers and Auxiliary Workers which will also assist in attracting and retaining scarce skills in the department.
- Aligning stipends paid to practitioners working in different areas of the department to those paid by Health and other sectors which will, again, assist in attracting such practitioners to the department.
- The expansion of the social development component of the Early Childhood Development programme. This includes an increase in subsidy levels from R5.20 per child per day to R9.00 per day in 2008/09 and the take-on of an additional 4 000 children per year over the MTEF period thus extending the positive impact of this programme to some 44 500 children by the end of this MTEF period.
- The development of monitoring and evaluation capacity for welfare services.
- Support for services to older persons through an increase in subsidies for Community Based Care of older persons from R200 to R225 per person per month and an increase in luncheon club subsidies from R100 to R150 per person per month in 2008/09.

## INTEGRATED HOUSING AND HUMAN SETTLEMENT

The allocation to the department of Local Government and Housing to cater for housing delivery and the promotion of sustainable human settlements, will be R772,410 million in 2008/09, R907,708 million in 2009/10 and R1,093 billion in 2010/11, representing growth of 18,2%, 17,5% and 20,5% respectively, over the MTEF period.

It would prove a formidable task to spend close to R2,8 billion on housing over the forthcoming MTEF period and the Province needs to ensure that it has all its ducks in a row and that constraints and challenges hampering speedy housing delivery such as, amongst others:

- township registers that are still not in place in some Municipalities;
- bottlenecks arising from varying capacity of contractors to deliver quality housing on time and according to specifications;
- the apparent lack of capacity in housing components of some Municipalities to manage processes related to beneficiaries efficiently and effectively;
- the apparent lack of capacity in some Municipalities to draw well-informed Housing IDP Charters to ensure effective management around matters such as urban sprawl and the eradication of buffer strips;
- the inability to avail suitably located affordable land for housing development in line with the department's planning and delivery timelines,

be effectively addressed once and for all in the interest of creating a better life for all the citizens of this Province.

Mr. Speaker, the developmental challenges that we face as a province, puts a premium on the provision of housing and history will judge us harshly if we fail to live up to this expectation. All our attempts to improve the lives of the poor will be meaningless if we fail to provide houses located in areas that improve the mobility of its occupants, thus affording them the opportunity to enter and participate in mainstream economic activities. This government must therefore move with commitment and urgency to close whatever remaining gaps of inefficiency that may exist that constrains actual on-the-ground delivery of houses.

## DEPARTMENT OF SPORT, ARTS AND CULTURE

Honourable Speaker, the Department of Sports, Arts & Culture has unarguably been the most revitalised and energetic department in the past few months. With the theme of **'Passion for the game'**, we have seen some innovation in this department. In the light of this, the budget for this department grows significantly to R284, 890 million in 2008/09, an increase of 69.1%, where-after it increases with 1,3% to R288,512 million in 2009/10 and a further 3,3% to R298,168 million in 2010/11.

Included in this allocation, is the library services conditional grant of R30,927 million in 2008/09, R40,315 million in 2009/10 and R45,197 million in 2010/11. In addition, this budget caters for the following projects over the MTEF:

- Final Preparations for 2010, especially given that there are only 832 days before this spectacle commences;
- R64 million for the upgrading of the Vodacom Park
- R20 million for Fezile Dabi Stadium in Tumahole, Parys.

## ECONOMIC GROWTH, EMPLOYMENT AND INVESTMENT

This cluster is comprised of the department of Agriculture, the Department of Tourism, Economic and Environmental Affairs and the Public Works and Roads components of the department of Public Works, Roads and Transport.

The aggregate allocation to fund operations of this cluster, amounts to R2,387 billion in 2008/09, which represents a substantial increase of 21.1% compared to the previous year. Further allocations will be R2,762 billion in 2009/10 (an increase of 15.7%) and a further 8,4% increase to amount to R2,994 billion in 2010/11. Expenditure in support of this objective will thus account for 15,4% of the total provincial budget over the MTEF period. This Mr Speaker, is a demonstration of intensified effort to create infrastructure, jobs and fight poverty.

Proposed allocations to departments and programmes whose operations directly support this priority area, are as follows:

### DEPARTMENT OF AGRICULTURE

The department of Agriculture will have a budget of R334,154 million in 2008/09, R371,996 million in 2009/10 and R401,937 million in 2010/11 which means that the budget of this department will grow by 22,2%, 11,3% and 8% over the respective MTEF years. As all Free Staters are acutely aware of the importance of agriculture in this Province, I am probably correct to assume that there is little need to convince Members of this House to support these proposals which creates room for general expanded support to various areas of operation including Land Care, the Comprehensive Agricultural Support Programme and an improved infrastructure enhancement allocation to fund the upgrade of Glen as well as other agricultural infrastructure projects.

Some of the key projects in this regard include:

- Oppermansgronde in Oppermansdorp;
- Boitumelo Vineyard in Jacobsdal;
- Vukani Ma-Afrika in Koffiefontein;
- Bethlehem Apple Project

### PUBLIC WORKS AND ROADS PROGRAMMES

The sterling performance of the department of Public Works, Roads and Transport in the areas of public works and roads programmes in recent years have, by now, dispelled any doubt as to whether this department has the ability and capacity to deliver provincial infrastructure projects. This trend, which was already evident at the time of the tabling of last year's provincial budget, did not happen by mistake but by design and the dedicated work of several role players and stakeholders to support the turnaround strategy of Public Works to hasten implementation processes, to embrace and actively support initiatives and processes related to the provincial Infrastructure Delivery Improvement Programme and the sharper focus on performance evaluation and assessment.

Honourable Speaker, in order to contribute towards sustained economic growth, reduced unemployment and support programmes aimed at the massification of the Extended Public Works Programme as an avenue to contribute towards labour absorption, the budget for public works and roads programmes increases by 22% to reach R1, 749 billion in 2008/09, increases with a further 18% to reach R2,059 billion in 2009/10 and grows with an additional 9% to reach an amount of R2, 241 billion in 2010/11. A staggering R6,05 billion will thus be spent in support of these programmes over the MTEF period.

### DEPARTMENT OF TOURISM, ENVIRONMENTAL AND ECONOMIC AFFAIRS

The allocation to this department will increase by 15,6% to R303,776 million in 2008/09, growing with 9% to R330,805 million in 2009/10 and a further 6% to R350,588 million in 2010/11.

Over the MTEF period, R55,1 million, R58,6 million and R61,65 million respectively will be utilized to support operations of the Public Entities of this Department. The budget of the Free State Tourism Authority increases by 42.8% to R16 million in 2008/09 to ensure that the province is marketed effectively domestically and internationally as a tourism destination.

The 2008/09 further caters for the upgrading of Philip Sanders and Koppiesdam resorts, the establishment of the Free State Film Commission, as well as the Inter and Intra Governmental Relations Unit that is aimed at supporting and monitoring public entities and enhanced intergovernmental relations.

## GOVERNANCE AND ADMINISTRATION

The Governance and Administration Cluster is made up of the Department of the Premier, the Provincial Treasury and the department of Local Government and Housing with regard to their operations related to non-housing programmes.

Honourable Speaker, in order to get a more informed view of the funding envelope dedicated towards ensuring good practice and transparency in guiding planning and implementation and effective oversight and monitoring, to assess the impact of actual services rendered on the lives of Free Staters, it is important to functionally include the budget of the Provincial Legislature here, merely for the sake of enabling external assessment of this Province's programmes and initiatives to improve the effectiveness of governance and administration throughout all provincial operations.

In line with this functional classification, aggregate allocations to departments and operations that directly support the objective of improved governance and administration, grows with 12% to R602, 081 million in 2008/09, grows with 8, 3% to R652, 173 in 2009/10 and a further 6, 2% to R692, 311 in 2010/11, accounting for an average of 3,7% of total provincial expenditure over the forthcoming MTEF period.

Proposed allocations to departments whose operations service this strategic objective are as follows:

### FREE STATE PROVINCIAL TREASURY

Proposed allocations to Provincial Treasury are as follows: R137,131 million in the first MTEF year (an increase of 7,9%), R147,320 million in second year (7,4% increase) and R156,158million in the outer MTEF year (6% growth).

Treasury will continue to play a critical over-arching role with regard to improved internal controls, risk management and good governance. Particular areas of focus over the forthcoming MTEF period that directly relate to the strategic objectives of the Governance and Administration cluster relate to the promotion and fostering of proper planning, monitoring and evaluation practices, aimed at, inter-alia:

- facilitating the movement towards more outcomes-based budgeting and more intense utilisation of performance information to track and assess the effectiveness, appropriateness, adequacy and efficiency of provincial service delivery
- guiding and advising on the roll-out of processes aimed at instituting more effective asset reform management practices in the departments and public entities; and
- the implementation of more effective oversight processes to enhance the achievement of policy objectives with regard to economic empowerment and SMME development through more appropriate supply chain management processes.

## **DEPARTMENT OF THE PREMIER**

Mr. Speaker, it is proposed that the budget of the Premier be increased by 16,1% to R120, 096 million in 2008/09, followed by a further 7,3% to R128, 811 million in 2009/10 and 6% to R136, 544 million in 2010/11.

Drawing from the messages of the January 8th statement, the Premier's State of the Province Address and the National Budget Speech, the ongoing challenge to improve the organisational capacity and efficiency of the state through the strengthening of the strategic planning and implementation capacity of government as well as the ever-present need to solicit the support of social partners, external stakeholders and the general public to become allies in our quest for accelerated growth and service delivery, will remain key to the agenda of this government over the next MTEF period and beyond.

As the central department providing strategic oversight, leadership and co-ordination, the focus of this department will be on matters and operations aimed at matters such as:

- improving operations of Multi-Purpose Community Centres
- enhancing the effectiveness of Exco-Meets-The-People campaigns
- ensuring that the Free State Training and Development Institute is well positioned to improve the skills and competencies of officials to become key drivers of government programmes; and
- enhancing synergy between the different spheres of government, civil society and private sector partners, stakeholders and role-players to improve success in addressing prevailing socio-economic challenges in this Province.

## **FREE STATE PROVINCIAL LEGISLATURE**

Honourable Speaker, I trust that I can rely on your support for the proposal that the Legislature receives R95, 240 million in 2008/09 (an increase of 16%), R102, 395 million in 2009/10 (an increase of 7,5%) and R108, 682 million in 2010/11 (an increase of 6,1%) to discharge its legislative oversight functions in a manner that will enable it to promote meaningful participation of citizens in the programmes and processes of the Legislature and improve the efficiency of institutional governance processes.

## **NON- HOUSING PROGRAMMES OF LOCAL GOVERNMENT AND HOUSING**

Members of this House will agree that if the over-arching objective of government is the utilisation of public resources to achieve maximum impact and accountability for outcomes, effective synergy in working with local government must, necessarily, remain a vital aspect of improved governance.

Harnessing the interface between provincial government and local government, ensuring effective coordination to align efforts and improve efficiency especially with regard to matters such as spatial planning and infrastructure delivery and the extension of some form of direct support to municipalities confronted by developmental challenges and capacity constraints, becomes eminent.

With regard to the afore-mentioned, the non-housing programmes of the department of Local Government and Housing, provides an ideal vehicle to render assistance in fostering effective governance and administration in local and district municipalities. It is thus proposed that the funding envelope to be created for operations that can support the attainment of this objective be set at R249, 614 million in 2008/09 (a 11,1% increase), R273, 647 million in 2009/10 (9,6% increase) and R290, 927 million (6,3% increase) in 2010/11.

## JUSTICE, CRIME PREVENTION AND SECURITY

The department of Public Safety, Security and Liaison and the Traffic Management component of the Department of Public Works, Roads and Transport, must oversee functions that contribute towards the maintenance of effective justice and crime prevention programmes in the Province.

It is proposed that the following budgets be allocated to the department of Public Safety, Security and Liaison, namely:

- R38,077 million in 2008/09 (9,3% increase)
- R42, 130 million in 2009/10 (10,6% increase); and
- R44, 635 million in 2010/11 (5,9% increase),

whilst the proposal for Traffic Management over the 3 MTEF years are as follows:

- Year 1: R177, 224 million (14,5% increase)
- Year 2: R186, 189 million (5,1% increase); and
- Year 3: R195, 024 million (4.8% increase)

In total, R683, 279 million will thus be allocated towards this function over the next MTEF period, resulting in an annual proportional share of total provincial expenditure of 1,3% in any of the 3 MTEF years.

## CONCLUDING REMARKS

Honourable Speaker, our Constitution declares that 'Everyone has inherent dignity and the right to have their dignity respected and protected'. The key to restoring the ideals of dignity and respect must start and end with the alleviation of poverty and the promotion of sustainable growth. Central to these fundamental objectives, is the decision of how to spend available public funds. Ladies and gentlemen, there can be no denying that progress is greatest when the lives of ordinary people are changed for the better.

When our people met and drew up the Freedom Charter at the Congress of the People in Kliptown on 26 June 1955, they said '**...we pledge ourselves to strive together, sparing neither strength nor courage, until the democratic changes here set out have been won...**'. Eugene Ware said "**All glory comes from daring to begin.**" Reflecting on these words, I'm struck by the fact that our people made this pledge at Kliptown at a time when many of them might not even have known where they will find transport to return home and to their places of work after this gathering.

Today, some 52 years later, we are ready to dare to begin. This is so because the 2008/09 Provincial Budget Statement that is the blue book lying in front of Members of this House presents us with a staggering confluence of encouraging possibilities:

- It tells us that we have the means to facilitate a process to bring the inordinately large number of people surviving outside the economic mainstream to within the mainstream and, in the process, address the high levels of material inequality that exists.
- It tells us that we have several opportunities to allow the poor access to adequate income and assets and to generate income.
- It tells us that if we add our provincial housing funds to infrastructure funds, we have a staggering R9,9 billion over the MTEF period to fund infrastructure projects to roll back the frontiers of poverty.

- It tells us we have an even more staggering R21,5 billion over the MTEF to afford learners the education they deserve.
- It tells us that economic returns and positive social impact are not mutually exclusive.

Honourable Speaker, there should be no doubt in the mind of our imaginary Citizen X that ***this budget does not only sustain the solid foundation for economic growth, job creation as well as poverty reduction, but seeks to accelerate the realization of a better life for all the people of the Free State province.*** In this regard, Mr. Speaker, Leonardo Da Vinci, was probably right when he said, 'I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough, we must do'.

Mr. Speaker, Madame Premier and honourable Members of this House, the challenge is upon us, the obstacles to overcome has been identified. Let all of us join hands and just do it! **All hands on the deck!**

Mr. Speaker, in conclusion please allow me to thank:

- The Premier and my colleagues in the Provincial Executive Committee for inputs, support and advice in finalising this budget
- Colleagues in the Provincial Legislature
- My family for their ongoing support
- All provincial and National Treasury officials that contributed towards the finalisation of this budget
- Your good self, Mr. Speaker, for convening the House
- Representatives from the media, invited learners, other invited guests and everyone that took time out to listen to this Speech.

***Tsena ke ditholwana tse monate tsa tokoloho!***

***Ke a leboha!***