

## **Foreword to the Overview of Provincial Revenue and Expenditure for the 2012/2013 MTEF**

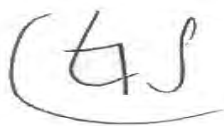
The 2012 MTEF Budget requires extraordinary prudent efforts from all role-players; commitment to cost saving measures and reprioritization of budget to high impact services must be the key guiding principle in the utilization of public resources. As correctly put by the Minister of Finance, the 2012 MTEF budget is presented at a time when our economy is recovering, though there are still winds of uncertainty in the global economy which can rapidly affect us, for better or worse. The global economic turmoil of 2008 has given us a rude awakening, we have learnt that economic shock, positive or negative, emanating far away may prove to be a serious hindrance to our own growth.

The 2012 MTEF Provincial Fiscal Framework remains tight and thus requires austerity approach in the use of additional funds to our Provincial envelope. Furthermore, the limited additional allocations which are basically earmarked and the revisions to the conditional grants framework for specific roll-out of national priorities at provincial level stifle provincial ability to address own provincial priorities. The estimated marginal increase on Provincial Own Revenue will be used towards addressing some of our provincial priorities such as funding of revenue enhancement projects with a view to optimize revenue collection in the province.

It is evident that in the 2012 MTEF ahead public spending will continue to grow though at a slower rate than in the past. What then this means is that as a province we will have to tighten our fiscal belt and focus our resources on key priorities that have the potential to stimulate economic growth and job opportunities.

Over the next three years, the provincial government will realign and reprioritise the existing baseline budgets towards amongst others, the following priorities in line with broader government goals, namely:

- Improve the quality of basic schooling and higher education through technical colleges for the people of the Free State;
- Improve healthcare and a healthy life for all our citizens, in collaboration with the health care providers;
- Shift the composition of spending to support infrastructure, economic development as well as agriculture;
- Contribute to the fight against crime together with our national partner departments and institutions in the security and safety cluster; and
- Upscale EPWP programme and utilize strategies to ensure that we undertake minor infrastructure projects through labour-intensive approaches.



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**Mr. S.J MOHAI**  
**MEC FOR FINANCE: FREE STATE PROVINCE**

**PART A:  
OVERVIEW OF PROVINCIAL REVENUE  
AND EXPENDITURE**

# **Overview of Provincial Revenue and Expenditure for the 2012/2013 MTEF**

## **Budget strategy and aggregates**

### **1.1 Introduction**

The prevailing economic environment has brought to bear a serious need to re-consider how we do things. In the last financial years we have embark on a series of exercises aimed at reducing wastage in the use of public resources This included the strict directives to departments to remain within given allocations and to reprioritize budgets towards high impact service delivery. Added to the above all departments were requested to ensure that their respective approaches to service delivery are integrated and that the silo mentality to implementation of policies is completely negated. Furthermore, this was concretized by the introduction of outcome based planning introduced in 2010; the notion of performance-driven by public organs became the norm.

The socio-economic challenges faced by our province also remain a daunting for provincial government. The challenges of unemployment, poverty and diseases remain stubbornly high and seem to overshadow the strides we have made as a province. The rapid rate of urbanization also seems to put strain on the work that has been achieved with regard to provision of houses. The rate of urbanization not only has negative impact on housing but it also has implications for basic service delivery. National Government has clearly indicated that education and health are the key priorities and thus there is a need for provincial government to secure optimal funding for the two. The Free State government also acknowledges the two key priorities and this is reflected by the allocation given to the priorities; the two are allocated close to 70 per cent of the provincial budget.

Our provincial infrastructure remains crucial for economic growth of the province; construction and proper maintenance of road infrastructure is at the centre of ensuring prosperity for Free State. The geographical centrality of the province need to be economically exploited for the benefit of the population of Free State; thus there is a greater need to ensure that our road and rail infrastructure is of world standard and is capable of attracting required investments.

In addressing these socio-economic challenges, the Provincial Government of the Free State will use the budget as a tool to address the above-mentioned challenges. The focus will mainly be on funding and implementation of the identified strategic thrust of government. Through provincial budget the province will foster alignment across all votes and strive to create synergy amongst the various departments so as to realize tangible service delivery to our people. Provincial Government will continue with implementation of the identified 12 outcomes as reflected by the Presidency; furthermore, the provincial strategy thrust will continue to be guided by the 2009-2014 Medium Term Strategic Framework as outlined below. These include:

- Stimulation of economy for growth and jobs;
- Improving education outcomes;
- Improve health profile of our citizenry;
- Continuing with rural development strategy linked to land and agrarian reform and food security;
- Continuing investment in economic and social infrastructure;
- Increasing safety;
- Cohesive and caring communities;
- Pursue regional development;
- Sustainable resource management; and
- Build a developmental state, including improving public services.

## **Strategic thrust of the 2012 Medium Term Budget Framework**

The 2012 MTEF budget takes cue from the various government policies such as New Growth Path (NGP). The NGP strongly underpin the importance of investing in projects or sectors that have or show a potential of creating work opportunities. The NGP identifies five strategic sectors that are key to creation of employment; these are:

- Infrastructure;
- Agriculture value chain;
- Mining value chain;
- Green economy; and
- Manufacturing and tourism.

The province has put more emphasis on creation of jobs and all departments have been requested to embark on projects that yield employment; furthermore, the province took initiatives to ensure that allocations to various departments and public entities are directed towards creation of work opportunities. The province will resuscitate textile industry; develop Provincial Agriculture Master Plan and roll-out of the “Mohoma Mobung Development Programme”, for which an amount of R97.145 million has been added to the baseline of the Department of Agriculture in order to initiate a macro, province-wide commodity orientated programme aimed at improving primary production levels amongst small-holder farmers and channelling these volumes into a common value chain to achieve food security, food affordability and sustainability in production. This will be done in conjunction with various role-players, strategic partners and potential investors.

The following twelve (12) key outcomes and their outputs played a key role in the allocation of provincial budget:

### **Quality Basic Education**

Quality basic education as defined by the following outputs:

- Teachers and learners in class on time, teaching and learning 7 hours each day
- Measurable improvement in literacy and numeracy of grades 3, 6 and 9 based on results of annually conducted tests;
- Higher-quality teachers, demonstrated by tests of content knowledge, curriculum coverage and enhanced pedagogy; and
- Empowered principals to manage their schools and ensure a good environment for teaching and learning, and are held accountable for maintaining a high standard of education.

### **A long healthy life for all**

- Increasing life expectancy rate of all South Africans;
- Reduction of infant, child and maternal mortality; and
- Reduction of HIV/AIDS incidence and other diseases such as Tuberculosis.

### **All people in South Africa are and feel safe**

The allocation of this strategic area is in respect of improving the capacity and effectiveness of the Province to promote justice and crime prevention, to ensure safety and security for all.

## **Decent Employment through Inclusive Economic Growth**

To realize the objective of creation of work opportunities as well as decent livelihood the budget must address the following key areas:

- Promote investment in provincial infrastructure, including the provincial road network, so as to strengthen and support economic initiatives in key sectors such as agriculture, tourism, manufacturing and mining.
- Support efforts that seek to give effect to the “massification” of the Expanded Public Works Programme with the view to create work opportunities and absorb numbers of unemployed persons in labour-intensive programmes.

## **Skilled and Capable Workforce to Support an Inclusive Growth path**

The following are required key activities linked to this outcome:

- Build the capacity of agencies at various levels in the system to plan and forecast
- Expand incentives for companies (tax credits ,etc) and for student (course credit etc) to incentivize industrial apprenticeship and learners hip to jobseekers / students
- Align Skills Development workplace learning with institutional learning (curricula etc.)
- Strengthen sectoral research and planning capacity

## **An efficient, competitive and responsive economic infrastructure network**

Investing in infrastructure is greatly emphasized by the province precisely because of its labour intensive nature and thus potential to create job opportunities. The core components of an efficient, competitive and responsive infrastructure network include:

- Roads;
- Water;
- Electricity; and
- Information and Communication Technology.

## **Sustainable rural communities’ contribution towards food security for all**

- Sustainable land reform;
- Food security for all;
- Rural development and sustainable livelihoods; and
- Job creation linked to skills training.

## **Sustainable Human Settlements and Improved Quality of Household Life**

Sustainable human settlements and improved quality of household life are defined by:

- Access to adequate accommodation that is suitable, relevant, appropriately located affordable and fiscally sustainable
- Access to basic services(water, sanitation, refuse removal and electricity)
- Security of tenure irrespective of ownership or rental, formal or informal structures
- Access to social services and economic opportunity within reasonable distance

## **Responsive, accountable, effective and efficient Local Government System**

- Provide democratic and accountable government for local communities;
- Be responsive to the needs local community;
- Ensure the provision of services to communities in a sustainable manner;
- Promote social economic development;
- Promote a safe and healthy environment; and
- Facilitate a culture of public service and accountability amongst its staff.

## Protect and enhance our Environmental Assets and Natural Resources

Protection and enhancement of environmental assets and Natural resources is important and it involves the following:

- Sustainable access to safe, affordable and well managed water through protection , preservation and enhancement of country's water resources;
- Adaption to the impacts of climate change, reduced greenhouse gas emissions, and improved air and atmospheric quality;
- Sustainable natural resources management; and
- Protection of marine and terrestrial biodiversity.

## An efficient, effective and developmental orientated public service and an empowered, fair and inclusive citizenship

Government's capacity and systems to implement programmes is strengthened through:

- Increased funding for monitoring, evaluation and oversight functions; and
- Strengthening and supporting the capacity of local government to deliver public services and infrastructure.

### 1.2 Summary of budget aggregates

Table 1.1: Provincial budget summary

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>Provincial receipts</b>	<b>16 239 203</b>	<b>18 972 340</b>	<b>21 165 342</b>	<b>23 214 265</b>	<b>23 771 567</b>	<b>23 771 821</b>	<b>24 870 129</b>	<b>26 290 195</b>	<b>27 607 625</b>
Transfer receipts from national	15 646 659	18 321 380	20 358 697	22 496 652	22 999 948	22 999 948	24 050 769	25 410 010	26 682 155
Equitable share	12 713 176	14 794 064	16 217 212	17 520 835	17 722 579	17 722 579	18 531 165	19 466 736	20 412 571
Conditional grants	2 933 483	3 527 316	4 141 485	4 975 817	5 277 369	5 277 369	5 519 604	5 943 274	6 269 584
Provincial own receipts	592 544	650 960	806 645	717 613	771 619	771 873	819 360	880 185	925 470
<b>Provincial payments</b>	<b>16 075 476</b>	<b>18 774 099</b>	<b>20 974 002</b>	<b>23 188 073</b>	<b>24 201 343</b>	<b>26 098 621</b>	<b>24 870 127</b>	<b>26 260 700</b>	<b>27 566 394</b>
Current payments	12 239 126	14 269 391	16 241 841	17 763 295	18 028 143	18 076 377	18 913 375	20 006 031	21 094 015
Transfers and subsidies	2 093 115	2 824 766	3 352 691	3 143 542	3 494 819	5 226 210	3 521 595	3 724 524	3 831 475
Payments for capital assets	1 677 586	1 630 580	1 357 416	2 281 236	2 678 315	2 784 802	2 435 157	2 530 145	2 640 904
Payments for financial assets	65 649	49 362	22 054		66	11 232			
Unallocated contingency reserve									
<b>Surplus/(deficit) before financing</b>	<b>163 727</b>	<b>198 241</b>	<b>191 340</b>	<b>26 192</b>	<b>(429 776)</b>	<b>(2 326 800)</b>	<b>2</b>	<b>29 495</b>	<b>41 231</b>
<b>Financing</b>	<b>38 202</b>	<b>190 480</b>	<b>285 590</b>		<b>445 175</b>	<b>445 175</b>			
Provincial roll-overs	38 202	154 592	63 757						
Provincial reserves		35 888	221 833		445 175	445 175			
<b>Surplus/(deficit) after financing</b>	<b>201 929</b>	<b>388 721</b>	<b>476 930</b>	<b>26 192</b>	<b>15 399</b>	<b>(1 881 625)</b>	<b>2</b>	<b>29 495</b>	<b>41 231</b>

The estimated total provincial receipts for 2012/13 is R24.870 billion, which represent an increase of R653.387 million or 2.70 per cent of the 2011/12 adjusted budget. The low increase of 2.70 per cent in 2012/13 is mainly contributed by additional allocation from provincial reserves in 2011/12, however if provincial reserves of R445.175 million are stripped-off from 2011/12 adjusted allocation the increase is 4.62 per cent.

The Provincial Equitable Share grows at a declining rate of 4.56 per cent in 2012/13 compared to the previous year's baseline of 5.19 per cent at the same period. In the last two outer years of the 2012 MTEF Provincial Equitable Share grows by 5.05 per cent to R19.466 billion in 2013/14 and 4.86 per cent to R20.413 billion in 2014/15, while Conditional Grants grow by 4.59 per cent in 2012/13 to R5.519 billion, 7.68 per cent in 2013/14 to R5.943 billion and 5.49 per cent in 2014/15 to R6.269 billion. Provincial Own Receipts grows by 6.19 per cent in 2012/13 to R819.360 million and 7.46 per cent in 2013/14 to R880.185 million, while in 2014/15 grows with a decline of 5.14 per cent to R925.470 million.

The contribution of Equitable Share to the total Provincial Receipts decreased from 74.55 per cent in 2011/12 to 74.51 per cent in 2012/13, while Conditional Grants is constant at 22.20 per cent in 2012/13 and Provincial Own Receipts represent 3.29 per cent of the total Provincial Receipts for 2012/13.

The current payments account for 76.05 per cent in year one of 2012 MTEF which represent an increase of 4.91 per cent compared to the adjusted appropriation in 2011/12 financial year. Current payments are estimated to grow by 5.78 per cent in 2013/14. The share of current payments to the total provincial expenditure is estimated to increase to 76.18 per cent in 2013/14 and further increase to 76.52 per cent in the last outer year of 2012 MTEF.

In 2012/13 transfers and subsidies make up 14.16 per cent of the provincial total payments. The share of transfer payments grow to 14.18 per cent in the 2013/14 financial year and then declines to 13.90 per cent in the 2014/15 financial year.

The share of payments for capital assets from the total provincial expenditure is 9.79 per cent in 2012/13 financial year and declines to 9.63 per cent in 2013/14 and further declines slightly to 9.58 per cent in the 2014/15 financial year. Capital expenditure declines by 4.81 per cent from the 2011/12 adjusted budget. Estimated growth for 2013/14 is 3.90 per cent and a slight growth of 4.37 per cent is projected for the 2014/15 financial year. The projected growth in payment for capital assets is mainly intended to fund development and maintenance of infrastructure with the view of stimulating economic growth in the Province.

### **1.3 Financing**

Table 1.1 indicates consolidated surplus of R70.728 million over the 2012 MTEF period. The surplus relates to earmarked funding for Revenue Enhancement Allocation in line with the approved Provincial Revenue Enhancement Strategy which is aimed at optimizing revenue collection. The Provincial Government is therefore tabling a balanced budget in 2012/13 as a surplus of R29.495 million relates to 2013/14 and R41.231 million in 2014/15 financial year.

The overdraft facility that is negotiated annually with the provincial banker will be used only for the bridging finance in order to address the temporary liquidity requirements.

It is also important to mention that, borrowing should come as a last resort for funding after all avenues of funding have been explored, furthermore the province must only borrow for investment which has economic spin-offs. In addition to the above, the cost of repaying borrowed funds should be carefully considered before any agreement is entered into. As a result, alternative funding mechanisms that fast-track and optimize service delivery on the one hand and limit the burden on the public fiscus should be pursued.

## 2. The budget process and the medium term expenditure framework

The 2012 MTEF budget is a result of vigorous processes which included, amongst others, the bilaterals between the departments and Provincial Treasury, the Provincial Medium Term Expenditure Committee which afforded all departments opportunities to present budget requests and bids as well as various Makgotlas (EXCO Lekgotla and Provincial Budget Lekgotla) which successfully aligned budgets to set priorities. Added to the above processes are the interactions of all the departments with the Provincial Executive Council and Treasury Committee with the view of ensuring that the 2012 MTEF budget is firmly grounded and addresses the set key priorities of government. Whilst the ground work has been achieved in respect of aligning resources to key government objectives, the provincial government still requires departments to exercise prudence, efficiency and effectiveness in the utilization of limited public resources. Reprioritization of budgets to address frontline government services still remain relevant for 2012 MTEF and thus all provincial departments are required to take initiatives that ensure adequate funding for key government priorities.

Key activities relating to the 2011 Provincial Budget Process were the following:

- The 2010/11 Provincial Budget Process was endorsed by the EXCO during July 2011
- National Treasury July visits were held on the 28 – 29 July 2011
- Provincial Budget Workshop was held on 05 August 2011
- First Quarter Infrastructure Review meeting were held on the 22 - 23 August 2011
- Provincial EXCO Lekgotla was held on 28 – 30 September 2011
- Provincial Revenue Bilaterals were held between the 18 - 19 October 2011
- Provincial MTEC Hearings were held on the 20 – 21 October 2011
- The 2010/11 Adjustment Budget was tabled on 08 November 2011
- 2011 Medium Term Budget Policy Statement was tabled on 08 November 2011
- Second Quarter Infrastructure Review meetings were held on 14 – 15 November 2011
- National Treasury Infrastructure site visits were on 23 - 25 November 2011
- Provincial Budget Lekgotla was held on the 29th of November 2011
- The tabling of the 2012 Provincial Budget on the 6th of March 2012

As part of annual budget process, National Treasury visits provincial treasuries twice a year. The first visit was from 28<sup>th</sup> to 29<sup>th</sup> July 2011. This exercise involves assessment of previous year's budget outcome, implementation of the current fiscal year and pressures facing the provincial budget. The following issues were discussed:

- Review of 2010/11 specific performance issues relevant to each department, factors impacting on performance and plans to improve level of performance;
- Supply Chain Management Strategic Sourcing;
- Audit outcomes on financial and performance information;
- Provincial capacity concerning planning and performance monitoring;
- Spending plans on rollover requests;
- Clear perspective of performance on infrastructure expenditure per project status;
- PPP: Identification of possible projects within the provincial departments, management and reporting on PPP projects in implementation; and
- Institutional governance arrangements for entities where applicable.

Provincial Medium Term Expenditure Committee hearings were held on 20<sup>th</sup> – 21<sup>st</sup> October 2011. These hearings were chaired by the MEC for Finance and other Members of the Executive Council led the delegations of their respective departments. National Treasury also formed part of the hearings.

The hearings focused on the following:

- Review of the past three financial years (2008/09, 2009/10 and 2010/11) as reflected in the Annual Reports;
- Actual expenditure and projections for the 2011/12 financial year as at 31 August 2011;
- Detailed discussion of performance in the sector specific areas including the progress made on the implementation of the funded sector priorities and infrastructure projects;
- in depth discussions on the departments' requirements for the 2012 MTEF Period;
- Detailed discussions on Conditional Grants; and
- Reprioritization within the baseline and motivation for departmental bids.

Over and above the last mentioned issues the hearings were also intended to determine the extent to which the provincial departments give effect to the policy priorities as reflected in the 2011 Medium Term Budget Policy Statement (MTBPS) as well as other government priorities. The hearings provided a platform for a shared understanding between provincial departments and National and Provincial Treasuries on the key priorities underpinning each provincial department's budget and the province as a whole.

Free State Provincial Budget Lekgotla was held on the 29<sup>th</sup> November 2011 in order to finalise budget allocations to departments for the 2012 MTEF period. The Premier and Members of the Executive Council, Accounting Officers, Provincial Budget Office and Chief Financial Officers attended the Provincial Budget Lekgotla. The MEC for Finance outlined the purpose of Budget Lekgotla with a specific focus on proposed infrastructure projects for 2012 MTEF. Representatives from The Presidency's National Planning Commission were also in attendance and made a presentation on "Draft National Planning and Vision Statement 2030". Provincial Treasury also presented on Revenue Focus and Enhancement Allocation for the 2012/13. Provincial Treasury further briefed the Lekgotla on 2012 Provincial Fiscal Framework and proposed allocations to departments. The Provincial Budget Lekgotla endorsed the 2012 MTEF allocations and referred the proposal to the Executive Council for approval. Following the recommendations by the Provincial Budget Lekgotla, the Executive Council approved the 2012 MTEF final allocations on the 22<sup>nd</sup> February 2012 as the province still has outstanding matters on infrastructure that needed to be finalized.

In an effort to strengthen provincial own revenue collection processes and improve related processes as well as to ensure that provincial priorities are catered for, Provincial Treasury, through Fiscal Policy Unit, provided technical and strategic support for institutional capacity to provincial departments responsible for revenue collection. The support included training on proper and effective management of revenue as well as improvement on the projections and revenue collection outlook.

In its endeavour to maximize revenue collections in the province, Provincial Treasury embarked on the following:

- Compiled Revenue Enhancement Strategy document that was approved by the Executive Council in September 2011
- Hosted various revenue bilateral meetings with the view to strengthen the province's capacity to collect and maximize the provincial own revenue.
- Assisted departments with the setting of revenue targets and development of revenue base for each department
- Enforced compliance with revenue policies, PFMA and Treasury Regulations through the implementing of Norms and Standards for own revenue
- Investigating current bases for tax revenue while researching ways in which they can be improved;
- Assisting departments to review their revenue structures while creating an avenue for improved service delivery
- Researching and reviewing relevant legislation and prescripts and making sure that all the departments adhered to.

Provincial Treasury embarked on various activities with the view to ensure that infrastructure projects are executed effectively, on time and that value for money spent is derived. To ensure that the above is realized and that monitoring is done accordingly, Provincial Treasury visited various infrastructure sites. These site visits provides appropriate time for Treasury to track physical progress of various projects against the spending and set timeframe for individual projects. The visits were conducted on 39 sites on the following dates:

- 20 – 22 July 2011
- 14 – 16 September 2011
- 02 – 08 November 2011
- 23 – 25 November 2011
- 22 – 25 February 2012

The participation of the Executive Council in the budget process and specifically their attendance of the Provincial MTEC hearings, Provincial Budget Lekgotla and Extended EXCO Lekgotla continue to enhance the process and remain vital for ensuring that the budget reflects both national and provincial priorities.

### 3. SOCIO-ECONOMIC REVIEW AND OUTLOOK

#### 3.1 Free State Demographic Profile

The size of the population and, in particular, the number of households are some of the important determinants of the needs of the inhabitants. Demographic profile is, therefore, crucial in the developmental planning context because the full understanding of the population dynamics is essential with regard to the integrated planning for amenities such as schools, clinics, hospitals, housing (Stats SA, CS 2007). The understanding of the population dynamics also transcends to the analysis of what are currently topical issues at the moment; that is job creation and unemployment, and furthermore strategies to create jobs. Thus, knowledge and understanding through rigorous analysis of these indicators is necessary more so for efficient disbursement of limited resources.

**Table 3.1: Population size, distribution and growth rate**

Region	Total Population					Percentage Share in 2010	Growth rate 1996-2009
	1996	2001	2007	2009	2010		
<b>South Africa</b>	41 780 470	45 145 618	47 210 388	48 547 167	49 991 300		1.2%
Western Cape	4 053 055	4 540 831	4 836 055	5 059 893	5 223 900	10.4	1.7%
Eastern Cape	6 187 099	6 386 107	6 556 356	6 696 068	6 743 800	13.5	0.6%
Northern Cape	981 090	1 035 204	1 083 969	1 128 799	1 103 900	2.2	1.1%
<b>Free State</b>	<b>2 659 535</b>	<b>2 790 242</b>	<b>2 844 191</b>	<b>2 847 410</b>	<b>2 824 500</b>	<b>5.7</b>	<b>0.5%</b>
<i>Xhariep District Municipality</i>	122 678	139 152	148 758	153 978	152 739	5.4	1.8%
<i>Motheo District Municipality</i>	684 426	755 834	781 093	788 561	782 217	27.7	1.1%
<i>Lejweleputswa District Municipality</i>	707 617	679 137	664 778	647 049	641 843	22.7	-0.7%
<i>Thabo Mofutsanyana District Municipality</i>	690 265	737 007	759 438	765 943	759 780	26.9	0.8%
<i>Fezile Dabi District Municipality</i>	454 548	479 112	490 124	491 878	487 921	17.3	0.6%
KwaZulu-Natal	8 847 061	9 559 759	9 953 795	10 180 409	10 645 400	21.3	1.1%
North-West	3 019 084	3 233 346	3 368 096	3 452 261	3 200 900	6.4	1.0%
Gauteng	8 227 355	9 187 557	9 741 632	10 030 161	11 191 700	22.4	1.5%
Mpumalanga	3 143 918	3 442 199	3 614 903	3 733 647	3 617 600	7.2	1.3%
Limpopo	4 662 272	4 970 373	5 211 587	5 418 850	5 439 600	10.9	1.2%

Source: Stats SA, 2010 Population Estimates, and Global Insight, ReX, 2011

Table 3.1 above outlines the population sizes of South Africa and its nine provinces, and a glimpse into the Free State District Municipalities population sizes, percentage share of the provincial population size and the population growth rates. Between 1996 and 2010, the South African population has increased in relative terms by 8.2 million, from 41 million to just about 50 million. Substantial increases were recorded in Gauteng, Western Cape and Kwazulu-Natal province where the population grew by 36.0 per cent, 28.9 per cent and 20.4 per cent, respectively. The Free State has also experienced a relatively subdued increase in population on relative absolute terms, increasing by 164 965 or 6.2 per cent in the same period. According to the 2010 Statistics South Africa's population estimates, the Free State Province had a 5.7 percentage share of the total South African population. The provinces with the biggest share of the total population being Gauteng, Kwazulu-Natal and the Eastern Cape Province, with shares of 22.4 per cent, 21.3 per cent and 13.5 per cent respectively.

**Table 3.2: Percentage distribution of the projected provincial share of the total population, 2001–2011**

Province	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Cape	14,27	14,17	14,07	13,97	13,87	13,78	13,69	13,59	13,50
<b>Free State</b>	<b>5,87</b>	<b>5,81</b>	<b>5,75</b>	<b>5,70</b>	<b>5,64</b>	<b>5,59</b>	<b>5,54</b>	<b>5,50</b>	<b>5,46</b>
Gauteng	21,37	21,52	21,67	21,80	21,93	22,05	22,18	22,28	22,39
KwaZulu-Natal	21,28	21,30	21,31	21,33	21,34	21,35	21,36	21,38	21,39
Limpopo	11,03	11,02	11,00	10,99	10,99	10,98	10,98	10,98	10,98
Mpumalanga	7,42	7,39	7,37	7,34	7,32	7,30	7,27	7,25	7,23
Northern Cape	2,28	2,26	2,25	2,24	2,22	2,21	2,19	2,18	2,17
North West	6,57	6,55	6,53	6,51	6,49	6,48	6,46	6,44	6,43
Western Cape	9,91	9,98	10,05	10,12	10,20	10,26	10,33	10,40	10,45
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

Source: Stats SA, 2011 Population Estimates

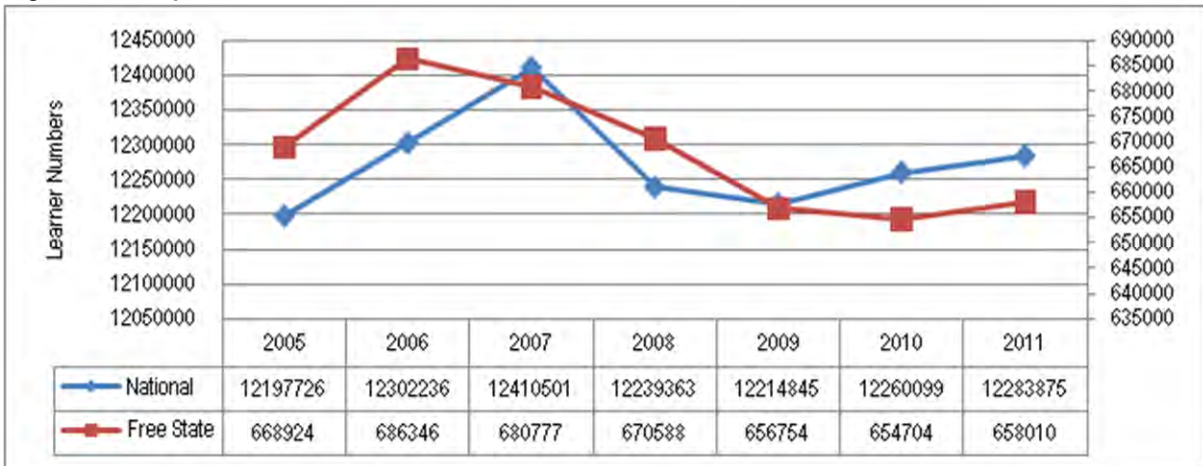
Table 3.2 shows the estimated percentage of the total population residing in each of the provinces from 2003 to 2011. The provincial estimates show that since 2003, Gauteng has had the largest share of the population, followed by KwaZulu-Natal at an average of 22 per cent and Eastern Cape at 13.88 per cent. Approximately 10 per cent of South Africa's population lives in the Western Cape. Northern Cape has the smallest population, whilst Free State has the second smallest share of the South African population, constituting approximately 6 per cent of the population.

## 3.2 Socio Economic Indicators

### 3.2.1 Education

Free State was home to 658 010 learners in 2011, who attended 1437 ordinary schools. Learner numbers have started to stabilize in 2011 from a general decline that started in 2006 (see figure 3.1 below). The decline in learner numbers was also accompanied by a spiralling decline in the number of schools in the province. The province was home to 7 per cent of all the schools in South Africa in 2006, and in 2011 the number of schools had dropped to 5.7 per cent of the national total. The decline in the number of schools is as a result of the closure of farm schools because of non-viability and the migration of learners and their parents to towns and cities around the province. The decreasing number of ordinary schools and learners had a favourable effect in Learner school ratio (LSR) of 467.7 in 2011 as compared to 407 in 2009, which is the third lowest below the national average of 484.5 in 2011 (School Realities, 2011). The province had one of the most favourable learner educator ratios (LER) of 27.6, the lower than the national ratio of 30.3 in 2011 (School Realities, 2011).

Figure 3.1: Comparison of Free State and South Africa learner numbers, 2005-2011

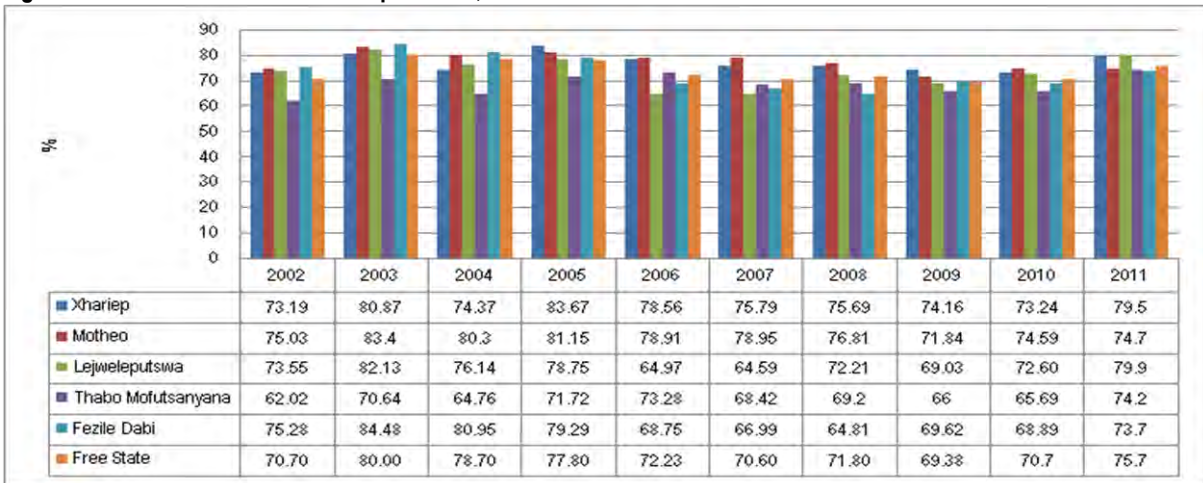


Source: Department of Education, 2011.

Figure 3.1 depicts the stabilization of Free State learners for 2011 from a downward trend that started in 2006. An overview of all learners between the ages of 5 years and 24 years in the province between 2001 and 2007 shows that the largest proportion of learners were attending school, though the proportion has decreased from 92.5 to 90.9 per cent, with the latter slightly below the national average (Stats SA, Community Survey, 2007).

Grade 12 pass rate is considered a good measure of the state of education in the country. Free State’s Grade 12 pass rate has increased from 70.7 per cent in 2010 to 75.7 per cent in 2011. Although the pass rate for 2011 surpassed the 75 per cent mark since 2005, many questions still remain regarding the quality of education. One of the thorny issues is the standardization of the results by Umalusi, the Council for quality Assurance in General and Further Education and Training and the standard of question papers. This is because certain subject marks for 2011 were adjusted upwards, whilst others were adjusted downwards. What is encouraging is that the number of endorsements has increased from 21.4 per cent to 26.3 per cent. Furthermore, there was also fewer candidates who wrote the National Senior Certificate in 2011 (25932) than was the case in 2010 (27586), a decline of 6% or 1654 candidates. The numbers of part-time candidates are normally not included because only those that register for full-time are counted in calculating pass rates.

Figure 3.2: Free State matric district pass rate, 2002-2011



Source: Free State Department of Education, 2011.

The observed trends with regard to the performance of districts need to be highlighted. Fezile Dabi was the worst performing district in grade 12 with 73.7 per cent, followed by Thabo Mofutsanyane that had improved almost 8 per cent to 74.2 per. The encouraging fourth position in terms of grade 12 results nationally means that more effort can now be directed towards the improvement of quality of results in general.

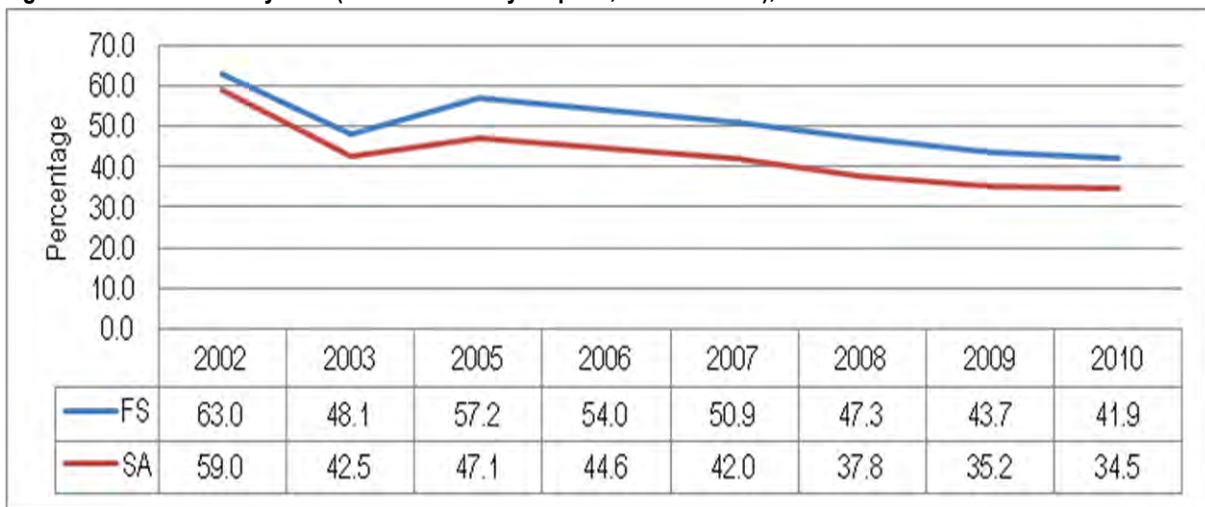
### 3.2.2 Health

HIV/AIDS and TB; maternal, infant and child mortality; non-communicable diseases as well as injury and violence are four clear health problems that have plagued South Africa. These four health problems are described as the quadruple burden of disease in the Lancet Report (Green Paper, 2011). Consequently, the Government has introduced in the Outcome 2 “**A Long and Healthy Life for all South Africans**” which is aimed at addressing the following outputs:

- Increasing Life Expectancy
- Reducing Maternal and Infant Deaths
- Reduction of the burden of HIV, AIDS, TB and other communicable diseases
- Strengthening Health Systems

Henceforth, the following graphical analysis gives a glance of the performance of some of these outputs since 2002.

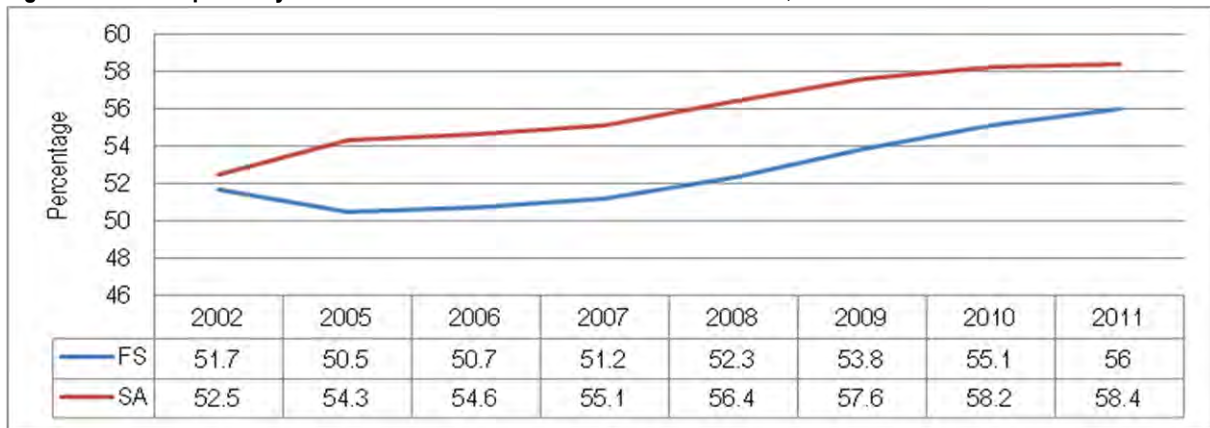
Figure 3.3: Infant Mortality Rate (Deaths under 1 year per 1,000 live births), 2002-2010



Source: Health Systems Trust, 2012

Child mortality is a crude reflection of the health status of children and a surrogate marker of the quality of health care in any society. The various infant and child mortality rates serve as an indicator for monitoring trends of child survival as well as the quality of health care delivered at different stages in a child’s life within a given society (SAHR, 2010:60). Figure 3.3 above depicts Infant Mortality Rate (IMR) in Free State Province and South Africa for the period 2002 to 2010. Evidently, the IMR has been declining since the year 2005, both provincially and nationally. Over the last eight years, Free State Province has managed to reduce IMR by about 33.3 per cent. This shows that progress has been made to reduce infant mortality rate in South Africa as a whole. Nonetheless, figure 3.3 shows that the IMR in the Free State Province is still above the national average. This highlights that more work still needs to be done to reduce infant mortality rate in the province. Hopefully, the implementation of Pneumococcal Conjugate Vaccine (PCV13), which covers a variety of childhood diseases, will assist in achieving less mortality in young children.

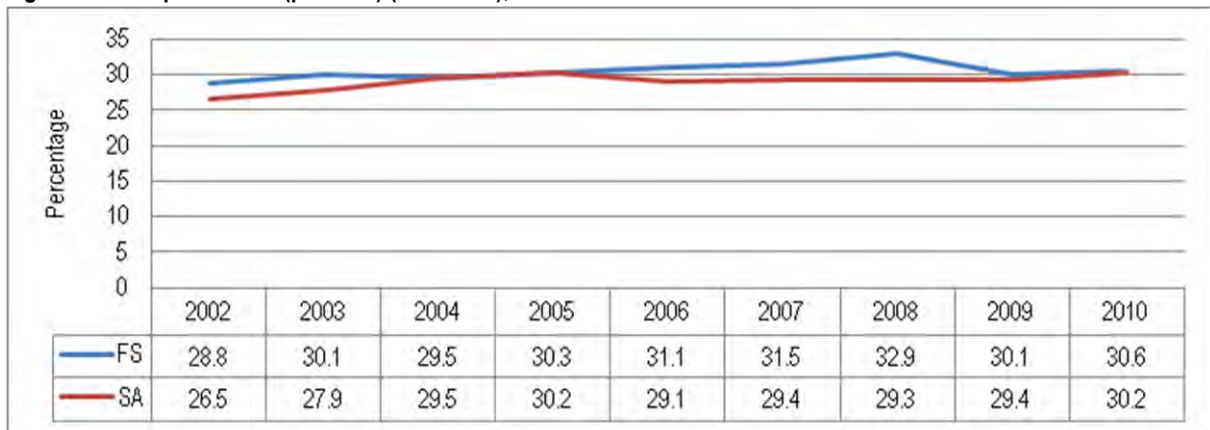
Figure 3.4: Life Expectancy at Birth in Free State Province and South Africa, 2002-2011



Source: Health Systems Trust, 2012

Figure 3.4 above represents a graphical analysis of the Free State Provincial and National life expectancy at birth from 2002 to 2011. Succinctly, it is crystal clear from the above figure that from 2006 to 2011 life expectancy in the Province has been increasing and the trend has also been the same at national level. The slight increase in life expectancy could be as a result of government intervention, which entails increase in access to health and reproductive education. The increased threshold of ARVs intake is also expected to improve life expectancy.

Figure 3.5: HIV prevalence (per cent) (Antenatal), 2002 – 2009

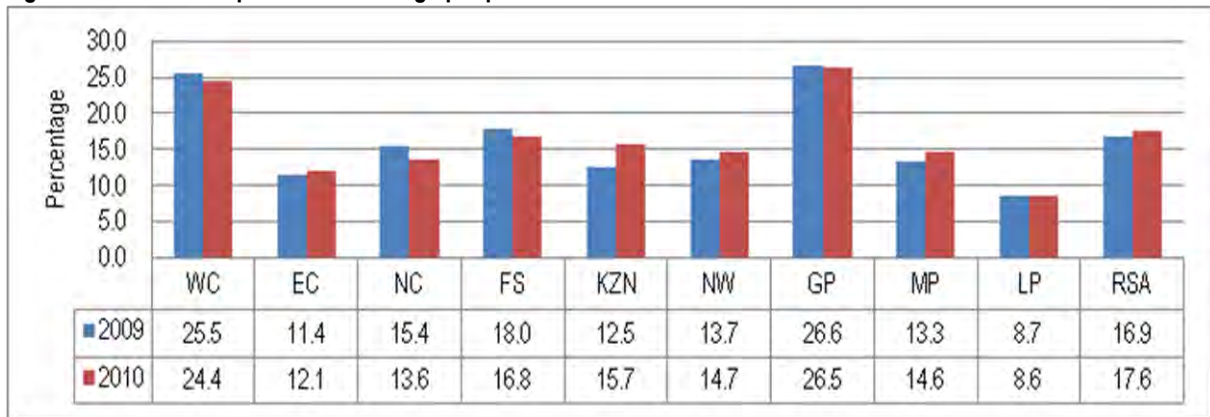


Source: Health Systems Trust, 2012

Despite HIV being rare prior to 1990, the epidemic has evolved rapidly to an unprecedentedly high HIV prevalence, in excess of 15.0 per cent for people aged between 15 to 49 years. New infection rates are more than 5.0 per cent per year, with high and increasing morbidity and mortality rates. The high HIV prevalence places all sexually active persons at substantial risk of acquiring HIV infection (SAHR, 2010:89).

The prevalence of HIV is elucidated by figure 3.5 in Free State Province and South Africa in percentages from 2002 to 2010. Visually, from this figure, HIV prevalence remains persistently high, nationally and provincially for the period under review. The prevalence of HIV has slightly increased nationally and in the Free State Province from 29.4 per cent to 30.2 and 30.1 per cent to 30.6 per cent, respectively, from 2009 to 2010 as demonstrated by figure 3.5 above.

Figure 3.6: Membership medical coverage per province in 2009 and 2010



Source: Stats SA General Household Survey, 2010

Nearly a quarter (24.3 per cent) of South African households had at least one member who belonged to a medical aid scheme. A relatively small proportion (17.6 per cent) of the population in South Africa had medical aid coverage in 2010. This represents a significant improvement since 2006 when less than 14 per cent of individuals were covered. The white population remains much more likely to belong to a medical aid. While almost 71 per cent of the white population belonged to some medical scheme, only 46.8 per cent of the Indian, 21.8 per cent of the coloured and 10.3 per cent of the black African population groups were covered by such schemes at the time the survey was conducted in 2010 (GHS, 2010). In order to address this problem, the South African government is introducing the National Health Insurance (NHI). NHI policy aims to ensure that everyone has access to appropriate, efficient and quality health services.

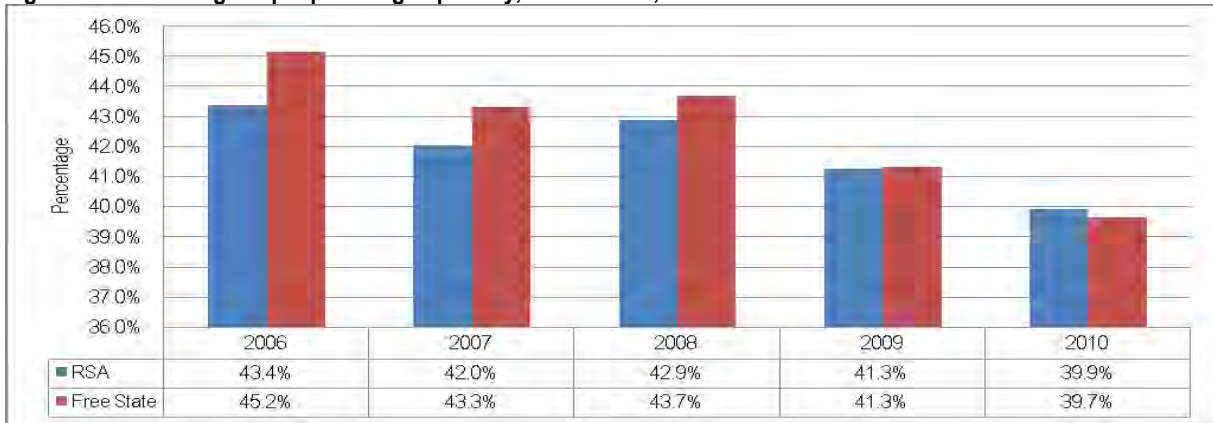
Illuminated by figure 3.6, Free State medical coverage has declined from 18.0 per cent in 2009 to 16.8 per cent in 2010. Even though medical aid membership has declined in the FS Province, it remains the province with the third highest percentage of medical aid membership after Gauteng (26.5 per cent) and Western Cape (24.4 per cent).

### 3.2.3 Poverty, Welfare and Access to Basic Services

According to Stats SA (GHS, 2010), poverty relates to the lack of access to basic services such as sanitation, water, electricity, housing and refuse disposal. It is a very desperate situation and people do not want to stay in poverty, thus poverty is a call to action both for the poor and the wealthy alike. It is a call to change the world so that many more people may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities. Eradicating poverty has been and still is the highest priority in government's effort to build a better life for all.

Figure 3.7 below illustrates the overall percentage of people living in poverty in South Africa and the Free State. Between 2006 and 2010, the percentage of people living in poverty in South Africa has declined from 45.7 per cent to 43.4 per cent. While Free State's figure declined from 45.2 per cent to 39.7 per cent for the same period. The decline in the percentage of people living in poverty could be linked to the improvements such as access to basic social services such as housing, clean water, better sanitation, access to education and better health etc. Social grants on the other hand have proven to be vital source for poverty relief, but not adequate for poverty elimination.

**Figure 3.7: Percentage of people living in poverty, RSA and FS, 2006-2010**



Source: Global Insight, REX 2011

The characteristics of the dwellings in which households live and their access to various services and facilities provide an important indication of the well-being of household members. According to Stats SA (GHS, 2010), shelter satisfies a basic human need for physical security and comfort. In 2010, the percentage of South African households which were living in RDP or state-subsidised dwellings was 18.9 per cent (Stats SA, GHS 2010).

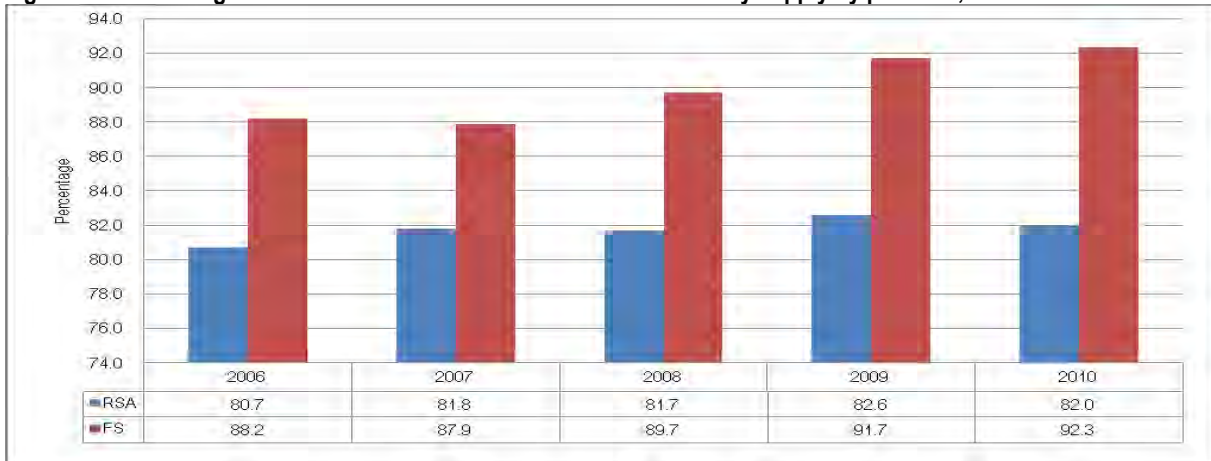
**Figure 3.8: Percentage of people living in informal dwellings, RSA and FS, 2006-2010**



Source: Stats SA, GHS 2009

According to figure 3.8 above, the percentage of households living in informal dwellings in the Free State declined by 5.5 per cent, from 45.2 per cent in 2006 to 39.7 per cent in 2010, whilst the national average declined by 3.5 per cent for the same period. According to this declining trend, Free State is winning the war in terms of eradicating the informal dwellings. Between 2006 and 2010, the percentage of households that were connected to the mains electricity supply increased by 4.1 per cent in the Free State. However, nationally, the percentage had been increasing steadily except 2008 and 2010 where it declined slightly by less than a percentage.

**Figure 3.9: Percentage of households connected to the mains electricity supply by province, 2006-2010**



Source: StatsSA, GHS 2010

According to 2011 General Household Survey, the increase in the percentage of households connected to the mains electricity could be the indication of an ongoing implementation of the electricity sector policy reforms in South Africa with a specific emphasis on domestic electricity provision especially for the poor.

**Table 3.3: Household by level of access to water, RSA and FS, 2006-2010**

National Total						
	Piped water inside dwelling	Piped water in yard	Communal piped water: less than 200m from dwelling (At RDP-level)	Communal piped water: more than 200m from dwelling (Below RDP)	No formal piped water	Total
2006	5,308,170	3,492,589	1,200,367	1,532,293	1,486,590	13,020,008
2007	5,761,149	3,433,692	1,135,720	1,499,969	1,430,977	13,261,508
2008	5,935,582	3,421,066	1,132,020	1,514,397	1,399,893	13,402,959
2009	5,906,292	3,486,688	1,224,117	1,456,406	1,361,735	13,435,237
2010	5,833,831	3,556,048	1,268,897	1,407,178	1,350,873	13,416,826
Free State						
2006	309,486	385,940	45,408	58,945	23,286	823,065
2007	364,906	362,492	38,212	45,540	21,296	832,445
2008	395,725	352,906	32,746	32,999	19,970	834,347
2009	400,088	356,844	29,375	23,123	20,156	829,587
2010	382,563	370,926	29,469	20,305	17,621	820,884

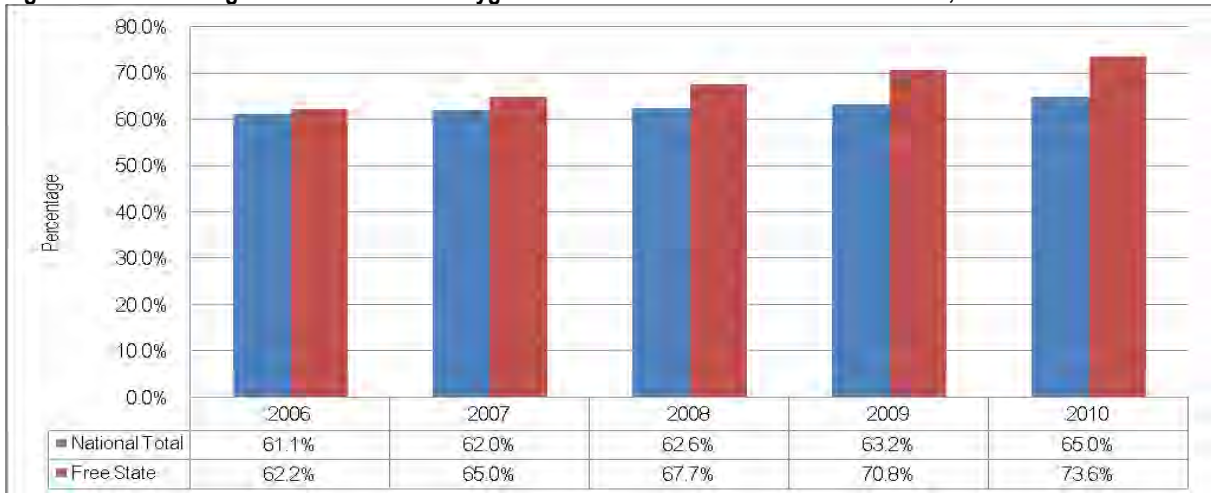
Source: Global Insight, REX 2011

Table 3.3 above shows that the total number of households with access to water, provincially, declined by 2,181 from 823,065 in 2006 to 820,884 in 2010. Nationally, the total number of households with access to water increased from 13,020,008 to 13,416,826.

Both provincially and nationally, the number of households with piped water inside dwellings increased significantly from 2006 to 2010. For the Free State, households with piped water inside dwelling increased by 23.6 per cent and nationally it increased by 9.0 per cent for the same period.

Environmental hygiene plays an essential role in the prevention of many diseases. It is also important on the natural environment and the prevention of important natural assets such as water resources. Therefore, proper and safe sanitation is one of the key elements in improving environmental sanitation. Figure 3.10 below represents the percentage of households with access to hygienic toilets for the Free State and Nationally. It is clear from the figure that, both nationally and provincially, more people have access to hygienic toilets or proper sanitation. Compared to national, Free State's percentage of households with access to hygienic toilets increased from 62.2 per cent in 2006 to 73.6 per cent in 2010 which represent an increase of 11.4 per cent.

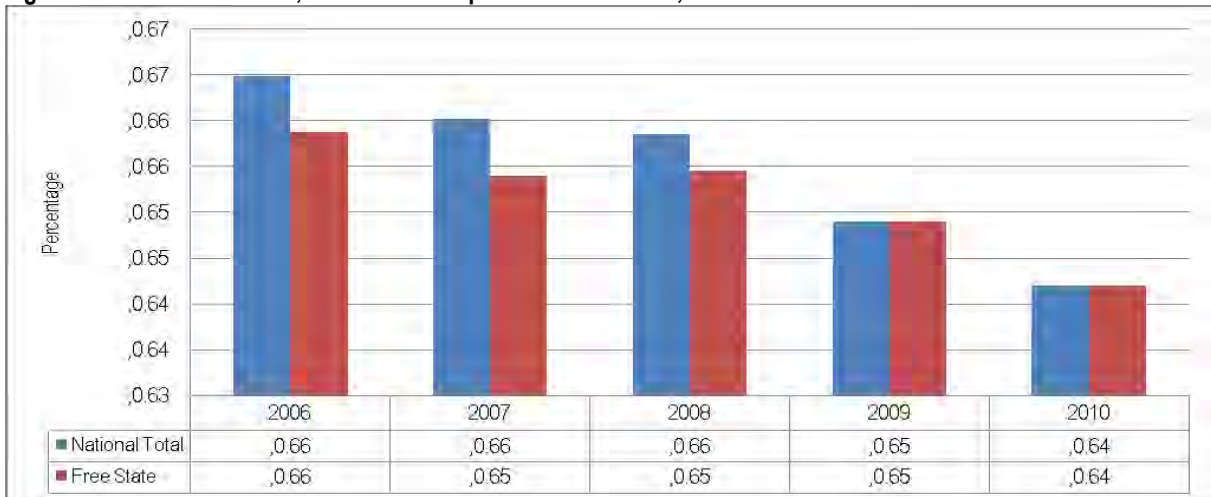
**Figure 3.10: Percentage of households with hygienic toilets for South Africa and Free State, 2006-2010**



Source: Global Insight, REX 2011

Comparing both national and provincial, Gini-coefficient stayed almost the same from the year 2006 to 2010, averaging 0.65 per cent for both Free State and South Africa.

**Figure 3.11: Gini-Coefficient, Free State Compare to South Africa, 2006-2010**



Source: Global Insight, REX 2010

From table 3.4 below, it is clear that white population have high level of development at an average of 0.85 per cent from 2006 to 2010, followed by Asians at an average of 0.73 per cent. Both coloured and African population are of medium development, though Africans' HDI lies below the coloured's average.

**Table 3.4: Human Development Index for Free State per race, 2006-2010**

	African	White	Coloured	Asian	Total
2006	0.49	0.84	0.54	0.73	0.55
2007	0.49	0.85	0.54	0.73	0.56
2008	0.5	0.85	0.55	0.73	0.56
2009	0.5	0.86	0.56	0.73	0.56
2010	0.5	0.86	0.56	0.72	0.56

Source: Global Insight, REX 2011

Free State province has over the period reviewed experienced battles and victories. In assessing the income and expenditure measures of poverty, the province's poverty rate has through the period been above the national average, even though from 2006 to 2010 the percentage of people living in poverty in the Free State decreased by 5.5 per cent from 45.2 per cent to 39.7 per cent. With regard to the access of basic services, the province has done remarkably well, with households with electricity being at 92.7 per cent in 2010 and households with access to water had also increased (refer to table 3.4). In terms of sanitation, the province had embarked on a project to remove all the bucket toilet system, currently the province stands at 73.6 per cent of the total provincial households using the hygienic toilets system. Also the percentage of households living in informal dwellings declined from 45.2 per cent in 2006 to 39.7 per cent in 2010. On the issue of the provincial Gini coefficient, the provincial and the national Gini coefficients averaged 0.65 between 2006 and 2010. The provincial HDI has, for the period reviewed, remained fairly stable at an average of 0.55.

### 3.2.4 Overview of the Provincial Labour Market

The most recent Quarterly Labour Force Survey report by Statistics South Africa (Stats SA) reported that during the fourth quarter of 2011, unemployment rate in the province increased by 3.9 percentage points, from 25.5 percent in the third quarter to 29.4 percent in the fourth quarter. This significant surge in unemployment rate occurred despite the provincial government's intensive job-creation strategies to utilize labour-intensive approach such as the Expanded Public Works Programme (hereafter EPWP). The recent released statistical figure which point towards a rise in unemployment rate in the province seems to erode the promising trajectory in the performance of the provincial labour market that was observed when the province created 54 000 jobs in the third quarter of 2011.

**Table 3.5: Free State Key Labour Market Indicators**

	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	Jul-Sep 2011	Oct-Dec 2011	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent			
Population 15-64 yrs	1 863	1 867	1 870	1 874	1 877	3	14	0.2	0.8
Labour Force	1 077	1 082	1 074	1 109	1 067	-42	-10	-3.8	-0.9
Employed	785	780	772	826	753	-73	-32	-8.8	-4.1
Formal sector (Non-agricultural)	502	495	480	544	488	-56	-14	-10.3	-2.8
Informal sector (Non-agricultural)	128	132	136	133	118	-15	-10	-11.3	-7.8
Agriculture	64	62	73	68	62	-6	-2	-8.8	-3.1
Private households	91	90	83	82	85	3	-6	3.7	-6.6
Unemployed	292	302	303	283	314	31	22	11	7.5
Not economically active	787	785	796	765	810	45	23	5.9	2.9
Discouraged work-seekers	82	87	94	104	87	-17	5	-16.3	6.1
Other(not economically active)	705	698	701	660	723	63	18	9.5	2.6
<b>Rates ( per cent)</b>									
Unemployment rate	27.1	27.9	28.2	25.5	29.4	3.9	2.3		
Employed / population ratio (Absorption)	42.1	41.8	41.3	44.1	40.1	-4	-2		
Labour force participation rate	57.8	58	57.5	59.2	56.8	-2.4	-1		

Source: Statistics South Africa, QLFS, Quarter 4, 2011

The annual overall job losses of the province was 32 000, despite the fact that 54 000<sup>1</sup> jobs were created in the third quarter. About 73 000 jobs were lost in the fourth quarter of 2011, an indication of a drastic reversal from the previous quarter ending September. This is contrary to prior forecasts and expectations. Generally, it is expected that more jobs will be created in the fourth quarter of the year since most companies tend to increase their labour capacity relative to the anticipated increase in productivity and [service] demand by employing more people around the festive season. In particular, within the agricultural sector many farmers prefer to employ more people around this period albeit on temporary basis.

<sup>1</sup>This is the highest number of jobs created over the whole year

However, following the decline in the provincial unemployment rate by 20,000 individuals in the second quarter of 2011, about 22 000 people have joined the unemployment pool in the province.

The province's labour force participation rate, ranged from 56.8 per cent to 59.2 per cent during the four quarters of 2011<sup>2</sup>. This figure was higher than the national labour force participation rate, which ranged from 53.6 per cent to 54.6 per cent during the same period.

On the other hand, the province remains an abode for large number of potential workers who are discouraged from looking for work due to various reasons. Apparently, a slight improvement in the provincial employment rate emerged between the third and fourth quarter of 2011, when the province experienced a sharp drop of about 16.3 per cent (17 000 discouraged work-seekers). However, between the fourth quarter of 2010 and fourth quarter 2011, 6.1 per cent or 5 000 individuals gave up searching for employment. This negative psychological development among the unemployed in the province, suggest a loss of confidence in the provincial labour force to find employment. This is a major concern because of the resultant serious policy implications for the provincial government's current and future public expenditure in the sense that, the demand for social welfare grants and security will most probably increase.

According to Stats SA Provincial Profile 2009 report, a total of 867 947 people receive grants (where 388 490 are male, 455 903 are female and 22 814 are unspecified gender). This report further affirm that in comparison to the national data, child support grant recipients in the Free State province constitutes the largest number of these beneficiaries .i.e. about 562 331 recipients. This astronomical grant figure is followed by the old-age grants i.e. about 159 089 beneficiaries. The same report elucidate that, non-South African grants recipients comprised 0.06 per cent or 513 of the total within the province.

### Employment by Sector

Considering the contribution of different sectors in the province to (un)employment rate. Significant loss of employment was recorded in the fourth quarter. This huge job shedding emanates mainly from two sectors, namely: the construction and financial sectors. The construction sector shed about 59 000 while 13 000 jobs were lost in the financial sector. However, between the fourth quarter of 2010 and the fourth quarter of 2011, the financial sector was the main source of large number of job losses in the province.

**Table 3.6: Free State Employment by Sectors**

	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	Jul-Sep 2011	Oct-Dec 2011	Qrt to Qrt change	Year on year change	Qrt to Qrt change	Year on year change
	Thousand					Percent			
<b>Free State</b>	785	780	772	826	753	-73	-32	-8.8	-4.1
Agriculture	64	62	73	68	62	-6	-2	-8.8	-3.1
Mining	29	21	16	21	27	6	-2	28.6	-6.9
Manufacturing	62	63	60	65	64	-1	2	-1.5	3.2
Utilities	4	4	4	3	3	0	-1	0	-25
Construction	54	56	54	108	49	-59	-5	-54.6	-9.3
Trade	169	167	178	176	173	-3	4	-1.7	2.4
Transport	37	36	31	33	35	2	-2	6.1	-5.4
Finance	83	80	76	75	62	-13	-21	-17.3	-25.3
Community and social services	191	199	197	197	192	-5	1	-2.5	0.5
Private households	91	90	83	82	85	3	-6	3.7	-6.6

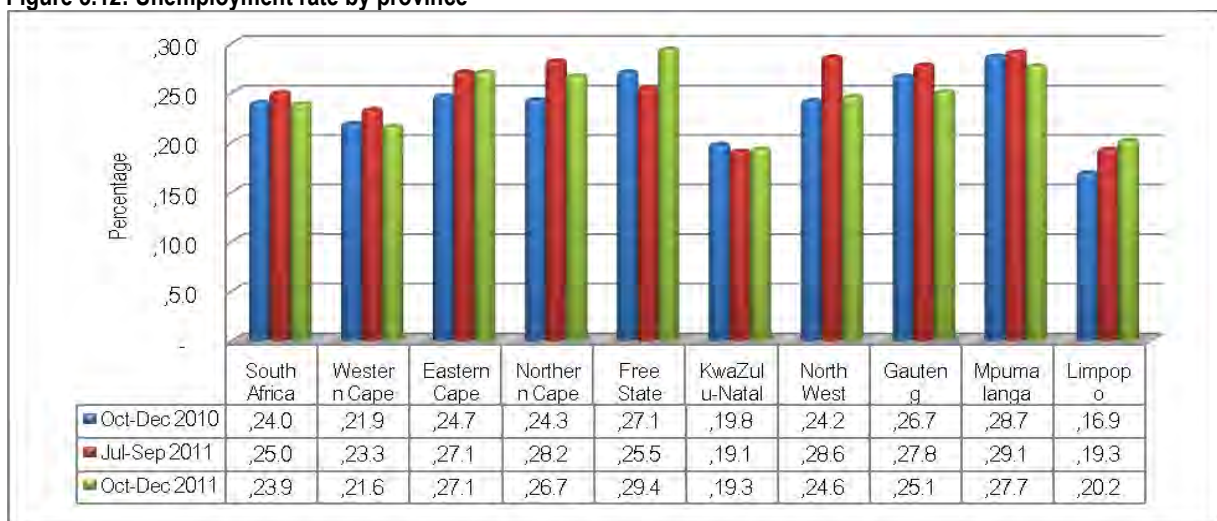
Source: Statistics South Africa, QLFS, Quarter 4, 2011

<sup>2</sup>The Provincial Labour Participation rate is a measure of the proportion of a province's working-age population that engages actively in the labour market, either by working or looking for work,

As depicted in table 3.6, in the fourth quarter of 2011, the community and social services sector provided the largest number of jobs to the tune of 192 000 (approximately 28.8 per cent of the total employment rate). Meanwhile, the most significant annual increase in employment was recorded within the trade sector by 4000. Likewise, the manufacturing and the community sectors produced about 2000 and 1 000 jobs respectively.

Historically, in the Free State, the primary sector used to be major job creating sector. However, over the years due to industrialization and commercialization developments in the provincial economy, a shift in output and productivity from the primary sector to the tertiary sector occurred. Hence, as a result, the demand for highly skilled labours and workers emerged. This shift in labour demand creates a palpable “social wedge” and structural unemployment phenomenon, which are negatively affecting the provincial labour market. Presently, there is more demand for highly skilled workers than before based, on historical evidence.

Figure 3.12: Unemployment rate by province



Source: Statistics South Africa, QLFS, Quarter 4, 2011

Figure 3.12 above illustrates the prevailing unemployment rates of all the nine provinces in South Africa from the fourth quarter of 2010 to the fourth quarter of 2011. Figure 3.12 show that unemployment rate only declined in six provinces during the fourth quarter of 2011 compared to the third quarter of 2011. The biggest unemployment increase was observed in Free State by 3.9 percentage points. In the same period, the biggest decrease was observed in North West province (about 4.0 percentage points), while unemployment rate in Eastern Cape remain constant. However, the year on year unemployment rate comparison indicate that the largest surge in unemployment occurred in Limpopo (3.3 percentage points), followed by Northern Cape (2.4 percentage points).

In conclusion, the employment rate of Free State province dropped in the fourth quarter of 2011 given the disappointing labour market absorption rate that began in the third quarter of 2011. In addition, the prevailing upward pressure on the provincial unemployment rate can be attributed to the huge loss of employment in the formal sector to the total of 56 000 people. In sum, the province’s high unemployment rate can be associated with lower levels of education, minimum wage, labour market rigidity, imperfect information mismatch of skills and often strict and/or customized requirements for the new job opportunities. Unquestionably, the present high rate of unemployment and poverty in the province calls for an intensified skill development initiatives to close the skill gap in the province.

### 3.3 The Free State Economic Performance

The Free State provincial economy has circumnavigated through the pressures broad about by the 2009 Global Financial crisis – that saw both the province and the Republic succumbing to the greatest recession in recent history, to chart a new growth trajectory, and as such register growth of 2.1 per cent, according to the IHS Global Insight (2011). The minute growth is in spite of the developments in both the Eurozone area, Japan and the United States (US), which have reignited the pertinent question of whether the global economy might experience another recession. This section looks at the overall performance of the provincial economy and then projects the provincial economic growth, through the IHS Global Insight figures.

It would be imperative to study the make-up of the provincial economy, and it is done through the analysis of the economic structure. Arandjelović et al (2007), tries to define economic structure in the simplest way possible, and thus asserts that economic structure would represent the ratio between production of the sector, activity or branch and production on the level of the entire economy.

Historically, the Free State has been described as the bread-basket of South Africa due to the then perceived strong agricultural sector. However, the picture is now in stark contrast to the sector's historic strong position, as the agricultural sector is currently contributing a lowly averaged 3.6 per cent to the provincial economy, 2002-2010. Meanwhile, the manufacturing sector has made some strides, in terms of its weighted contribution to the provincial economy, averaging about 12.2 per cent, and estimated to remain at 12.2 per cent for 2011.

**Table 3.7: Sectoral Composition of the Free State Economy, 2002 – 2010**

Industry	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Primary Industries</b>	<b>14.60%</b>	<b>14.50%</b>	<b>14.10%</b>	<b>14.30%</b>	<b>12.70%</b>	<b>12.10%</b>	<b>11.70%</b>	<b>11.40%</b>	<b>11.60%</b>
Agriculture, forestry and fishing	4.10%	3.70%	3.60%	3.60%	3.10%	3.10%	3.60%	3.60%	3.50%
Mining and quarrying	10.50%	10.80%	10.50%	10.70%	9.60%	9.00%	8.10%	7.80%	8.00%
<b>Secondary Industries</b>	<b>16.70%</b>	<b>16.30%</b>	<b>16.50%</b>	<b>16.50%</b>	<b>16.70%</b>	<b>16.80%</b>	<b>16.60%</b>	<b>16.10%</b>	<b>16.30%</b>
Manufacturing	12.60%	12.20%	12.20%	12.20%	12.40%	12.40%	12.30%	11.60%	11.90%
Electricity, gas and water	2.70%	2.70%	2.80%	2.80%	2.70%	2.70%	2.50%	2.50%	2.50%
Construction	1.40%	1.50%	1.50%	1.50%	1.50%	1.70%	1.80%	2.00%	1.80%
<b>Tertiary industries</b>	<b>58.10%</b>	<b>58.60%</b>	<b>58.80%</b>	<b>58.50%</b>	<b>59.40%</b>	<b>60.00%</b>	<b>60.70%</b>	<b>61.80%</b>	<b>61.30%</b>
Wholesale, retail and motor trade; catering and accommodation	10.30%	10.40%	10.50%	10.40%	10.60%	10.50%	10.30%	10.10%	10.20%
Transport, storage and communication	8.10%	8.10%	8.00%	7.90%	8.00%	8.10%	8.20%	8.30%	8.30%
Finance, real estate and business services	15.10%	15.10%	15.60%	15.80%	16.60%	17.10%	17.70%	18.00%	17.80%
Personal services	11.20%	11.60%	11.30%	11.20%	11.30%	11.40%	11.40%	11.50%	11.20%
General government services	13.40%	13.50%	13.30%	13.20%	13.10%	13.00%	13.10%	13.90%	13.90%
<b>All industries at basic prices</b>	<b>89.40%</b>	<b>89.50%</b>	<b>89.40%</b>	<b>89.30%</b>	<b>88.90%</b>	<b>88.90%</b>	<b>89.00%</b>	<b>89.20%</b>	<b>89.20%</b>
Taxes less subsidies on products	10.60%	10.50%	10.60%	10.70%	11.10%	11.10%	11.00%	10.80%	10.80%
<b>GDPR at market prices</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: StatsSA, GDP, Third Quarter 2011

The tertiary sector is the mainstay of the provincial economy with roughly 61.3 per cent contribution towards the provincial economy in 2010, and also averaged 59.7 per cent, during the review period, solidifying its position in the province. Whilst, the secondary and primary industries contributed on average 16.5 per cent and 13.1 per cent, respectively during the period 2002 to 2010. The largest sector in the province is the financial services sector, with an averaged contribution of 16.6 per cent, over the review period.

**Table 3.8: Gross Domestic Product by region: Free State: Constant 2005 prices - Percentage changes**

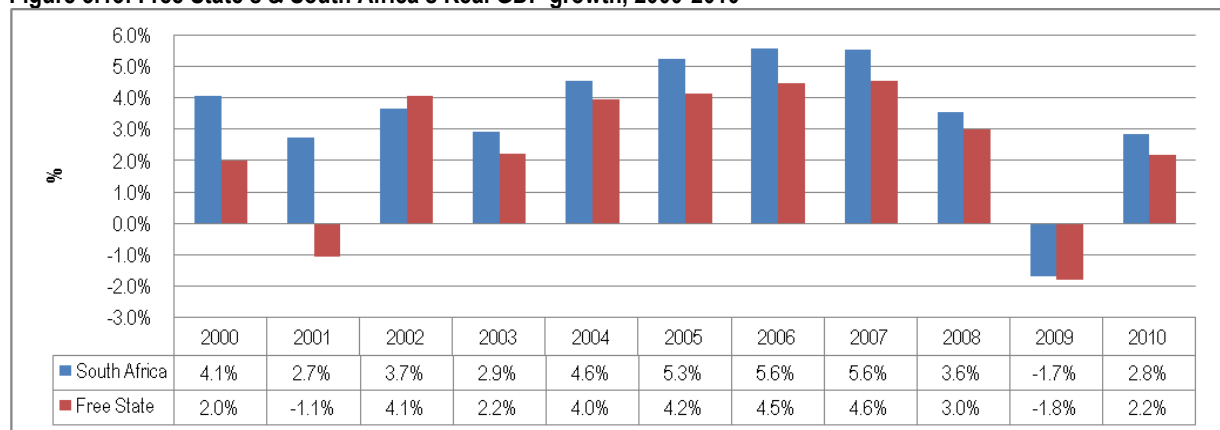
Industry	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Primary Industries</b>	<b>14</b>	<b>1.2</b>	<b>1.4</b>	<b>5.5</b>	<b>-7</b>	<b>-1</b>	<b>-0.3</b>	<b>-4.6</b>	<b>3.9</b>
Agriculture, forestry and fishing	-0.4	-7.3	0.5	5.2	-9.8	1.5	21.9	-3.5	1.7
Mining and quarrying	20.8	4.5	1.7	5.6	-6	-1.9	-7.8	-5.1	4.9
<b>Secondary Industries</b>	<b>2.1</b>	<b>0.2</b>	<b>4.8</b>	<b>4.1</b>	<b>6.2</b>	<b>5.2</b>	<b>1.6</b>	<b>-5.1</b>	<b>3.5</b>
Manufacturing	3.1	-0.9	4	3.9	6.9	4.3	2.1	-7.5	5.1
Electricity, gas and water	3.5	2.1	7.8	4.4	3	3.3	-3.6	-3.9	3.3
Construction	-8.6	6	6.6	5.2	6.1	15.7	6.3	10.4	-5.2
<b>Tertiary industries</b>	<b>2.8</b>	<b>3.2</b>	<b>4.2</b>	<b>3.7</b>	<b>6.2</b>	<b>5.5</b>	<b>4.3</b>	<b>-0.3</b>	<b>1.6</b>
Wholesale, retail and motor trade; catering and accommodation	3.4	3	5.4	3	6.1	4.1	0.7	-3.4	3
Transport, storage and communication	5.7	2.2	2.4	3.4	5	5.8	4.4	-1	2.6
Finance, real estate and business services	3.4	2.2	7.9	5.1	9.8	7.6	7.2	-0.7	1.1
Personal services	2.5	5.5	1.8	3	5.1	5.3	3.7	-1.5	-0.4
General government services	0.3	3.4	2.4	3.3	3.5	3.8	3.8	3.9	2.1
<b>All industries at basic prices</b>	<b>4.4</b>	<b>2.3</b>	<b>3.9</b>	<b>4</b>	<b>4.1</b>	<b>4.5</b>	<b>3.2</b>	<b>-1.8</b>	<b>2.2</b>
Taxes less subsidies on products	1	1.5	4.8	5.2	8	4.7	2.5	-4.5	2.8
<b>GDPR at market prices</b>	<b>4.1</b>	<b>2.2</b>	<b>4</b>	<b>4.2</b>	<b>4.5</b>	<b>4.5</b>	<b>3.1</b>	<b>-2.1</b>	<b>2.3</b>

Source: StatsSA, GDP, Third Quarter 2011

According to Statistics South Africa (2011), the Free State economy grew by 2.3 per cent in 2010, during which only the construction (-5.2 per cent growth) and the personal services (-4 per cent) sectors experienced a negative growth. The negative growth in the construction sector is attributable to the completion of the World Cup Stadia and other related infrastructure, and a slow moving housing development in the province. Whilst in the manufacturing and the mining sector, there has been significant positive improvements, with the former growing by 5.1 per cent, whilst the latter growing by 4.9 per cent.

Overall, the three major sectors of the provincial economy recorded growth, with the primary sector recording 3.9 per cent growth, whilst the secondary and the tertiary sector’s managed to register growths of 1.6 per cent and 2.3 per cent, correspondingly.

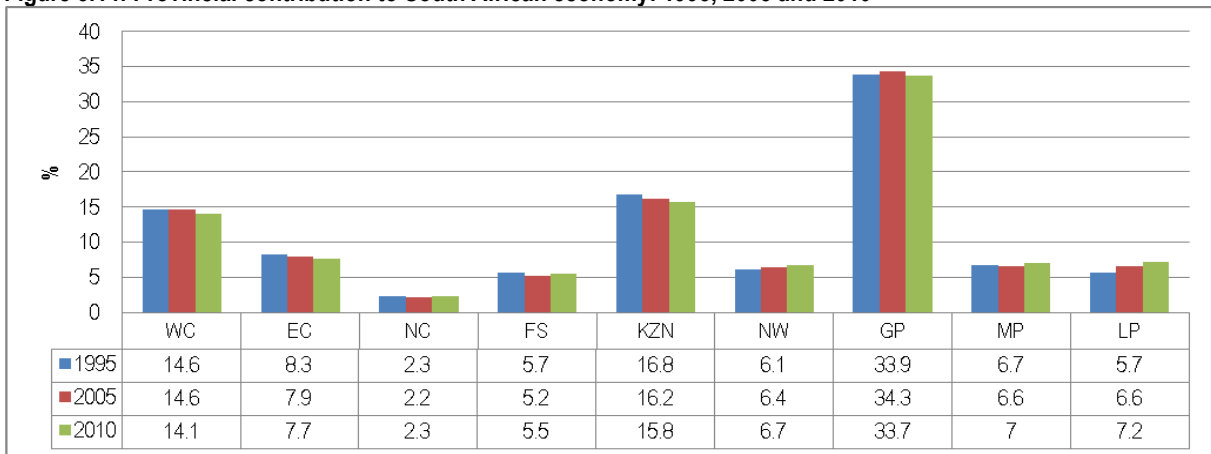
**Figure 3.13: Free State’s & South Africa’s Real GDP growth, 2000-2010**



Source: IHS Global Insight, ReX, 2011

The figure above indicates and thus confirms that the Free State growth performance has lacked behind the National average, and other major provinces such as Gauteng, Kwazulu-Natal and the Western Cape. Between 2007 and 2010, the Free State growth rate averaged 1.97 per cent, whilst the National average for the same period was 2.57 per cent, about 0.60 percentage points higher than that of the Free State. Pre-recession, the province growth was at an averaged 3.80 per cent, and hit a slump following the financial crisis that plunged the global economy in 2009 to register a negative growth of 1.8 per cent. There was an improvement in the economic growth figures for both South Africa and the Free State with both recording positive growth of 2.8 per cent and 2.2 per cent respectively.

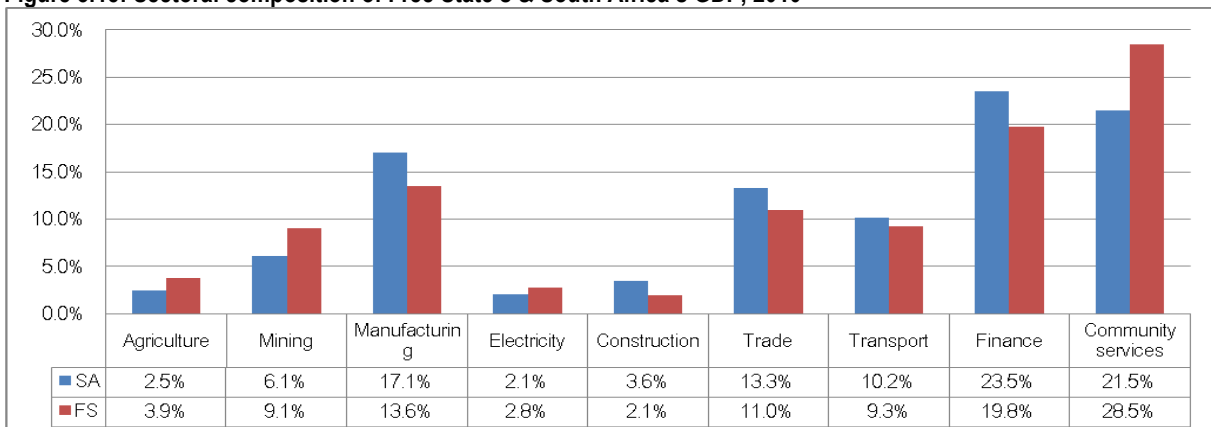
**Figure 3.14: Provincial contribution to South African economy: 1995, 2005 and 2010**



Source: Stats SA, 3rd Quarter 2011, GDP

For the three years highlighted in the above figure 3.15, the Gauteng province has contributed the most to the national economy, contributing 33.9 per cent in 1995 and 34.7 per cent in 2005, and marginally declining in 2010 to 33.7 per cent. Gauteng province as the biggest economy is followed by the Kwazulu-Natal and Western Cape Province, with a contribution of 15.8 per cent and 14.1 per cent, respectively. The Free State provincial contribution to the national economy has been on a tumultuous route, contributing 5.7 per cent during 1995, and falling to 5.3 per cent in 2005, only to improve during 2010 by recording 5.5 per cent. The least contributor to the South African economy has been the Northern Cape, with a 2.3 per cent contribution, in the years 1995, 2005 and 2010.

**Figure 3.15: Sectoral composition of Free State's & South Africa's GDP, 2010**

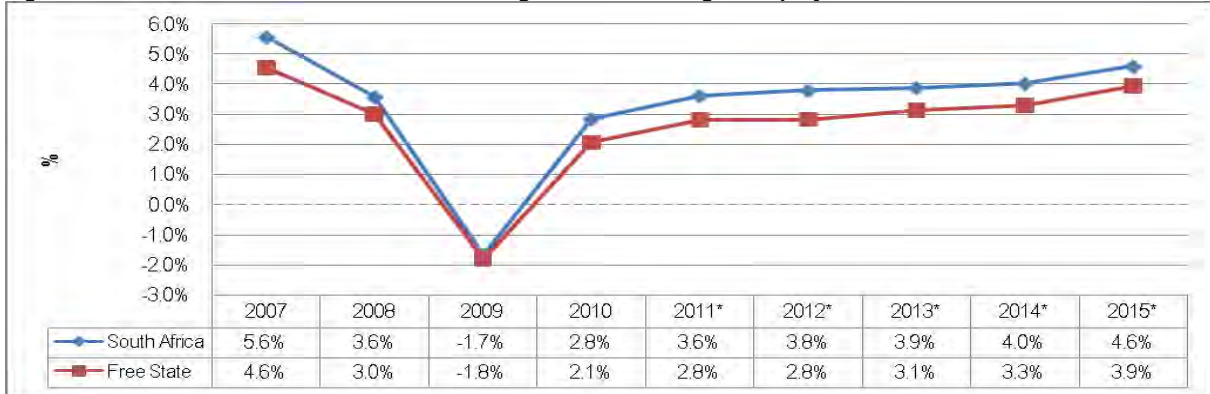


Source: IHS Global Insight, ReX, 2011

The sectoral composition of the South African economy has similarities to that of the Free State province, as illustrated by the figure above. With the biggest sectors of the South African economy being the finance (23.5 per cent) and community services (21.5 per cent), in the meanwhile for the Free State the community service (28.5 per cent) is the largest followed by the financial sector (19.8 per cent). Both the Free State and South Africa seem to have a modestly strong manufacturing sector, being the third largest sector for the province (13.6 per cent) and the country (17.1 per cent). The electricity sector is the smallest sector nationally with a 2.1 per cent contribution to the South African economy, whilst for the Free State; the construction sector is the smallest sector, contributing a minute 2.1 per cent to the provincial economy. The provincial economic outlook seems to be a sombre outlook, taking queue from the South African economy, which according to the IMF projection would average 3.8 per cent between 2011 and 2015.

IHS Global Insight forecast the Free State economy to grow by roughly 3.1 per cent on average, between the same period, bridging the 4 percentage point mark towards the forecast period or in 2015, when it is anticipated to register a 3.9 per cent growth.

**Figure 3.16: South Africa and the Free State GDP growth rates and growth projections – 2007 to 2015**



Source: IHS Global Insight, ReX, 2011

The figure above indicates and confirms that the Free State growth performance has lagged behind the national average. As such, according to IHS Global Insight forecasts, does not indicate the trend seizing in the near future. Between 2007 and 2010, the Free State growth rate was averaging 1.97 per cent, whilst the National average for the same period was 2.57 per cent, about 0.60 percentage points higher than that of the Free State. Pre-recession, the province growth was at an averaged 3.80 per cent, and hit a slump following the financial crisis that plagued the global economy in 2009, to register a negative growth of 1.8 per cent. Post-crisis, the Free State economy registered growth rate of 2.1 per cent in 2010, increasing by 3.9 percentage points.

Going forward, the IHS Global Insight growth projections indicate a sombre outlook for the provincial economy. The province's growth is expected to hover around the 3.2 per cent mark for the period 2011 to 2015. This is owing to the fact that the Eurozone sovereign debt crisis remains largely unresolved and fears of a double dip recession have resurfaced. In the Global context, the world economy therefore remains in a precarious position, and the crisis is not over until the key economies are creating enough jobs. The IMF has indicated that it may revise its forecasts for the 5 per cent global economic growth yet again (BUSA – Economic and Business Outlook for 2012, December 2011).

## 4. Receipts

### 4.1 Overall position

The provincial sphere of government consists of sources of funds from national government which are; equitable share and conditional grants and provincial own receipts under guidance of two legislative framework which are chapter 13 of the constitution of the Republic of South Africa and Treasury Regulation emanating from Public Financial Management in which chapter 3 provide establishment, delegation, control, withdrawal, functions and powers by respective treasury.

The total provincial receipt for the 2012/13 financial year amounts to R24.870 billion. This amount is constituted by Equitable Share and Conditional Grants which are national transfers as well as Provincial Own Revenue. The national transfers are the main source of financial support for the province; with equitable share contributing 74.51 with a slight decrease of 0.04 per cent from 2011/12 and conditional grants at 22.19 per cent or R5.519 billion. The transfers from national for 2012/13 amount to R24.051 billion and this represents 96.71 per

cent of the total provincial receipts. This amount includes equitable share funding of R18.531 billion and conditional grants of R5.519 billion. The provincial own receipts for 2012/13 financial year is projected at R819.360 million or 3.29 per cent of the total receipts.

The total provincial fiscal framework increases by R653.387 million from an adjusted R24.217 billion in 2011/12 to R24.870 billion in 2012/13; representing an increase of 2.70 per cent year in 2012/13. In the last two outer years of 2012 MTEF, the total provincial fiscal framework is projected to be R26.290 billion and R27.608 billion respectively. Total provincial receipts increase by a total of R3.390 billion over the 2012 MTEF or with an average of 4.30 per cent.

The Equitable Share is an unconditional and objective redistributive allocation to provinces based on the equitable share formula. According to the Constitution of the Republic of South Africa section 214 (2) and section 227 (1), the equitable share must take into account the national interest as well as to ensure that province and municipalities are able to provide basic services and perform the functions allocated to them. The Equitable Share which contributes the bigger share of national transfers to the province is estimated at R18.531 billion for 2012/13, R19.467 billion for 2013/14 and R20.413 billion in 2014/15, representing nominal increases of R808.586 million in 2012/13, R935.571 million in 2013/14 and R945.835 million in 2014/15. Therefore, over the 2012 MTEF the equitable share increases by an average of 4.83 per cent in nominal terms.

The conditional grants complement a range of programmes funded by Provinces (Schedule 4 Division of Revenue Act), specific purpose allocation to provinces (Schedule 5 Division of Revenue Act), allocation in kind to provinces (Schedule 7 Division of Revenue), and provision to specifically cater for immediate release of funds to provinces (Schedule 8 of Division of Revenue). Conditional grants are adjusted upwards by R245.235 million from the adjusted R5.277 billion to R5.519 billion in 2012/13, R5.943 billion and R6.269 billion in 2013/14 and 2014/15 respectively.

Provincial Own Revenue shows a significant increase of 6.23 per cent on average over the 2012 MTEF, this increase is above the projected inflation of 5.2 per cent as per MTBPS of 2011. This source of revenue is congregated through tax receipts (motor vehicle taxes, casino taxes, horse racing taxes, liquor licence) and through sales of goods and services other than capital assets. Contribution of provincial own revenue to the total provincial receipts increases over the 2012 MTEF from 3.29 per cent in 2012/13 to 3.35 per cent in 2013/14 and 3.35 per cent in 2014/15. Motor vehicle licenses contributes 44.58 per cent on average over the 2012 MTEF, followed by sales of goods and services which includes hospital fees with an average share of 29.62 per cent and interest on investment with an average share of 12.44 per cent.

The province has adopted the new Revenue Enhancement Strategy in September 2011. This strategy is aimed at optimizing revenue collection whilst improving the revenue collection areas throughout the province.

Refer to the Annexure, table A10 for details of allocations in this regard.

Table 4.1: Summary of provincial receipts

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>Transfer receipts from National</b>	<b>15 646 659</b>	<b>18 321 380</b>	<b>20 358 697</b>	<b>22 496 652</b>	<b>22 999 948</b>	<b>22 999 948</b>	<b>24 050 769</b>	<b>25 410 010</b>	<b>26 682 155</b>
Equitable share	12 713 176	14 794 064	16 217 212	17 520 835	17 722 579	17 722 579	18 531 165	19 466 736	20 412 571
Conditional grants	2 933 483	3 527 316	4 141 485	4 975 817	5 277 369	5 277 369	5 519 604	5 943 274	6 269 584
<b>Provincial own receipts</b>	<b>592 544</b>	<b>650 960</b>	<b>806 645</b>	<b>717 613</b>	<b>771 619</b>	<b>771 873</b>	<b>819 360</b>	<b>880 185</b>	<b>925 470</b>
Tax receipts	286 885	300 383	337 697	368 942	376 730	376 730	402 612	440 934	463 118
Casino taxes	24 824	24 183	25 739	29 368	29 368	29 368	31 071	32 780	34 518
Horse racing taxes	5 848	5 631	5 427	6 854	6 854	6 854	4 769	5 032	5 298
Liquor licences	2 312	2 843	5 624	3 335	4 508	4 508	7 252	7 650	8 056
Motor vehicle licences	253 901	267 726	300 907	329 385	336 000	336 000	359 520	395 472	415 246
Sales of goods and services other than capital assets	221 350	178 143	224 515	186 591	232 433	232 083	245 507	259 166	272 920
Transfers received	615		60		200	200			
Fines, penalties and forfeits	19 884	30 116	37 897	25 878	27 777	27 832	29 711	31 191	32 742
Interest, dividends and rent on land	35 252	95 688	113 758	102 331	97 664	97 638	103 219	108 889	114 646
Sales of capital assets	10 454	8 497	20 211	15 150	15 078	15 093	16 502	17 117	18 045
Transactions in financial assets and liabilities	18 104	38 133	72 507	18 721	21 737	22 297	21 809	22 888	23 999
<b>Provincial funding</b>	<b>38 202</b>	<b>190 480</b>	<b>285 590</b>		<b>445 175</b>	<b>445 175</b>			
Provincial roll-overs	38 202	154 592	63 757						
Provincial reserves		35 888	221 833		445 175	445 175			
<b>Total provincial receipts</b>	<b>16 277 405</b>	<b>19 162 820</b>	<b>21 450 932</b>	<b>23 214 265</b>	<b>24 216 742</b>	<b>24 216 996</b>	<b>24 870 129</b>	<b>26 290 195</b>	<b>27 607 625</b>

## 4.2 Equitable share

As guided by sections 214 and 227 of the Constitution of the Republic, the nationally generated revenue is allocated to provinces via the Provincial Equitable Share (PES) formula. The PES is the decisive tool used by National government to allocate funds to provinces so as to enable them to work towards meeting provincial priorities.

The provincial equitable share allocation of the nationally raised revenue is formula driven. The formula used to divide the equitable share between provinces is objective-based and redistributive by design. The formula is reviewed and updated annually, based on the latest available data.

In the 2011/12 MTEF, the Health portion of the formula changes. The formula previously took into account the number of people not on medical aid, however currently the formula takes into account estimated demand for health services according to age and gender, as well as data obtained from the District Health Information System.

The distribution of weights by components also changes slightly, with the Education share dropping from 51 per cent to 48 per cent, the Health share increasing from 26 to 27 per cent and the Basic share component increasing from 14 to 16 per cent. The definitions of the various components are outlined below:

- **Education component** weighting remains constant at 48 per cent – it is still based on the school age cohort (5-17 years) and school enrolment data
- **Health component** weighting is 27 per cent – it is based on a new health component which was introduced based on the output data from the health sectors and the risk-adjusted capitation index based on data from the Risk Equalisation Fund.
- **Basic component** weighting is 16 per cent – it continues to be based on the province's share of national population
- **Poverty** is 3 per cent - the level of poverty in the province
- **Economic activity** 1 per cent – based on the Regional Gross Domestic Product data
- **Institutional** is 5 per cent - distributed equally among provinces

Equitable share transfers to the province increase by R808.586 million or 4.56 per cent from the adjusted R17.722 billion in 2011/12 to R18.531 in 2012/13. Over the 2012 MTEF years the equitable share transfers grow on average by 4.82 per cent, with a growth of 4.56 per cent in 2011/13, 5.05 per cent in 2012/13 and 4.86 per cent in 2014/15. The additions to 2012 MTEF cater for inflation, policy adjustment as well as expansion on existing priorities, such as no-fee school; Universalization of grade R and Child, Youth and Victim Empowerment.

The review of the formula and data changes in the equitable share formula in the 2011/12 financial year had an adverse impact to the total provincial equitable share over the 2012 MTEF as the province share was revised downwards by R99.409 million in 2012/13, R211.237 million in 2013/14 and R482.446 million in 2014/15, totaling R793.092 million.

Furthermore, the province's share of the total national equitable share allocation is declining from 6.1 per cent in 2011/12 to 6.0 per cent in 2012/13. The province's share is further expected to decline to 5.9 per cent in 2013/14 as well 5.8 per cent in 2014/15.

### 4.3 Conditional grants

Conditional grants are allocated by the national government in order to assist provinces to realize national objectives, above the funds available in equitable share and own revenue produced by provinces; these grants supplement priorities that need to be realized by provinces. In the 2012 MTEF two (2) new grants are introduced to the province, namely:

- National Health Insurance Grant; and
- Nursing Colleges and Schools Grant.

Coupled to the above; the Expanded Public Works Programme (EPWP) Incentive Grant has been reclassified from schedule 8 to schedule 5 of the Division of Revenue Bill, this implies that the grant will be allocated to the earmarked departments in the first year of the 2012 MTEF.

Section 13 has been added to 2012 Division of Revenue Bill with a view to ensure that the Head of Departments that receives infrastructure Grants (Education Infrastructure Grant, Nursing Colleges, Health Infrastructure Grant, Hospital Revitalization Grants and Provincial Roads Maintenance Grant) comply with the following conditions:

- Report any infrastructure expenditure partially or fully funded through conditional grants through Project and Asset Segment of the Standard Chart of Accounts
- Maintain up to date database of all contracts that are partially and fully funded by the conditional grant that is compliant of the Registrar of Projects and iTender systems.
- Submitting approved organizational structures that are signed off by the relevant Head of Departments in compliance with any directives by the Minister of Public Service and Administration and outlining capacitation plans of the infrastructure units, which must include indication of the number of the posts per profession and the highest educational qualifications of the incumbent and years of experience in public service infrastructure; and an indication of the number of vacancies and existing positions filled; and
- Ensure that infrastructure projects comply with best practice standards and guidelines contained in the practice note 22 that was issued in terms of section 5 of the Construction Industry Development Board Act , 2000 (Act no. 38 of 2000) .
- The required information must be submitted to the transferring national officer and the National Treasury prior to **03 September 2012** or another date agreed to in writing by the National Treasury and the transferring national officer

The Conditional Grants for the province increased by R242.235 million or 4.59 per cent from an adjusted allocation of R5.277 billion in 2011/12 to R5.519 billion in 2012/13. Over the 2012 MTEF period the grants increase by an average of 5.92 per cent, which is a higher increase when compared to Equitable Share. Conditional Grant accounts for, on average, 22.19 per cent of the total provincial budget in 2012/13.

### **Provincial Disasters Grant**

The Provincial Disasters Grant was introduced in the 2011 MTEF as an unallocated grant to cater for funding disaster responses. This grant will be disbursed to areas within three days to three months after an area is declared a disaster as per the Disaster Management Act. The grant will fund the immediate needs following disasters and will not fund projects of a long term nature such as repairs to infrastructure.

The Free State Province receives an allocation of R133.307 million in 2012/13 towards flood damage, the allocation decreases in 2013/14 to R121.765 million and further decreases in 2014/15 to R42.320 million. The departments which are allocated funds for flood damages are; Human Settlements; Police, Roads and Transport; Agriculture and Education, however in 2014/15 the allocation of R42.320 million is only earmarked for the Departments of Agriculture and Police, Roads and Transport.

### **Health Infrastructure Grant**

Infrastructure funding in the health sector is utilized to supplement provincial funding of health infrastructure to address backlogs, accelerate the provision of facilities and ensure proper life cycle maintenance of provincial health infrastructure. Health Infrastructure Grant over the 2012 MTEF is R444.783 million, this grant will mainly be utilized in various clinics and community health centres throughout the province.

### **Education Infrastructure Grant**

The Education Infrastructure Grant will supplement existing infrastructure budgets in education and functions in a similar manner as the former Infrastructure Grant to Province. The Provincial Department of Education is allocated an amount of R1.422 billion over the 2012 MTEF. The rationale of the grant is to upgrade Grade R facilities and Unacceptable structures, rehabilitate and renovate hostels and mobile units and to provide needed enrolment to enhance competency on infrastructure deliverance.

### **Provincial Roads Maintenance grant**

Provincial Roads Maintenance is allocated R1.804 billion over 2012 MTEF, R564.930 million in 2012/13 is inclusive of R44.435 million earmarked for repair of flood damage, R605.447 million in 2013/14 is inclusive of R33.361 million for flood damage and R634.294 in 2014/15 is inclusive of R33.282 million for flood repair.

The purpose of the grant is for the upgrade of access roads, upgrade of public transport routes, milling, patching and fog spray of very poor sections of surfaced roads throughout the Free State, regravelling of poor gravel roads, replacement of poor roads signage, re-painting of roads marking throughout the Free State.

### **Dinaledi Schools Grant**

The Dinaledi Schools Grant was introduced in the 2010/11 conditional grant framework. The purpose of the grant is to improve learner performance in Mathematics and Physical Science in line with the Action Plan 2014; and to improve teachers' content knowledge of Mathematics and Physical Science. The grant is allocated an amount of R7.179 million in 2012/13, R7.572 million in 2013/14 and R8.005 million in 2014/15.

### **Human Settlements Development Grant**

Human Settlements Development Grant is allocated R961.619 million in 2012/13 increasing to R1.034 billion in 2013/14 and R1.026 billion in 2014/15, R526.596 million of R3.022 billion is transferred directly to metro.

The purpose of this grant is to contribute to the building of cohesive, sustainable and integrated human settlement in the Free State, this grant is also used to eradicate and formalise informal settlement.

### **National Health Insurance Grant**

The National Health Insurance Grant will be piloted in 2012 financial year; the establishment of this grant is as a result of government's efforts to provide access to universal health

services to all, irrespective of any citizen's economic standing. The outcomes of the grant aim to strengthen district health services, improve access to quality health services, strengthen efficiencies of the public health sector and improve health systems performance as well as improve management of health systems and services at a district level. Ten district health authorities have been selected as pilot sites and will be used to test interventions aimed at health systems strengthening and performance improvement. Over the 2012 MTEF, R16.500 million, R38.500 million and R55.000 million have been allocated to the province in 2012/13, 2013/14 and 2014/15 respectively.

### **Nursing Colleges and Schools Grant**

The Nursing Colleges and Schools Grant will be introduced in 2012 financial year with the intention to supplement provincial funding of health infrastructure to accelerate the provision of health facilities including office furniture and related equipments, as well as to ensure proper maintenance of provincial health infrastructure for nursing colleges and schools.

The allocation for this grants amounts to R9.160 million, R14.282 million and R19.995 million over the 2012 MTEF.

### **Other conditional grants**

- Comprehensive Agricultural Support Programme increases by R20.457 million from 2011/12 to 2012/13 to support emerging farmers and to strengthen the training skills of the extension officers who will also be held accountable for ensuring that the community group as the custodians of this training transfers the necessary skills to emerging farmers.
- Ilima/Letsema increases by R2.600 million from 2011/12 to 2012/13 to assist targeted vulnerable Free State farming communities to increase agricultural production and improve farming skills.
- The Comprehensive HIV and AIDS Grant is also growing strongly by R81.841 million for the 2012/13 financial year to support the implementation of the National Operational Plan for comprehensive HIV and Aids treatment and care.
- The Hospital Revitalization Grant grows by R41.924 million from 2011/12 to 2012/13 to cater for infrastructure needs of the provincial health department particularly Ladybrand and Trompsburg hospitals.
- Technical Secondary Schools Recapitalization Grant grows by R5.442 million in the 2012/13 financial year. This is to continue with the recapitalization of technical schools to improve the capacity to tribute to skills development and training.
- The Expanded Public Works Programme (EPWP): Social Sector and Integrated Infrastructure Grants to provinces is an incentive grant to departments, which is paid out based on the departments achieving job creation targets set out in the previous financial year. The EPWP Social Sector grant has been allocated to Health (R7.470 million), Education (R5.941 million), Social Development (R10.098 million) and Sport, Arts, Culture and Recreation (R0.399 million) in 2012/13.
- The Expanded Public Works Programme (EPWP) Integrated Grant for Infrastructure has been allocated R21.391 million in 2012/13, to be distributed amongst the Departments of Public Works; Police, Roads and Transport; Education; Health; Economic Development Tourism and Environmental Affairs; Sport, Arts, Culture & Recreation and Agriculture.

Table 4.2: Summary of conditional grants by grant

Department/Grant	Audited outcome			Main Appropriation	Adjusted Appropriation	Revised estimate	Medium Term Expenditure Estimates		
	R thousand	2008/09	2009/10				2010/11	2011/12	2012/13
<b>Agriculture</b>	<b>77 530</b>	<b>82 005</b>	<b>94 224</b>	<b>164 290</b>	<b>167 730</b>	<b>167 730</b>	<b>190 382</b>	<b>206 875</b>	<b>212 760</b>
Agricultural Disaster Management	26 127	11 053		4 736	4 736	4 736			
Comprehensive Agricultural Support Programme	47 975	61 514	64 752	102 932	106 372	106 372	126 829	140 305	146 531
Land Care Programme: Poverty Relief & Infrastructure Development	3 428	4 113	4 360	4 622	4 622	4 622	8 953	8 571	5 427
Ilima/Letsema Projects		5 325	25 112	52 000	52 000	52 000	54 600	57 999	60 802
<b>Arts and Culture</b>	<b>28 919</b>	<b>40 191</b>	<b>45 234</b>	<b>47 909</b>	<b>47 909</b>	<b>47 909</b>	<b>50 304</b>	<b>55 070</b>	<b>63 379</b>
Community Library Services	28 919	40 191	45 234	47 909	47 909	47 909	50 304	55 070	63 379
<b>Education</b>	<b>142 452</b>	<b>144 317</b>	<b>427 317</b>	<b>996 270</b>	<b>1 044 077</b>	<b>1 049 515</b>	<b>1 078 497</b>	<b>1 145 978</b>	<b>1 195 876</b>
Dinaledi Schools				5 040	5 040	5 040	7 179	7 572	8 005
Education Infrastructure				425 256	425 256	425 256	459 635	476 004	487 142
HIV and Aids (Life Skills Education)	9 350	10 166	11 000	11 772	11 772	11 772	12 491	13 175	13 897
National School Nutrition Programme	80 902	134 151	189 926	244 699	254 365	259 526	261 367	272 852	290 394
Technical Secondary Schools Recapitalisation			7 477	14 428	14 428	14 428	19 870	20 963	20 942
Further Education and Training College Sector	52 200		218 914	295 075	333 216	333 493	317 955	355 412	375 496
<b>Health</b>	<b>1 046 765</b>	<b>1 249 604</b>	<b>1 442 374</b>	<b>1 959 139</b>	<b>1 989 595</b>	<b>1 894 499</b>	<b>2 169 931</b>	<b>2 410 445</b>	<b>2 626 173</b>
Comprehensive HIV and Aids	189 630	298 931	388 329	530 440	533 319	438 319	615 160	742 984	861 713
Forensic Pathology Services	35 814	32 696	30 738	39 451	39 451	39 451			
Health Infrastructure				131 717	131 717	131 621	139 073	147 417	158 293
Health Professions Training and Development	101 988	110 504	117 400	124 444	124 444	124 444	130 930	138 131	146 419
Hospital Revitalisation	168 615	180 119	244 634	417 883	445 460	445 460	472 384	479 470	486 662
National Tertiary Services	550 718	627 021	659 469	715 204	715 204	715 204	786 724	849 661	898 091
World Cup Health Preparation Strategy		333	1 804						
Nursing Colleges							9 160	14 282	19 995
National Health Insurance							16 500	38 500	55 000
<b>Human Settlements</b>	<b>859 118</b>	<b>954 997</b>	<b>1 037 685</b>	<b>958 007</b>	<b>958 007</b>	<b>2 610 631</b>	<b>961 619</b>	<b>1 034 905</b>	<b>1 026 409</b>
Housing Disaster Relief				44 100	44 100				
Human Settlements Development	859 118	954 997	1 037 685	913 907	913 907	2 610 631	961 619	1 034 905	1 026 409
<b>National Treasury</b>	<b>552 867</b>	<b>609 872</b>	<b>727 211</b>	<b>117 119</b>	<b>117 119</b>	<b>87 438</b>			
Infrastructure Grant to Provinces									
Education	115 169	199 973	146 894	65 666	65 666	35 985			
Police, Roads and Transport	393 678	347 700	521 973	47 216	47 216	47 216			
Health	44 020	62 199	58 344	4 237	4 237	4 237			
<b>Public Works</b>	<b>70 199</b>	<b>185 095</b>	<b>222 376</b>	<b>240 163</b>	<b>240 163</b>	<b>362 916</b>	<b>231 399</b>	<b>244 755</b>	<b>258 561</b>
Provinces	70 199	185 095	222 376	240 163	240 163	362 916	231 399	244 755	258 561
<b>Sport and Recreation South Africa</b>	<b>19 591</b>	<b>26 373</b>	<b>28 291</b>	<b>33 078</b>	<b>33 078</b>	<b>33 078</b>	<b>34 371</b>	<b>36 417</b>	<b>38 469</b>
Programme	19 591	26 373	28 291	33 078	33 078	33 078	34 371	36 417	38 469
<b>Transport</b>		<b>121 018</b>	<b>187 077</b>	<b>653 499</b>	<b>653 499</b>	<b>653 499</b>	<b>757 802</b>	<b>808 829</b>	<b>847 957</b>
Provincial Roads Maintenance				447 165	447 165	447 165	564 930	605 447	634 294
Public Transport Operations		121 018	187 077	184 566	184 566	184 566	192 872	203 382	213 663
Transport Disaster Management				21 768	21 768	21 768			
<b>Other (Not Included above)</b>		<b>15 045</b>	<b>4 056</b>	<b>20 079</b>	<b>20 079</b>		<b>45 299</b>		
Expanded Public Works Programme Incentive Grant for Provinces		15 045		4 493	4 493		21 391		
Social Sector Expanded Public Works Programme Incentive Grant for Provinces			4 056	15 586	15 586		23 908		
<b>Total conditional grants</b>	<b>2 797 441</b>	<b>3 428 517</b>	<b>4 215 845</b>	<b>5 189 553</b>	<b>5 271 256</b>	<b>6 907 215</b>	<b>5 519 604</b>	<b>5 943 274</b>	<b>6 269 584</b>

## 4.4 Total provincial own receipts

Table 4.3: Summary of provincial own receipts by Vote

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
1 Department of the Premier	2 574	2 944	3 345	3 363	5 662	5 662	4 033	4 178	4 328
3 Economic Development, Tourism and Environmental Affairs	57 304	52 191	57 934	62 021	65 471	65 475	69 268	73 078	76 951
4 Provincial Treasury	33 980	91 715	112 886	101 682	96 552	96 928	102 152	107 771	113 482
5 Health	125 294	103 377	187 952	103 031	132 908	132 909	140 702	148 862	157 497
6 Education	16 222	12 836	14 524	16 052	16 052	15 973	16 919	17 319	17 719
7 Social Development	3 452	15 176	1 523	1 101	1 101	1 045	1 161	1 225	1 292
8 Cooperative Governance and Traditional Affairs	2 398	2 482	2 092	2 099	1 932	1 586	2 214	2 334	2 334
9 Public Works	18 088	7 092	9 764	9 635	18 441	18 441	18 538	19 558	20 595
10 Police, Roads and Transport	320 327	352 798	405 313	411 258	422 858	422 858	452 812	493 430	518 102
11 Agriculture	3 417	3 526	3 095	2 239	2 487	2 487	2 345	2 474	2 605
12 Sport, Arts, Culture and Recreation	9 488	6 804	7 759	4 582	7 885	8 239	8 666	9 356	9 915
13 Human Settlements		19	458	550	270	270	550	600	650
14 Rural Development									
<b>Total provincial own receipts by Vote</b>	<b>592 544</b>	<b>650 960</b>	<b>806 645</b>	<b>717 613</b>	<b>771 619</b>	<b>771 873</b>	<b>819 360</b>	<b>880 185</b>	<b>925 470</b>

According to section 228 of the Constitution of the Republic of South Africa, the provinces may impose taxes, levies and duties other than income tax, corporate tax, VAT, general sales tax, rates on property or custom duties. The Free State mainly generates its own revenue through motor vehicle licenses, patient fees, gambling taxes as well as interest on investment made by the Provincial Treasury. Therefore; the main departments that contribute significantly towards provincial own revenue are: Police, Roads and Transport; Health; Provincial Treasury and Economic Development Tourism and Environmental Affairs.

The province will roll-out the Provincial Revenue Enhancement Strategy in 2012/13 financial year which aims to improve the competence and efficiency of the current process, furthermore, the strategy seeks to gather different approaches that are intended to stimulate the growth rate in which revenue is collected, supporting only related projects that enhances the manner in which revenue is collected throughout the Free State Province. In 2012/13 a total amount of R34.197 million has been set aside for this initiative.

Table 4.4 above shows the history of own revenue receipts, the estimates for 2011/12 as well as the future expected revenue collection over the 2012 MTEF period. The 2011/12 own revenue budget was adjusted upwards by R54.006 million to R771.619 million. This represents an increase of 7.53 per cent from the main appropriation. The revenue budget further shows an increase of R47.741 million from the adjusted budget of R771.619 million to R819.360 million in 2012/13. In the last outer two years the provincial own revenue grows to R880.185 million and R925.470 million respectively.

## 5. Payments

### 5.1 Overall position

The total outlays for 2011/12 MTEF period for the Free State Province are budgeted as follows:

- Financial year 2012/13: R24.870 billion
- Financial year 2013/14: R26.261 billion
- Financial year 2014/15: R27.566 billion

For the 2012 MTEF period, the provincial spending is expected to rise from R24.870 billion in 2012/13 to R26.261 billion in the 2013/14 financial year and R27.566 billion in the 2014/15.

Although the country's global economy is still recovering, the growth percentages of 2.76 per cent, 5.59 per cent and 4.97 per cent respectively over the 2012 MTEF are slightly below the inflation projections of 5.2 per cent in 2012/13, 5.6 per cent in 2013/14 and 5.4 per cent in 2014/15 in the outer years as published by National in the 2011 MTBPS. This slight increase on level of expenditure requires departments to continue to reprioritise budgets and to improve on the quality of service delivery to the citizens of Free State Province.

In line with the broader government's priorities to create jobs, expand service delivery and continued improvement to the infrastructure networks, the increase in 2012/13 MTEF period is mainly directed to the social and economic services departments. This focus is aimed at improving the living standards of the citizens of Free State Province. Table 5.1 below indicates that the social sector departments (i.e. Education, Health and Social Development) consume R18.293 billion or 73.55 per cent of the estimated total provincial payments of R24.870 billion for the 2012/13 financial year. Education still consumes the bulk of the social sector budget of R18.293 billion with R10.044 billion or 54.91 per cent while 40.36 per cent is allocated to Health and Social Development takes 4.73 per cent of the remaining share.

The share for non-social sector departments decreased marginally from 27.60 per cent in 2011/12 to 26.44 per cent in 2012/13 with an estimated budget of R6.577 billion. The Department of Police, Roads and Transport has the largest budget share of R1.755 billion or 26.69 per cent of the non-social sector departments' allocation followed by Public Works with R1.269 billion or share of 19.31 per cent and Human Settlements with R1.058 billion or share of 16.09 per cent. The other departments' share amounts to R2.493 billion or 37.91 per cent.

## 5.2 Payments by vote

Table 5.1: Summary of provincial payments and estimates by Vote

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
1 Department of the Premier	122 548	157 381	185 050	220 756	222 370	222 370	253 113	263 795	275 094
2 Free State Legislature	135 792	145 518	150 134	203 406	203 406	203 406	212 422	204 062	210 957
3 Economic Development, Tourism and Environmental Affairs	286 254	316 441	327 288	390 303	398 514	398 514	436 894	441 801	457 694
4 Provincial Treasury	138 047	149 550	162 778	201 033	200 706	202 252	212 111	222 784	232 141
5 Health	4 453 496	5 208 138	6 019 179	6 820 708	6 930 347	6 876 358	7 383 255	7 856 794	8 354 913
6 Education	6 713 036	7 846 210	8 461 169	9 496 341	9 777 756	9 863 397	10 044 709	10 538 771	11 061 752
7 Social Development	540 424	665 732	712 546	801 787	812 892	813 977	865 450	922 393	960 164
8 Cooperative Governance and Traditional Affairs	220 784	290 522	388 061	375 641	388 986	391 835	323 042	335 052	347 982
9 Public Works	660 522	777 162	1 000 054	1 226 210	1 273 668	1 392 218	1 269 707	1 362 885	1 423 771
10 Police, Roads and Transport	1 220 087	1 461 446	1 618 129	1 465 457	1 841 602	1 949 449	1 755 500	1 910 463	2 011 674
11 Agriculture	361 710	375 239	396 009	484 080	494 056	506 056	579 482	595 033	597 165
12 Sport, Arts, Culture and Recreation	316 134	360 893	381 525	479 300	500 423	526 247	435 621	428 646	452 876
13 Human Settlements	906 642	1 003 899	1 144 733	987 790	1 093 356	2 689 281	1 058 221	1 135 283	1 135 784
14 Rural Development		15 968	27 347	35 261	63 261	63 261	40 600	42 938	44 427
<b>Total provincial infrastructure payments and estimates</b>	<b>16 075 476</b>	<b>18 774 099</b>	<b>20 974 002</b>	<b>23 188 073</b>	<b>24 201 343</b>	<b>26 098 621</b>	<b>24 870 127</b>	<b>26 260 700</b>	<b>27 566 394</b>

The above table 5.1 reflects the summary of payments and estimates by vote from 2008/09 to 2014/15 MTEF. For 2012/13 financial year provincial expenditure is growing by R668.784 million or 2.76 per cent from adjusted allocation of R24.201 billion in 2011/12 to R24.870 billion. The provincial expenditure is estimated to grow marginally low at an average of 4.44 per cent over the 2012 MTEF.

### **Department of the Premier**

The Department of the Premier receives an allocation of R253.113 million in 2012/13 which represents an increase of 13.83 per cent from the adjusted allocation of R222.370 million in 2011/12. The department's allocation increases by 4.22 per cent in 2013/14 and further 4.28 per cent in 2014/15. The increase to this department's budget mainly relates to the transfer of Community Development Workers (CDW's) from the Department of Cooperative Governance and Traditional Affairs. The earmarked allocation for the CDW's amounts to R52.451 million in 2012/13, R54.848 million in 2013/14 and R57.746 million in 2014/15.

The allocation to this department amongst others, will continue to fund the Provincial Monitoring and Evaluation, EXCO activities, Thusanong Centre, Communication, the Review of Free State Growth Development Strategy (FSGDS) and Community Development Workers.

### **Provincial Legislature**

The Free State Legislature is allocated an amount of R212.422 million in 2012/13, which is an increase of 4.43 per cent from the adjusted allocation of R203 406 million. The allocation of the institution declines by 3.94 per cent in 2013/14 to R204.062 million and grows by 3.38 per cent in 2014/15 to R210.957 million. Included in the MTEF allocation is earmarked funding for the new Legislature building. The ring-fenced allocation towards the construction of Legislature building amounts to R44.500 million in 2012/13, R30.000 million in 2013/14 and R30.000 million in 2014/15.

### **Economic Development, Tourism and Environmental Affairs**

The Department of Economic Development, Tourism and Environmental Affairs receives an allocation of R436.894 million in 2012/13 which represents an increase of 9.63 per cent or R38.380 million in 2012/13 from the adjusted budget of R398.514 million in 2011/12. The department's allocation is to grow by 1.12 per cent in 2013/14 and 3.60 per cent in 2014/15. Part of the increase includes a transfer of R8.784 million in 2012/13, R9.611 million in 2013/14 and R9.611 million in 2014/15 from the Department of Sport, Arts, Culture and Recreation relating to the incorporation of Phakisa Major Sport Events to the Free State Tourism Authority.

The budget of the department will cover amongst others, the following priorities; resuscitation of textile industry, ICT hub, tourism marketing, support to the provincial public entities and revitalization of resorts and reserves. Also included in the department's allocation is an amount of R14.925 million in the 2012/13 relating to the revenue enhancement projects; such as fencing of reserves.

### **Provincial Treasury**

Provincial Treasury's budget allocation increases from the adjusted budget of R200.706 million in 2011/12 to R212.111 million in 2012/13, in 2013/14 a growth of 5.03 per cent is realised and 4.20 per cent to R232.141million in 2014/15. The allocation for the 2012 MTEF budget will continue to be on the promotion of optimal use of provincial and municipal financial resources, enforcing fiscal discipline, capacity building to departments and municipalities as well as the strengthening of financial governance practices in line with the government's desired outcomes.

## **Department of Health**

The Department of Health receives an amount of R7.383 billion in 2012/13 from an adjusted allocation of R6.930 billion in 2011/12. Over the 2012 MTEF the department's allocation grows by an average of 6.43 per cent. The allocation will amongst others address the following sector priorities; further roll out of the Occupation Specific Dispensation (OSD) for doctors, therapists and nurses; Reducing infant and child mortality; tuberculosis (XDR and MDR); Medical male circumcision; Public hospital norms and standards, and piloting of National Health Insurance (NHI) particularly in Thabo Mofutsanyana District.

The provision of health facilities is a key component in ensuring quality care to all. The department's budget provides for the investment of R1.988 billion over the 2012 MTEF in the construction and maintenance of health facilities, focusing mainly on Trompsburg and Ladybrand hospitals as well as Mangaung hospital.

## **Department of Education**

The department of Education receives the highest allocation of R10.045 billion in 2012/13 which is an increase of 2.73 per cent from the adjusted allocation R9.778 billion in 2011/12. The allocation grows by 4.2 per cent over the 2012 MTEF.

The major part of these allocations are earmarked for priorities such as; expansion of no-fee policy with an additional allocation of R26.655 million in 2013/14, R49.043 million in 2014/15, Learner Teacher Support Materials (LTSM); OSD for educators, expansion of teachers to reduce the teacher to learner ratio in quintile 1 schools; Provision of inclusive education to accommodate learners with disabilities in mainstream and special schools; Early Childhood Development (ECD); Universalisation of Grade R with an additional allocation of R39.435 million in 2013/14, R61.945 million in 2014/15, In-school sport and culture, Tertiary bursaries; Literacy and numeracy and School infrastructure to deal with backlogs.

The Provincial Department of Education will continue to drive its goals of improving performance in Literacy and Numeracy, improving National Senior Certificate Results and reducing the number of under-performing high schools in the province.

## **Department of Social Development**

The Department of Social Development is allocated an amount of R865.450 million in 2012/13; which represents an increase of 6.47 per cent from an adjusted allocation of R812.892 million in 2011/12, R922.393 million in 2013/14 and R960.164 million in 2014/15.

Amongst other funded priorities for the department is Sustainable Livelihood, recruiting and retaining of Social Workers; Early Childhood Development; Infrastructure towards Secure Care Centres and Drug Rehabilitation. The department is further allocated an additional earmarked allocation of R40.659 million in 2013/14 and R43.314 million in 2014/15 towards Child, Youth Care and Victim Empowerment.

## **Department of Cooperative Governance and Traditional Affairs**

The Department of Cooperative Governance and Traditional Affairs (COGTA) is allocated an amount of R323.042 million in 2012/13 which represents a decrease 16.95 per cent from the adjusted allocation of R388.986 million. The huge decrease in this department budget relates to the split of District services between the Department of COGTA and the Department of Human Settlements as well as transfer of Community Development Workers to the Department of the Premier.

In terms of the transfer of Community Development Workers to the Department of the Premier a total amount of R165.045 million has been deducted over the 2012 MTEF whilst a total amount of R60.688 million has been deducted towards the split of District services to the Department of Human Settlements over the 2012 MTEF.

The allocation of the department is showing a growth of 3.72 per cent in 2013/14 and 3.86 per cent in 2014/15. Funded priorities amongst others; are Operation Clean Audits; capacity building to municipalities; Revitalization of VIP toilets and support to the house of traditional leaders.

### **Department of Public Works**

The Department of Public Works receives an amount of R1.269 billion in 2012/13, R1.363 billion in 2013/14 and R1.424 billion in 2014/15. The allocation of this department would fund priorities such as; Property rates and taxes with a total amount of R734.715 million over the 2012 MTEF; office leases; revitalization of government buildings; Expanded Public Works Programme (EPWP); furthermore also included in the department's allocation is an amount of R13.742 million in the 2012/13 relating to the revenue enhancement projects; such as maintenance of rental properties with a view to optimize provincial own revenue.

The department will also continue to implement the Government Immovable Assets Management Act (GIAMA) as well as coordination of the Expanded Public Works Programme (EPWP) in the province.

### **Department of Police, Roads and Transport**

The Department of Police, Roads and Transport receives an allocation of R1.755 billion in 2012/13, R1.910 billion in 2013/14 and R2.012 billion in 2014/15.

The department's budget for infrastructure projects amounts to R728.871 million in 2012/13, R867.131 million in 2013/14 and R948.787 million totaling R2.544 billion over the 2012 MTEF. The allocation for infrastructure is mainly to deal with the road maintenance backlog throughout the province.

The allocation for this department will also cater for the Public Transport Operators Grant with a total allocation of R609.917 million over the 2012 MTEF.

### **Department of Agriculture**

The Department of Agriculture receives an amount of R579.482 million in 2012/13 or 17.29 per cent increase from adjusted allocation of R494.056 million in 2011/13. The allocation of the department is showing a growth of 2.68 per cent in 2013/14 and 0.36 per cent in 2014/15. Funded priorities amongst others are; Mhoma Mobung Project, Provincial Agricultural Master Plan with an amount of R3.000 million in 2012/13, Refurbishment of Vet Laboratory with an amount of R12.000 million in 2012/13, Food Security and Farmer Support Initiatives and Agrarian Reform with an amount of R286.499 million in 2012/13.

Furthermore; an amount of R36.844 million in 2012/13, R38.507 in 2013/14 million and R38.507 million in 2014/15 has been deducted from the baseline of the department towards the creation of standalone Department of Rural Development.

### **Department of Sport, Arts, Culture and Recreation**

The Department of Sport, Arts, Culture and Recreation's budget allocation declined by 12.95 per cent to R435.621 million in 2012/13 from the adjusted budget of R500.423 million in 2011/12. This decline is due to the once-off allocation for Heritage Projects in 2011/12. In 2013/14 the allocation decline by 1.60 per cent and grow by 5.65 per cent in 2014/15.

An amount of R8.784 million in 2012/13, R9.611 million in 2013/14 and R9.611 million in 2014/15 has been deducted from the Department of Sport, Arts, Culture and Recreation following a transfer of Phakisa Major Sport Events to the Free State Tourism Authority within the Department of Economic Development Tourism and Environmental Affairs.

Amongst other priorities which will be funded are All Sport Codes Development, arts and culture promotion, current expenditure and infrastructure.

### **Department of Human Settlements**

The allocation to the Department of Human Settlements amounts to R1.058 billion in 2012/13, R1.135 billion in 2013/14 and R1.136 billion in 2014/15. A significant portion (approximately 90.7 per cent) of the department's budget is funded through the Human Settlements Development Grant, amounting to R962.619 million in 2012/13, R1.034 billion in 2013/14 and R1.026 billion in 2014/15. Furthermore included in the Human Settlements Development Grant is an amount of R72.219 million in 2012/13 and R73.245 million in 2013/14 which is earmarked for flood repairs.

The allocation of the department also includes an amount of R19.294 million in 2012/13, R20.155 million in 2013/14 and R21.239 million in 2014/15 from the Department of Cooperative Governance and Traditional Affairs in relation to the split of district services.

### **Department of Rural Development**

The Department of Rural Development is allocated an amount of R40.600 million in 2012/13 which represents a decrease of 35.82 per cent from the adjusted allocation of R63.261 million in 2011/12. The department's allocation grows by 5.76 per cent in 2013/14 and 3.47 in 2014/15. The budget will fund amongst others the following priorities; coordination and implementation of rural development projects such as cottages; Agri-village and poverty alleviating initiatives.

### 5.3 Payments by economic classification

Table 5.2: Summary of provincial payments and estimates by economic classification

R thousand	Audited outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2011/12	2012/13	2013/14
<b>Current payments</b>	<b>12 239 126</b>	<b>14 269 391</b>	<b>16 241 841</b>	<b>17 763 295</b>	<b>18 028 143</b>	<b>18 076 377</b>	<b>18 913 375</b>	<b>20 006 031</b>	<b>21 094 015</b>
Compensation of employees	9 650 080	10 883 763	12 440 086	13 955 534	14 106 053	14 147 766	15 096 385	16 056 748	16 916 527
Goods and services	2 586 511	3 374 786	3 797 694	3 803 345	3 918 366	3 925 256	3 815 971	3 948 771	4 176 998
Interest and rent on land	2 535	10 842	4 061	4 416	3 724	3 355	1 018	513	490
<b>Transfers and subsidies to:</b>	<b>2 093 115</b>	<b>2 824 766</b>	<b>3 352 691</b>	<b>3 143 542</b>	<b>3 494 819</b>	<b>5 226 210</b>	<b>3 521 595</b>	<b>3 724 524</b>	<b>3 831 475</b>
Provinces and municipalities	175 099	433 655	435 242	302 830	306 207	439 947	297 404	308 192	321 899
Departmental agencies and accounts	103 489	114 478	118 537	137 331	139 630	139 630	167 550	174 227	159 037
Universities and technikons	1 120	1 168	1 248	1 300	7 300	7 300	1 056	1 114	1 169
Foreign governments and international organisations									
Public corporations and private enterprises	37 845	188 209	252 772	222 850	226 142	231 002	226 117	237 785	249 057
Non-profit institutions	787 579	915 383	1 276 851	1 360 176	1 503 607	1 492 832	1 504 472	1 633 460	1 730 150
Households	987 983	1 171 873	1 268 041	1 119 055	1 311 933	2 915 499	1 324 996	1 369 746	1 370 163
<b>Payments for capital assets</b>	<b>1 677 586</b>	<b>1 630 580</b>	<b>1 357 416</b>	<b>2 281 236</b>	<b>2 678 315</b>	<b>2 784 802</b>	<b>2 435 157</b>	<b>2 530 145</b>	<b>2 640 904</b>
Buildings and other fixed structures	1 525 706	1 426 126	1 079 010	1 982 018	2 373 405	2 496 744	2 232 589	2 340 099	2 449 687
Machinery and equipment	144 271	197 029	264 851	291 094	286 844	267 466	196 578	183 224	184 173
Heritage assets			33		155	360	95	100	106
Specialised military assets									
Biological assets	1 821	5 557	8 905		14 206	14 206	1 440	2 000	2 000
Land and subsoil assets	4 382	1 220	2 330	500	703	936	3 010	3 200	3 300
Software and other intangible assets	1 406	648	2 287	7 624	3 002	5 090	1 445	1 522	1 638
<b>Payments for financial assets</b>	<b>65 649</b>	<b>49 362</b>	<b>22 054</b>		<b>66</b>	<b>11 232</b>			
<b>Total economic classification</b>	<b>16 075 476</b>	<b>18 774 099</b>	<b>20 974 002</b>	<b>23 188 073</b>	<b>24 201 343</b>	<b>26 098 621</b>	<b>24 870 127</b>	<b>26 260 700</b>	<b>27 566 394</b>

Table 5.2 above reflects the summary of provincial payments and estimates by economic classification from 2008/09 to 2014/15. The largest share of the provincial payments is consumed by current payments in particular compensation of employees. For the 2012/13 financial year, current payments absorb 76.05 per cent of the total budget of R24.870 billion, of which 60.70 per cent of the total provincial budget relates to compensation of employees.

The compensation of employees increases by R990.332 million or 7.02 per cent from R14.106 billion in 2011/12 to R15.096 billion in 2012/13, 6.36 per cent and 5.35 per cent in 2013/14 and 2014/15 financial years respectively. The goods and services budget decreases by R102.395 million or -2.61 per cent from R3.918 billion in 2011/12 to R3.816 billion in 2012/13, while in 2013/14 increased by 3.48 per cent to R3.948 billion in 2013/14 and 5.78 per cent in 2014/15 to R4.177 billion.

Transfers and Subsidies take up 14.16 per cent share of the total provincial payments in 2012/13, 14.18 per cent in 2013/14 and 13.90 per cent in 2014/15. Transfers to provinces and municipalities increased from R297.404 million in 2012/13 to R321.899 million in 2014/15 financial year. The transfers to households amounts to R1.325 billion in 2012/13, R1.369 billion in 2013/14 and R1.370 billion in 2014/15, the average increase on this item over the 2012 MTEF amounts to 1.46 per cent mainly due to slow increase on Human Settlements Development Grant.

Payments for capital assets shows a decrease of 9.08 per cent from R2.678 billion in 2011/12 to R2.435 billion in 2012/13. The major decrease on this item is mainly related to the once-off allocation of Heritage Sites which was made in 2011/12 financial year to the Department of Sport, Arts, Culture and Recreation. The overall increase in payments for capital assets is marginal over the 2012 MTEF.

## 5.4 Payments by policy area

Table 5.3: Summary of provincial payments and estimates by policy area

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
General public services	1 364 126	1 668 050	2 062 660	2 469 006	2 544 471	2 655 041	2 529 749	2 667 298	2 782 846
Public order and safety	198 555	248 198	277 369	263 500	284 808	270 274	296 092	310 521	321 733
Economic affairs	1 135 230	1 330 935	1 420 635	1 265 448	1 634 910	1 781 616	1 506 944	1 630 611	1 722 176
Environmental protection	375 260	340 412	380 993	500 562	513 369	513 719	612 398	627 165	625 771
Housing and community amenities	906 642	1 003 899	1 144 733	987 790	1 093 356	2 689 281	1 058 221	1 135 283	1 135 784
Health	4 453 496	5 208 138	6 019 179	6 820 708	6 930 347	6 876 358	7 383 255	7 856 794	8 354 913
Recreation, culture and religion	377 909	450 724	481 458	569 175	594 578	620 402	555 981	555 109	583 500
Education	6 723 834	7 858 011	8 474 429	9 510 097	9 792 612	9 877 953	10 062 037	10 555 526	11 079 507
Social protection	540 424	665 732	712 546	801 787	812 892	813 977	865 450	922 393	960 164
<b>Total provincial payments and estimates by policy area</b>	<b>16 075 476</b>	<b>18 774 099</b>	<b>20 974 002</b>	<b>23 188 073</b>	<b>24 201 343</b>	<b>26 098 621</b>	<b>24 870 127</b>	<b>26 260 700</b>	<b>27 566 394</b>

Table 5.3 above shows the summary of expenditures by policy area, the details of which are shown in Table A: 4 of the Annexure to the Overview of Provincial Revenue and Expenditure. This table indicates the policy priority areas that are funded from the provincial allocation. As detailed in MTSF (2009-2014) Education and Health are the key policy areas for the government hence both of them are allocated the bigger share of the total expenditure of the province. Expenditure on Health and Education accounted for 40.46 per cent and 29.68 per cent of the total provincial payments in 2012/13, respectively. The Economic sector amounts to R1.507 billion in 2012/13, R1.630 billion in 2013/14 and R1.722 billion in 2014/15. The provincial payments for all policy areas, except Economic Affairs, Recreation, culture and religion and Housing and community amenities, which are showing a negative growth in 2012/13 in comparison to the 2011/12 financial year.

## Infrastructure expenses

### 5.4.1 Provincial Infrastructure payments

Table 5.4(a): Summary - Payments and estimates of provincial infrastructure by vote

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
3 Economic Development, Tourism and Environmental Affairs	60 984	39 237	29 287	46 806	51 237	51 237	67 772	55 754	55 121
5 Health	281 985	271 615	364 615	547 504	581 414	581 414	637 649	661 169	689 950
6 Education	371 561	434 731	240 521	418 776	501 505	501 505	472 635	491 004	504 142
7 Social Development	18 177	6 441	117	38 000	28 000	19 107	35 000	31 640	31 100
9 Public Works	55 729	65 546	97 988	237 127	238 711	234 768	216 954	233 168	239 075
10 Police, Roads and Transport	966 000	979 801	980 850	646 165	933 096	1 107 976	728 871	867 131	948 787
11 Agriculture	39 241	59 993	70 414	28 429	74 843	81 200	115 091	110 479	108 798
12 Sport, Arts, Culture and Recreation	91 634	63 615	84 234	194 049	133 848	143 948	119 734	102 749	107 749
14 Rural Development				9 507	9 507	9 507	22 700	24 959	25 517
<b>Total provincial infrastructure payments and estimates</b>	<b>1 885 311</b>	<b>1 920 979</b>	<b>1 868 026</b>	<b>2 166 363</b>	<b>2 552 161</b>	<b>2 730 662</b>	<b>2 416 406</b>	<b>2 578 053</b>	<b>2 710 239</b>

Table 5.4(a) above shows the provincial infrastructure payments and estimates from 2008/09 to 2014/15. From 2012/13 the allocation for infrastructure decreases by R135.755 million from adjusted R2.552 billion in 2011/12 to R2.416 billion in 2012/13 financial year. The decrease in infrastructure allocation is mainly related to the once-off allocation made to the Department of Sport, Arts, Culture and Recreation in relation to the Heritage Sites.

Table 5.4(b) below indicates total provincial infrastructure by category. The total infrastructure budget amounts to R7.704 billion over the 2012 MTEF. Upgrades and additions accounts for the largest share of the budget with R2.912 billion over the MTEF followed by new and replacement with R1.994 billion over the MTEF and maintenance and repairs with R1.234 billion over the MTEF. The province allocates an amount of R1.234 or 16.01 per cent towards maintenance of provincial infrastructure.

Table 5.4(b): Summary - Payments and estimates of provincial infrastructure by category

R thousand	Audited outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
<b>New and replacement assets</b>	<b>821 369</b>	<b>748 329</b>	<b>616 093</b>	<b>223 507</b>	<b>293 261</b>	<b>565 600</b>	<b>712 980</b>	<b>466 773</b>	<b>814 378</b>
<b>Existing Infrastructure assets</b>	<b>922 338</b>	<b>948 780</b>	<b>1 021 802</b>	<b>1 839 534</b>	<b>2 152 463</b>	<b>2 013 625</b>	<b>1 582 826</b>	<b>1 923 189</b>	<b>1 682 113</b>
Upgrades and additions	350 128	255 530	309 125	556 941	627 286	866 056	733 748	1 217 752	960 245
Rehabilitation, renovations and refurbishments	443 619	502 306	427 492	933 455	1 149 400	361 292	538 807	242 113	261 737
Maintenance and repairs	128 591	190 944	285 185	349 138	375 777	786 277	310 271	463 324	460 131
<b>Infrastructure transfers</b>	<b>141 604</b>	<b>223 870</b>	<b>230 131</b>	<b>103 322</b>	<b>106 437</b>	<b>151 437</b>	<b>120 600</b>	<b>188 091</b>	<b>213 748</b>
Current	16 365	3 023	15 185	1 000	1 000	1 000	52 427	43 522	45 171
Capital	125 239	220 847	214 946	102 322	105 437	150 437	68 173	144 569	168 577
<i>Current infrastructure</i>	<i>144 956</i>	<i>193 967</i>	<i>300 370</i>	<i>350 138</i>	<i>376 777</i>	<i>787 277</i>	<i>362 698</i>	<i>506 846</i>	<i>505 302</i>
<i>Capital infrastructure</i>	<i>1 740 355</i>	<i>1 727 012</i>	<i>1 567 656</i>	<i>1 816 225</i>	<i>2 175 384</i>	<i>1 943 385</i>	<i>2 053 708</i>	<i>2 071 207</i>	<i>2 204 937</i>
<b>Total provincial infrastructure payments and estimates</b>	<b>1 885 311</b>	<b>1 920 979</b>	<b>1 868 026</b>	<b>2 166 363</b>	<b>2 552 161</b>	<b>2 730 662</b>	<b>2 416 406</b>	<b>2 578 053</b>	<b>2 710 239</b>

## 5.4.2 Provincial Public-Private Partnership (PPP) projects

Table 5.5: Summary of provincial Public-Private Partnership projects: Free State

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
<b>Projects under implementation</b>	<b>(3 680)</b>	<b>(11 704)</b>		<b>(4 453)</b>	<b>(4 453)</b>	<b>(4 453)</b>	<b>(4 898)</b>	<b>(5 388)</b>	<b>(5 388)</b>
PPP unitary charge									
Penalties (if applicable)									
Advisory fees									
Project monitoring cost									
Revenue generated (if applicable)	<b>(3 680)</b>	<b>(11 704)</b>		<b>(4 453)</b>	<b>(4 453)</b>	<b>(4 453)</b>	<b>(4 898)</b>	<b>(5 388)</b>	<b>(5 388)</b>
Contingent liabilities (Information)									
<b>Proposed Projects</b>									
Advisory fees									
Project team costs									
Site acquisition costs									
Other project costs									
<b>Total</b>	<b>(3 680)</b>	<b>(11 704)</b>		<b>(4 453)</b>	<b>(4 453)</b>	<b>(4 453)</b>	<b>(4 898)</b>	<b>(5 388)</b>	<b>(5 388)</b>

Currently there is only one Public-Private Partnership in the province. This partnership is between the Department of Health and Netcare and located within Universitas and Pelonomi hospitals.

Currently in the Free State Province the only department with a Public –Private Partnership arrangement is Health.

## 5.5 Transfers

### 5.5.1 Transfer to public entities

Table 5.6: Summary of provincial transfers to public entities by transferring department

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>1 Department of the Premier</b>	<b>11 578</b>	<b>7 161</b>							
Youth Commission	11 578	7 161							
<b>3 Economic Development, Tourism and Environmental Affairs</b>	<b>50 197</b>	<b>82 670</b>	<b>99 933</b>	<b>89 875</b>	<b>95 155</b>	<b>94 155</b>	<b>120 360</b>	<b>126 463</b>	<b>130 624</b>
Free State Development Corporation	16 311	42 600	29 490	28 000	30 000	30 000	32 245	33 403	34 234
Free State Gambling and Liquor Board	17 886	22 683	32 184	32 312	35 592	34 592	48 251	50 660	53 190
Free State Tourism Authority	16 000	17 387	38 259	29 563	29 563	29 563	39 864	42 400	43 200
<b>12 Sport, Arts, Culture and Recreation</b>	<b>15 173</b>	<b>24 503</b>	<b>11 702</b>	<b>8 284</b>	<b>8 284</b>	<b>8 284</b>			
Phakisa	15 173	24 503	11 702	8 284	8 284	8 284			
<b>Total provincial transfers to public entities</b>	<b>142 318</b>	<b>221 507</b>	<b>223 270</b>	<b>196 318</b>	<b>206 878</b>	<b>204 878</b>	<b>240 720</b>	<b>252 926</b>	<b>261 248</b>

The transfer payment to the Public Entities by the Department of Economic Development Tourism, and Environmental Affairs increased by 26.48 per cent from adjusted R95.155 million in 2011/12 to R120.360 million in 2012/13 financial year, due to investment opportunities for the province, assistance to the SMMEs and promotion of economic activity within the province. Furthermore, the allocation caters for intensification of economic development through tourism marketing and in order to attract tourists in the province.

The Phakisa Major Sport Events and Development Corporation from the Department of Sport, Arts, Culture and Recreation has been incorporated to the Free State Tourism Authority with effect from the 9<sup>th</sup> October 2011. As a result, the total amount that has been transferred to the Free State Tourism Authority amount to R28.006 million over the 2012 MTEF of which R8.784 million relates to 2012/13, R9.611 million to 2013/14 and R9.611 million to 2014/15.

The ultimate purpose of the transfer of Phakisa Major Sport Events and Development Corporation from the Department of Sport, Arts, Culture and Recreation to the Free State Tourism Authority was mainly to improve efficiency as well as to reposition the entity.

### 5.5.2 Transfer to local government

Table 5.6.1: Summary of provincial transfers to local government by category

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
Category A	90 630	120 939	63 810	64 979	52 040	80 440	59 391	63 368	63 368
Category B	19 098	94 931	75 121	18 912	25 051	25 051	1 730	2 000	2 000
Category C	65 332	217 490	296 281	218 874	229 051	334 391	236 233	242 769	256 471
<b>Total provincial transfers to local government</b>	<b>175 060</b>	<b>433 360</b>	<b>435 212</b>	<b>302 765</b>	<b>306 142</b>	<b>439 882</b>	<b>297 354</b>	<b>308 137</b>	<b>321 839</b>

## 5.6 Personnel numbers and costs

Table 5.7: Summary of personnel numbers and costs by Vote<sup>1</sup>

Personnel numbers	As at	As at	As at	As at	As at	As at	As at
	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
1 Department of the Premier	306	311	336	348	682	685	693
2 Free State Legislature	108	106	112	118	126	126	126
3 Economic Development, Tourism and Environmental Affairs	650	593	572	547	596	773	803
4 Provincial Treasury	324	353	358	356	375	412	412
5 Health	16 252	15 693	16 631	17 700	19 920	21 720	23 520
6 Education	31 094	30 619	30 855	33 228	31 058	31 067	30 552
7 Social Development	1 738	1 594	1 593	1 971	2 010	2 010	2 010
8 Cooperative Governance and Traditional Affairs	627	613	942	960	598	598	598
9 Public Works	2 085	2 050	1 999	2 064	2 191	2 191	2 191
10 Police, Roads and Transport	2 029	2 337	2 088	2 660	2 719	2 732	2 740
11 Agriculture	1 143	1 099	1 065	1 193	1 251	1 279	1 280
12 Sport, Arts, Culture and Recreation	808	790	862	731	731	731	731
13 Human Settlements	59	55	110	126	235	260	284
14 Rural Development				39	53	53	53
<b>Total provincial personnel numbers</b>	<b>57 223</b>	<b>56 213</b>	<b>57 523</b>	<b>62 041</b>	<b>62 545</b>	<b>64 637</b>	<b>65 993</b>
Total provincial personnel cost (R thousand)	9 650 080	10 883 763	12 440 086	14 147 766	15 096 385	16 056 748	16 916 527
Unit cost (R thousand)	169	194	216	228	241	248	256

Table 5.7.1: Summary of provincial personnel numbers and costs

	Audited outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2011/12	2012/13	2013/14
<b>Total for province</b>									
Personnel numbers (head count)	57 223	56 213	57 523	58 658	62 173	62 041	62 545	64 637	65 993
Personnel cost (R thousand)	9 650 080	10 883 763	12 440 086	13 955 534	14 106 053	14 147 766	15 096 385	16 056 748	16 916 527
<b>Human resources component</b>									
Personnel numbers (head count)	716	822	749	754	772	773	714	729	739
Personnel cost (R thousand)	123 193	151 665	135 272	147 426	158 960	156 474	144 286	152 716	160 946
Head count as % of total for province	1.3%	1.5%	1.3%	1.3%	1.2%	1.2%	1.1%	1.1%	1.1%
Personnel cost as % of total for province	1.3%	1.4%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%
<b>Finance component</b>									
Personnel numbers (head count)	441	744	612	639	653	658	642	693	702
Personnel cost (R thousand)	189 087	137 979	116 202	129 688	135 889	136 087	155 879	165 638	175 169
Head count as % of total for province	0.8%	1.3%	1.1%	1.1%	1.1%	1.1%	1.0%	1.1%	1.1%
Personnel cost as % of total for province	2.0%	1.3%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Full time workers</b>									
Personnel numbers (head count)	51 338	50 903	53 319	54 107	56 415	56 421	54 401	55 087	54 625
Personnel cost (R thousand)	8 559 705	9 786 510	11 324 307	12 641 817	12 756 973	12 809 726	13 474 421	14 306 278	14 968 292
Head count as % of total for province	89.7%	90.6%	92.7%	92.2%	90.7%	90.9%	87.0%	85.2%	82.8%
Personnel cost as % of total for province	88.7%	89.9%	91.0%	90.6%	90.4%	90.5%	89.3%	89.1%	88.5%
<b>Part-time workers</b>									
Personnel numbers (head count)	1 934	1 204	137	142	138	138	1 635	1 635	1 627
Personnel cost (R thousand)	311 367	157 493	24 860	26 073	25 667	28 078	155 509	170 559	181 521
Head count as % of total for province	3.4%	2.1%	0.2%	0.2%	0.2%	0.2%	2.6%	2.5%	2.5%
Personnel cost as % of total for province	3.2%	1.4%	0.2%	0.2%	0.2%	0.2%	1.0%	1.1%	1.1%
<b>Contract workers</b>									
Personnel numbers (head count)	668	852	1 226	1 309	1 039	1 042	1 000	1 021	1 035
Personnel cost (R thousand)	63 730	114 100	139 490	152 957	136 228	142 898	144 762	149 258	151 354
Head count as % of total for province	1.2%	1.5%	2.1%	2.2%	1.7%	1.7%	1.6%	1.6%	1.6%
Personnel cost as % of total for province	0.7%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%

## 5.7 Payments on training

Table 5.8 Summary of provincial payments on training by Vote

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
1 Department of the Premier	251	483	490	990	990	990	1 036	1 088	1 088
3 Economic Development, Tourism and Environmental Affairs	2 572	112	521	8 989	8 989	3 401	9 143	9 825	10 317
6 Education	24 495	29 201	58 382	72 082	67 943	73 771	78 291	83 388	87 734
8 Cooperative Governance and Traditional Affairs	1 172	733	542	2 167	2 314	2 314	2 664	2 862	3 032
9 Public Works	10 112	3 242	3 107	4 526	3 180	2 971	4 622	4 773	4 829
10 Police, Roads and Transport	416	824	824	1 616	1 616	1 616	1 616	1 800	2 020
11 Agriculture	4 170	2 162		2 454	2 454	2 454	2 851	3 110	3 368
12 Sport, Arts, Culture and Recreation	703	606	526	1 803	789	908	1 666	1 785	1 892
13 Human Settlements	139	475	175	489	156	89	515	543	570
<b>Total provincial payments on training</b>	<b>44 030</b>	<b>37 838</b>	<b>64 567</b>	<b>95 116</b>	<b>88 431</b>	<b>88 514</b>	<b>102 404</b>	<b>109 174</b>	<b>114 850</b>

**ANNEXURE TO THE OVERVIEW OF  
PROVINCIAL REVENUE AND  
EXPENDITURE**

Table A.1: Details of total provincial own receipts

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>Tax receipts</b>	<b>286 885</b>	<b>300 383</b>	<b>337 697</b>	<b>368 942</b>	<b>376 730</b>	<b>376 730</b>	<b>402 612</b>	<b>440 934</b>	<b>463 118</b>
Casino taxes	24 824	24 183	25 739	29 368	29 368	29 368	31 071	32 780	34 518
Horse racing taxes	5 848	5 631	5 427	6 854	6 854	6 854	4 769	5 032	5 298
Liquor licences	2 312	2 843	5 624	3 335	4 508	4 508	7 252	7 650	8 056
Motor vehicle licences	253 901	267 726	300 907	329 385	336 000	336 000	359 520	395 472	415 246
<b>Sales of goods and services other than capital assets</b>	<b>221 350</b>	<b>178 143</b>	<b>224 515</b>	<b>186 591</b>	<b>232 433</b>	<b>232 083</b>	<b>245 507</b>	<b>259 166</b>	<b>272 920</b>
Sale of goods and services produced by department (excluding capital assets)	<b>221 104</b>	<b>177 886</b>	<b>224 439</b>	<b>186 363</b>	<b>232 195</b>	<b>231 895</b>	<b>245 469</b>	<b>259 127</b>	<b>272 880</b>
Sales by market establishments	30 387	23 730	20 825	20 554	34 524	34 524	35 315	37 760	39 816
Administrative fees	8 983	1 091	217	513	471	471	536	562	574
Other sales	181 734	153 065	203 397	165 296	197 200	196 900	209 618	220 805	232 490
<i>Of which</i>									
Health patient fees	93 878	72 174	92 800	78 843	86 000	85 999	80 841	80 993	81 000
Abnormal loads	46 875	53 266	66 339	56 659	57 809	57 809	63 012	66 162	69 470
Sales of scrap, waste, arms and other used current goods (excluding capital assets)	246	257	76	228	238	188	38	39	40
<b>Transfers received from:</b>	<b>615</b>		<b>60</b>		<b>200</b>	<b>200</b>			
Other governmental units									
Universities and technikons									
Foreign governments									
International organisations									
Public corporations and private enterprises	600		60		200	200			
Households and non-profit institutions	15								
<b>Fines, penalties and forfeits</b>	<b>19 884</b>	<b>30 116</b>	<b>37 897</b>	<b>25 878</b>	<b>27 777</b>	<b>27 832</b>	<b>29 711</b>	<b>31 191</b>	<b>32 742</b>
<b>Interest, dividends and rent on land</b>	<b>35 252</b>	<b>95 688</b>	<b>113 758</b>	<b>102 331</b>	<b>97 664</b>	<b>97 638</b>	<b>103 219</b>	<b>108 889</b>	<b>114 646</b>
Interest	35 233	95 688	113 758	102 331	97 664	97 638	103 219	108 889	114 646
Dividends									
Rent on land	19								
<b>Sales of capital assets</b>	<b>10 454</b>	<b>8 497</b>	<b>20 211</b>	<b>15 150</b>	<b>15 078</b>	<b>15 093</b>	<b>16 502</b>	<b>17 117</b>	<b>18 045</b>
Land and subsoil assets	316	195	1 695	2 000	1 074	1 074	1 700	1 500	1 600
Other capital assets	10 138	8 302	18 516	13 150	14 004	14 019	14 802	15 617	16 445
<b>Transactions in financial assets and liabilities</b>	<b>18 104</b>	<b>38 133</b>	<b>72 507</b>	<b>18 721</b>	<b>21 737</b>	<b>22 297</b>	<b>21 809</b>	<b>22 888</b>	<b>23 999</b>
<b>Total provincial own receipts</b>	<b>592 544</b>	<b>650 960</b>	<b>806 645</b>	<b>717 613</b>	<b>771 619</b>	<b>771 873</b>	<b>819 360</b>	<b>880 185</b>	<b>925 470</b>

Table A.2: Information relating to Conditional Grants

Vote and Grant	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Actual transfer	Audited expenditure	Adjusted appropriation	Revised transfer estimate	Revised expenditure estimate	Medium-term estimates		
	2008/09	2008/09	2008/09	2009/10	2009/10	2009/10	2010/11	2010/11	2010/11	2011/12	2011/12	2011/12	2012/13	2013/14	2014/15
<b>Agriculture</b>	<b>85 858</b>	<b>74 491</b>	<b>77 530</b>	<b>87 325</b>	<b>87 272</b>	<b>82 005</b>	<b>99 521</b>	<b>98 554</b>	<b>94 224</b>	<b>167 730</b>	<b>164 290</b>	<b>167 730</b>	<b>190 382</b>	<b>206 875</b>	<b>212 760</b>
Agricultural Disaster Management	26 367	15 000	26 127	11 053	11 000	11 053				4 736	4 736	4 736			
Comprehensive Agricultural Support Programme	56 063	56 063	47 975	65 659	65 659	61 514	68 194	68 194	64 752	106 372	102 932	106 372	126 829	140 305	146 531
Land Care Programme: Poverty Relief & Infrastructure Development	3 428	3 428	3 428	4 113	4 113	4 113	4 360	4 360	4 360	4 622	4 622	4 622	8 953	8 571	5 427
Ilima/Letsema Projects				6 500	6 500	5 325	26 967	26 000	25 112	52 000	52 000	52 000	54 600	57 999	60 802
<b>Arts and Culture</b>	<b>31 126</b>	<b>31 126</b>	<b>28 919</b>	<b>40 315</b>	<b>40 315</b>	<b>40 191</b>	<b>45 251</b>	<b>45 197</b>	<b>45 234</b>	<b>47 909</b>	<b>47 909</b>	<b>47 909</b>	<b>50 304</b>	<b>55 070</b>	<b>63 379</b>
Community Library Services	31 126	31 126	28 919	40 315	40 315	40 191	45 251	45 197	45 234	47 909	47 909	47 909	50 304	55 070	63 379
<b>Education</b>	<b>162 425</b>	<b>162 425</b>	<b>142 452</b>	<b>152 165</b>	<b>132 647</b>	<b>144 317</b>	<b>478 062</b>	<b>470 611</b>	<b>427 317</b>	<b>1 044 077</b>	<b>996 270</b>	<b>1 049 515</b>	<b>1 078 497</b>	<b>1 145 978</b>	<b>1 195 876</b>
Dinaledi Schools										5 040	5 040	5 040	7 179	7 572	8 005
Education Infrastructure										425 256	425 256	425 256	459 635	476 004	487 142
HIV and Aids (Life Skills Education)	9 800	9 800	9 350	10 341	10 341	10 166	11 041	10 866	11 000	11 772	11 772	11 772	12 491	13 175	13 897
National School Nutrition Programme	100 425	100 425	80 902	141 824	122 306	134 151	202 470	195 194	189 926	254 365	244 699	259 526	261 367	272 852	290 394
Technical Secondary Schools Recapitalisation							7 477	7 477	7 477	14 428	14 428	14 428	19 870	20 963	20 942
Further Education and Training College Sector	52 200	52 200	52 200				257 074	257 074	218 914	333 216	295 075	333 493	317 955	355 412	375 496
<b>Health</b>	<b>1 091 620</b>	<b>1 091 620</b>	<b>1 046 765</b>	<b>1 309 774</b>	<b>1 268 601</b>	<b>1 249 604</b>	<b>1 586 007</b>	<b>1 584 203</b>	<b>1 442 374</b>	<b>1 989 595</b>	<b>1 959 139</b>	<b>1 894 499</b>	<b>2 169 931</b>	<b>2 410 445</b>	<b>2 626 173</b>
Comprehensive HIV and Aids	189 630	189 630	189 630	298 931	298 931	298 931	437 583	437 583	388 329	533 319	530 440	438 319	615 160	742 984	861 713
Forensic Pathology Services	46 698	46 698	35 814	39 890	32 855	32 696	37 218	37 218	30 738	39 451	39 451	39 451			
Health Infrastructure										131 717	131 717	131 621	139 073	147 417	158 293
Health Professions Training and Development	102 000	102 000	101 988	110 754	110 754	110 504	117 400	117 400	117 400	124 444	124 444	124 444	130 930	138 131	146 419
Hospital Revitalisation	202 753	202 753	168 615	215 156	181 018	180 119	332 533	332 533	244 634	445 460	417 883	445 460	472 384	479 470	486 662
National Tertiary Services	550 539	550 539	550 718	642 835	642 835	627 021	659 469	659 469	659 469	715 204	715 204	715 204	786 724	849 661	898 091
World Cup Health Preparation Strategy				2 208	2 208	333	1 804		1 804						
Nursing Colleges													9 160	14 282	19 995
National Health Insurance													16 500	38 500	55 000
<b>Human Settlements</b>	<b>859 122</b>	<b>859 122</b>	<b>859 118</b>	<b>962 759</b>	<b>962 759</b>	<b>954 997</b>	<b>1 037 691</b>	<b>1 037 691</b>	<b>1 037 685</b>	<b>958 007</b>	<b>958 007</b>	<b>2 610 631</b>	<b>961 619</b>	<b>1 034 905</b>	<b>1 026 409</b>
Housing Disaster Relief										44 100	44 100				
Human Settlements Development	859 122	859 122	859 118	962 759	962 759	954 997	1 037 691	1 037 691	1 037 685	913 907	913 907	2 610 631	961 619	1 034 905	1 026 409
<b>National Treasury</b>	<b>569 278</b>	<b>569 278</b>	<b>552 867</b>	<b>733 593</b>	<b>717 182</b>	<b>609 872</b>	<b>478 137</b>	<b>478 137</b>	<b>727 211</b>	<b>117 119</b>	<b>117 119</b>	<b>87 438</b>			
Infrastructure Grant to Provinces															
Education	129 066	129 066	115 169	201 443	187 546	199 973	54 913	54 913	146 894	65 666	65 666	35 985			
Police, Roads and Transport	395 212	395 212	393 678	460 170	458 636	347 700	400 724	400 724	521 973	47 216	47 216	47 216			
Health	45 000	45 000	44 020	71 980	71 000	62 199	22 500	22 500	58 344	4 237	4 237	4 237			
<b>Public Works</b>	<b>125 066</b>	<b>125 066</b>	<b>70 199</b>	<b>185 104</b>	<b>140 144</b>	<b>185 095</b>	<b>222 386</b>	<b>222 386</b>	<b>222 376</b>	<b>240 163</b>	<b>240 163</b>	<b>362 916</b>	<b>231 399</b>	<b>244 755</b>	<b>258 561</b>
Devolution of Property Rates Fund Grant to Provinces	125 066	125 066	70 199	185 104	140 144	185 095	222 386	222 386	222 376	240 163	240 163	362 916	231 399	244 755	258 561
<b>Sport and Recreation South Africa</b>	<b>20 355</b>	<b>20 355</b>	<b>19 591</b>	<b>26 591</b>	<b>26 591</b>	<b>26 373</b>	<b>28 291</b>	<b>28 186</b>	<b>28 291</b>	<b>33 078</b>	<b>33 078</b>	<b>33 078</b>	<b>34 371</b>	<b>36 417</b>	<b>38 469</b>
Mass Sport and Recreation Participation Programme	20 355	20 355	19 591	26 591	26 591	26 373	28 291	28 186	28 291	33 078	33 078	33 078	34 371	36 417	38 469
<b>Transport</b>				<b>151 805</b>	<b>151 805</b>	<b>121 018</b>	<b>169 264</b>	<b>169 264</b>	<b>187 077</b>	<b>653 499</b>	<b>653 499</b>	<b>653 499</b>	<b>757 802</b>	<b>808 829</b>	<b>847 957</b>
Provincial Roads Maintenance										447 165	447 165	447 165	564 930	605 447	634 294
Public Transport Operations				151 805	151 805	121 018	169 264	169 264	187 077	184 566	184 566	184 566	192 872	203 382	213 663
Transport Disaster Management										21 768	21 768	21 768			
<b>Other (Not included above)</b>						<b>15 045</b>	<b>7 256</b>	<b>7 256</b>	<b>4 056</b>	<b>20 079</b>	<b>20 079</b>		<b>45 299</b>		
Expanded Public Works Programme															
Incentive Grant for Provinces						15 045	2 264	2 264		4 493	4 493		21 391		
Programme Incentive Grant for Provinces							4 992	4 992	4 056	15 586	15 586		23 908		
<b>Total conditional grants</b>	<b>2 944 850</b>	<b>2 933 483</b>	<b>2 797 441</b>	<b>3 649 431</b>	<b>3 527 316</b>	<b>3 428 517</b>	<b>4 151 866</b>	<b>4 141 485</b>	<b>4 215 845</b>	<b>5 271 256</b>	<b>5 189 553</b>	<b>6 907 215</b>	<b>5 519 604</b>	<b>5 943 274</b>	<b>6 269 584</b>

Table A.3: Details of provincial payments and estimates by economic classification

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>Current payments</b>	<b>12 239 126</b>	<b>14 269 391</b>	<b>16 241 841</b>	<b>17 763 295</b>	<b>18 028 143</b>	<b>18 076 377</b>	<b>18 913 375</b>	<b>20 006 031</b>	<b>21 094 015</b>
Compensation of employees	9 650 080	10 883 763	12 440 086	13 955 534	14 106 053	14 147 766	15 096 385	16 056 748	16 916 527
Salaries and wages	8 348 163	9 378 715	10 704 349	11 996 625	12 158 084	12 153 872	13 013 697	13 802 067	14 524 578
Social contributions	1 301 917	1 505 048	1 735 737	1 958 909	1 947 969	1 993 894	2 082 688	2 254 681	2 391 950
Goods and services	2 586 511	3 374 786	3 797 694	3 803 345	3 918 366	3 925 256	3 815 972	3 948 771	4 176 998
Interest and rent on land	2 535	10 842	4 061	4 416	3 724	3 355	1 018	513	490
Interest	2 485	10 842	4 061	4 416	3 724	3 355	1 018	513	490
Rent on land	50								
<b>Transfers and subsidies to:</b>	<b>2 093 115</b>	<b>2 824 766</b>	<b>3 352 691</b>	<b>3 143 542</b>	<b>3 494 819</b>	<b>5 226 210</b>	<b>3 521 595</b>	<b>3 724 524</b>	<b>3 831 475</b>
Provinces and municipalities	175 099	433 655	435 242	302 830	306 207	439 947	297 404	308 192	321 899
Provinces <sup>2</sup>	39	295	30	65	65	65	50	55	60
Provincial Revenue Funds	39	295	28	65	65	65	50	55	60
Provincial agencies and funds			2						
Municipalities <sup>3</sup>	175 060	433 360	435 212	302 765	306 142	439 882	297 354	308 137	321 839
Municipalities	167 677	433 360	430 212	302 765	306 142	439 882	297 354	308 137	321 839
Municipal agencies and funds	7 383		5 000						
Departmental agencies and accounts	103 489	114 478	118 537	137 331	139 630	139 630	167 550	174 227	159 037
Social security funds									
Provide list of entities receiving transfers	103 489	114 478	118 537	137 331	139 630	139 630	167 550	174 227	159 037
Universities and technikons	1 120	1 168	1 248	1 300	7 300	7 300	1 056	1 114	1 169
Public corporations and private enterprises	37 845	188 209	252 772	222 850	226 142	231 002	226 117	237 785	249 057
Public corporations	37 508	188 209	239 906	220 850	222 850	222 950	225 117	236 785	247 897
Subsidies on production		121 018	187 077	184 566	184 566	184 566	192 872	203 382	213 663
Other transfers	37 508	67 191	52 829	36 284	38 284	38 384	32 245	33 403	34 234
Private enterprises	337		12 866	2 000	3 292	8 052	1 000	1 000	1 160
Subsidies on production									
Other transfers	337		12 866	2 000	3 292	8 052	1 000	1 000	1 160
Foreign governments and international organisations									
Non-profit institutions	787 579	915 383	1 276 851	1 360 176	1 503 607	1 492 832	1 504 472	1 633 460	1 730 150
Households	987 983	1 171 873	1 268 041	1 119 055	1 311 933	2 915 499	1 324 996	1 369 746	1 370 163
Social benefits	47 388	52 958	47 086	34 593	40 325	47 146	38 110	41 881	42 648
Other transfers to households	940 595	1 118 915	1 220 955	1 084 462	1 271 608	2 868 353	1 286 886	1 327 865	1 327 515
<b>Payments for capital assets</b>	<b>1 677 586</b>	<b>1 630 580</b>	<b>1 357 416</b>	<b>2 281 236</b>	<b>2 678 315</b>	<b>2 784 802</b>	<b>2 435 157</b>	<b>2 530 145</b>	<b>2 640 904</b>
Buildings and other fixed structures	1 525 706	1 426 126	1 079 010	1 982 018	2 373 405	2 496 744	2 232 589	2 340 099	2 449 687
Buildings	653 067	733 073	507 804	1 313 093	1 327 998	1 315 857	1 381 336	1 339 625	1 350 808
Other fixed structures	872 639	693 053	571 206	668 925	1 045 407	1 180 887	851 253	1 000 474	1 098 879
Machinery and equipment	144 271	197 029	264 851	291 094	286 844	267 466	196 578	183 224	184 173
Transport equipment	17 295	36 259	1 788	68 000	19 942	20 655	2 400	2 319	2 765
Other machinery and equipment	126 976	160 770	263 063	223 094	266 902	246 811	194 178	180 905	181 408
Heritage assets			33		155	360	95	100	106
Specialised military assets									
Biological assets	1 821	5 557	8 905		14 206	14 206	1 440	2 000	2 000
Land and subsoil assets	4 382	1 220	2 330	500	703	936	3 010	3 200	3 300
Software and other intangible assets	1 406	648	2 287	7 624	3 002	5 090	1 445	1 522	1 638
<b>Payments for financial assets</b>	<b>65 649</b>	<b>49 362</b>	<b>22 054</b>		<b>66</b>	<b>11 232</b>			
<b>Total economic classification</b>	<b>16 075 476</b>	<b>18 774 099</b>	<b>20 974 002</b>	<b>23 188 073</b>	<b>24 201 343</b>	<b>26 098 621</b>	<b>24 870 127</b>	<b>26 260 700</b>	<b>27 566 394</b>

Table A.4(a): Details of function

Function	Category	Department	Programme
General public services	Legislative	Premier	Administration Management services
		Provincial Legislature	Administration National Council of Provinces Management services
	Financial and fiscal affairs	Finance	Administration Financial planning and resource management Financial management Procurement Management services
Public order and safety	Police services	Provincial Safety and Liaison	Administration
Economic Affairs	General economic affairs	Economic Affairs	Administration Trade, industry and tourism development Economic and development services Consumer protection and inspectorate services Management services
			Agriculture
	Transport	Transport	Roads Road traffic and law enforcement Transport
	Communication	Tourism	Tourism
Environmental Protection	Environmental protection		Conservation management Environmental management Specialist environmental services
Housing and community amenities	Housing development	Housing	Technical service Planning and development
Health	Outpatient service	Health	District health services Primary nutrition programme
	R&D health (CS)		Health science
	Hospital services		Provincial hospital services Specialised hospital services
Recreation, culture and religion	Recreational and sporting services	Sport, recreation, arts and culture	Sport and recreation
	Cultural services		Art, culture and heritage Facility development
Education	Pre-primary and primary	Education	Pre-primary Primary
	Secondary education		Secondary
	Subsidiary service to education		Provision of subsidiary
	Education not definable by level		ABET
Social protection	Social security services	Social service and population development	Administration Social security Social assistance Social welfare services Social development Population development Management services

Table A.4(b): Payments and estimates by policy area

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>GENERAL PUBLIC SERVICES</b>	<b>1 364 126</b>	<b>1 668 050</b>	<b>2 062 660</b>	<b>2 469 006</b>	<b>2 544 471</b>	<b>2 655 041</b>	<b>2 529 749</b>	<b>2 667 298</b>	<b>2 782 846</b>
<b>Executive and Legislative</b>	<b>147 251</b>	<b>170 310</b>	<b>175 759</b>	<b>220 701</b>	<b>220 949</b>	<b>223 304</b>	<b>229 582</b>	<b>222 425</b>	<b>230 064</b>
Office of the Premier	11 459	24 792	25 625	17 295	17 543	19 898	17 160	18 363	19 107
Provincial Legislature	135 792	145 518	150 134	203 406	203 406	203 406	212 422	204 062	210 957
<b>General Services</b>	<b>1 078 828</b>	<b>1 348 190</b>	<b>1 724 123</b>	<b>2 047 272</b>	<b>2 122 816</b>	<b>2 229 485</b>	<b>2 088 056</b>	<b>2 222 089</b>	<b>2 320 641</b>
Office of the Premier	99 511	125 428	159 425	203 461	204 827	202 472	235 953	245 432	255 987
Police, Roads and Transport	27 352	77 896	101 399	148 805	161 180	148 805	158 094	172 928	181 680
Public Works	660 522	777 162	1 000 054	1 226 210	1 273 668	1 392 218	1 269 707	1 362 885	1 423 771
Cooperative Governance & Traditional Affairs	220 784	290 522	388 061	375 641	388 986	391 835	323 042	335 052	347 982
Economic Development, Tourism and Environmental Affairs	70 659	77 182	75 184	93 155	94 155	94 155	101 260	105 792	111 221
<b>Financial and Fiscal Services</b>	<b>138 047</b>	<b>149 550</b>	<b>162 778</b>	<b>201 033</b>	<b>200 706</b>	<b>202 252</b>	<b>212 111</b>	<b>222 784</b>	<b>232 141</b>
Provincial Treasury	138 047	149 550	162 778	201 033	200 706	202 252	212 111	222 784	232 141
<b>PUBLIC ORDER AND SAFETY</b>	<b>198 555</b>	<b>248 198</b>	<b>277 369</b>	<b>263 500</b>	<b>284 808</b>	<b>270 274</b>	<b>296 092</b>	<b>310 521</b>	<b>321 733</b>
<b>Police Services</b>	<b>16 930</b>	<b>18 457</b>	<b>21 300</b>	<b>24 500</b>	<b>24 270</b>	<b>24 171</b>	<b>26 981</b>	<b>30 274</b>	<b>33 337</b>
Police, Roads and Transport	16 930	18 457	21 300	24 500	24 270	24 171	26 981	30 274	33 337
<b>Traffic Control</b>	<b>181 625</b>	<b>229 741</b>	<b>256 069</b>	<b>239 000</b>	<b>260 538</b>	<b>246 103</b>	<b>269 111</b>	<b>280 247</b>	<b>288 396</b>
Police, Roads and Transport	181 625	229 741	256 069	239 000	260 538	246 103	269 111	280 247	288 396
<b>EDUCATION</b>	<b>6 723 834</b>	<b>7 858 011</b>	<b>8 474 429</b>	<b>9 510 097</b>	<b>9 792 612</b>	<b>9 877 953</b>	<b>10 062 037</b>	<b>10 555 526</b>	<b>11 079 507</b>
<b>Pre-primary &amp; Primary Phases</b>	<b>2 939 696</b>	<b>3 452 701</b>	<b>3 787 221</b>	<b>4 122 148</b>	<b>4 175 047</b>	<b>4 188 770</b>	<b>4 401 010</b>	<b>4 682 907</b>	<b>4 958 840</b>
Education	2 939 696	3 452 701	3 787 221	4 122 148	4 175 047	4 188 770	4 401 010	4 682 907	4 958 840
<b>Secondary Education Phase</b>	<b>1 991 499</b>	<b>2 316 220</b>	<b>2 604 370</b>	<b>2 786 192</b>	<b>2 820 996</b>	<b>2 846 445</b>	<b>3 029 142</b>	<b>3 188 423</b>	<b>3 381 275</b>
Education	1 991 499	2 316 220	2 604 370	2 786 192	2 820 996	2 846 445	3 029 142	3 188 423	3 381 275
<b>Education not defined by level</b>	<b>555 685</b>	<b>628 892</b>	<b>659 773</b>	<b>813 925</b>	<b>859 372</b>	<b>872 402</b>	<b>869 901</b>	<b>940 752</b>	<b>914 553</b>
Agriculture	10 798	11 801	13 260	13 756	14 856	14 556	17 328	16 755	17 755
Education	544 887	617 091	646 513	800 169	844 516	857 846	852 573	923 997	896 798
<b>Subsidiary Services to Education</b>	<b>1 236 954</b>	<b>1 460 198</b>	<b>1 423 065</b>	<b>1 787 832</b>	<b>1 937 197</b>	<b>1 970 336</b>	<b>1 761 984</b>	<b>1 743 444</b>	<b>1 824 839</b>
Education	1 236 954	1 460 198	1 423 065	1 787 832	1 937 197	1 970 336	1 761 984	1 743 444	1 824 839
<b>HEALTH</b>	<b>4 453 496</b>	<b>5 208 138</b>	<b>6 019 179</b>	<b>6 820 708</b>	<b>6 930 347</b>	<b>6 876 358</b>	<b>7 383 255</b>	<b>7 856 794</b>	<b>8 354 913</b>
Outpatient services	1 170 676	1 331 718	1 485 347	1 628 852	1 651 852	1 642 553	1 726 755	1 805 781	1 874 413
R and D Health (CS)									
Hospital Services	3 282 820	3 876 420	4 533 832	5 191 856	5 278 495	5 233 805	5 656 500	6 051 013	6 480 500
<b>SOCIAL PROTECTION</b>	<b>540 424</b>	<b>665 732</b>	<b>712 546</b>	<b>801 787</b>	<b>812 892</b>	<b>813 977</b>	<b>865 450</b>	<b>922 393</b>	<b>960 164</b>
<b>Social Security Services</b>									
Social Development									
<b>Social Services and Population Development</b>	<b>540 424</b>	<b>665 732</b>	<b>712 546</b>	<b>801 787</b>	<b>812 892</b>	<b>813 977</b>	<b>865 450</b>	<b>922 393</b>	<b>960 164</b>
Social Development	540 424	665 732	712 546	801 787	812 892	813 977	865 450	922 393	960 164
<b>HOUSING AND COMMUNITY AMENITIES</b>	<b>906 642</b>	<b>1 003 899</b>	<b>1 144 733</b>	<b>987 790</b>	<b>1 093 356</b>	<b>2 689 281</b>	<b>1 058 221</b>	<b>1 135 283</b>	<b>1 135 784</b>
<b>Housing Development</b>	<b>906 642</b>	<b>1 003 899</b>	<b>1 144 733</b>	<b>987 790</b>	<b>1 093 356</b>	<b>2 689 281</b>	<b>1 058 221</b>	<b>1 135 283</b>	<b>1 135 784</b>
Human Settlements	906 642	1 003 899	1 144 733	987 790	1 093 356	2 689 281	1 058 221	1 135 283	1 135 784
<b>ENVIRONMENTAL PROTECTION</b>	<b>375 260</b>	<b>340 412</b>	<b>380 993</b>	<b>500 562</b>	<b>513 369</b>	<b>513 719</b>	<b>612 398</b>	<b>627 165</b>	<b>625 771</b>
<b>Environmental Protection</b>	<b>375 260</b>	<b>340 412</b>	<b>380 993</b>	<b>500 562</b>	<b>513 369</b>	<b>513 719</b>	<b>612 398</b>	<b>627 165</b>	<b>625 771</b>
Economic Development, Tourism and Environmental Affairs	144 371	113 246	117 303	157 137	161 068	161 068	180 772	175 404	181 225
Agriculture	230 889	227 166	263 690	343 425	352 301	352 651	431 626	451 761	444 546
<b>RECREATION, CULTURE AND RELIGION</b>	<b>377 909</b>	<b>450 724</b>	<b>481 458</b>	<b>569 175</b>	<b>594 578</b>	<b>620 402</b>	<b>555 981</b>	<b>555 109</b>	<b>583 500</b>
<b>Sporting and Recreational Affairs</b>	<b>377 909</b>	<b>450 724</b>	<b>481 458</b>	<b>569 175</b>	<b>594 578</b>	<b>620 402</b>	<b>555 981</b>	<b>555 109</b>	<b>583 500</b>
Sport, Arts, Culture and Recreation	316 134	360 893	381 525	479 300	500 423	526 247	435 621	428 646	452 876
Economic Development, Tourism and Environmental Affairs	50 197	82 670	99 933	89 875	94 155	94 155	120 360	126 463	130 624
Premier	11 578	7 161							
<b>ECONOMIC AFFAIRS</b>	<b>1 135 230</b>	<b>1 330 935</b>	<b>1 420 635</b>	<b>1 265 448</b>	<b>1 634 910</b>	<b>1 781 616</b>	<b>1 506 944</b>	<b>1 630 611</b>	<b>1 722 176</b>
<b>General Economic Affairs</b>	<b>21 027</b>	<b>43 343</b>	<b>34 868</b>	<b>50 136</b>	<b>49 136</b>	<b>49 136</b>	<b>34 502</b>	<b>34 142</b>	<b>34 624</b>
Economic Development, Tourism and Environmental Affairs	21 027	43 343	34 868	50 136	49 136	49 136	34 502	34 142	34 624
<b>Agriculture</b>	<b>120 023</b>	<b>136 272</b>	<b>119 059</b>	<b>126 899</b>	<b>126 899</b>	<b>138 849</b>	<b>130 528</b>	<b>126 517</b>	<b>134 864</b>
Agriculture	120 023	136 272	119 059	126 899	126 899	138 849	130 528	126 517	134 864
<b>Rural Development</b>		<b>15 968</b>	<b>27 347</b>	<b>35 261</b>	<b>63 261</b>	<b>63 261</b>	<b>40 600</b>	<b>42 938</b>	<b>44 427</b>
Rural Development		15 968	27 347	35 261	63 261	63 261	40 600	42 938	44 427
<b>Transport</b>	<b>994 180</b>	<b>1 135 352</b>	<b>1 239 361</b>	<b>1 053 152</b>	<b>1 395 614</b>	<b>1 530 370</b>	<b>1 301 314</b>	<b>1 427 014</b>	<b>1 508 261</b>
Police, Roads and Transport	994 180	1 135 352	1 239 361	1 053 152	1 395 614	1 530 370	1 301 314	1 427 014	1 508 261
<b>Total provincial payments and estimates by policy area</b>	<b>16 075 476</b>	<b>18 774 099</b>	<b>20 974 002</b>	<b>23 188 073</b>	<b>24 201 343</b>	<b>26 098 621</b>	<b>24 870 127</b>	<b>26 260 700</b>	<b>27 566 394</b>

Table A.5: Transfers to local government by category and municipality

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>Category A</b>	<b>90 630</b>	<b>120 939</b>	<b>63 810</b>	<b>64 979</b>	<b>52 040</b>	<b>80 440</b>	<b>59 391</b>	<b>63 368</b>	<b>63 368</b>
Mangaung	90 630	120 939	63 810	64 979	52 040	80 440	59 391	63 368	63 368
<b>Category B</b>	<b>19 098</b>	<b>94 931</b>	<b>75 121</b>	<b>18 912</b>	<b>25 051</b>	<b>25 051</b>	<b>1 730</b>	<b>2 000</b>	<b>2 000</b>
Letsemeng	97	1 387	3 300	150		800	115		
Kopanong	210	4 053	7 000	150	100		115		
Mohokare	1 140	3 500	3 000	5 451	5 451	5 451			
Naledi	1 640	844	4 898	2 765	2 865	2 765			
Masilonyana	2 000	4 950	9 000						
Tokologo			3 180						
Tswelopele									
Matjhabeng	6 249	36 480							
Nala		1 000	7 000	3 800	3 929	3 929			
Setsoto		300			4 510	4 510			
Dihlabeng	700	1 602	10 000		1 000	1 000	500	667	667
Nketoana									
Maluti a Phofung	2 041	13 281	14 000		500		500	667	667
Phumelela		3 012	2 309	3 796	3 796	3 796			
Mantsopa	446								
Moqhaka	2 237								
Ngwathe	340	5 030	5 850						
Metsimaholo	840	648	84				500	666	666
Mafube	1 158	18 844	5 500	2 800	2 900	2 800			
<b>Category C</b>	<b>65 332</b>	<b>217 490</b>	<b>296 281</b>	<b>218 874</b>	<b>229 051</b>	<b>334 391</b>	<b>236 233</b>	<b>242 769</b>	<b>256 471</b>
Xhariep	6 118	14 855	30 203	3 200	20 733	20 733	5 445	2 608	2 608
Lejweleputswa	6 859	17 253	14 832	17 750	31 462	31 462	18 865	20 129	20 129
Thabo Mofutsanyana	34 502	124 238	151 109	119 987	125 356	219 709	120 064	129 165	142 971
Fezile Dabi	17 853	61 144	89 836	53 500	43 756	54 743	37 634	29 485	29 485
Unallocated			10 301	24 437	7 744	7 744	54 225	61 382	61 278
Inter-provincial transfers									
<b>Total transfers to local government</b>	<b>175 060</b>	<b>433 360</b>	<b>435 212</b>	<b>302 765</b>	<b>306 142</b>	<b>439 882</b>	<b>297 354</b>	<b>308 137</b>	<b>321 839</b>

Table A.6: Summary of provincial payments and estimates by region and district

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>Metro</b>	<b>90 630</b>	<b>120 939</b>	<b>63 810</b>	<b>64 979</b>	<b>52 040</b>	<b>80 440</b>	<b>59 391</b>	<b>63 368</b>	<b>63 368</b>
Motheo	90 630	120 939	63 810	64 979	52 040	80 440	59 391	63 368	63 368
<b>Region</b>	<b>84 430</b>	<b>312 421</b>	<b>361 101</b>	<b>213 349</b>	<b>246 358</b>	<b>351 698</b>	<b>183 738</b>	<b>183 387</b>	<b>197 193</b>
<b>Xhariep</b>	<b>9 205</b>	<b>24 639</b>	<b>48 401</b>	<b>11 716</b>	<b>29 149</b>	<b>29 749</b>	<b>5 675</b>	<b>2 608</b>	<b>2 608</b>
Letsemeng	97	1 387	3 300	150		800	115		
Kopanong	210	4 053	7 000	150	100		115		
Mohokare	1 140	3 500	3 000	5 451	5 451	5 451			
Naledi	1 640	844	4 898	2 765	2 865	2 765			
Xhariep	6 118	14 855	30 203	3 200	20 733	20 733	5 445	2 608	2 608
<b>Thabo Mofutsanyane</b>	<b>37 689</b>	<b>142 433</b>	<b>177 418</b>	<b>123 783</b>	<b>135 162</b>	<b>229 015</b>	<b>121 064</b>	<b>130 499</b>	<b>144 305</b>
Setsoto		300			4 510	4 510			
Dihlabeng	700	1 602	10 000		1 000	1 000	500	667	667
Nketoana									
Maluti a Phofung	2 041	13 281	14 000		500		500	667	667
Phumelela		3 012	2 309	3 796	3 796	3 796			
Mantsopa	446								
Thabo Mofutsanyane	34 502	124 238	151 109	119 987	125 356	219 709	120 064	129 165	142 971
<b>Fezile Dabi</b>	<b>22 428</b>	<b>85 666</b>	<b>101 270</b>	<b>56 300</b>	<b>46 656</b>	<b>57 543</b>	<b>38 134</b>	<b>30 151</b>	<b>30 151</b>
Moghaka	2 237								
Nqwathe	340	5 030	5 850						
Metsimaholo	840	648	84				500	666	666
Mafube	1 158	18 844	5 500	2 800	2 900	2 800			
Fezile Dabi	17 853	61 144	89 836	53 500	43 756	54 743	37 634	29 485	29 485
<b>Lejeleputswa</b>	<b>15 108</b>	<b>59 683</b>	<b>34 012</b>	<b>21 550</b>	<b>35 391</b>	<b>35 391</b>	<b>18 865</b>	<b>20 129</b>	<b>20 129</b>
Masilonyana	2 000	4 950	9 000						
Tokologo			3 180						
Tswelopele									
Matjabeng	6 249	36 480							
Nala		1 000	7 000	3 800	3 929	3 929			
Lejeleputswa	6 859	17 253	14 832	17 750	31 462	31 462	18 865	20 129	20 129
<b>Unallocated funds</b>			<b>10 301</b>	<b>24 437</b>	<b>7 744</b>	<b>7 744</b>	<b>54 225</b>	<b>61 382</b>	<b>61 278</b>
<b>Inter-provincial transfer</b>									
<b>Total provincial payments by region and district</b>	<b>175 060</b>	<b>433 360</b>	<b>435 212</b>	<b>302 765</b>	<b>306 142</b>	<b>439 882</b>	<b>297 354</b>	<b>308 137</b>	<b>321 839</b>

Table A.7: Summary - payments and estimates of provincial infrastructure by category

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
<b>New and replacement assets</b>	<b>821 369</b>	<b>748 329</b>	<b>616 093</b>	<b>223 507</b>	<b>293 261</b>	<b>565 600</b>	<b>712 980</b>	<b>466 773</b>	<b>814 378</b>
Economic Development, Tourism and Environmental Affairs	42 688	39 237	29 287	20 500	24 931	24 931	26 500	27 000	28 350
Health					27 577	302 410	333 193	243 103	218 162
Education	251 531	380 769	60 878	63 200	86 820	86 820	158 900	11 949	23 809
Social Development	18 177	6 441	117	35 000	25 000	18 107	31 000	31 640	31 100
Public Works			38 967	31 146	26 847	26 847	35 248	17 857	3 000
Police Roads and Transport	483 425	275 219	428 692	34 000	37 000	31 005	40 500	45 000	410 975
Agriculture	22 517	35 670	41 421		37 068	41 169			
Sport, Arts, Culture and Recreation	3 031	10 993	16 731	39 661	28 018	34 311	64 939	65 265	73 465
<b>Maintenance and repairs</b>	<b>128 591</b>	<b>190 944</b>	<b>285 185</b>	<b>349 138</b>	<b>375 777</b>	<b>786 277</b>	<b>310 271</b>	<b>463 324</b>	<b>460 131</b>
Economic Development, Tourism and Environmental Affairs				13 176	13 176	13 176	15 925		
Health	24 635	48 445	87 737	24 883	26 979	23 267	30 000	45 022	56 360
Education	8 460	9 079	7 380	6 000	16 000	16 000	10 000	12 000	14 000
Public Works		3 329	20 043	32 555	31 588	25 617	41 626	22 004	26 254
Police Roads and Transport	93 170	127 800	166 307	266 024	276 024	697 281	206 195	377 414	356 633
Sport, Arts, Culture and Recreation	2 326	2 291	3 718	6 500	12 010	10 936	6 525	6 884	6 884
<b>Upgrades and additions</b>	<b>350 128</b>	<b>255 530</b>	<b>309 125</b>	<b>556 941</b>	<b>627 286</b>	<b>866 056</b>	<b>733 748</b>	<b>1 217 752</b>	<b>960 245</b>
Economic Development, Tourism and Environmental Affairs	18 296			13 130	13 130	13 130	25 347	28 754	26 771
Health					4 237	255 737	233 925	358 762	395 433
Education	64 537	27 560	52 516	242 161	238 046	238 046	180 200	267 750	207 290
Social Development				3 000	3 000	1 000	4 000		
Public Works	55 729	61 417	38 978	173 426	180 276	182 304	140 080	193 307	209 821
Police Roads and Transport	201 252	151 135	178 876	60 000	68 495	63 600	63 075	310 086	66 037
Agriculture	10 314	15 418	19 633	28 429	26 775	24 031	38 851	28 493	27 493
Sport, Arts, Culture and Recreation			19 122	27 288	83 820	78 701	48 270	30 600	27 400
Rural Development				9 507	9 507	9 507			
<b>Rehabilitation, renovations and refurbishments</b>	<b>443 619</b>	<b>502 306</b>	<b>427 492</b>	<b>933 455</b>	<b>1 149 400</b>	<b>361 292</b>	<b>538 807</b>	<b>242 113</b>	<b>261 737</b>
Health	257 350	223 170	276 878	522 621	522 621		30 031	14 282	19 995
Education	3 795	15 676	31 558	54 093	75 202	75 202	85 225	89 200	126 600
Police Roads and Transport	171 788	250 895	119 056	256 141	551 577	286 090	419 101	134 631	115 142
Agriculture	360						4 450	4 000	
Sport, Arts, Culture and Recreation	10 326	12 565		100 600					
<b>Infrastructure transfer - current</b>	<b>16 365</b>	<b>3 023</b>	<b>15 185</b>	<b>1 000</b>	<b>1 000</b>	<b>1 000</b>	<b>52 427</b>	<b>43 522</b>	<b>45 171</b>
Education		1 647	1 650	1 000	1 000	1 000			
Police Roads and Transport	16 365	1 376	13 535						
Agriculture							41 927	43 522	45 171
<b>Infrastructure transfer - Capital</b>	<b>125 239</b>	<b>220 847</b>	<b>214 946</b>	<b>102 322</b>	<b>105 437</b>	<b>150 437</b>	<b>68 173</b>	<b>144 569</b>	<b>168 577</b>
Education	43 238		86 539	52 322	84 437	84 437	38 310	110 105	132 443
Public Works		800							
Police Roads and Transport		173 376	74 384	30 000		30 000			
Agriculture	6 050	8 905	9 360		11 000	16 000	29 863	34 464	36 134
Sport, Arts, Culture and Recreation	75 951	37 766	44 663	20 000	10 000	20 000			
<b>Total provincial infrastructure</b>	<b>1 885 311</b>	<b>1 920 979</b>	<b>1 868 026</b>	<b>2 166 363</b>	<b>2 552 161</b>	<b>2 730 662</b>	<b>2 416 406</b>	<b>2 578 053</b>	<b>2 710 239</b>

**Table A.8: Summary of Infrastructure Enhancement Allocation payments and estimates by Vote**

R thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
2 Legislature				42 000	42 000	42 000	44 500	30 000	30 000
3 Economic Development Tourism & Environmental Affairs	30 000	36 704	29 276	52 737	52 737	46 806	52 247	55 121	55 121
5 Health	69 350	48 593	59 747				15 000	20 000	25 000
6 Education	229 537	150 833	60 509	10 583	10 583	10 583	12 000	15 000	17 000
7 Social Development	18 177	6 441	117	28 000	28 000	27 230	35 000	31 640	31 100
9 Public Works	26 176	8 791	36 339	150 407	157 958	157 958	120 267	162 072	162 072
10 Police, Roads and Transport	316 448	361 448	439 951	358 876	358 876	448 578	487 790	576 760	616 760
11 Agriculture	29 195	14 961	20 710	31 429	31 429	33 429	41 851	31 493	31 493
12 Sport, Arts, Culture and Recreation	92 634	63 615	93 857	148 505	148 505	170 449	10 488	81 805	81 805
<b>Total Infrastructure Enhancement Allocation</b>	<b>811 517</b>	<b>691 386</b>	<b>740 506</b>	<b>822 537</b>	<b>830 088</b>	<b>937 033</b>	<b>819 143</b>	<b>1 003 891</b>	<b>1 050 351</b>

**Table A.9: Summary of Infrastructure Grant to Provinces payments and estimates by Vote**

R' thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
5 Health	44 020	62 199	58 344		4 237	4 237			
6 Education	115 169	199 973	146 894		65 666	35 985			
10 Police, Roads and Transport	393 678	347 700	521 973		47 216	47 216			
<b>Total Infrastructure Grant to</b>	<b>552 867</b>	<b>609 872</b>	<b>727 211</b>		<b>117 119</b>	<b>87 438</b>			

**Table A.10: Summary of Revenue Enhancement Allocation payments and estimates by Vote**

R' thousand	Audited outcome			Main appropriation	Adjusted appropriation 2011/12	Revised estimate	Medium-term estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
3 Economic Development Tourism & Environmental Affairs							14 925		
9 Public Works							13 742		
10 Police, Roads and Transport							5 530		
Unallocated								29 496	41 232
<b>Total Revenue Enhancement Allocation</b>							<b>34 197</b>	<b>29 496</b>	<b>41 232</b>

**PART B:  
ESTIMATES OF PROVINCIAL REVENUE  
AND EXPENDITURE:  
DEPARTMENTAL ESTIMATES**