

## EXPLANATORY MEMORANDUM

### 1. PURPOSE

The Appropriation Bill, 2012 regulates the appropriation of amounts of money for the needs of the Province in respect of the financial year 1 April 2012 to 31 March 2013.

The memorandum highlights estimates of revenue expected to be received and raised for each year of the 2012 Medium Term Expenditure Framework ("MTEF") period as well as the expenditures to be incurred by the Province.

### 2. SUMMARY

The 2012 MTEF budget appropriation includes the amounts that are already in the baseline of the Departments, as well as new allocations. These allocations include national allocations relating to conditional grants, policy adjustments, funding of nationally agreed priorities and funding from the provincially own sourced revenue.

The total estimate of expenditure for the Province for the 2012/13 financial year amounts to R24.870 billion. This caters for funding of priorities identified in The New Growth Path policy, the 2009-2014 Medium Term Strategic Framework (MTSF), 2011 Medium Term Budget Policy Statement (MTBPS) and the 2012 MTEF.

The Free State Provincial Government's projected revenue for the 2012/13 financial year is R24.870 billion, which consists of equitable share transfers of R18.531 billion, conditional grants of R5.520 billion, and the Province's projected own revenue amounting to R819 million.

TABLE 1: NET PROVINCIAL POSITION

R' 000	2012/13	2013/14	2014/15
Total Revenue	24 870 129	26 290 195	27 607 625
Total Allocated Expenditure	24 870 127	26 260 700	27 566 394
<b>Net Surplus (Incentive funding)</b>	<b>2</b>	<b>29 495</b>	<b>41 231</b>

### 3. PURPOSE OF ALLOCATIONS

The total provincial budget amounts to R24.870 billion for the 2012/13 financial year as indicated in Table 2 below.

\*figures with the words thousand, million or billion attached to it were rounded off.

The purpose of the allocations, therefore, is to cater for, and enable the implementation of the provincial government's programme of action with specific emphasis on the following:

- **Enhancement of the quality of education** through an improving access to educational opportunities.
- **Improving the provision of health care**, particularly for the poor, to reduce infant, child and maternal mortality rates.
- **Reducing the levels of crime and enhancing citizen safety** is one of provincial government priorities through which it intends to increase the number of policing personnel specialising in various key areas of crime prevention;
- **Creating sustainable growth through maintaining high levels of public investment in infrastructure to intensify and improve** various infrastructure delivery challenges and imperatives of the provincial government, is also one of the priorities. Among the infrastructure related investment initiatives are the Harrismith Logistics Hub, School Hostel, Roads Construction programme and many others.
- **Intensifying the Province's public sector employment programmes** by increasing employment in areas where there is a clear need to do so especially in the police, education and health sectors;
- **Implementing of the Expanded Public Works Programme ("EPWP")** in areas such as health services, construction, maintenance and environmental protection projects;
- **Scaling up social interventions** to address the job challenges and ensuring social protection.

TABLE 2: SUMMARY OF PROPOSED ALLOCATION TO DEPARTMENTS

R'000	2012/13
	Budget Allocation
Premier	253 113
Free State Legislature	212 422
Economic Development, Tourism and Environmental Affairs	436 894
Provincial Treasury	212 111
Health	7 383 255
Education	10 044 709
Social Development	865 450
Cooperative Governance and Traditional Affairs	323 042
Public Works	1 269 707
Police, Roads and Transport	1 755 500
Agriculture	579 482
Sport, Arts, Culture and Recreation	435 621
Human Settlements	1 058 221
Rural Development	40 600
<b>Total</b>	<b>24 870 127</b>

#### 4. DISCUSSION

##### 4.1. Provincial Fiscal Envelope

A summary of the total provincial revenue envelope is contained in the table 3 below and reflects the total revenue of R24.870 billion, R26.290 billion and R27.607 billion for the financial years 2012/13, 2013/14 and 2014/15 respectively.

TABLE 3: PROVINCIAL REVENUE ENVELOPE

R' 000	2012/13	2013/14	2014/15
Equitable Share	18 531 165	19 466 736	20 412 571
Conditional Grants	5 519 604	5 943 274	6 269 584
<b>Total Transfers from National</b>	<b>24 050 769</b>	<b>25 410 010</b>	<b>26 682 155</b>
Own Revenue	819 360	880 185	925 470
<b>Total Revenue</b>	<b>24 870 129</b>	<b>26 290 195</b>	<b>27 607 625</b>

##### 4.2.1 Social Sector allocations

###### a) Health

The Department of Health is allocated an amount of **R7.383 billion**.

The allocation of this Department, among others, covers the following health care priorities over 2012 MTEF:

- National health laboratories and blood services;

- Family Health Teams and Re-engineering of Primary Health Care;
- Expansion of Medical Male Circumcision;
- Public Hospital norms and standards;
- Health infrastructure;
- Piloting of National Health Insurance;
- Addressing a shortfall in Occupation Specific Dispensation (OSD) for Doctors, Therapists and nurses;
- Reducing infant and child mortality;
- Addressing tuberculosis (XDR and MDR); and
- General health capacity.

#### **b) Education**

In the quest to improve the quality of and access to education, the allocated amount for the Department of Education amounted to **R10.045 billion**.

The funding to the Department also addresses the following sector priorities over the 2012 MTEF:

- Expansion of No-Fee Policy;
- Learner Teacher Support Materials, including CAPS;
- OSD for Educators;
- Expansion of the 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;
- Universalization of Grade R;
- Expansion of Early Childhood Development;
- School Sport and Culture;
- Tertiary bursaries; and
- Education Infrastructure.

#### **c) Social Development**

The Department of Social Development is allocated an amount of **R865.450 million**. The following priorities, amongst others, are funded:

- Sustainable livelihood;
- Recruitment and retention of Social Workers;
- Infrastructure Enhancement; and
- Expansion of Early Childhood Development.

#### 4.2.2 Non-Social Sector allocations

Allocated funding to the non-social sector Departments is as follows:

##### a) Department of the Premier

The allocation to this Department amounts to **R253.113 million**. The funding will cater for the following priorities:

- EXCO activities (community consultations & izimbizos)
- Thusanong Centre;
- Communications;
- Finalization of the FSGDS;
- Special programmes; and
- Community Development Workers.

##### b) Free State Legislature

The allocated budget amounts to **R212.422 million** to the Free State Legislature. Included in the allocation is the earmarked funding for building of a new Legislature building. The allocation for Legislature building amounts to **R44.5 million** in 2012/13.

##### c) Economic Development, Tourism and Environmental Affairs

The Department of the Economic Development, Tourism and Environmental Affairs is allocated an amount of **R436.894 million**. The allocation to this Department will cover the following priorities:

- Economic development;
- Tourism marketing;
- Regional IT Hub;
- Revitalization of resorts;
- Revenue Enhancement Projects
- Infrastructure enhancement; and
- Transfers to Public Entities.

##### d) Provincial Treasury

The Department of the Provincial Treasury is allocated an amount of **R212.111 million**. The allocation for the above-mentioned department will cover amongst others the following priorities:

- Promotion of optimal use of provincial and municipal financial resources;
- Enforce fiscal discipline;
- Capacity building to departments and municipalities; and
- Strengthening financial governance practices in line with government desired outcomes.

#### e) **Cooperative Governance and Traditional Affairs**

The Department of Cooperative Governance and Traditional Affairs is allocated an amount of **R323.042 million**. Amongst other priorities funded are the following:

- Financial management capacity building for municipalities;
- Continuation of Operation Clean Audits;
- Continuation of revitalization of VIP toilets; and
- House of Traditional Leaders.

#### f) **Public Works**

The Department of Public Works' allocation amounts to **R1.270 billion**. The allocated budget will fund the following priorities:

- Property rates and leases;
- Office leases;
- Revitalisation of government buildings;
- Expanded Public Works Programme (EPWP); and
- Revenue Enhancement Projects.

#### g) **Police, Roads and Transport**

The allocation to the Department of Police, Roads and Transport will amount to **R1.756 billion**. The allocation of this department will mainly fund provincial road infrastructure as well as revenue enhancement projects.

#### h) **Agriculture**

The functions of rural development have been transferred to a new Department in the 2012 MTEF. The Department of Agriculture is allocated an amount of **R579.482 million**. The allocated budget will fund the following priorities:

- Mohoma Mobung project;
- Provincial Agricultural Master Plan;
- Food security;
- Current expenditure;
- Farmer support initiatives;
- Agrarian reform; and
- Vet Laboratory refurbishment.

#### i) **Sport, Arts, Culture and Recreation**

The Department of Sport, Arts, Culture and Recreation receives an allocation of **R435.621 million** for funding the provincial priorities. The Phakisa Major Sport Events and Development Corporation entity has been transferred to the Department of Economic Development, Tourism and Environmental Affairs in the 2012 MTEF. Amongst others, provincial priorities include the following:

- All sports code development;
- Arts and Culture programmes;
- Current expenditure; and
- Infrastructure.

**j) Human Settlements**

The Department of Human Settlements is allocated an amount of **R1.058 billion** in 2012/13. The allocation for this department is mainly dominated by the Human Settlements Development Grant. The remaining funds are mainly catering for operational expenditure.

**k) Rural Development**

The functions of rural development have been transferred to a new Department in the 2012 MTEF. The Department of Rural Development is allocated an amount of **R40.600 million**.