

EXPLANATORY MEMORANDUM

1. PURPOSE

The Appropriation Act, 2011 regulates the appropriation of amounts of money for the requirements of the Province in respect of the financial year between 1 April 2011 and 31 March 2012.

The memorandum highlights all estimates of revenue expected to be received and raised for each year of the 2011 Medium Term Expenditure Framework ("MTEF") period as well as the expenditures to be incurred by the Province.

2. SUMMARY

The 2011 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 2011/12 financial year amounts to R23.188 billion (rounded off). This caters for funding of priorities identified in the 2009 Medium Term Strategic Framework (MTSF), 2010 Medium Term Budget Policy Statement (MTBPS) and the 2011 MTEF.

The Free State Provincial Government's projected revenue for the 2011/12 financial year is R23.214 billion, which consists of equitable share transfers of R17.521 billion, conditional grants of R4.976 billion, and the Province's projected own revenue amounting to R718 million. The total provincial projected revenue of R23.214 billion includes ring-fenced surplus funds of R26.192 million which is unallocated and will be utilized as an Incentive Grant.

TABLE 1: NET PROVINCIAL POSITION

R '000	2011/12	2012/13	2013/14
Total Revenue	23 214 265	24 568 542	25 953 498
Total Allocated Expenditure	23 188 073	24 549 840	25 931 054
Net Surplus (Incentive funding)	26 192	18 702	22 444

3. DISCUSSION

3.1. Provincial Fiscal Envelope

A summary of the total provincial revenue envelope is contained in the table 2 below and reflects the total revenue of R23.214 billion, R24.569 billion and R25.953 billion for the financial years 2011/12, 2012/13 and 2013/14 respectively.

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

TABLE 2: PROVINCIAL REVENUE ENVELOPE

R '000	2011/12	2012/13	2013/14
Equitable Share	17 520 835	18 430 860	19 363 325
Conditional Grants	4 975 817	5 365 484	5 739 484
Total Transfers from National	22 496 652	23 796 344	25 102 809
Own Revenue	717 613	772 198	850 689
Total Revenue	23 214 265	24 568 542	25 953 498

3.2.1 Social Sector allocations

a) Health

The Department of Health is allocated an amount of **R6.821 billion**.

The allocation of this Department among others covers the following health care priorities over 2011 MTEF:

- Addressing a shortfall in Occupation Specific Dispensation (OSD) for nurses,
- Reducing infant and child mortality,
- Addressing tuberculoses (XDR and MDR),
- General health capacity;
- National Health laboratories and blood services;
- Family Health teams and Re-engineering of primary health care;
- Medical Male Circumcision;
- Public Hospital norms and standards; *and*
- Health infrastructure.

b) Education

In the quest to improve the quality of and access to education, the allocated amount for the Department of Education amounted to **R9.496 billion**.

The funding to the Department also addresses the following sector priorities over the 2011 MTEF:

- No Fee School Policy;
- Learner Teacher Support Materials,
- 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;
- Early Childhood Development;
- In School Sport and Culture;
- Tertiary bursaries;
- Literacy and numeracy; *and*
- Education Infrastructure.

c) Social Development

The Department of Social Development is allocated an amount of **R801.787 million**.

Priority areas for Social Development relate to the extension of the Early Childhood Development and other welfare services in an effort to meet constitutional responsibilities.

The other key areas receiving funding in the Department relate to implementation of the Occupation Specific Dispensation for Welfare Services, development of Monitoring and Evaluation capacity for Welfare Services, expansion of Home and Community Based Care and expansion of services to children in conflict with the law, sustainable livelihood and the recruiting and retaining of social workers.

3.2.2 Non-Social Sector allocations

The Free State Province has considered the priorities for next year's budget with a view of consolidating the provincial resources and laying the foundation for Vision 2014. Allocated funding to the non-social sector Departments is as follows:

a) Department of the Premier

The allocation to this Department amounts to **R220.756 million**.

The funding towards this department relates to the following priorities:

- EXCO meets the people and Izimbizo's;
- Thusanong centre;
- Communications & Operation Hlasela advocacy;
- Review of the FSGDS; and
- Presidential and Provincial Hotline.

b) Free State Legislature

The allocated budget amount to **R203.406 million** to the Free State Legislature for the construction of Legislature building and other provincial and national priorities of the department.

c) Economic Development, Tourism and Environmental Affairs

The Department of the Economic Development, Tourism and Environmental Affairs is allocated an amount of **R390.303 million**. The allocation to this Department will cover the following priorities:

- Economic development;
- Tourism marketing;
- Regional IT Hub;
- Re-development of resorts;
- Infrastructure enhancement; **and**
- Effective management of Public Entities.

d) Provincial Treasury

The Department of the Provincial Treasury is allocated an amount of **R201.033 million** which is among others for the implementation of MFMA unit in the department.

e) Cooperative Governance and Traditional Affairs

The Department of Cooperative Governance and Traditional Affairs is allocated an amount of **R375.641 million**.

Amongst other priorities funded are the following:

- Assistance and financial capacity building to municipalities;
- Operation clean audit;
- Revitalisation of VIP toilets; and
- House of traditional leaders.

f) Public Works

The functions of rural development have been transferred to Department of Agriculture in the 2011 MTEF. The Department of Public Works' allocation amounts to **R1.266 billion**.

The allocated budget will fund the following priorities:

- Property rates and leases;
- Revitalisation of Government buildings;
- EPWP municipal access roads; and
- Establishment of Project management Unit.

g) Police, Roads and Transport

The allocation to the Department of Police, Roads and Transport will amount to **R1.465 billion**. The allocation of the department makes provision among others for procurement of yellow fleet, filling of critical posts and construction of provincial roads.

h) Agriculture and Rural Development

The Department of Agriculture is allocated an amount of **R519.341 million** which includes the transfer of functions of rural development from the Department of Public Works.

The allocated budget will fund the following priorities:

- Rural Development Unit,
- Food security;
- Agro processing; **and**
- Agrarian reform.

i) Sport, Arts, Culture and Recreation

The Department of Sport, Arts, Culture and Recreation receives an allocation of **R479.300 million** for funding the provincial priorities. Amongst others, provincial priorities include the following:

- Centenary legacy projects;
- All sports development;
- Arts and Culture programmes;
- Phakisa Major Sport Events and Development Corporation; and
- MACUFE.

j) Human Settlements

The Department of Human Settlements is allocated an amount of **R987.790** for human settlements.

4. ALLOCATION PER DEPARTMENT

The total provincial budget that is tabled on the 10th March 2011 amounts to R23.188 billion for 2011/12 financial year as indicated in Table 3 below.

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 that the process aims to achieve. Among the infrastructure related investment initiatives are the Harrismith Logistics Hub, the Office Complex, School Hostel Programme, 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 the 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 3:SUMMARY OF PROPOSED ALLOCATION TO DEPARTMENTS

R'000	2010/11	% Growth	2011/12
			Budget Allocation
Premier	194 159	13.7%	220 756
Legislature	153 638	32.4%	203 406
Economic Development, Tourism and Environmental Affairs	370 005	5.5%	390 303
Provincial Treasury	172 898	16.3%	201 033
Health	6 307 313	8.1%	6 820 708
Education	8 731 626	8.8%	9 496 341
Social Development	714 837	12.2%	801 787
Cooperative Governance and Traditional Affairs	377 154	-0.4%	375 641
Public Works	1 028 298	19.3%	1 226 210
Police, Roads and Transport	1 742 842	-15.9%	1 465 457
Agriculture and Rural Development	446 063	16.4%	519 341
Sport, Arts, Culture and Recreation	387 440	23.7%	479 300
Human Settlements	1 148 282	-14.0%	987 790
Total	21 774 556	6.5%	23 188 073

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