



Member of the Executive Council
for Finance
FREE STATE PROVINCE

2020 MTEF BUDGET
FREE STATE PROVINCIAL BUDGET SPEECH

Hon. Gadija Brown
MEC for Finance: Free State Province
7 July 2020

Hon. Speaker Me. Zanele Sifuba;

Hon. Premier Me. Sisi Ntombela;

Members of the Executive Council;

Members of the Free State Legislature;

Executive Mayors, Mayors and Councilors;

Director General of the Province, Heads of respective Departments, Chief Executive Officers and leaders of our public and private institutions;

Municipal Managers;

Special Guests;

Esteemed Ladies and Gentlemen.

Dumelang!

Molweni!

Goeie middag!

Good afternoon!

Hon. Speaker, before I present our provincial budget, I believe it is prudent that I sketch out to this August House that the Free State Province has resolved to withdraw the 2020 Appropriation Bill (B2-2020) together with all the accompanying documents following an extensive consultation with all relevant stakeholders. The rationale behind the withdrawal of the Appropriation Bill was predominantly to review the 2020/21 budget in order to provide for current COVID -19 pandemic following the declaration of disaster by the President as this virus was not predicted prior to the tabling of the 2020 budget on the 5th of March 2020.

Allow me to begin by appreciating the opportunity afforded by this August House to table our 2020 Appropriation Bill alongside 2020 Estimates of the Provincial Revenue and Expenditure. Today I present a revised 2020 MTEF budget which has similar content to the 5 March 2020 budget speech with emphasis and amendments that is mainly intended to respond to the COVID-19 pandemic in the province. Hon. Speaker, I must re-emphasise to this House that we have focused our energy and resources towards curbing the spread of COVID-19 in the province as the health sector projected a surge in the upcoming months. We must ensure that we follow the health guidelines at all times as a province and country, in doing that we will be protecting most of lives in our beloved country. Hon. Speaker, we are also compelled to include responses to rebuild the state and drive the provincial economy by creating frameworks and delivering a balance to the Provincial Budget.

Introduction

This budget speech is being delivered 7 days after the Youth Month and it ventures us into the celebration of our iconic international leader, President Tata Nelson Mandela. Whilst we were celebrating Youth Month in commemoration of the youth of 1976 who sacrificed their lives to fight the battle to overcome the inequalities and oppression caused by apartheid. Today's Youth struggles are different and quite complex, it ranges from socio – economic challenges, high unemployment rate amongst the youth, their fight for free education for all previously marginalised and blacks in particular. Free education is an important goal we need to pursue and realise, especially for students who are poor and want access to tertiary institutions and those who correctly see it as a right, economic and developmental imperative for the country.

We pride ourselves as the Free State Government as we have put Education as an APEX priority and we are slowly gradually reaping the results of this important priority. We made education possible for the youth across the Province and we can today account for both local and international graduates. Hon. Speaker, we cannot put a blind on the number of unemployed graduates in our province.

One critical aspect which still remains a challenge is that we need to overcome the economic emancipation of young people in our Province through Youth Enterprise development and support, we need to take a radical approach to this by ensuring at least 30% of our procurement budget across the Province and departments goes to Youth business entities. Our budget performance should have clear key performance indicators of our expenditure on youth development and empowerment in all Provincial Departments and municipalities. The future of this province is our youth and we should ensure that we diversify our Provincial economy to be responsive to new emerging markets like robotics, artificial intelligence and the 4th Industrial Revolution.

We should give real meaning to the aspirations of Solomon Mahlangu when he said "My blood will nourish the tree that will bear the fruits of freedom" let the fruits of freedom reign. Let us put Free State youth businesses on the map by fostering sustainable relations with the Private Sector in order to create a conducive environment for our economy to flourish and the youth should be on top of our priority list within every district, in every township with a Local Economic Development unit in every municipality that is robust and understands that economic growth that happens at a community level.

Hon. Speaker the month of July is very important to the South African Calendar and the World at large. This month on the 18th July we celebrate our iconic leader former President Nelson Mandela International day as declared by the United Nations in 2009. This gives the Nation and International community a lifetime opportunity to emulate the servant leader by becoming servants of our People. This year in the midst of this pandemic, we will celebrate differently, however it will not take away our aspirations to the #Building The Free State We Want; We will continue to persue political consciousness, sacrifice and collective efforts, it needs all of us to achieve our universal goals as a collective, despite our political affiliations. A common purpose for common prosperity is all Tata dreamt of in fighting for our democracy.

OVERVIEW OF MACROECONOMIC CONDITIONS AND FORECASTS AMIDST COVID-19 CHALLENGES

South African Economy

Madam Speaker, the economic impact of the COVID-19 pandemic on South Africa has been largely disruptive. Notably, the country entered a technical recession in the last quarter of 2019, and the current pandemic has magnified pre-existing risks to South Africa's economic outlook. The International Monetary Fund projects that the South African economy would decline by 5.8 percent in 2020, followed by a low-base effect recovery of 4.0 percent in 2021, whilst the forecast from the South African Reserve Bank is a contraction of 7.0 percent. The last time the country registered a decline of such magnitude was during the Great Depression when the economy contracted by 6.1 percent in 1930. It is therefore clear, Hon. Speaker, that the COVID-19 outbreak will produce the worst economic downturn in a century.

Hon. Speaker, it is projected that almost every economic sector in South Africa would be affected directly or indirectly by the global and national economic shutdowns in 2020. The most obvious economic indicator which will be negatively impacted by the pandemic and subsequent measures will be a country's fiscus, particularly lower revenue and a reprioritisation of expenditure. The budget deficit is expected to widen, together with a further deterioration in gross debt in the coming years. The trade balance will also be negatively affected in the 2nd quarter of 2020 due to factory and business shutdown, as well as a reduction in global commodity demand, which will have an adverse effect on exports. In South Africa export demand is expected to fall by 40-75 percent, except agricultural exports which are expected to match pre-crisis expectations.

Provincial Economy

Hon. Speaker and Members of the house, I now turn to the Free State provincial economy with a somber note and heavy heart. The impact of the COVID-19 pandemic on the provincial economy is anticipated to be severe. Our provincial economy is projected to contract by 9.1 percent in 2020. The impact of this will be detrimental on our people, particularly in our endeavor to fight and combat the triple challenges of poverty, unemployment and inequality. However, the provincial economic growth rate is projected to recover to 2.2 percent in 2021. Beyond 2021, the base effect on growth will wither and the province will record an average growth of 0.8 percent between 2022 and 2024, which is 0.5 percentage points below the national average growth over the same period.

Madam Speaker, if we are to look at the labour market, the official unemployment rate in the Free State was recorded at 38.4 per cent in the first quarter of 2020. Our province has the 2nd highest rate of unemployment in the country, behind Eastern Cape. The youth, aged 15 to 34 years, are the most vulnerable with an official unemployment rate of 52.2 per cent. The structural causes of unemployment in South Africa are numerous and multifaceted, reflecting skills-mismatch between the workforce and industry demand, a subdued economic environment and high inequality. Changes in the sectoral composition of employment within the province towards a more capital- and skill-intensive economy has meant that fewer and new low-skilled jobs are becoming available.

In response to the labour market challenges that we are currently facing, as emphasised by the President, the job creation efforts we began in early 2020, such as the Presidential Youth Employment Intervention, and the existing ones such as the Expanded Public Works Programme and Community Works Programme, will be scaled up. The job-creation initiatives and programmes

within the private sector that began before coronavirus must resume, and new ones should be designed and implemented with unprecedented urgency.

The 2020/21 expenditure review

Hon. Speaker, may I take this opportunity to reflect on the current financial year's expenditure for first two months (April and May). The province spent an amount of R5.424 billion or 13.7 percent from the budget of R39.503 billion at the end of May 2020 against the norm of 16.6 percent. The low expenditure recorded by the province was a result of the lockdown measures implemented by the country. Hon. Speaker, we anticipate that the relaxation of lockdown regulations will have a positive impact on the provincial expenditure, particularly infrastructure as one of the drivers of provincial economy.

Improving intergovernmental coordination on infrastructure investment and District Development Model

Hon. Speaker, I wish to reiterate that Public infrastructure investments play a major role in transforming South Africa's spatial development patterns, which requires a significant improvement in intergovernmental coordination in planning and budgeting for infrastructure. The National Treasury is working with provinces to ensure that their investments in schools, roads, health facilities and housing are made in locations that align with the spatial development plans of municipalities. Municipalities must be consulted and agree on the location and bulk services requirements of all provincial infrastructure projects. Progress has been made in holding joint planning sessions between the province and municipalities, and support in this area will continue in 2020. Our sister Department of COGTA is at the forefront of leading the coordination and implementation of our Provincial District Model with all relevant departments including Provincial Treasury, Office of the Premier and municipalities. The district model is aimed to optimize

expenditure by eliminating duplications and to focus on developing integrated plans per district for streamlined and efficient service delivery model.

Public - Private Partnership

The National Treasury began reviewing the public-private partnership (PPP) regulations and guidelines. The review of the PPP framework is a key reform as most of the blended projects will be partnerships between the public and private sector. We are confident that this will unlock several infrastructure development projects that will create jobs and increase the province's capacity to generate own revenue.

It is our long term objective to work with the Department of Transport, Department of Trade and Industry, the aviation industry and interested private sector in further developing the Braam Fischer International Airport into a Cargo Port and gradually develop part of the N8 Corridor into an aerotropolis hub supporting both the International Airport and the Army.

We should create an environment for investors to have access to frequent flights into the Free State from more parts of the country. We call upon investors in the aviation industry to provide the province with business plans to establish carriers within the province.

Speaker it is important that the Province should fast track the implementation of the following PPP projects among others:

- Student accommodation
- The Provincial Government Building
- The Legislature Building
- The N3/Villiers Trauma centre
- The Parys Hospital
- The Psychiatric Hospital

Land

Honourable Premier has announced during her state of the Province Address and I quote “Land represents our existence, culture and prosperity. The **Land Use Task Team** has finalised packages of available land parcels for distribution. Of the **four thousand, nine hundred and two** land parcels, **two thousand, six hundred and twenty-eight** have been earmarked to be transferred to the rightful beneficiaries. Already, conveyancers have been appointed for this purpose. We have had a conversation with our municipalities to release land and allocate sites to our people. This work will be accelerated in the coming financial year.” Hon Speaker, I would like to reiterate that this is state land, which will be released to the citizens of the Free State Province through regulatory prescripts of the Free State Land Administration Act of 1998.

Water and Electricity

The province acknowledges the dire challenges we are facing with regards to water provision in various parts of the province. The Premier has also placed emphasis on this in her State of the Province Address, that by December 2019, over **three hundred and five million rands** had been spent through the **Municipal Infrastructure Grant** to fund water, sanitation, roads and storm water projects. In ensuring that there is an adequate rapid response to these challenges, governance structures are created to promote collaboration with Provincial Government, Municipalities, the Free State water boards, and the National Department of Water and Sanitation, we have created a Provincial Joint tactical task team on water led by the Department of Co-operative Governance and Traditional Affairs.

The President’s State of the Nation Address outlines the vision and regulatory framework related to the electricity supply in the country. Honourable Speaker,

it has become critical for the Province to review its strategy on electricity generation, transmission and distribution for social benefit, to ease the burden on Municipalities through synergy and for the growth of our economy through a provincial entity. The province will finalise the feasibility plans for the establishment of a Provincial Electricity and Energy Entity as a vehicle to be used to render services to all the municipalities in terms of an external mechanism as described in the Municipal Systems Act.

ON INDUSTRIAL STRATEGY AND INVESTMENT PROMOTION

MAP-SEZ

Madam. Speaker, the MAP-SEZ is expected to drive economic activities for the province on key sector priorities such as manufacturing, agro-processing, IT, food processing and automotive. The Executive Council has approved the establishment of a new provincial entity that would be responsible for governance and management of the MAPSEZ which will report to DESTEA in order to lessen the administrative burden and fast track decision making. Hon. Speaker, I am delighted to pronounce to this House that Provincial Treasury and DESTEA as well as the Entity are currently working on viable business case for the establishment of this entity, once all relevant factors have been concluded, a formal business case will be forwarded to National Treasury for their consideration.

The **Department of Trade and Industry** will continue to fund the rehabilitation of both industrial parks in the province, **Botshabelo and Phuthaditjhaba** whilst the next tranche of rehabilitation funding is set to be released during the new financial year. The final phase of the Botshabelo Industrial Park will be completed by the end of this year.

The R700 million investment by **Renerg** in Lejweleputswa which is anticipated to yield over 400 jobs in the province and Coca Cola Beverages of

South Africa who has planned to invest R80m in manufacturing capacity will continue in the province. The province is working on ensuring that the investment framework for industrialization and manufacturing.

Aspiring industrialists, we continue to encourage you to invest in our province. Facilities are available. We call upon all investors in the Free State to register their new investment or expansion plans on the DESTEA website for record purposes.

GOVERNANCE (Governance Cluster)

Reinforcing Cost Containment Measures in the Province

Honourable Speaker, as a province we have generally been supportive of all the cost containment measures introduced by National Treasury since 2008/09, cost containment measures are fully institutionalised across provincial departments and entities in the Free State. One of the challenges from a budget perspective remains the compensation of employees which to date hovers around 62 percent of the provincial budget. Our continuous efforts in ensuring that the province's public finances are sustainable, it remains critical for all provincial departments and entities to continue to reduce inefficiencies in the system. We need to limit the growth of the provincial wage bill by curtailing growth in personnel numbers and spending, combination of modifications to cost-of-living adjustments, pay progression and other benefits as well as to take advantage of early retirement with extra caution, our target is to manage down the wage bill to below 60 percent of the provincial budget.

SCM REFORMS

Public Procurement Bill

Honourable Speaker, the Cabinet has approved the publication of the Public Procurement Bill for public comment which is setting in motion legislation for procurement strategies that support Government's socio-economic objectives. I wish to thank everyone who made inputs in this important Bill which is intended to open an opportunity for us to influence the amendment of the defragmented procurement pieces of legislation, policies, regulations and instruction notes, Madam Speaker this Bill also offers us an opportunity to formulate regulations that promotes local economic development.

Irregular expenditure

Honourable Premier, the Free State Province is committed in ensuring that irregular expenditure is reduced and ultimately eliminated in the Province. The Province has initiated an intervention project for the investigation of irregular expenditure incurred in previous years. The project started with investigations in the following departments and entity:

- Health;
- Education;
- Agriculture and Rural Development;
- Sport, Arts Culture and Recreation;
- Human Settlements; and
- Free State Gambling, Liquor & Tourism Authority

About 3000 cases have been finalized since March 2019 to date for the abovementioned departments/entity and relevant information was provided to the departments to complete the process. Madam Speaker, 307 of the above-mentioned cases with a value of R517 million must be removed as they do not meet the definition of irregular expenditure. Honourable Speaker, I am delighted to mention to this house that other provinces have shown interest in

this project and have requested that the Free State Province should share best these practices.

FISCAL FRAMEWORK

Madam Speaker, as demonstrated above, the fiscal landscape has drastically changed, and there is no better time than this one for us to institutionalize and concretize the principles of transparency, accountability, responsibility, efficiency and effectiveness in the utilization of limited public resources. Embedded in these principles is the critical issue of allocative efficiency which entails allocation of funds to key provincial priorities.

Madam Speaker, the 2020/21 Supplementary Budget tabled by the Minister of Finance underscores the economic constraints that impact on the budget for the current financial year and the MTEF period ahead. The R500 billion socio-economic package announced by the President includes the R20 billion earmarked for health and other frontline services in the fight against COVID-19 pandemic.

It is prudent for me to indicate to this House that the R20 billion mentioned above is not the new money; these are funds that provinces have reprioritised within the 2020/21 baselines and repurposed towards COVID-19 measures. In essence, Madam Speaker, we are taking budgets away from other departments towards departments that are in forefront of dealing with COVID-19 challenges.

Hon. Speaker, allow me to briefly outline the approach we embarked on, in reprioritizing the 2020 budget and emphasize that it was very consultative. Over and above the normal budget process that we adhered to in reaching consensus on 2020 budget—we consulted with each department on proposed

reprioritisation, presented our proposals to the Forum of the Heads of Departments and the Executive Council.

The budget reprioritisation that we implemented was mainly guided by the following principles:

- Identification of funds from non-core items such as—*catering, entertainment, venues & facilities, traveling, flights and accommodation*;
- Shifting of funds from programmes and activities that are *prohibited by lockdown regulations*;
- Shifting of funds from *infrastructure projects that could be deferred to coming years*;
- Shifting of funds from *provincial earmarked allocations* that do not have negative impact on service delivery and
- *13 percent reduction from departments' equitable share allocations* as a result of limited spending due to lockdown (this excluded compensation of employees and conditional grants).

Madam Speaker, this exercise yielded R1.114 billion which we reallocated towards COVID-19 response measures. This is what we have reprioritised from the baselines of the various departments and there are obviously implications for the departments' plans going forward. Firstly, the projects and programmes that have been deferred will have budget implications in the MTEF ahead. Secondly, in the current financial year the departments will have to review their respective annual performance plans to be in line with the revised budget allocations.

Hon. Speaker, we have taken a deliberate action to review our infrastructure enhancement allocations wherein departments were advised to defer projects that have not yet started in a quest to unlock funds towards COVID-19 measures in the province. These were the funds that came from our own provincial equitable share and were set aside to augment infrastructure

conditional grants from National Government. As a consequence of this pandemic, we had to reprioritise R448 million of these funds towards COVID-19 response measures; this amount forms part of the R1.114 billion aforementioned. This also necessitated review of the infrastructure projects that were planned for the current financial year.

Madam Speaker, I must also announce that we are in a process of establishing a committee that will look into matters of infrastructure investment in the province. We need to streamline our infrastructure investment and focus on fewer projects that have a possibility to yield bigger impact on service delivery and the economy of the province.

We must also strengthen our oversight role on the implementation of infrastructure projects if we really want to change the economic landscape of our province. Hon. Speaker, as we were appearing before the respective committees of this august House, we were humbled by the discussions of the members that also underscores the issue of enhancing our oversight role, mainly on infrastructure.

Our posture is clear, we accept that responsibility and we appreciate the impact of infrastructure development on our economy and service delivery at large. Through our various monitoring fora, that include, amongst others—bilaterals with departments, physical site inspections and Section 32 reports—we will ensure that the province derives value for money spent.

Madam Speaker, we are traversing a path that we have never thought we will come across. These are difficult times, we need to stand together and push back the frontiers of this pandemic. There is no better time to express our humanity than this one. This is no time for differences, but time to put our shoulders on the wheel and chart a way out of the challenges facing us. I am sure we will learn from the challenges facing us today and we will remain true

to the Swahili expression that says— “*You learn through bad times but not in good times*”.

2020 MTEF ALLOCATIONS

Madam Speaker, once again, the budget I am tabling today reflects the collective wisdom of all our key stakeholders—the Executive Council, the Forum of Heads of Departments and our dedicated officials from various departments and public entities. We stand before this House again to put emphasis on our commitment to fiscal prudence, accountability and responsiveness in utilization of public limited funds.

This budget we present went through rigorous consultation process, nationally and provincially. It draws from the collective discussions and consensus of, amongst others, the sectoral meetings at national, Technical Committee on Finance (FFC), Budget Council, Budget Forum and Cabinet meetings that involves Premiers and MECs responsible for Finance. Madam Speaker, the consultation at provincial level included our Provincial Medium-Term Expenditure Hearings, the National Benchmarking Exercise chaired by National Treasury, the Executive Council and Provincial Budget *makgotlas* and finally the Executive Council of the Province.

Hon. Speaker, I will now turn my attention to the 2020 MTEF allocations per department. As a norm, the details of the allocations are set out per vote in the 2020/21 Estimates of Provincial Revenue and Expenditure and the 2020/21 Appropriation Bill.

The provincial fiscal framework amounts to R124.141 billion over the 2020 MTEF, this reflects a decline of 1.2 percent when compared to the budget we tabled in March 2020. This budget is distributed as follows:

- R39.055 billion in 2020/21

- R41.457 billion in 2021/22 and
- R43.628 billion in 2022/23

Allow me to briefly disaggregate these allocations as per the respective source.

Equitable Share

The provincial equitable share amounts to R95.571 billion over the MTEF ahead, of which R30.017 billion relates to 2020/21 financial year. The allocated equitable share increases by an average of 6 percent over the MTEF. This allocation to provinces Madam Speaker is driven by statistics and thus requires us to be very meticulous with how we manage service delivery data in the province. This is the data, amongst others, we submit to National sphere of Government and it informs how funds are distributed.

Conditional Grants

As indicated earlier, National Treasury in consultation with the national departments and provinces reprioritised funds from conditional grants towards COVID-19 response measures. Several grants to the province were affected.

Allow me to briefly reflect on these grants:

- Comprehensive Agricultural Support Grant is reduced by R32.793 million;
- Ilima/Letsema Grant reduced by R17.111 million;
- Community Library Services Grant losses R34.700 million;
- Mass Participation and Sport Development Grant is reduced by R11.552 million;
- R140.163 million is reprioritised away from Education Infrastructure Grant;
- R2.864 million is reprioritised from HIV and AIDS Grant;
- Maths, Science and Technology Grant is reduced by R5.069 million;

- Human Settlements and Title Restoration Grants are reduced by R100.817 million and R22.140 million respectively and
- R219.198 million is reprioritised from Provincial Roads Maintenance Grant and
- R151.342 million is allocated as an additional budget for Covid-19 response measures within Department of Health.

The net effect of this reprioritisation is the reduction of R461 million on the conditional grants allocated to the province in March 2020. Madam Speaker, the reprioritised funds have been repurposed towards fighting the scourge of this pandemic.

Following the aforesaid reprioritisation, the province is allocated R7.789 billion in 2020/21, R8.327 billion and R8.698 billion in the outer two financial years. Included in these allocations is an amount of R12.429 million allocated to the Department of Health as part of Provincial Disaster Relief Grant for Covid-19. Madam Speaker, the province projects to spend R24.815 billion over the MTEF period.

Provincial Own Revenue

Madam Speaker; we want to restate and emphasize that revenue remains a vital source of income for the province in the absence of additional allocations. We are however not oblivious to the detriment effects of the lockdown and its dire impact on the provincial economy. We have therefore requested all revenue collecting departments to thoroughly assess their respective estimated revenue for the current financial year for further discussions.

I can point out that the preliminary indications are that we will under collect by R305 million; this is a huge gap with undesirable impact on our fiscal framework. What we need to emphasize is that this projected deficit has dire impact on the expenditure side if it materializes. If we cannot curb it, we then

have to reduce or cut our 2020/21 budget allocations so stay within the framework. Madam Speaker, as the budget process unfolds we will continue working closely with departments to ensure that this projected deficit is minimized. The projected revenue collection amounts to R1.248 billion in 2020/21, R1.232 billion in 2021/22 and R1.274 billion in 2022/23. Over the MTEF.

We encourage all the departments to continue strengthening their respective revenue systems to ensure that the revenue due to the province is effectively collected on time. As we strengthen the current sources of revenue, we must also continue prioritizing development of new sources, in this regard we have allocated an additional R10 million to allow the Department of Police, Roads and Transport to implement revenue enhancing projects.

SOCIAL SECTOR

The social sector accounts for more than R30.1 billion (77.3 percent) of the allocation in 2020/21 and slightly decline to 77.2 percent in the outer year. The noted spike in 2020/21 is mainly as a result of COVID-19 allocations to Department of Health. However, the allocations through the MTEF period still reflects our commitment to continuously address the socio-economic challenges in the Province. This sector is projected to spend more than R95.8 billion over the MTEF period.

EDUCATION

Hon. Speaker, the importance of education and its impact on economic growth cannot be understated. We need to understand the devastating impact of Covid-19 pandemic on our learners and schools' performance. We have Madam Speaker allocated an additional R45.5 million to education to assist with the preparations of schools for the safety of our returning learners. I must also indicate that over and above what the province has allocated,

Department of Basic Education in collaboration with National Treasury has repurposed some of the education conditional grants to assist in preparation of schools for the returning learners.

MEC Tate Makgoe, the Department of Education is allocated R15.619 billion in 2020/21, R17.023 billion in 2021/22 and R17.945 billion in 2022/23. Over the MTEF period ahead the department is estimated to spend more than R50.588 billion. The budget for education grows by an average of 6.4 percent over the 2020 MTEF. The allocated budget makes provision for the following priorities, amongst others:

- National School Nutrition Programme
- Norms and Standards in schools
- Learner Transport Programme
- Learner Teacher Support Material
- School Hostels Support
- Sanitary Dignity Project
- Matric support programmes
- HYMATHS
- Education Infrastructure programme
- School Connectivity and
- Learners with Profound Intellectual Disabilities

HEALTH

Madam Speaker, our Department of Health led by MEC Montseng Tsiu is at the forefront of fighting the COVID-19 pandemic. We have all already noted the spike in the numbers of people infected by COVID-19 virus and the financial and human resources needed to effectively respond to the said challenges. There is further need to speedily increase provision of personal protective equipments (PPEs), ventilators, additional beds and human resources and other concomitant materials in this regard. Hon. Premier, let me thank the Department of Health together with all relevant stakeholders for

sterling work undertaken with regard to successful contact tracing in the province.

Hon. Speaker, this is precisely why we embarked on reprioritisation of the provincial budget to strive towards addressing the aforementioned needs of the province. We have therefore allocated an additional R667.2 million to Department of Health to strictly spend on COVID-19 response measures. Madam Speaker, this allocation is over and above the procurement of PPEs procured by Provincial Treasury on behalf of this department. We note with appreciation the sterling work executed by the department and our private partners during these trying times.

The Department of Health will spend more than R38.494 billion over the next MTEF. This budget is spread as follows over MTEF—R12.477 billion in 2020/21, R12.691 billion in 2021/22 and R13.326 billion in 2022/23. The following are some of the priorities funded over the MTEF:

- COVID-19 response measures, inclusive of procurement of additional beds, PPEs, ventilators and additional staff,
- Medicine, Medical Supplies and Medical Waste
- Laboratory Services (NHLS) and Blood Supply and Services
- Children's Vaccines
- Anti-Retroviral and TB treatment as well as Human Papillomavirus Vaccine
- Community Outreach Services Programme
- Medical Depot
- Food Services and Relevant Supplies
- Training and development of medical staff
- Infrastructure and Maintenance
- Appointment of interns and filling of community service posts.

SOCIAL DEVELOPMENT

The impact of COVID-19 pandemic on our people, especially the vulnerable persons and the children, is dire and requires our collective response. The act of cruel gender violence we have witnessed in the past weeks is overwhelming and defies logic. We have to work together with our respective law enforcers to eject these evil doers in our midst, they do not deserve to be in our communities. We pass our deep felt condolences to the affected families and keep you in our prayers.

Madam Speaker, Social Development led by MEC Mamiki Qabathe remains central in the fight against social ills such as poverty, homelessness, drug and substance abuse as well as women and children abuse. We have therefore allocated an additional R25.4 million for social relief including homeless programmes, PPEs and appointment of temporary social workers assisting with COVID-19 response measures.

The department is allocated R1.492 billion in 2020/21, R1.502 billion in 2021/22 and R1.573 billion in 2022/23. Thus, in the MTEF ahead the department will be spending a total of R4.567 billion on the following priorities, amongst others:

- Appointment of temporary Social Workers to assist with COVID-19 response measures;
- Appointment of Social Workers for areas with high prevalence of gender-based violence, substance abuse and issues affecting children;
- Gender Based Violence and STI;
- Victim Empowerment;
- Early Child Development;
- Office on the Rights of Children; and
- Operational costs for the Substance Abuse Treatment centre in Botshabelo

Hon. Speaker, the budget includes R72.656 million allocated over the MTEF period which is earmarked for Non-Profit Organizations court judgement.

SPORT, ARTS, CULTURE AND RECREATION

Madam Speaker, the advent of COVID-19 has not only impacted on businesses, but has left our artists and various sporting codes socially and economically distressed. Our response to lockdown measures which include social distancing and restriction of gatherings has left the entertainment and sporting sectors in dire situation. We have, rightfully so and together with the private sector, deferred key activities that benefit our artists. These include, amongst others, MACUFE, and other cultural related programmes that have direct impact on safe social distance.

MEC Limakatso Mahasa; the aforementioned are strong drivers of social cohesion in our communities and thus remain an integral trajectory in advancing our national development agenda. We need to, without fail, continue to strengthen our social programmes that encourages social integration, inclusion and mutual solidarity in our communities.

We have allocated an additional R12.5 million to the department as relief funds for artists and sporting codes. Madam Speaker, I must also hasten to mention that funds within the Mass Participation and Sport Development grant have been repurposed towards assisting sportspeople and support.

Madam Speaker, we were fortunate to be chosen as the preferred province to construct and host the National Training Centre. We are in the midst of economic distress and we therefore need to pull all the stops in ensuring we derive economic value from the planned infrastructure projects. We will, as a province, work closely with the affected departments to safeguard the implementation of this project.

The budget allocation for Department of Sport, Arts, Culture and Recreation totals R2.242 billion over the MTEF and is divided as follows:

- R601.8 million in 2020/21
- R806.2 million in 2021/22 and
- R834.2 million in the outer year.

This budget caters for, amongst others, support to arts and culture, support to sporting codes, photographers, community media and infrastructure development which includes construction of the National Training Centre and Charles Mopeli Stadium.

ECONOMIC AND INFRASTRUCTURE CLUSTER

Hon. Speaker, when we prepared the 2020 MTEF budget, we went through vigorous deliberations to ensure that the allocations are anchored on the following key seven priority areas of our Government.

- Transformation of the Economy and creation of jobs
- Investing in Education, Skills Revolution and Health
- Social Wage
- Spatial Development, Human Settlements & Local Government
- Social Cohesion & Safe Communities
- Building a Capable, Ethical and Developmental State and
- A better Africa & World

There is an urgent need to fight back the scourge of unemployment, especially amongst the youth. The budget for economic cluster seeks to bring that hope through investing in programmes that are modelled to create job opportunities, support youth enterprises and boost township economies.

Madam Speaker, in 2020/21 financial year the province plans to spend R6.903 billion on the Economic and Infrastructure cluster. I must equally indicate to this House that there is huge decline of 9.7 percent from what we

had estimated in March 2020 is as a result of more than R320 million that have been reprioritised from Human Settlements Development Grant and Provincial Roads Maintenance Grant.

HUMAN SETTLEMENTS

Hon. Speaker, we still reaffirm our view that the restoration of dignity through land and house ownership is imperative and brings back the well-deserved dignity to our people.

The allocation to the department provides for implementation of comprehensive human settlements in the province. The department will spend more than R3.808 billion over the MTEF ahead. The budget per financial year is as follows:

- R1.132 billion in 2020/21
- R1.312 billion in 2021/22 and
- R1.364 billion in the outer year.

MEC Motshidisi Kolozi the budget includes R124 million allocated over the MTEF and specifically earmarked for demolition and replacement of two roomed houses and top-up for construction of military veterans' houses. Hon. Speaker, the budget further makes provision for revitalization of mining towns, upgrading of informal settlements and continuation of title deeds restoration programme.

The Title Deeds Restoration grant comes to an end in 2020/21 and will be phased back into the Human Settlements Development grant; the funds have already been added back in the outer two financial years. Madam Speaker, let me emphasize that in 2020/21 financial year almost 65 percent of this grant has been reprioritised towards COVID-19 response measures. There is only R11.7 million remaining for restoration of title deeds in the current financial year; we will have to pull all the stops and ensure that we effectively

implement the grant framework and provide the much needed title deeds to our people.

PUBLIC WORKS AND INFRASTRUCTURE

Madam Speaker, MEC Tshidi Koloji this department is key in ensuring that provincial infrastructure projects are delivered on time and within the allocated budget. The department, together with other economic departments, plays a very pivotal role in re-igniting our provincial economy and job creation through infrastructure delivery.

Hon. Speaker, the advent of COVID-19 pandemic has also placed another responsibility on this department. The rising numbers of COVID-19 cases requires provision of quarantine facilities for our people who may have been exposed to the virus. These facilities also need to be maintained and disinfected periodically, there must also be security and other related equipments that must be provided by the department. We have therefore allocated an additional R64 million for provision of the said quarantine facilities. Both, the Department of Public Works and Infrastructure and Department of Health work very close on these matters.

The province will spend more than R12.402 billion on infrastructure over the 2020 MTEF ahead. The Department of Public Works and Infrastructure as an implementing agent is central in ensuring that the province implement the projects effectively and in an efficient manner that derives value for money spent. We take note and appreciate the successful piloting of water demand management programme which is aimed at reducing water consumption and leakages in government building. This project has yielded the saving of R6 million in just one facility in the province over a period of 9 months.

The department will spend more than R5.555 billion over the MTEF period ahead. The allocation is divided as follows:

- R1.729 billion in 2020/21

- R1.869 billion in 2021/22 and
- R1.957 billion in 2022/23

The MTEF allocations above include an amount of R1.375 billion allocated for rates and taxes as well as R182.3 million earmarked for township revitalization projects.

The allocations for 2020/21 include R6.270 million for Expanded Public Work Programme. This programme remains crucial in creating job opportunities in the province and we appreciate the sterling work done by the department in coordinating the implementation of this programme.

POLICE, ROADS AND TRANSPORT

Hon. Speaker, the centrality of our province gives us a competitive advantage over other provinces. MEC Sam Mashinini this department also plays a key role in ensuring that our public transport network, inclusive of taxi ranks and bus stations, meets the lockdown regulations for the safety of thousands of workers who are returning to work. We have allocated an additional amount of R20 million for procurement of personal protective equipments particularly in our provincial registration authorities across the province.

Hon. Members, I must also indicate that part of the Public Transport Operations grant has been repurposed for sanitization of buses and public transport facilities, provision of PPEs for public transport workers and establishing of hand washing facilities. The department is encouraged to engage the national department of roads for review of business plans and utilization of funds for the said matters.

The department is allocated an amount of R2.685 billion in 2020/21, R2.896 billion in 2021/22 and R3.018 billion in 2022/23. The budget mainly provides for, amongst others:

- Road infrastructure investments

- Subsidy for public transport users
- Oversight and promotion of community policing
- Transport regulation and operations and
- COVID-19 response measures

Over and above, the budget caters for revenue related programmes such as cash in transit and Post Office costs. Hon. MEC Mashinini, we appreciate the work executed by your department with regard to revenue collection and hence we have allocated R10 million for implementation of revenue enhancement projects. As said earlier-on, times are hard, the provincial fiscus is shrinking, we therefore need more revenue streams to support our provincial priorities.

AGRICULTURE AND RURAL DEVELOPMENT

Madam Speaker, food security is the blood of any economy, developed or developing, and thus remains at the centre of improving our economy. Food security remains a powerful tool in fighting the scourge of poverty and ensuring that our people are free of malnutrition and enjoy better health outcomes.

MEC William Bulwane, this province has a competitive advantage when it comes to agriculture and there is therefore a need to work together, private and government sectors, to enhance the potential of this sector. This is a sector that provided more employment opportunities in the past and this can be achieved again—through collaborative measures between the private and public sector.

The department receives R712.2 million in 2020/21, R854.1 million in 2021/22 and R903.2 million in 2022/23. An additional amount of R500 thousand included in the above allocation is earmarked for procurement of PPE's. The

budget further provides for continuation of land care programme, support and training of farmers, veterinary services, infrastructure investments and implementation of agricultural projects. We take note and congratulate the department on the land care commonage development in 11 towns and the Thaba Nchu Irrigation Schemes.

ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS (DESTEA)

Hon. Speaker, I have already alluded to the harsh economic realities facing not only South Africa but the World at large, wherein in the last quarter of 2019 we were already in a technical recession, unemployment was ticking-up and expected to worsen. We further indicated the need for inclusive economic growth that creates jobs and pushes back the challenges of poverty, unemployment and inequality.

Madam Speaker, the impact of COVID-19 is expected to exacerbate these problems particularly in the tourism and hospitality sectors, we have halted Flower Festival, Powerboat Racing, Bloem Show and Bethlehem Air Show as these events have the potential of increasing the COVID-19 infection rates. The changing fiscal landscape is not favorable to our developmental goals. We need to invest more on projects that will revive our economy—post COVID-19 pandemic. There is need to identify high impact economic projects for the province which, together with high impact infrastructure projects, could yield much needed job opportunities and that improve demand within the province.

Congratulations Hon. MEC Mohale for your continued efforts in partnering with civil society, NGO's and the private sector in pursuit to stimulate the provincial economy. Let us continue strengthening these relationships and work towards finding new innovative ways of doing business.

Hon. Speaker, the department is allocated just over R2.000 billion over the MTEF to further implement its mandate of growing the Free State economy. The budget is disaggregated as follows:

- R642.9 million in 2020/21
- R662 million in 2021/22 and
- R695.7 million in 2022/23

This budget makes provision for, amongst others, trade and investment promotion, SMME's support, industrial parks, youth enterprise initiatives including National Youth Development Agency, resorts and reserves maintenance and environmental programmes.

Hon. Speaker, allow me to briefly touch on the transfers to public entities. In 2020/21 the province is allocating R100.2 million to Free State Gambling, Liquor and Tourism Authority (FSGLTA) for operational and regulatory purposes. I must also indicate that this entity, through its regulatory work, collected revenue of more than R65 million for the province in 2018/19. The revenue from FSGLTA is estimated to total R66 million over the next three years. Free State Development Corporation will receive R36.000 million in 2020/21. This allocation includes transfers to Maluti-A-Phofung Special Economic Zone (MAP-SEZ).

DEPARTMENTS AT THE CENTRE OF GOVERNMENT

Madam Speaker, our vision is clear. We want to build a capable, ethical and developmental State. We need to continue in our drive to institutionalize clean, responsive, accountable, effective and efficient Government. We are very much firm and committed to the principle of good governance.

In your State of the Province Hon. Premier, you gave us clear marching orders. You called on *public servants to recommit themselves and work*

differently. You referred to many problems besetting the youth of the province, especially unemployment. We agree with you Hon. Premier; we must do all in our powers to address these challenges. I ask all to draw inspiration from Tata Nelson Mandela when he said—I quote— *“It always seems impossible until it is done”*. I fully agree—We can change this situation.

In our oversight role, led by the Free State Legislature we will ensure that public resources are utilized in an economic, efficient and effective manner and creates job opportunities for the youth of the province.

Madam Speaker; the institutions and departments at the core and centre of Government with regard to governance are the Free State Legislature, the Office of the Premier, the Provincial Treasury and the Department of Cooperative Governance and Traditional Affairs.

Hon. Speaker, over the next financial year the three departments together with Free State Legislature which is the arm of the state will spend R1.961 billion. Allow me to address these institutions individually.

OFFICE OF THE PREMIER

Hon. Premier, the Office of the Premier will receive an amount of R689.8 million in 2020/21, R687.6 million and R716.6 million in 2021/22 and 2022/23 respectively. In total the Office of the Premier will spend R2.094 billion in the MTEF ahead. The budget provides for the following priorities, amongst others:

- Funding for social services support during COVID-19 pressures such as procurement of PPEs and Gender Based Violence programmes;
- Funding for Provincial Bursary Programme;
- Funding for Free State Training and Development Institute;
- Funding for Community Development Workers;
- Innovation Hub for the province;
- Coordination of youth programmes;
- Provincial Planning; and

- Bringing Government services to the people of the province through the establishment of ward offices in a phased approach across all towns in the province.

Hon. Premier, we again commend the work done by our Community Development Workers (CDW's) and the Community Health Workers (CHW's). These are officials on the frontline of COVID-19 response services; they are on the grass root level; they interact with communities frequently and they are more prone to understanding the challenges and needs of our people. We must continue supporting them with all the necessary equipment needed to effectively discharge their important duties during this period of Covid-19 pandemic.

Hon. Premier, the above allocation includes R2.5 million for review and alignment of the Free State Growth and Development Strategy to the 2019-2024 Medium-Term Strategy Framework.

Your emphasis Hon Premier on the 4th industrial revolution reiterates that the Free State Province, like any large networked organization is vulnerable to global IT security threats. These threats often manifest themselves as virus outbreaks, worm storms, etc. and usually result in the downtime of critical business applications and processes, resulting in potential financial losses and litigation for the province. Recently our departments and municipalities have been hacked and experienced virus attacks never seen in the world before. Some of these cyber-attacks bring down our networks, expose our ICT environment to hackers and have the potential of negatively affecting the ability of Government to deliver services.

As part of our 4IR readiness strategy the Cluster has endorsed the building of a fully managed 24/7/365 Security Operation Centre namely FSOC. FSOC will be staffed by our carefully selected ICT graduates, which we as a province are very proud of. The 2018/2019 Auditor General's findings promote the

establishment of proactive measures in securing our provincial wide digital network information through the establishment of a FSOC. We will take the first step towards our cyber security strategy to protect the Provincial Government from global cyber security threats. The procurement of the FSOC is estimated at a savings to the province of R195.8 million over a period of Three (3) years.

COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (COGTA)

Hon Speaker, our Government's resolve to enhance integrated planning amongst the three spheres is a great step towards achieving financial and technical efficiencies from the limited fiscal resources at our disposal.

Our sister department COGTA, is at the fore front of leading the District Development Model. The model is a response to poor intergovernmental alignment of economic programmes amongst the spheres of Government and the private sector. Congratulations Hon. MEC Nxangisa on the approved water and electricity master plans for Maluti-a-Phofung under the Municipal Infrastructure Grant.

COGTA is allocated R446.3 million in 2020/21, R473.8 million in 2021/22 and R492.2 million in 2022/23. The budget provides for, amongst others, Operation Clean Audit Programme, Municipal Support Programme and Support for the establishment of Water Laboratories in municipalities. The budget further provides for House of Traditional Leaders and related operations. Hon Speaker I am pleased to announce that, of the R 20 billion allocation from National regarding support to municipalities, R 668.165 million has been allocated to the Free State local municipalities for COVID related purposes.

Madam Speaker, in March I alluded to the announcement by the Hon. Premier regarding water challenges faced by municipalities as a result of drought, especially Maluti-a-Phofung Local Municipality. I am delighted to announce to this August House that the promise to provide water in that municipality was a success, albeit, there are some challenges in other areas that are being attended to.

PROVINCIAL TREASURY

Madam Speaker, the oversight role of Provincial Treasury is key in ensuring that the very limited public resources are utilized in an economic, effective and efficient manner. Provincial Treasury, in this regard, will continue in its role of ensuring that public resources are managed prudently and with unquestionable integrity.

We will continue our partnerships with the Association of Certified Fraud Examiners (ACFE), the South African Institute of Accountants (SAICA), the South African Institute of Internal Auditors (SAIIA) and the South African Revenue Services (SARS), amongst others. Madam Speaker, in our pursuit to enforce good governance we hosted yet another successful Anti-Fraud Awareness Conference which was attended by both, the private and public sector officials. I extend my word of gratitude to our sponsors in this regard, namely—PACOFs, PWC, ACFE and Institute of Commercial Forensic Practitioners.

Our oversight work, together with the Office of the Premier, Provincial Legislature and COGTA, has resulted in the marginal improvement of audit outcomes in 2018/19 financial year. The province will continue in its efforts to improve governance, compliance to regulatory frameworks and financial management issues within municipalities and provincial departments with the view to enhance audit outcomes.

Madam Speaker, the advent COVID-19 and the declaration of state of disaster by the President necessitated prompt response from the province so as to limit the spread of the virus. The MEC for Finance invoked Section 25 of the Public Finance Management Act for utilization of funds from the Provincial Revenue Fund. The procurement of PPE's on behalf of the province was then centralized within Provincial Treasury. We have thus ensured that a framework was developed in line with Supply Chain prescripts and regulations that Free Staters and key designated groups within the province benefits out of this procurement. In terms of doing work inside the Province, it must be noted that out of the total budget spent thus far on Covid related procurement, 82 percent of procurement was spent on Free State based companies and the remaining 18 percent was spent on companies outside the borders of Free State.

A total number of 223 suppliers benefited out of this procurement to ensure that that our procurement spent is as broad as possible. We spent 94 percent on black owned companies, 38 percent on Youth owned companies, 3 percent on companies that are owned by Military Veterans, 29 percent on Woman owned companies. Thus far we unfortunately not yet spent on companies owned by people with disability. Concerted efforts have already been made to arrange with representatives of organisations working with disabled to change this factor. Madam Speaker I wish to indicate to the house that, due to the nature of the expenditure, the spending patterns will not remain stagnant.

Hon. Speaker, Provincial Treasury will continue to lead in ensuring significant oversight and accountability by conducting relevant internal and external audits to ensure compliant procedures are in place on all COVID related expenditure across all departments and municipalities.

Provincial Treasury is therefore allocated R535.6 million in 2020/21; R363.1 million in 2021/22 and R382.9 million in 2022/23. The huge allocation in 2020/21 relates to procurement of PPEs on behalf of other provincial

departments to the tune of R205 million. Madam Speaker, this budget provides for the following:

- Procurement of PPE's for the province
- Sustainable and prudent resource management
- Strengthening of financial governance
- Strengthening of Asset and liability management and
- Strengthening of municipal financial management

FREE STATE LEGISLATURE

Hon. Speaker, our Provincial Legislature as an arm of the state remains at the heart of institutionalizing accountability within the public sector. The oversight role of this august house and its related committees is central in ensuring that the limited public resources indeed yield better and tangible services to our people. Congratulations to you Hon Speaker and all the members of the Provincial Legislature, Indeed, the strict oversight work executed by our activist Provincial Legislature continues to strengthen the political governance and accountability levels to the people of the province.

Our Provincial Legislature is allocated R290 million in 2020/21; R296 million in 2021/22 and R307.8 million in 2022/23. The following priorities, amongst others, are funded:

- Oversight through the committee system
- Support and funding to political parties
- Public participation, awareness and education campaigns
- Participation in the NCOP processes

CONCLUSION

My heartfelt gratitude also goes to my colleagues in the Budget Council and Budget Forum who reminds us about the relevance and importance of fiscal discipline in these difficult times for the benefit of our citizenry.

I would also like to extend my gratitude to the Premier of the Free State Province, the Members of the Executive Council and the Provincial Budget Committee for their candid, positive, critique and support. Our intention to change the economic and the material conditions of the poorest of the poor and to enhance service delivery remains our collective ultimate objective.

Hon. Speaker, I would like to thank you, Members of the Provincial Legislature, the Chairperson and Members of the Finance Portfolio Committee for their continuous engagement and demand for accountability in the utilization of Government resources. I thank the Director General, Heads of Departments, Chief Executive Officers, Chief Financial Officers and all provincial government officials for the role they play in drafting budget that will stimulate economy and improve the lives of our people in the province.

I would like to extend special thanks to the Head of Department, Mr. Mahlatsi, and his dedicated team for the sterling work undertaken in putting together this budget, indeed your work ethic and dedication is truly appreciated.

My sincerest gratitude goes to my family for their sacrifice and support to my dedication to the people of this province. And most importantly my heartfelt appreciation to the people of the Free State for the opportunity and honor given to us to implement government priorities. As I conclude Hon Speaker it is important to reiterate and pledge our support for a free Palestine and for an end to the illegal and unjust occupation of all Palestinian land. Hon. Speaker, I hereby table the 2020 Budget together with the associated Appropriation Bill.

I thank you.