

EXPLANATORY MEMORANDUM

1. PURPOSE

The Appropriation Bill, 2019 regulates the appropriation of money for the needs of the Province in respect of the financial year 1 April 2019 to 31 March 2020.

The memorandum highlights estimates of revenue expected to be received and raised for each year of the 2019 Medium Term Expenditure Framework (“MTEF”) period as well as the expenditures to be incurred by the Province.

2. SUMMARY

The 2019 MTEF budget appropriation includes the amounts that are already in the baseline of the Departments, as well as new allocations and reprioritization of funds. 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 2019/20 financial year amounts to **R37.274 billion**. This provides for funding of priorities identified in The National Development Plan, the 2014-2019 Medium Term Strategic Framework (MTSF), Medium Term Budget Policy Statement (MTBPS) and the 2019 MTEF.

The Free State Provincial Government’s projected revenue for the 2019/20 financial year is **R37.274 billion**, which consists of equitable share transfers of **R28.186 billion**, conditional grants of **R7.863 billion** and the Province’s projected own revenue amounting to **R1.225 billion**.

TABLE 1: NET PROVINCIAL POSITION

R' 000	2019/20	2020/21	2021/22
Total Revenue	37 274 018	39 593 184	42 231 989
Total Allocated Expenditure	37 274 018	39 583 381	42 159 883
Net Surplus (Incentive funding)	0	9 803	72 106

3. PURPOSE OF ALLOCATIONS

The total provincial budget amounts to **R37.274 billion** for the 2019/20 financial year as indicated in Table 2 below.

The purpose of the allocations is to provide 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;

*figures in the Bill and Memorandum identified with R' 000 as well as the words thousand, million or billion were rounded off.

- *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 specializing 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 and imperatives of the provincial government, is also one of the priorities. Among the infrastructure related investment initiatives are School Hostels, 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	2019/20
	Budget Allocation
Department of the Premier	625 682
Free State Legislature	266 242
Economic, Small Business Development, Tourism and Environmental Affairs	630 925
Provincial Treasury	367 624
Health	11 142 372
Education	14 733 214
Social Development	1 375 324
Cooperative Governance and Traditional Affairs	456 135
Public Works and Infrastructure	1 803 273
Police, Roads and Transport	2 888 688
Agriculture and Rural Development	821 354
Sport, Arts, Culture and Recreation	753 543
Human Settlements	1 409 642
Total	37 274 018

4. DISCUSSION

4.1 Provincial Fiscal Envelope

A summary of the total provincial revenue envelope is contained in Table 3 below and reflects the total revenue of **R37.274 billion**, **R39.593 billion** and **R42.232 billion** for the financial years 2019/20, 2020/21 and 2021/22 respectively.

*figures in the Bill and Memorandum identified with R' 000 as well as the words thousand, million or billion were rounded off.

TABLE 3: PROVINCIAL REVENUE ENVELOPE

R'000	2019/20	2020/21	2021/22
Equitable Share	28 186 642	30 337 928	32 411 131
Conditional Grants	7 862 754	7 985 223	8 569 861
Total Transfers from National	36 049 396	38 323 151	40 980 992
Own Revenue	1 224 622	1 270 033	1 250 997
Total Revenue	37 274 018	39 593 184	42 231 989

4.2.1 Social Sector allocations

(a) Health

Department of Health is allocated an amount of **R11.142 billion** in 2019/20, **R11.946 billion** in 2020/21 and **R12.789 billion** in 2021/22. The allocation of the Department covers, amongst others, the following health care priorities over the 2019 MTEF:

- Medicine and Medical Supplies
- Laboratory Services (NHLS) and Blood Supply and Services
- Food Services and Relevant Supplies
- Infrastructure and Non-Infrastructure Maintenance
- Children's Vaccines
- ARV'S
- Medical Depot

(b) Education

The Department of Education is allocated an amount of **R14.733 billion** in 2019/20, **R15.873 billion** in 2020/21 and **R17.071 billion** in 2021/22. The funding to this Department addresses, amongst others, the following sector priorities over the 2019 MTEF:

- Norms and Standards in schools
- Learner Teacher Support Material
- Grade R programme
- School Hostel Support
- Matric support programme
- Exemption of school fees
- School Connectivity
- Sanitary dignity project
- School infrastructure which include maintenance
- Learner Transport Programme

(c) Social Development

The Department of Social Development is allocated **R1.375 billion** in 2019/20, **R1.428 billion** in 2020/21 and **R1.492 billion** in 2021/22. The following priorities, amongst others, are funded:

- Early Childhood Development (ECD) and Partial Care
- Office on the Rights of Children
- Victim Empowerment
- Violence Against Women and Children
- Substance Abuse Treatment Centre
- Social Worker employment
- Sanitary Dignity Project
- NAWONGO court judgement

4.2.2 Non-Social Sector allocations

(a) Department of the Premier

The Department of the Premier receives **R625.682 million** in 2019/20, **R651.631 million** in 2020/21 and **R685.442 million** in 2021/22. The funding mainly provides for,

- Community Development Workers
- Free State Training and Development Institution
- Provincial Communication Strategy
- Provincial Bursaries and
- Strengthening of oversight role

(b) Free State Legislature

The Free State Legislature is allocated **R266.242 million** in 2019/20; **R285.521 million** in 2020/21 and **R289.197 million** in 2021/22. The allocations provides for, amongst others, party political funding and public participation.

(c) Economic, Small Business Development, Tourism and Environmental Affairs

An amount of **R630.925 million** for 2019/20, **R661.348 million** for 2020/21 and **R684.981 million** for 2021/22. The allocation caters for, amongst others, the following priorities:

- Environment programmes
- Radical economic transformation
- Waste Management
- Revitalisation of resorts
- Support of SMME's and Cooperatives
- Support of Black Industrialists

(d) Provincial Treasury

Provincial Treasury is allocated **R367.624 million** in 2019/20; **R372.693 million** in 2020/21 and **R388.975 million** in 2021/22. The allocation for this Department will cover, amongst others, State Information Technology Agency (SITA), financial intervention measures, municipal support programme and strengthening of oversight role.

(e) Cooperative Governance and Traditional Affairs

The allocation to this Department amounts to **R456.135 million** in 2019/20, **R478.994 million** in 2020/21 and **R499.918 million** in 2021/22. The proposed budget is expected to address priorities, amongst others, Operation Clean Audit programme, municipal support programme and support for water laboratories for municipalities.

(f) Public Works and Infrastructure

The Department of Public Works and Infrastructure is allocated an amount of **R1.803 billion** in 2019/20, **R1.930 billion** in 2020/21 and **R2.018 billion** in 2021/22. The proposed allocation addresses some of the key pressures of the Department such as property payments, municipal services as well as rates and taxes. The budget also makes provision for infrastructure investment.

(g) Police, Roads and Transport

The allocation to the Department of Police, Roads and Transport amounts **R2.889 billion** in 2019/20, **R2.886 billion** in 2020/21 and **R3.046 billion** in 2021/22. The allocation mainly provides for

- Infrastructure investments
- Support to public transport operators
- Installation of biometric and CCTV cameras
- Revenue collection (SAPO and Cash-in Transit)
- Procurement of fire fighting equipment

(h) Agriculture and Rural Development

Department of Agriculture and Rural Development receives **R821.354 million** in 2019/20, **R871.396 million** in 2020/21 and **R916.891 million** in 2021/22. The budget makes provision for Land Care programme, support and training of farmers, veterinary services, Mophoza Mobung programme, infrastructure investments and implementation of agricultural projects.

(i) Sport, Arts, Culture and Recreation

The Department receives a total allocation of **R753.543 million** in 2019/20, **R776.049 million** in 2020/21 and **R807.938 million** in 2021/22. The budget provides, amongst others, for infrastructure development, arts and culture, EPWP programme, artists, provincial library and archives services as well as recreation and heritage.

(j) Human Settlements

The Department of Human Settlements receives an allocation of **R1.410 billion** in 2019/20, **R1.424 billion** in 2020/21 and **R1.470 billion** in 2021/22. The allocation mainly emanates from conditional grants and thus provides for human settlements needs, title deeds restoration and EPWP. Over and above the national allocations the budget makes provision for demolition and building of two roomed houses.