

## EXPLANATORY MEMORANDUM

### 1. PURPOSE

The Appropriation Bill, 2018 regulates the appropriation of money for the needs of the Province in respect of the financial year 1 April 2018 to 31 March 2019.

The memorandum highlights estimates of revenue expected to be received and raised for each year of the 2018 Medium Term Expenditure Framework (“MTEF”) period as well as the expenditures to be incurred by the Province.

### 2. SUMMARY

The 2018 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 2018/19 financial year amounts to **R34.877 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 2018 MTEF.

The Free State Provincial Government’s projected revenue for the 2018/19 financial year is **R34.893 billion**, which consists of equitable share transfers of **R26.178 billion**, conditional grants of **R7.561 billion** and the Province’s projected own revenue amounting to **R1.153 billion**.

TABLE 1: NET PROVINCIAL POSITION

R' 000	2018/19	2019/20	2020/21
Total Revenue	34 892 699	36 812 297	39 474 410
Total Allocated Expenditure	34 877 227	36 743 633	39 337 317
<b>Net Surplus (Incentive funding)</b>	<b>15 472</b>	<b>68 664</b>	<b>137 093</b>

### 3. PURPOSE OF ALLOCATIONS

The total provincial budget amounts to **R34.877 billion** for the 2018/19 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;

- *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	2018/19
	Budget Allocation
Premier	611 279
Free State Legislature	253 118
Economic, Small Business Development, Tourism and Environmental Affairs	631 931
Free State Provincial Treasury	347 832
Health	10 403 313
Education	13 579 224
Social Development	1 266 057
Cooperative Governance and Traditional Affairs	443 329
Public Works and Infrastructure	1 635 268
Police, Roads and Transport	2 776 609
Agriculture and Rural Development	810 479
Sport, Arts, Culture and Recreation	727 010
Human Settlements	1 391 778
<b>Total</b>	<b>34 877 227</b>

## 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 **R34.893 billion**, **R36.812 billion** and **R39.474 billion** for the financial years 2018/19, 2019/20 and 2020/21 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	2018/19	2019/20	2020/21
Equitable Share	26 178 043	28 071 076	30 108 091
Conditional Grants	7 561 321	7 528 532	8 088 904
<b>Total Transfers from National</b>	<b>33 739 364</b>	<b>35 599 608</b>	<b>38 196 995</b>
Own Revenue	1 153 335	1 212 689	1 277 415
<b>Total Revenue</b>	<b>34 892 699</b>	<b>36 812 297</b>	<b>39 474 410</b>

#### 4.2.1 Social Sector allocations

##### (a) Health

Department of Health is allocated an amount of **R10.403 billion** in 2018/19, **R11.079 billion** in 2019/20 and **R11.847 billion** in 2020/21. The allocation of the Department covers, amongst others, the following health care priorities over the 2018 MTEF:

- Medicine, Medical Supplies including Dry Dispensary and Medical Waste
- 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 **R13.579 billion** in 2018/19, **R14.393 billion** in 2019/21 and **R15.649 billion** in 2020/21. The funding to this Department addresses, amongst others, the following sector priorities over the 2018 MTEF:

- Norms and Standards for school funding
- Learner Teacher Support Material
- Education Management Information System (EMIS)
- Expansion of Grade R
- Hostel Support
- Matric support programme
- Pre-Grade R training
- Exemption of school fees
- School Connectivity

##### (c) Social Development

The Department of Social Development is allocated **R1.266 billion** in 2018/19, **R1.321 billion** in 2019/20 and **R1.385 billion** in 2020/21. 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 Grant
- Sanitary towels initiatives
- NAWONGO court judgement

#### **4.2.2 Non-Social Sector allocations**

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

##### **(a) Department of the Premier**

The Department of the Premier receives **R611.279 million** in 2018/19, **R650.798 million** in 2019/20 and **R687.028 million** in 2019/20. The funding mainly provides for, Community Development Workers, Provincial Communication Strategy, FSTDI, Provincial Bursaries and transfer of functions (from Provincial Treasury and Police, Roads and Transport).

##### **(b) Free State Provincial Legislature**

The Free State Legislature is allocated **R253.118 million** in 2018/19; **R261.142 million** in 2019/20 and **R275.521 million** in 2020/21. The allocations provides for, amongst others, party political funding and public participation.

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

An amount of **R631.931 million** is allocated for 2018/19, **R632.942 million** for 2019/20 and **R675.859 million** for 2020/21. The allocation caters for, amongst others, the following priorities:

- Environment programmes
- Radical economic transformation
- Waste Management
- Management of Protected Areas
- Transformation of Game Industry (Training of game farmers)
- Support waste pickers programme
- Revitalisation of Resorts
- Foreign Investment
- Support of SMME's and Cooperatives
- Creation and Support of Black Industrialists
- Revitalisation of Textile Industry
- Flea Markets

**(d) Free State Provincial Treasury**

Provincial Treasury is allocated **R347.832 million** in 2018/19; **R343.926 million** in 2019/20 and **R351.622 million** in 2020/21. The allocation for this Department will cover, amongst others, State Information Technology Agency (SITA), financial intervention measures and municipal support programme.

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

The allocation to this Department amounts to **R443.829 million** in 2018/19, **R469.691 million** in 2019/20 and **R492.384 million** in 2020/21. 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 **R1.635 billion** in 2018/19, **R1.769 billion** in 2019/20 and **R1.860 billion** in 2020/21. 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 to **R2.777 billion** in 2018/19, **R2.794 billion** in 2019/20 and **R2.933 billion** in 2020/21. The allocation mainly provides for infrastructure investments and support to public transport operators. Over and above, the budget provides for learner transport programme, installation of biometric and CCTV cameras as well as costs associated with revenue collection (SAPO and Cash-in Transit).

**(h) Agriculture and Rural Development**

Department of Agriculture and Rural Development receives **R810.479 million** in 2018/19, **R836.338 million** in 2019/20 and **R885.053 million** in 2020/21. The budget makes provision for Land Care programme, support and training of farmers, veterinary services, Mohoma Mobung programme, infrastructure investments and implementation of agricultural projects.

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

The Department receives a total allocation of **R727.010 million** in 2018/19, **R740.399 million** in 2019/20 and **R751.818 million** in 2020/21. The budget provides, amongst others, for infrastructure development, arts and culture, EPWP programme, artists, photographers and community radio stations.

**(j) Human Settlements**

The Department of Human Settlements receives an allocation of **R1.392 billion** in 2018/19, **R1.452 billion** in 2019/20 and **R1.543 billion** in 2020/21. 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.