



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
05 March 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;

Parents, educators and learners, from the schools that reached the finals of the 2020 Provincial Budget Essay Competition, namely: -

- Setjhaba-se-Maketse High School from Botshabelo;
- Samuel Johnson Secondary from Zastron;
- Kananelo Secondary School from Kroonstad; and
- Lekhulong High from Bloemfontein.

All invited schools from Xhariep District; and

Esteemed Ladies and Gentlemen.

Dumelang!

Molweni!

Goeie middag!

Good afternoon!

Allow me to begin by appreciating the opportunity afforded by this august house to table our 2020 Appropriation Bill alongside the Provincial Economic Review and Outlook (PERO), 2020 Estimates of Provincial Revenue and Expenditure and Peoples' Guide to the Free State Budget. Today I will present a high level view of the challenges facing our South African and Provincial Economy and the steps we intend to take with this budget to mitigate expenditure risks and to improve economic growth. MEC's will unpack detailed plans during their respective budget vote speeches.

Introduction

Honourable Speaker, this is the year in which we celebrate the centenary years of several great leaders of our nation:

- **Isithalandwe Seaparankoe Raymond Mhlaba** a Rivonia Trialist and the first democratically elected Premier of the Eastern Cape.
- **Isithalandwe Seaparankoe Harry Gwala** who worked for the people throughout his life.
- **Vuyisile Mini** one the first ANC members to be executed by the apartheid regime in 1964 for armed activities carried out as a member of Umkhonto we Sizwe.
- **Rusty Bernstein** worked tirelessly throughout his life for democracy and freedom.
- **Robert Resha**. A prominent member of the ANC Youth League in the late 1940s and 1950s.

We cannot step off this subject without remembering one of our greatest political icons in the name of Albert Nzula from the Xhariep Region born in Rouxville the former Secretary General of the South African Communist Party from 1929 till 1931, a tried and tested leader. He indeed deserved that the Xhariep District

Hospital be named after him, let his spirit live on within all of us as we carry the struggle forward to attain the ideals of our National Democratic Revolution.

Honourable Speaker, we must honour and pay tribute to those whose struggles and sacrifices brought us freedom and democracy, we must draw guidance and inspiration from their examples and sacrifices.

Honourable, Speaker, let's join hands in congratulating our President, his Excellency Mr. Matamela Cyril Ramaphosa for being elected as the Chairperson of the African Union (AU). South Africa under the President's leadership has a great responsibility in 2020 as it leads the process of African economic integration, advances peace and stability, and promotes good governance across the continent. South Africa will also need to use its term as AU Chair to promote gender equality and the empowerment of women.

Our President assumes this responsibility just after South Africa joined 48 African countries in signing the African Continental Free Trade Area Agreement with the intention to boost trade between African countries and to remove barriers to trade and grow trade within Africa. South Africans and people of the Free State here is a portal for job opportunities, continental supply chains and access to markets of more than one billion consumers across the continent. The first operational phase has been concluded. South Africa will continue to advance protocols on trade regulations and policies to ensure the benefit of our current account through our reimagined industrial strategy. Civil Society is requested to participate in the development of next phases of the African Continental Free Trade Area, we therefore urge you to submit your inputs on the Trade and Industry website.

Honourable Speaker, I have been tasked by the Hon. Premier to lead the African Peer Review Mechanism within the Province. This structure is led by the Minister of Public Service and Administration, Hon. Senzo Mchunu, which is aimed at improving governance (the action or manner of governing a state, organisation, country) on the continent driven by a need for African solutions to African problems. The peer review process has four thematic areas: -

democracy and political governance, economic governance and management, corporate governance, and broad based sustainable socio-economic development. Our participation in the above structures positions our country well, for good governance, free trade, economic growth and integration as well as peace and stability.

OVERVIEW OF MACROECONOMIC CONDITIONS AND FORECASTS

The Global Economy

Honourable Speaker, the global economy is presenting us with major challenges in the coming year. The world economy is projected to recover from a growth rate of 2.9 percent in 2019 to 3.3 percent in 2020. The greatest impediments to global growth in 2019 were the escalation of the trade war, and its subsequent negative effect on manufacturing, global supply chains and global trade. In 2020, the global economy may recover due to continuing supportive monetary policy as well as steps being made through the Phase 1 Trade Deal, between the US and China, to end the trade war. However, the presence of coronavirus in China may threaten global demand in 2020. Honourable Speaker, China is the world's second-largest economy and a leading trade nation, so economic fallout from coronavirus also threatens global growth. China's economic growth is expected to slump to 4.5 percent in the first quarter of 2020, down from 6 per cent in the previous quarter, the slowest pace since the financial crisis.

The South African Economy

Honourable Speaker, the GDP results released by Stats SA this Tuesday, 3 March 2020, further reaffirms that South Africa is currently in a technical recession, after contracting by 0.8 percent and 1.4 percent in the third and fourth quarter of 2019 respectively. For the whole of 2019 the country's economy grew by only 0.2 percent. The weak growth is likely to add more pressure on government finances.

We cannot underestimate the negative impact of the coronavirus on South Africa's real economy as it is yet to be felt. However, if China's economic growth slows to 4.5 percent as predicted, its demand for exports (mostly commodities) from South Africa is also likely to decline. As a result, the flow of goods and services between South Africa and China would be the main transmission channel through which South Africa's real economy will be affected. The effect would therefore be detrimental on an already volatile South African economy.

These developments had adverse impact on transfers (budgets) to provinces. Accordingly, the Free State budget is reduced by R1.429 billion over the next three years. Honourable Premier, this tight fiscal environment both at national and provincial calls for a need to collaborate and work together with all stakeholders.

Honourable Premier, we should not despair as there is a hope following the pronouncement by the Minister of Finance during the tabling of the National Budget on the 26th of February 2020, which highlights the following fundamental pillars that form part of the economic strategy:

- Strengthening the macroeconomic framework to deliver certainty, transparency and lower borrowing costs.
- Focusing spending on education, health and social development.
- Modernising "network industries" and restructuring our state-owned enterprises.
- Opening markets to trade with the rest of the continent.
- Implementing a re-imagined industrial strategy.
- Lowering the cost of doing business; and
- Focusing on job-creating sectors, such as agriculture and tourism.

Hon. Speaker, this is the strategy that the Free State Province will also support and embrace in order to continue to stimulate much needed economy in our country.

The Provincial Economy

Coming to our own provincial economy. Honourable Speaker, the Free State economy has struggled to recover from the 2009 recession, growing by an average of 1.5 percent since. Further recessions were recorded in 2015 (-0.3 percent) and 2016 (-0.3 percent). The provincial economy only managed to exceed 2 percent growth rate, in 2010 and 2012, post the 2009 recession. Preliminary estimates are that the provincial economy contracted by 0.1 percent in 2018 and is projected to have declined by a further 0.2 per cent in 2019. What is discouraging, Honourable Speaker, is that the provincial economy is projected to improve to just 1.4 percent in 2020, and average only 0.9 percent over the next 4 years. This level of growth will not fast track the fight against unemployment, poverty and inequality.

Weak economic performance has translated into poor labour market outcomes. Unemployment remains a major challenge facing the province. The burden of unemployment in the province falls mostly on Africans, Women and the Youth.

Notwithstanding these challenges, Honourable Speaker and Members, the Provincial Government will continue to implement innovative programmes that are aimed at stimulating our economy, prioritizing growth and improve the lives of the residents of the Free State, some of which were highlighted during the tabling of the 2019 Adjustment Budget in November 2019 as well as the State of the Province address. We will continue to prioritize industries that will revive and grow our Free State economy, such as the following:-

- Infrastructure investment.
- Agriculture.
- Mining and manufacturing.
- Tourism.
- Support to Small Medium and Micro Enterprises.

- Education, skills revolution and Health.

Hon. Speaker, kindly indulge me in naming some of the practical interventions that the Free State Provincial Government will prioritize to mitigate our economic challenges.

ON GROWTH (Economic and Infrastructure Cluster)

Budget Facility for Infrastructure

Hon Speaker, I wish to encourage all provincial departments and entities to take an advantage of Budget Facility for Infrastructure (BFI) which is a reform to the budget process that supports the execution of national priority projects by establishing specialised structures, procedures and criteria for committing fiscal resources to public infrastructure spending.

National Government has committed R100 billion to the Infrastructure Fund. This includes new funding, new guarantees and repackaging of existing projects. The fund focuses on blended-finance projects, most of which will be funded primarily by the private sector. The Infrastructure Fund will increase private-sector investment in public infrastructure and contribute to higher economic growth, productivity and employment creation. The fund's implementation unit, housed within the Development Bank of Southern Africa (DBSA), aims to facilitate and speed up the development of projects. Hon. Premier, I must warn our departments and entities that there is a rigorous and stringent criteria applied when deciding which projects to be included in the Infrastructure Fund pipeline, in line with Integrated Delivery Management System (IDMS) Framework, and consequently, all infrastructure departments and entities are invited to participate in this budget facility **with a due date of the 30th of April 2020**, in line with the guidelines as prescribed by National Treasury.

Honourable Speaker, the Free State Provincial Government will be spending R 4.538 billion in the next financial year disaggregated as follows per district:

- Fezile Dabi R681 million
- Mangaung Metro R862 million
- Lejweleputswa R545 million
- Thabo Mofutsanyana R590 million
- Xhariep R318 million

The remaining R1.542 billion is mainly on routine and unplanned maintenance.

Improving intergovernmental coordination on infrastructure investment and District Development Model

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 provinces and municipalities, and support in this area will continue in 2020. Our sister Department, 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 illuminating 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 Army.

This would mean that to boost investment in the province 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 your 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 our province is 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 which is 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 REIMAGINED 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 established 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.

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 investments by **Reenergy** in Lejweleputswa will yield job opportunities and improve our provincial economy who is has committed investment of over R700 million in developing natural gas in Virginia which will create over 400 jobs in the province.

Coca Cola Beverages of South Africa (CCBSA) has committed to reinvest in its operations R80 million which will contribute towards increasing its manufacturing capacity thereby contributing towards job creation and enhancing quality of life.

Aspiring industrialists, we 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.

ON GOVERNANCE (Governance Cluster)

Reinforcing Cost Containment Measures in the Province

Honourable Speaker, as a province we have generally been supportive of all of 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 managing 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 reduce 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. It is important that as government we must take deliberate steps to use procurement as a tool to assist in transforming the economy and closing some of the gaps that exist from the unequal society of the past. To advance economic opportunities for previously disadvantaged designated groups, specifically black women, youth, people with disabilities, cooperatives, military veterans, small businesses and locally produced goods; it is important that we must all give progressive inputs and comments on this Bill. This Bill opens an opportunity for us to influence the amendment of the defragmented procurement pieces of legislation, policies, regulations and instruction notes, it

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 finalised since March 2019 to date for the abovementioned departments/entity and relevant information was provided to the departments to complete the process. 307 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, the 2020/21 budget tabled by the Minister of Finance clearly outlined the economic constraints that impacts on the budget for the MTEF period ahead. Key features outlined include the projected revenue of R1.58 trillion for 2020/21 against the projected expenditure of R1.95 trillion.

Madam Speaker, there are measures put in place to ensure fiscal sustainability of the country; key amongst them is the reduction of R156.1 billion on non-tax expenditure over the next three years. These developments affect both local and provincial spheres of government and inevitably impact on services.

We agree and support the need for an efficient and capable state as espoused by the ruling party. We further agree that sound macro-economic framework is a precursor for growth. Hon. Speaker all the above requires prudent fiscal management and instilling of efficiency in spending.

As a consequence of reduction of non-interest expenditure our equitable share is reduced by R1.429 billion over the MTEF period. The cuts on equitable share are mainly as a result of provincial equitable share formula data updates, implementation of fiscal consolidation and changes on MTEF projected inflation guiding planned increases for compensation. Despite our current fiscal position, provinces are given an opportunity to provide inputs to the finance and fiscal commission on the formulae of equitable share and distribution of budgets to provinces by July 2020.

Madam Speaker, these budget cuts affected the departments and public entities alike; however, we protected social sector departments such as Education and Health in this regard. Our fiscal space is tight and requires prudent measures. We must continue with stringent reprioritization of budgets towards high impact programmes. Madam Speaker, our infrastructure investment must be focused. We must consolidate our infrastructure projects, review the state and operations of the existing ones and rather have few new high impact projects that have a potential to change the lives of our people through economic growth.

2020 MTEF ALLOCATIONS

Madam Speaker, as members of the executive council, we are a resilient collective and our collective wisdom and commitment towards fiscal prudence, allocative and technical efficiency as well as innovative approaches will ensure that the 2020 MTEF budget we present today brings hope to our people.

The budget we present today emanates from a very 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. 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 R125.687 billion over the 2020 MTEF; this budget is divided as follows:

- R39.504 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.

Conditional Grants

The province is allocated R8.239 billion in 2020/21, R8.327 billion and R8.698 billion in the outer two financial years. The grants are increasing by an average of 1.7 percent; this subdued growth is indicative of reforms I alluded to earlier. In total the province projects to spend R25.264 billion over the next three years.

Madam Speaker, resources are tight and in times such as this one, we need to be innovative and bring more revenues to the province. I am delighted to announce that Department of Education and Department of Health will benefit from the Performance Based Incentive Grant to the tune of R73.4 million and R58.8 million respectively. These amounts are included in their respective infrastructure grants allocations.

Provincial Own Revenue

Madam Speaker, the 6th Administration of the Province emphasises that provincial own revenue remains a vital source of income in the absence of additional allocations. Although the economic conditions are not favourable, the province will still strive towards attaining the estimated revenue over the 2020 MTEF period.

Over the MTEF period the revenue is projected to be R3.754 billion. For 2020/21 revenue to be collected is estimated to be R1.248 billion; whilst for 2021/22 and 2022/23 revenue is projected to be R1.233 billion and R1.274 billion, respectively.

Madam Speaker, two-third of the estimated revenue is generated by the Department of Police, Roads and Transport and we have therefore allocated an

additional R10 million to allow the department to implement revenue enhancing projects. We are encouraged by the work done by the department and commend them for their continuing partnerships with the private sector on matters of revenue.

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.

SOCIAL SECTOR

The social sector accounts for R 30 billion (74.4 percent) of the allocation in 2020/21 and increases to 75.3 percent in the outer year in our commitment to continuously address the socio economic challenges in the Province. We are mindful of the fact that the share of Social Sector needs to be improved considering the challenges that must be addressed by the sector.

EDUCATION

Congratulations Hon Makgoe, our matric achievements make us one of the leading and best provinces in the country. We take pride in the achievements of the class of 2019 and enjoin the class of 2020 to do more and raise the bar for the class of 2021.

Hon. Speaker, we understand the importance of education and its impact on economic growth. We appreciate the fact that the changing global economic landscape requires us as a country to invest more on education, and it is in that spirit that the province is allocating close to 40 percent of its total fiscal purse to

education. Indeed, we heed the advice of Chris Hani when he said—I quote—*“We need to create pathways to give hope to our youth that they can have the opportunity through education and hard work to escape the trap of poverty”*.

The Department of Education is allocated R15.964 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 R50.933 billion. The budget for education grows by an average of 6.5 percent over the 2020 MTEF, this growth is against the projected inflation of 4.7 percent over 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 Connectivity
- 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 resolute drive as a province to grow the economy and create much needed jobs for our people requires a healthy workforce. Congratulations Hon. Tsiu on the impressive progress achieved by the sector with regard to the imminent introduction of National Health Insurance and we trust that this noble programme will expand access to quality healthcare services without any financial burden as envisioned and advocated by the World

Health Organization. We call on our partners, private sector and non-government organization, to work with us on this journey of transforming our health system for the advancement of our wellbeing as a nation.

The Department of Health will spend more than R37.968 billion over the next MTEF. This budget is spread as follows over MTEF—R11.951 billion in 2020/21, R12.691 billion in 2021/22 and R13.325 billion in 2022/23. The following are some of the priorities funded over the MTEF:

- 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

The budget also makes provision for appointment of interns and community service posts within the department.

SOCIAL DEVELOPMENT

Social Development remains central in the fight against social ills such as poverty, homelessness, drug and substance abuse as well as women and children abuse. Congratulations Hon. MEC Qabathe congratulations on the shelter for victims of violence against woman and children which you opened in Wepener this year. The National Department of Social Development is expected to address the social and structural drivers of HIV, TB and Sexually Transmitted Infections (STI) working in partnership with provincial departments. This work was previously done by the South African National Aids Council

through the training and support of non-profit organizations (NPOs) in the implementation of Social Behaviour Change (SBC) programmes. This function will now be performed by the provincial departments. To this effect the department will receive an additional allocation of R31.848 million over the MTEF for appointment of additional Social Workers in areas with a high prevalence of gender-based violence, substance abuse and issues affecting children. Over and above this allocation the department is allocated an additional R15.659 million over the MTEF to address the challenges of gender-based violence and Sexually Transmitted Infections (STI). Provincial departments are therefore expected to continue supporting the NPOs in the implementation of the Social Behaviour Change (SBC) programmes.

The department is allocated R1.473 billion in 2020/21, R1.502 billion in 2021/22 and R1.572 billion in 2022/23. Thus, in the MTEF ahead the department will be spending a total of R4.548 billion on the following priorities, amongst others:

- Appointment of Social Workers
- Gender Based Violence and STI
- Victim Empowerment
- Early Child Development
- Office on the Rights of Children
- 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

Social cohesion remains 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. This reminds me of the wise words of Reverend Albert Luthuli—I quote—“*I believe that here in South Africa, with all our diversities of colour and race; we will show the world a new pattern for democracy. There is a challenge for us to set a new example for all. Let us not sidestep this task*”—unquote. Indeed, let us persevere and never side step the task. Congratulations Hon. MEC Mahasa on progress that was made on the acquisition of land for the National Training Centre which will be the preferred host of national competitions in the country.

The budget allocation for Department of Sport, Arts, Culture and Recreation totals R2.411 billion over the MTEF and is divided as follows:

- R770.429 million in 2020/21
- R806.159 million in 2021/22 and
- R834.671 million in the outer year.

This budget caters for, amongst others, arts and culture, EPWP programme, 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, the 2020 MTEF budget process was quite vigorous and the aim was 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. We must bring back hope to our youth, hope that tomorrow will be better than today. 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. Speaker, we will be spending R7.570 billion on the Economic and Infrastructure cluster during the next financial year. The mandate of the cluster is to provide a conducive environment for economic growth, and has therefore found ways to leverage off National Funding mechanisms, PPP models and stakeholder partnerships to augment the total funding allocated to it.

HUMAN SETTLEMENTS

Hon. Speaker, the restoration of dignity through house ownership is imperative. It brings back well deserved dignity and allows for creation of asset base for our people. Congratulation Hon. Kolozi on the successful Hillside View Social Housing Project launched with the President this year.

The allocation to the department provides for implementation of comprehensive human settlements in the province. The department will spend more than R3.950 billion over the MTEF ahead. The budget per financial year is as follows:

- R1.274 billion in 2020/21
- R1.312 billion in 2021/22 and
- R1.363 billion in the outer year.

The budget includes R138 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.

PUBLIC WORKS AND INFRASTRUCTURE

Hon. Speaker, infrastructure development is key to economic growth and job creation and it needs to be supported by key requisite skills from both, private and public sectors. Our province plans to invest more than R13.450 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. Congratulations MEC Kolozi on the successful piloting of water demand management programme which is due to reduce water consumption and leakages in government building. This project has yielded the saving of R6million in just one facility in the province over a period of 9 months.

Over the MTEF period the department will receive a total allocation of R5.634 billion. The allocation is divided as follows:

- R1.809 billion in 2020/21
- R1.869 billion in 2021/22 and
- R1.956 billion in 2022/23

The MTEF allocations above include an amount of R1.375 billion allocated for rates and taxes as well as R259 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. To realize the economic benefits that comes with the geographic location of our province requires us to effectively maintain our road infrastructure network. The Department of Police, Roads and Transport's role in this regard is vital and must be supported by all key stakeholders. Congratulations Hon. Mashinini on obtaining the number one spot in the country on the least fatality rates by road accidents in the province.

Hon. Speaker, the department is allocated an amount of R3.015 billion in 2020/21, R2.895 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 and
- Transport regulation and operations

Over and above, the budget caters for revenue related programmes such as cash in transit and Post Office costs. Hon. MEC Mashinini, we must commend the work done by your department in collection of the revenue for the province; this department contributes more than 67 percent to our own provincial revenue collection and we really appreciate the ongoing efforts implemented by the department to enhance revenue collection in these challenging times of fiscal constraints.

AGRICULTURE AND RURAL DEVELOPMENT

Madam Speaker, Free State has a competitive advantage when it comes to agriculture. We must all work together to enhance the potential of the sector and strive towards ensuring that food security remains at the centre of fighting poverty. Congratulations Hon. MEC Bulwane on the land care commonage development in 11 towns and the Thaba Nchu Irrigation Schemes.

The department receives R814.063 million in 2020/21, R854.102 million in 2021/22 and R903.247 million in 2022/23. The budget provides for continuation of land care programme, support and training of farmers, veterinary services, infrastructure investments and implementation of agricultural projects. The budget further makes provisions for disaster and implementation of EPWP programmes.

Hon. MEC Bulwane, we welcome the blessings of recent rains and note the improvement in our dams' levels. Welbedacht dam is at its full capacity, whilst Gariiep dam is at 70 percent and Knellpoort, Rustfontein and Groothoek dams are at 48 percent, 28 percent and 25 percent respectively.

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

Hon. Speaker, without inclusive economic growth that creates jobs we will not overcome the challenges of poverty, unemployment and inequality. Neither does the stagnant economy generate the much-needed revenue for the provincial fiscus.

Congratulations Hon. MEC Mohale for your continued efforts in partnering with civil society, NGO's in the environment space and the private sector in its 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 R2.014 billion over the MTEF to further implement its mandate of growing the Free State economy. The budget is disaggregated as follows:

- R656.695 million in 2020/21
- R662.035 million in 2021/22 and
- R695.738 million in 2022/23

This budget makes provision for, amongst others, trade and investment promotion, SMMEs support, industrial parks, youth enterprise initiatives including National Youth Development Agency, resorts and reserves maintenance and environmental programmes. My colleague, Hon. MEC Mohale will surely provide more details on all the provinces catalytic projects during his Vote speech.

Hon. Speaker, allow me to briefly touch on the transfers to public entities. In 2020/21 the province is allocating R115.253 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 R216 million over the next three years.

Free State Development Corporation will receive R26.000 million in 2020/21. This allocation includes transfers to Maluti-A-Phofung Special Economic Zone (MAP-SEZ). We received a remark through our budget tips initiative that raises the issue of affordability of our factories in Botshabelo, Harrismith and Qwa-Qwa, especially for black industrialists.

DEPARTMENTS AT THE CENTRE OF GOVERNMENT

Madam Speaker, our vision is crystal 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 whom is the arm of the state will spend R1.774 billion. Allow me to address these institutions individually.

OFFICE OF THE PREMIER

Hon. Premier, the Office of the Premier will receive an amount of R674.239 million in 2020/21, R687.613 million and R 716.669 million in 2021/22 and 2022/23 respectively. In total the Office of the Premier will spend R2.078 billion in the MTEF ahead. The budget caters for the following priorities, amongst others:

- Funding for Gender Based Violence programmes

- Funding for Free State Training and Development Institute
- Funding for Community Development Workers
- Innovation Hub for the province
- Coordination of youth programmes
- Funding for Provincial Bursary Programme and
- Provincial Planning
- Bringing government services to the people of the province by ward offices in a phased approach across all towns in the province.

Congratulations Hon Premier, we must commend the work done by our Community Development Workers (CDWs). These officials, together with Community Health Workers (CHWs), are better sources of information for our planning. 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. Honourable Premier, the allocation to this department further provides for R2.5 million towards the realignment of the Free State Growth and Development Strategy with ruling party's January 8 Statement and Medium-Term Strategy Framework (MTSF) for the next 5 years.

Your emphasis Hon Premier on the 4th industrial revolution reiterates that the Free State Province, like any large networked organization it 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 virus attacks bring down our networks and demonstrating both our local and international exposure to attacks.

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 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 recently approved water and electricity master plans for Maluti-a-Phofung under the Municipal Infrastructure Grant.

COGTA is allocated R462.922 million in 2020/21, R473.855 million in 2021/22 and R492.276 million in 2022/23. The budget addresses the following priorities, 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.

Honourable Speaker, we are aware of the challenges faced by our respective municipalities especially regarding water shortage, following drought in the province. I am pleased to announce to this August House that the Hon Premier has reflected on an amount of R220 million that has been set aside by the National Government to assist Maluti-a-Phofung Local Municipality to deal with this crisis.

Madam Speaker, we received a very innovative budget tip from Ranoko Knox Lebuso on revenue enhancement in municipalities. Mr. Lebuso advises that we need to enhance our revenue processes in municipalities through implementation of IT technology such as e-commerce and QR Codes for ease of transacting. I will share the tips with my colleague at COGTA.

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.

Provincial Treasury is allocated R346.615 million in 2020/21; R363.143 million in 2021/22 and R382.974 million in 2022/23. The budget caters for the following programmes that drives oversight role of the department:

- Sustainable and prudent resource management
- Strengthening of financial governance
- Strengthening of Asset and liability management and
- Strengthening of municipal financial management

Madam Speaker, budget tips from Neo Kabi raises very key questions for the province. She wants to see government supporting women led businesses and paying service providers within thirty days. I agree with you Neo; and I assure you that this 6th Administration wants to see that happening. The issue of payment within thirty days is a must and is a non-negotiable.

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 R290.074 million in 2020/21; R296.096 million in 2021/22 and R307.858 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

Madam Speaker, as I conclude allow me to quickly reflect on some of the budget tips received from our people.

- Sebelo Sigudu advised that there must be a dedicated Youth Fund to cater for ward-based projects; especially for youth owned projects in Harrismith to create job opportunities.
- Dj Hunter Hunter recommend entertainment for Youth of the Free State artist.
- Abram Lebaka advised that National and Provincial Treasury must assist municipalities that are struggling to finish huge projects, and that there must be consequences for misuse of resources.

Hon. Speaker, the following inputs were received from Grade 12's Budget Competition and were found to be valuable:

- Budget for the Department of Education must be increased so that the teachers can be paid overtime to improve the quality of work and results.
- Department of Education should promote scarce skills in schools from an early age.

- Learners should not be all channelled to academic subjects and grade 12.
- Increase beneficiation from our own agricultural products in the FS e.g. sunflower to sunflower oil.
- Increase support for entrepreneurs and promote entrepreneur as a subject in schools.
- Use technology for deep rural people to consult with state doctors via their cell phones, meaning that consultations can be done on the phone instead of physical interaction where the lives of people are not necessarily at risk.
- Promote and encourage school sports competitions in schools and in particular rural schools.

Thank you to all the participants whom have applied their mind very diligently to the budget speech competition. You are all winners.

As we move onwards and upwards, as Team Free State, from Xhariep to every corner of this province, allow me to thank our Hon. Premier, Me Sefora Ntombela and my esteemed Provincial Executive Council colleagues for their support in crafting this budget collectively under extreme fiscal constraints.

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 Provincial Budget Committee for their candid, positive, critique and support.

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 my 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 husband for his unwavering support, my two little boys for their understanding as well as my mother and siblings for being available almost at any time when I cannot.

Most importantly my heartfelt appreciation to the people of the Free State for the opportunity and honor given to us to implement government priorities.

Hon. Speaker, I hereby table the 2020 Budget together with the associated Appropriation Bill.

I thank you.