



**GAUTENG**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

**SPEECH BY GAUTENG MEC FOR FINANCE AND E-GOVERNMENT, BARBARA CREECY, AT THE TABLING OF THE MEDIUM TERM BUDGET POLICY STATEMENT AND THE PROVINCIAL ADJUSTMENT APPROPRIATION BILL, GAUTENG PROVINCIAL LEGISLATURE, 17TH NOVEMBER 2015.**

Honourable Speaker;  
Honourable Premier;  
Colleagues in the Executive Council;  
Honourable Members of this House;  
Heads of Departments present here today;  
CEOs of our public entities present here;  
Leaders from various sectors of our society;  
Fellow citizens of this great province;

It is my honour and privilege to table before this House the 2015/16 Medium Term Budget Policy Statement and the Adjustment Budget.

Today honourable members, we are tabling our 10<sup>th</sup> edition of the Medium Term Budget Policy Statement, an important milestone for Gauteng Provincial Treasury. We are therefore particularly delighted that today we table a people's budget.

Ours is a Medium Term Budget that not only responds to the imperatives of our programme for radical transformation, modernisation and reindustrialisation, but also and most importantly, it takes account of the daily experiences of our

people as relayed to us during the Ntirhisano Outreach programme.

Specifically, the Adjustment Budget we are tabling today seeks to respond to the challenges that learners and teachers experience in our schools on a daily basis. It is a budget that will help us shorten waiting times and thereby improve the quality of service in our clinics and hospitals.

It will ensure better oversight over the police and safer communities; support the poorest by expanding food security in tough times; and help our cities and towns clean our streets, collect the refuse and give greater access to basic services.

The recent student led #FeesMustFall campaign brought sharply to the fore the on-going socio-economic challenges facing many South Africans.

Young people united across gender, class and race, and as Franz Fanon suggested, “arose out of relative obscurity to identify their mission and fulfill it”. They followed in the footsteps of the generation of the 1970s and 80s. Theirs too is a just cause.

We therefore support their demand to expand access to quality higher education, especially for students from poor and working class families.

We welcome the intervention by President Zuma and the national cabinet to put in place a process to find a lasting solution to the challenges of funding, especially in higher education. We also welcome the commitment by the private sector to make a contribution towards the resolution of the issues raised during the campaign.

Madam Speaker this Medium Term Policy Statement is made fully cognizant of the complex economic and social climate within which we try to achieve transformation, modernisation and reindustrialisation of the Gauteng City Region. Our environment is characterised by the following:

- Lower economic growth than what was anticipated during the tabling of the main budget;
- Subdued private sector investment due to lower levels of business confidence;
- Rising levels of unemployment and poverty amongst our people.

All of these make the need for positive intervention by the city region government's all the more necessary.

While the province remains the economic hub of the country, with a R1.1 trillion economy, and contributes 35.1 percent to national GDP, we are not insulated from the economic slowdown experienced by the country as a whole.

In the current financial year, lower growth in our major trading partners: China, the US and Europe; the collapse of commodity prices; financial market volatility and electricity supply challenges have combined to undermine growth and weaken the Rand.

The Honourable Minister of Finance, Mr Nhlanhla Nene, revised his national economic growth forecast from 1.7 percent to 1.5 percent in October. Current research suggests that Gauteng will only reach 1.2 percent growth this year.

In these tough economic times for our country and our province we have to ask and provide a response to this difficult question, what is to be done to reduce poverty, unemployment and inequality in the Gauteng City Region?

Are we powerless to mitigate the forces that pose serious threats to our vision of a prosperous, equitable, non-racial, non-sexist and democratic South Africa? Do we have the capacity to radically transform, modernise and reindustrialise the Gauteng City Region?

We are alive to the fact that while the road ahead will not offer easy victories, we remain resolute in our commitment to ensuring all our children grow up in safe and clean neighborhoods, close to economic opportunities with a decent standard of living and a better future.

There are three reasons why we know this commitment is achievable:

The first is the relative sophistication and potential competitive advantage of the city region economy;

The second is our clear vision for equitable growth and development;

And the third is the political will we have to implement our vision and plans to overcome obstacles in our path.

Turning firstly to our potential competitive advantages:

- The City Region accounts for almost 40 percent of the country's business and services sector economy. Wholesale & retail trade, transport & communication,

finance & business services, government, personal & social services accounts for approximately three-quarters of Gauteng's Gross Value Added by Region (GVA-R). The McKinsey Global Institute recently estimated that expanding South Africa's service exports could generate up to 460,000 jobs by 2030, a significant share of which could be created in the Gauteng City-Region;

- Further confirming its hub status, the Gauteng City-Region ranks highly among its peers in foreign direct investment flows, especially in technology-intensive sectors. According to Ernest and Young, we have been the most popular foreign investment destination in Africa resulting in Gross Domestic Fixed Investment rising from R118 billion in 2010 to R135 billion in 2013.
- Over the past fifteen years the city region economy has moved from 62.1 percentage of trade to 64.6 percentage of South Africa's trade. These exports, most of which are minimally processed, account for more than half of the province's exports whereas mining related machinery, appliances, electrical equipment and chemical products exports, to the rest of Africa account for 13.3 percent. These exports have more value add and therefore could potentially contribute more to employment in the province. This suggests that expanding trade into Africa could have significant benefits for the province.
- The Gauteng City Region is home to five world renowned universities already working in partnership with government and the private sector to invest in research, development and innovation to promote our

global competitiveness. In this regard the Provincial Government has active partnerships with academic institutions around our Innovation Hub in Tshwane, our Dav Centre in Johannesburg and the Global City Region Observatory.

- Gauteng also has the benefit that almost sixty percent of our adult population has post school qualifications, making our province's work force the most skilled in the country. Average standards of living and labor productivity are much higher today than they were in 2000.

Gauteng's economic competitiveness is underpinned by a well connected and diversified infrastructure and an ever improving transport and logistics network.

Over the past year alone the City Region governments have spent R30bn on infrastructure. This includes a high-speed broadband network to improve the province's digital connectivity; new cities and mega settlements; new road infrastructure and public transport as well as smart schools and hospitals.

This overview of Gauteng's competitive advantage would be incomplete without acknowledging the potential for reciprocal inclusive growth and development which lies in our proximity to the rapidly urbanizing and industrialising economies in sub-saharan Africa.

Many local and international companies headquartered in Gauteng are already involved in mining, construction; ICT and financial services across the continent. But it would be safe to say we are only beginning to explore and understand the role

and responsibility our City Region has in the Africa rising narrative.

Turning to the second reason we are not powerless in the face of tough economic times: we have a clear vision supported by increasingly comprehensive policies, plans and budgets to reignite our economy, to create jobs and to address inequality and poverty.

In this regard we will continue to work hard to implement our ten pillar programme of radical Transformation, Modernisation and Reindustrialisation of the Gauteng City Region across the five development corridors.

Over the past fifteen months we have been actively engaging the private sector and civil society on our vision and how we can work together to build an inclusive growing economy and create the number of jobs we need to make a meaningful dent in unemployment.

As part of government's commitment to ensuring we finance the TMR Over the Medium Term, the Gauteng Provincial Government will allocate a total of R38 billion to the development of infrastructure across the five development corridors.

A total of R1.6 billion is earmarked for transfer to public schools across the province. Just over 1.1 million of Gauteng's learners will receive free education and every day for the next three years we will feed a hot meal to just over 1 million needy learners in our schools.

The Gauteng City Region continues to champion the cause of young people to have the necessary skills and capabilities to enter the job market. The province is currently providing

over 20 000 youths with vocational training; internships and learnerships.

While the funding of tertiary education is not in our remit we have in the current financial year set aside R218 million for bursaries to assist our youth to pay fees at both the universities and FET colleges.

This year alone 103 312 healthy babies have been delivered in our hospitals; over 11 million patients have attended our primary health care facilities, just under 2 million of whom are under the age of 5 years.

This year in support of the township economic revitalisation we have set aside over R 150 million for both financial support and non-financial support to township entrepreneurs. Our new provincial banking contract with First National Bank that comes into operation next year has made a commitment of R200 million for small businesses and township enterprises.

Turning to our third reason why we remain positive in difficult times, this administration is not afraid to take the tough decisions needed to get government's house in order and ensure we have the capacity to deliver on our programmes.

Over the past year we have taken a number of steps to improve our financial and administrative governance including:

- Strong co-operative governance with a renewed commitment to integrated planning, cutting developmental approval processes and other forms of red tape.
- The Ntirhisano Service Delivery War Room and Roadshow that is credited with reducing the number of violent service delivery protests in Gauteng and restoring

public confidence in Government's responsiveness. It has brought confidence to our community that indeed we are a caring government, we have witnessed a reduction in a number of service delivery that we experienced in the past.

- Fundamental reform of the public procurement system by introducing the transparent, open tender system for all government procurement over the next three and a half years.
- Improving the payment of government service providers through the introduction of an e-invoicing system, which has seen the majority of our departments paying over 90% of their invoices within the 30 day period, with the average number of days from invoice receipt to payment date in the province being 16.3 in August. In monetary terms only 12 % of our invoices are not paid on time; three departments are now paying 100% suppliers within 30 days.

Significant reforms have taken place in our human resource management across the province to eliminate ghost employees and verify monthly payrolls to ensure that the province pays valid employees for services received. The Gauteng Provincial Treasury recently won third prize at the Public Service Innovation Awards on 30 October 2015 for introducing an online payroll certification application which has eliminated time consuming manual paper-based processes. As a result in the 2014/15 audit outcome no department in Gauteng was found to have ghost employees and no department had an audit finding related to payroll.

- In the past our infrastructure spending was characterised by lengthy delays and project over-runs. Last year GPG managed to spend 99% of our infrastructure budget. To further improve on our infrastructure spend we are implementing the Infrastructure Delivery Management System to ensure we continue to spend on our infrastructure in line with the tabled budget. We are currently busy implementing a Contract Management and Standardisation model to entrench contract management good practice and implementation across GPG.

## **The Adjustment Budget**

Honorable members we need to contextualize the space in which we operate, the Gauteng City Region. The total population of South Africa is estimated at 54.9 million people, of which the Gauteng City region accounts for 13.2 million people, 24% of the total population resides here.

Our City region is growing continuously. We must be able to plan and provide for this population growth. Our resource envelope should also be responsive to ever increasing needs.

When presenting the MTBPS in November 2014; I said that there were four aspects to our financing approach:

- Firstly we want to maintain spending on quality services for our people;
- Secondly we will increase spending on infrastructure to give expression to the TMR and create work;

- Thirdly we will work hard to eliminate waste and corruption and
- Finally we will look for ways to increase our own revenue and alternate funding mechanisms.

I have spoken extensively earlier in this speech about the contributions we are making to maintaining spending on quality services for our people and what we are spending on infrastructure

I would like briefly to report to this house work we have done to enhance the provincial revenue base and ways in which we are cutting costs to allow us to focus on core spending.

The Provincial Treasury has tabled before the Executive Council a Revenue Generation Strategy, to accelerate efforts to collect and generate more revenues to meet our obligations.

Over the past years, the Gauteng Provincial government cautiously invested in the development of Revenue Information Management System (RIMS) for the Department of Roads and Transport to enhance the collection of motor vehicle license and combat fraud.

Not only is the Department currently responsible for the largest revenue collected at the province at around R3 billion, but the RIMS technological innovation has won the two prestigious awards, namely, the GovTech Award for technological innovation in the public sector and the Centre for Public Sector Innovation Award for improvements in internal management processes in the public service.

Today as we table this adjustment, we are reaping the first fruits of our labour in generating revenue. I hasten to state that despite these resources all of us we are still expected to do more with less.

## **Cost Containment and Reprioritisation**

Our finances remain under severe pressure partly as a result of the unlimited needs that we have; and also as a result of the shrinkage in the tax revenues. To this extent, cost containment and reprioritisation is still at the heart of how we deliver our services to our people. Our departments are still required to continually assess the aim, purpose and effectiveness of programmes and public entities, and whether outcomes and outputs can be attained at lower cost.

The provincial EXCO approved a 10% reduction on non-essential items which we hope will yield us a R166 million saving over the MTEF that can be put to better use for frontline service delivery..

Honourable members the adjustment budget is guided by section 31 of the PFMA, which is underpinned by the following:

- Commitment we have made during the tabling of the main budget in March.
- Resources that have been made available from National government for unforeseen and unavoidable expenditure
- Shifting of funds within the main votes
- Appropriating the roll overs
- Allocating resources that might have been found during the course of the year

The budget framework we are tabling today shows that we have the ability to adapt to our changing circumstances, to continue to forge ahead with the implementation of the TMR, within a sustainable budget framework.

Our adjustment allocations are therefore as follows:

- We are increasing our own revenue target from R4.5 billion to R4.9 billion, an increase of R400 million.
- Our expenditure estimates are revised upwards by almost R2,1 billion from R95.3 billion to R97.4 billion.

### **The Wage Settlement**

The wage bill is the single largest line item in the GPG budget. It remains a priority, given the in migration into our province and the ever-growing demand for services particularly in the labour-intensive departments of health and education.

Accordingly hard choices have been made on how to fund the current wage settlement without compromising budgets for infrastructure and goods and services.

We are today adding to the baseline of the Compensation of employees' budget an amount of R686 million. These resources are directed towards ensuring we have teachers in the classroom, nurses and doctors in our hospitals and the social workers to serve the vulnerable in our society.

### **Settling Province's Debt to Municipalities**

On the occasion of the tabling of the Treasury vote budget speech earlier this year, I alluded to the fact that it is in our best interest that no sphere of government should owe money to another sphere of government. In this regard we are

particularly concerned to ensure municipalities are financially sustainable and able to deliver quality services to our people.

Today we make that commitment a reality. We are adding to the baseline of the departments of Health and Education R174 million and R160 million respectively towards their municipal services account. The intention here is to ensure that these departments do not accumulate further municipal debt.

We are also adding an amount of R402 million towards payment of existing debt on rates and taxes to municipalities for both Human Settlement (R50 million) and Infrastructure Development (R352 million). We are committing today, in this house, to clear our municipal arrears over the next two years.

Resources earmarked for municipalities will be ring fenced within the Provincial Treasury and payment will only be released after a process of verification and reconciliation has been completed. We urge all the GCR municipalities to work with us on this process.

### **E-tolls subsidy**

Madame Speaker, we are all aware that last year Premier Makhura took a decision to establish an advisory panel to assess the socio-economic impact of the introduction of the e-tolls on the economy and people and propose a best possible way forward on this matter. The matter has now reached conclusion, the new dispensation is being implemented.

We committed ourselves during the tabling of the main budget that we will appropriate our portion of contribution towards GFIP during the adjustment budget. The Gauteng provincial

government will fund its 50% contribution and accordingly we appropriate R123 million for this purpose today.

## **Modernisation of the State**

Honourable members at the beginning of November the City Region hosted a successful e-Government Conference where we demonstrated ways in which we are using ICT to improve service delivery to our citizens.

Accordingly an amount of R177million is allocated for the ICT projects in health to assist the department to implement a records management system to reduce patient waiting times and also assist in improving much needed revenue collection by the department.

We are also setting aside a further R200 million per annum for our smart schools project to enable the Department of Education to expand access to the programme in January 2016.

## **Bidding and Hosting**

Bidding and hosting is an integral part of the province's plan to radically transform and modernise the Gauteng economy. Major events play an important role in stimulating economic growth and acting as a catalyst to attract investment. We are setting aside R50m for bidding and hosting of major events in Gauteng and for profiling Gauteng as a major events destination.

## **Community Safety**

The Department of Community Safety receives an amount of R85m of which R50m is set aside towards its goods and

services to ensure that it continues to provide its key mandated functions; R25m is for implementing road safety promotion initiatives over the festive season; and R10m to provide new uniforms for our hardworking patrollers in the province.

## **Agriculture and Rural Development**

We are setting aside R74.7m to the Department of Agriculture and Rural Development to assist the department with farmer support; animal health care and food security initiatives. An amount of R16.2m is earmarked for "Bontle ke Botho" towards Clean and Green Campaign.

## **Sport, Arts, Culture and Recreation**

A total of R38 million is allocated to the department. This amount comprises of R16 million allocated for Operation Mabaleng for converting a soccer facility to a multi-purpose facility in Westbury. We are also committing R7 million towards the operationalisation of our different hubs in the province which are geared towards for sports, recreation and culture and arts activities. To kickstart the operations of the Boipatong Memorial Centre; Kagiso Memorial Acre and Sports Facility; and the Women's Living Heritage Monument in Tshwane, we are setting aside R15 million.

## **Social Development**

In response to the serious scourge of substance abuse bedeviling communities across Gauteng we are allocating R15 million to Social Development to develop a proto type to expand its community based anti substance abuse plan.

## **Roll overs**

A total rollover amount of R173.6m is approved and allocated to departments following a rigorous evaluation process undertaken by the province. The approved rollovers comprise of R124.5m of the equitable share and R49.2m of conditional grants. The rollovers are in respect of unspent but committed conditional grant funds, incomplete projects, and goods and services delivered or received but invoices not paid by the 2014/15 financial year-end.

## **Conclusion**

Honourable members on the occasion of the very first Annual Regular Opening of our Democratic Parliament, on May 24, 1994, the Honourable Nelson Mandela issued an historic challenge when he said:

"We must, constrained by and yet regardless of the accumulated effect of our historical burdens, seize the time to define for ourselves what we want to make of our shared destiny."

As we table this adjustment today, we are still guided by the need to forever choose our shared destiny. The dream of our first democratic President can only be realised if we all participate in shaping this future for our province, for our country and for our children.

In conclusion; I would like to thank the Premier for his inspiring leadership and support; and my colleagues in the Executive Council for their understanding of the financial challenges facing us and their willingness to re-prioritise scarce resources to meet infinite needs; the Finance Portfolio Committee, and SCOPA under the leadership of the Honourables Sakhile Khumalo and Mbongeni Radebe; all our

senior officials and our stakeholders for their continued support in ensuring the fiscal position of this province remains stable.

Lastly, let me express my appreciation to the officials of Gauteng Treasury led by Ms Nomfundo Tshabalala and the Gauteng Infrastructure Financing Agency led by Mr Oupa Seabi for their hard work in ensuring the department delivers on its mandate.

I now table the following documents for consideration by this House:

- The Medium Term Budget Policy Statement 2015
- The Adjusted Estimates of Provincial Revenue and Expenditure 2015;
- Adjusted Estimates of Capital Expenditure 2015,
- The Adjusted Appropriation Bill 2015,
- A copy of my Speech

Thank You.