



**SPEECH BY THE HONOURABLE BARBARA CREECY
GAUTENG MEC FOR FINANCE ON THE OCCASION OF THE
TABLING OF THE MEDIUM TERM BUDGET POLICY
STATEMENT 2017 AND THE PROVINCIAL ADJUSTMENT
APPROPRIATION 2017/18**

Madam Speaker;
Honourable Premier;
Colleagues in the Executive Council;
Honourable Chief Whip;
Honourable Members of this House;
Mayors and MMCs present here;
HOD of our departments;
CEOs of our public entities;
Private sector representatives
Comrades and Friends

It is a great honor and privilege for me to present to this House today the 2017 Medium Term Budget Policy Statement and Adjustment Budget, the fourth of this Fifth Administration under the leadership of Premier David Makhura.

Let me begin with tabling the following documents for consideration by this House:

- The Medium Term Budget Policy Statement 2017
- The Adjusted Estimates of Provincial Revenue and Expenditure 2017
- Adjusted Estimates of Capital Expenditure 2017
- A copy of my Speech

Let us acknowledge at the outset, Honourable members, the difficult context in which we must fund accelerated implementation of our provincial programme over the remaining eighteen months of this term.

Global growth is projected to reach 3.6% this year and 3.7% in 2018. Growth in Sub-Saharan Africa is projected to reach 2.6% in 2017, and 3.4% next year, as a result of improved oil production and agricultural output.

Our own economy is, however, projected to grow at less than one percent this year. Ongoing deterioration in business and consumer confidence acts as a major constraint on growth.

The devastating impact of the weak economy on the lives of ordinary people is reflected in Stats SA's latest Poverty Trends in South Africa Report.

In this, the richest province in the country, one third of our residents officially live in conditions of poverty. One in three economically active citizens are without work.

Two hundred and fifty thousand people migrate into our province every year, motivated to leave severe poverty elsewhere, in the hope of a better life in Gauteng.

This rapid increase in our population places severe strain on our ability to provide quality education, health care and human settlements.

Following Minister Malusi Gigaba's Medium Term Budget Policy Statement, we now know Gauteng will have to provide these services from existing medium term projections. We do not expect increases in the equitable share next year.

These are tough times indeed for our provincial government and our people.

If we want to change this reality, Honourable members, we need to recognize:

- Good governance, is an important pre-requisite for an effective developmental state and more sustained investment, both of which are needed to fuel growth.
- Strong sustained and inclusive growth is needed to create jobs, reduce inequality and transform our economy.

- Inclusive growth is itself, also, an essential pre-requisite to restore the health of our public finances so that our revenue collection meets our expenditure needs.
- To harnesses our collective energies for social and economic transformation, a new social compact is needed between government, business, organized labour and civil society.

The question Madam Speaker, we must answer today, is what is **our** role, as a sub national government, in promoting good governance, and inclusive growth based on a new social compact?

Much recent research by both academics and multi-lateral institutions points to the rising importance of cities and city regions in a context where the world is undergoing the largest wave of urban growth in human history.¹

This places increasing responsibility on cities and city regions to deliver government services. The agglomeration of population in city regions also, according to Jonathan Woetzel², creates new possibilities for productivity and growth. It has also led multi-lateral institutions to an understanding of the increasing importance of involving sub-national governments in decision-making systems and structures.

The election of Premier Makhura as a Co-President of the Association of Metropolis and the benefits this brings to our region in terms of access and exposure, is a reflection of this emerging global trend.

And so, we will argue today, Madam Speaker, that this City Region Government has both an opportunity, and in fact a duty, to do all in our power to contribute to good governance, inclusive growth and a new social compact.

In fact, our bold programme of transformation, modernisation and re-industrialisation – a programme we are currently implementing in partnership with the private sector, labour and the rest of society – is already yielding positive results.

¹ 2015 Report by the United Nations Population Fund

² Jonathan Woetzel 2016: Inclusive Cities are Productive Cities

Here in Gauteng, we understand that the enormous social and economic transformation challenges we face cannot be solved by government alone.

Accordingly, one of the hall marks of this administration has been our consultative approach to key priorities. Inspired by the words of the National Development Plan 2030, Premier Makhura's administration understands that:

“South Africa belongs to all its people and the future of our country is our collective future. Making it work is our collective responsibility. All South Africans seek a better future for themselves and their children.”

Consequently we have worked hard to bring in the collective ideas, creativity and active partnerships of all Gautengers in all we do.

Successful modern city regions across the globe are now focusing on building ecosystems where entrepreneurs and innovators can work together to develop new industries.

Following a memorandum of understanding between GPG and all our universities and technikons, we now have better synergies that facilitate investment in research, and innovation to promote our global competitiveness.

Early next year we will host a conference focusing on the role innovation, technology and ICT can play in advancing our City Region. Our intention is to develop a roadmap for Gauteng as well as agree on critical game changers that will advance an innovation ecosystem at scale.

Because we understand good relations with organised labour are key to all we do, yesterday and today, the province is hosting a Labour Summit.

The objective is to promote sound, peaceful and stable labor relations and engage recognized trade unions on the economy, job creation and service delivery.

Honourable members, with low levels of domestic savings, this government understands the importance of attracting foreign direct investment in creating inclusive growth.

Even in tough times our province remains the primary destination for foreign direct investment. According to the FDI Intelligence Report ³, between January 2011 and December 2016; a total of 460 investment projects were recorded in Gauteng. These projects represent a total capital investment of R153 billion.

This year the first five Mega Human Settlements, namely Leeupoort; Daggafontein; John Dube; Chief Albert Luthuli and Montrose, have attracted approximately R29 billion in new private sector investment. It is estimated that this new investment will create over 50 000 new jobs over the next three years.

Madam Speaker, in 2016/17 the Gauteng Provincial Government spent R12.4 billion on infrastructure delivery. This is the third year in a row where we succeeded in spending by more than 96% of the appropriated budget.

This budget ensured we have four new clinics as well as a brand-new hospital in Sedibeng. It enabled us to build eight new schools and refurbish twelve others.

The Department of Roads and Transport completed the Kagiso and Mabopane Drivers' Licence Testing Centres as well as made major progress on upgrades to the N14 and phase two of the old Vereeniging Highway.

Studies by the Gauteng City Region Observatory and the Centre for Competition Regulation and Economic Development at the University of Johannesburg have emphasised the impact infrastructure makes on citizens' quality of life and regional economic competitiveness.

These studies highlight the central role government infrastructure investment plays in social and economic transformation. Research commissioned by this government last year indicated that, on average, our infrastructure spend in Gauteng creates 53 670 direct jobs a year.

³ FDI Intelligence Data; 2017

One of the most exciting innovations helping us to reboot Gauteng's economy, are the sector specific partnerships we call Action Labs.

These partnerships between government, and industry leaders focus on how we grow economic sectors and create jobs both by attracting investment from major players and growing exports and market access on the African continent.

To date Action Labs have been set up to focus on BPO, ICT, and the Capital Equipment Manufacturing sector. We are now moving into the food and beverage sector and the mining industry.

Work in the Business Process Outsourcing sector has already created 6000 new jobs this year. Two days ago, the sector signed an agreement with Premier Makhura to create a further 24 000 jobs over the next thirty-six months. Twenty percent of these jobs will be for the exclusive inclusion of young people who have never worked before.

Here in Gauteng we understand that young people want real opportunities to live meaningful lives as valued citizens.

Accordingly, in June this year; Premier Makhura signed pledges with companies, social enterprises and learning institutions to provide opportunities for young people through the Tshepo One Million Programme. Since 2014, Tshepo has impacted on the lives of over 400 000 young people with 42 430 new beneficiaries to date this year.

Across the world, small, medium and micro enterprises account for approximately sixty percent of all private sector employment. In a country such as Ghana, small enterprises employ eight out of every ten people.

A 2016 Research Note commissioned by the Small Enterprise Development Agency, confirms Gauteng is home to almost half our country's small enterprises. Gauteng also has a third of all informal businesses. The World Bank estimates the township economy to be worth R 10 billion annually.

Given the important role small enterprises play in our overall transformation agenda, we continue as government to use our massive procurement muscle as well as our vast infrastructure spend to drive meaningful transformation, empowerment, job creation and economic inclusion in the mainstream economy.

Since 2014 this government has spent 92 % of its goods and services budget, procuring from historically disadvantaged individuals.

This amounts to R53,9 billion over the last three and a half years and 11 036 firms owned by historically disadvantaged individuals have benefited. Included in the overall figure are 3 484 companies owned by women, and 2 385 companies owned by youth.

To date the City Region Governments have bought goods and services from almost half the nine thousand township suppliers we have registered on the Central Supplier Data- base.

To assist us in our quest to bring township enterprises into the economic mainstream, we have partnered with the South African Supplier Diversity Council (SASDC). This independent not-for-profit entity is helping us to assess the operational status and capabilities of more than 2 420 suppliers on the central data base who have not yet received government contracts.

These suppliers are also being offered training in enterprise development and in the longer run introductions to other private and public sector market opportunities.

A further two hundred and twenty-four suppliers from our data base have already participated in a business literacy and skills development program run by the FNB Business Incubator. This program continues for the next two years.

Honourable members we know that as we empower township enterprises, we must also pay them on time. Under the leadership of our Premier, our ultimate target is to make payments within 15 days.

All departments except Health; Education and Infrastructure have managed to pay 98 % of invoices to service providers within 30 days and 94 % of invoices within 15 days.

We continue to work with the three departments to make payments within 30 days. Education is the most improved, managing to pay 83% of invoices within 30 days and 76% of invoices within 15 days.

Even Health has improved from a payment rate of 21% invoices in 30 days in 1st quarter to 45% by the end of the second quarter! Honourable members last month, in a speech to Nedlac, Deputy President Cyril Ramaphosa argued that if, as a country, we fail to ensure the integrity of our public institutions, if we do not hold those responsible for public resources accountable, then we risk the erosion of the state and the economic damage that would inevitably accompany it. He said and I quote:

“Today we find our country at an inflection point. Either we confront corruption decisively and deliberately and thereby nurture the green shoots of an economic recovery, or we allow corrupt practices to continue unchecked and consign our people to poverty for generations to come.”

The Gauteng Government under the leadership of Premier David Makhura understands that corruption and other forms of unethical behaviour in government and business have become a cancer that represent one of the most serious threats to our democracy.

It is our sincerely held belief that corruption is not a victimless crime and that misappropriation of government resources hits the poor and the vulnerable in our society hardest. We therefore have a common duty to fight corruption and build ethical leadership in government and society.

In 2015 we adopted an Integrity Management Framework to guide our approach to fighting corruption and enhancing good governance.

On the 21 November, this year, the Gauteng Provincial Government will host our second Integrity and Anti-Corruption Summit where Premier Makhura will announce the formation of a

civil society-led advisory panel to further our fight against corruption and promoting integrity in the Gauteng City Region.

Professor Alex van den Heever of the Wits School of Governance argues that corruption flourishes in environments where institutional designs rely heavily on trust.

When building ethical systems, he says consequences for transgressors are an important, but in themselves, insufficient mechanism to ensure accountability. Performance measures, transparency and supervision are all important components.

In Gauteng, all MECs have now signed performance agreements with Premier Makhura outlining key deliverables of each and every department.

These deliverables have been included in the annual performance plans and are tabled in this Legislature, which monitors performance on a quarterly basis. As we all know Honourable members, the PEBA oversight model of this Legislature is considered one of the most advanced in the world.

All Gauteng Departments and entities have also been working hard to ensure better financial management and greater public accountability in the use of public funds.

Twenty three provincial departments and entities now boast clean audits, meaning that two out of three provincial institutions received unqualified audits with no matters of emphasis, while all other departments received unqualified audits.

While we celebrate that Gauteng is one of two provinces where audit outcomes have improved, I am disappointed that we have not yet demonstrated the necessary commitment and effort required to reduce irregular expenditure.

This is one area where I feel Accounting Officers and MECs must do a lot more to hold officials to account. Departments are conducting investigations in terms of Sections 38 and 51 of the Public Finance Management Act. What all of us need to see, Honourable members, is the outcomes of these investigations and what corrective measures are being taken.

The Open Tender system with its public adjudication of tenders has been an exciting innovation in this political term. To date, over R13 billion worth of tenders have been publicly adjudicated.

It has been our wish to ensure a lasting legacy in improvements in the public procurement system though enshrining this process in law. To achieve this objective, we have already prepared a bill for tabling in this House.

The State Law Advisor now questions whether a provincial government can pass legislation regarding procurement matters. In our view, this proposed Legislation speaks to the mechanisms Provincial Government is using to ensure implementation of Section 217 of our Constitution and Section 38(1) of the Public Finance Management Act.

We will approach the Constitutional Court to clarify whether it can indeed, be unconstitutional for a provincial government to enact legislation that further enhances public accountability and transparency.

Principles guiding the 2018 MTEF

Over the past three years the Gauteng Budget has moved from R90.47 billion in 2014/15 to R108.7 billion in 2017/18.

Our equitable share portion of the Gauteng budget increased from R68.67 billion in 2014 to R 86.6 billion this year, which represents an average growth rate of about 2.3 % in real terms. This modest increase in the equitable share does not keep up with the population increase which we estimate to be in the region of 2.5% per annum.

Because we know too well that the road ahead to sustained, higher levels of inclusive economic growth remains long, and steep, we are not expecting significant increases to the equitable share over the medium term.

This means with the current high levels of in-migration to our province, Health and Education in particular, will continue to face spending pressure.

It also means if we are to achieve our priorities before the end of this term, we will have to re-prioritize spending within existing expenditure ceilings.

To close funding gaps, we are primarily dependent on provincial revenue and off budget investment and partnerships

Despite sluggish economic growth, we have managed to increase our own provincial revenue collection from R4, 9 billion in 2014/15 to R5, 8 billion in 2016/17. This represents an increase of 16 % over the past three years.

Provincial Treasury, working with revenue collecting departments, will continue to explore ways to optimize provincial revenue.

I am happy to announce today that the project to review the gambling tax regime in the province is nearing conclusion. These new regulations will align our gambling tax regime with other provinces. We estimate it could increase provincial gambling tax revenue by over 12%.

MEC Maile has signed off on the new regulations. We are now awaiting a date to present these to the Committee for Scrutiny of Subordinate Legislation (CSSL).

In preparation for the Gauteng Medium Term Budget Policy Statement, the provincial government solicited the views of Gauteng residents on what we should prioritize, how to save money and ways to raise provincial revenue.

The public participation process was conducted by means of direct interaction with citizens, and through community radio stations, social and print media. I want to thank our citizens for the over 500 comments and contributions we received, and assure participants that your views are already guiding today's Adjustment Budget as well as the main Budget we will table in March next year.

I have included the following suggestions because they are representative of some of the main themes we found running through all of the submissions:

- Mrs. Nobuhle Mabasa from Kagiso and Mr. Dean Anderson

from Riverlea, together with many, many other respondents were insistent that government needs to do more to cut down on waste and corruption and put the needs and interests of Gauteng's residents first.

- Mr. Bondli Mbongwe from Soweto, Mr. Daniel Makola from Tembisa together with a number of other contributors said government must spend more money on infrastructure projects to improve facilities for citizens;
- Ms. Toka Tsebe from Tshwane and Mr. Daniel Ditshego from Vosloorus want more money invested in education;
- Mr. Lelo Mdhladla and Ms. Nonhlanhla Radebe represent many who urged provincial government to do more to support small entrepreneurs.

We agree with the many public contributors who emphasized the importance of managing the budgets we have in the best possible way.

We must cut waste, eliminate corruption and improve public financial management. Honourable members we cannot spend money we don't have!

Guided by the National Treasury Instruction Note 1 of 2013/14 our departments have cut down on travel, catering, accommodation and advertising by ten percent per annum. To date this has saved us almost half a billion rand that we have been able to reallocate to our core activities.

In March, I indicated in this house that the Department of e-Government would conduct an audit of all ICT components to identify duplications and potential areas of savings.

Today I report that the study has been completed by the Johannesburg Centre for Software Engineering.

One of the first duplications on its way out, at the end of February 2018, is the Department of Health's private cloud facility. The Department will join other provincial Departments on the GPG cloud, saving R156 million per year!

Over the past year Provincial Government has introduced Voice over IP in 12 Departments. Initial estimates suggest that this

innovation will save up to seventy five percent on telephone bills. In six Departments over two months we cut the telephone bills from R1.2 million to just over two hundred thousand rand.

A major risk to the public purse is the current financial state of the Department of Health. Their challenges stem from:

- Misalignment between increases in the burden of disease, population, medical inflation and budget growth;
- In-migration of cross-boundary and foreign patients to our provincial health facilities
- A steep increase in the number of medico legal claims, and
- Less than ideal standards and tools of internal management and control resulting in R1.9 billion in irregular expenditure and R 6.9 billion accruals in the 16/17 financial year.

To assist the Provincial Health Department in managing these challenges, Premier Makhura has already announced in this house the appointment of an Executive Council Sub Committee focusing on improving the financial health of our Provincial Health Department.

This committee has a turnaround strategy that is focusing on four aspects namely

- Effective human resources management;
- Better health operations management;
- Medico-legal risk and litigation management; and
- Improving corporate governance.

I am happy to announce to this house that thanks to the tireless efforts of MEC Ramokgopa together with a dedicated team of officials from Health and Treasury we can announce a few green shoots today.

At the end of October, the Provincial Health Department settled outstanding invoices to 1 721 service providers amounting to R416 million. All these payments were made to small and medium sized business whose invoices were below five million rand in value.

We are currently in the process of putting together a payment plan, over the next five months, for our major suppliers. I want to assure the National Health Laboratory Services and the South African

National Blood Services that your invoices are factored into this plan.

Health is making major strides towards achieving their revenue collection targets and for the first time in a number of years they exceeded their collection target, at mid year!

We remain deeply concerned about the extent of medico-legal liability facing the Department of Health and the threat this poses to the budget for essential health services.

The Director General Ms. Phindile Baleni is now leading a team establishing a proper record of all medico-legal cases, ensuring there is proper supervision of legal practitioners hired by the Department; and managing down legal costs and liability.

Nevertheless Honourable members, the financial situation at the Department of Health remains very difficult. To protect the future goods and services budget of the Department, so we are able to pay for medicines, and fill critical clinical posts, we must manage down the accruals over the remainder of this term.

We must also restrict appointments to filling critical clinical posts rather than bloating the staffing component with unbudgeted for personnel. Overspending on the personnel budget inevitably eats into the budget for medical consumables.

It is not possible for an intervention team on its own to achieve this herculean task. The management and administration of the Health System is central to our achieving success.

I am today appealing to all health managers and practitioners, in all our facilities, to join hands with the Executive Council sub-committee. We have to put in place systems to stay in budget in each and every hospital and clinic. Let me say once more: We cannot spend money we don't have!

During the tabling of the budget in March, I shared in this house how we are strengthening the value for money we receive through our infrastructure allocations.

We are now fully aligned to the requirements of the Standard Procedures for Infrastructure Delivery Model (SPIDM), a process that ensures only shovel ready projects are submitted for funding and implementation.

Today, I can assure all members of this House, that when we allocate additional infrastructure resources from the Asset Financing Reserve, Departments have indeed submitted an adequate portfolio of evidence.

To accelerate slow infrastructure spending in the second quarter of this year, we are taking the following steps:

- Increasing the capacity of the provincial supply chain unit to support departments to develop better bid specifications and speed up probity audits;
- Supporting sector departments to process unpaid invoices based on credible evidence of work done;
- Supporting DID in developing a more appropriate approach to meeting the needs of departments with smaller infrastructure budgets.

The Adjustment Budget

We started the current financial year with a budget of R108.7 billion which represents a growth rate of 3.3 per cent from the adjusted budget of previous financial year.

Transfers from national government increase from R107.4 billion to R107.6 billion in this year. This is due to R140.9 million approved rollovers for conditional grants.

A new allocation amounting to R3.5 billion from provincial sources will be added to the 2017 budget baseline.

Today we adjust the infrastructure budget from R10.9 billion to R12.2 billion. This additional expenditure will be financed from the Asset Financing Reserve.

The new resources we are adding to the baseline of departments are distributed as follows:

- **Office of the Premier:** The Department receives a total of R24.6 million to deal with in year budget pressures which includes capacitating the Integrity Management Office to effectively fight corruption in the province and for the province's intervention in the medico-legal litigation.
- **Health:** The Department receives a total of R1.7 billion. R1.23 billion to assist with spending pressures on goods and services and personnel. For infrastructure the Department receives R487 million to support ongoing maintenance and revitalisation of health facilities.
- **Education:** The Department receives a total of R 942.6 million to assist with preparation for the opening of schools in January 2018. This includes R138.5 million to pay school electricity bills; R150 million for teacher salaries due to growth in learner numbers; and R261.5 million to fund the spending pressures in the scholar transport; and the provision of school nutrition. A further R382 million is made available to build schools and classrooms through alternative construction technology.
- **Social Development:** The Department is allocated R16.9 million towards subsidies for caregivers to ensure parity among all. We are adjusting the infrastructure budget by R127 million for essential maintenance and compliance with Occupational Health and Safety Act (OHS Act) in all our regions.
- **SACR:** The Department receives R37.6 million. This amount includes R4.7 million for the Premier's Social Cohesion Integrated Holiday Programmes and R2.3 million for a Recreation Summit. We are adding R30.6 million for infrastructure to deal with amongst the others: completion of the Provincial Archive; Construction of the Operation Mabaleng project in Westbury, upgrades and renovations for Ventersport and Ratanda community libraries and for the initial planning of upgrades at HM Pitje.
- **Community Safety:** The Department receives R27.5 million, of which R9 million is allocated to Road Safety Awareness campaigns over the festive season and R8.5 million will be used to install number plate recognition equipment in the vehicles of traffic officers.

- **Roads and Transport:** The Department is allocated R159.2 million for in -year budget pressures in goods and services.
- **Agriculture and Rural Development:** The Department receives R18.8 million towards infrastructure for the upgrades and maintenance of their key projects.
- **Human Settlements:** The Department receives R69.8 million as part of the roll over to fund commitments for projects which include Syferfontein phase 2; Fleurhof; Etwatwa; Chief Albert Luthuli; Rethabiseng and Bekkersdal
- **E-Government:** The Department receives R100 million to fast-track connectivity for the Gauteng Broadband Network project and to improve existing local area networks (LANs).
- **Infrastructure Development:** The Department is allocated R207.123 million. Of this; R16.7 million is earmarked to meet occupational health and safety requirements, and R188.3 million for refurbishment and unplanned maintenance in various GPG buildings.
- Honourable Members as I move towards conclusion I would like to express my heartfelt thanks to:
 - Premier David Makhura who continues to inspire our respect and confidence through his vision for the City region and his hands on support to us all;
 - My Colleagues in the Executive Council, for their commitment to implementing the Premier's vision even in tough fiscal times;
 - The Honourable Members of this house and in particular the Finance Portfolio Committee under the able leadership of Honourable Sakhile Khumalo;
 - Team Treasury, led by Ms. Nomfundo Tshabalala, who works tirelessly to balance the budget and account scrupulously for the public resources entrusted to their care;
 - The citizens of Gauteng who give us a mandate to govern and have offered me so many useful tips on social media on how to save money and where to spend it; and finally,
 - My family, whose lively interest in the world and its sustainable future inspires me to think about old problems in new ways each and every day.

Honourable members these are difficult times for our people and our country. Each of us in this house has a duty to fight against the inner demons of cynicism and despair. Each of us must contribute to charting a credible path to a different future. Let me end with a quote in this regard from Naomi Klein who writes about the challenges of modern governance and politics as follows:

“It means having the courage to paint a picture of a different world, one which even if it exists only in our minds, can fuel us as we engage in winnable battles. Because, as Oscar Wilde wrote in 1891, “a map of the world that does not include Utopia is not worth even glancing at, for it leaves out the one country at which Humanity is always landing. And when Humanity lands there, it looks out, and seeing a better country, sets sail”.⁴

Thank you for listening

⁴ Naomi Klein: Saying No is not Enough