



GAUTENG PROVINCE

PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

SPEECH BY HONOURABLE NOMANTU NKOMO-RALEHOKO, GAUTENG MEC FOR FINANCE AND E-GOVERNMENT AT THE TABLING OF THE 2021/22 BUDGET VOTE OF GAUTENG PROVINCIAL TREASURY, GAUTENG PROVINCIAL LEGISLATURE, 17 JUNE 2020.

Madam Speaker.

Honourable Premier.

Colleagues in the Executive Council.

Honourable Members of this House.

The HOD of Gauteng Provincial Treasury.

The CEO of Gauteng Infrastructure Financing Agency.

Comrades and Friends.

Citizens of Gauteng.

Ladies and Gentlemen

INTRODUCTION

We are presenting the 2021/22 Gauteng Provincial Treasury Budget Vote in complex and difficult times for our province and our citizens.

The recent rapid rise in COVID-19 infections in our province and the stubbornly high unemployment rate with the resultant consequences of poverty and hunger continue to be a cause for concern, for all of us.

However, we remain hopeful that as we scale up the vaccination programme, we will win the fight against the pandemic.

Our country and indeed our province are also experiencing a sustained economic recovery.

This was confirmed when Statistics South Africa last week released the Growth Domestic Product (GDP) figures showing that the economy recorded the third consecutive quarter of positive growth.

This led to our economy expanding by 4.6 per cent on an annualised basis.

Eight of the 10 industries reported gains in the first quarter of this year led by mining, finance, trade, transport and communication and manufacturing. These are amongst the industries that are key to our growth strategy, *Growing Gauteng Together, Vision 2030*, and demonstrates that we are on the right track as a province.

This positive sentiment was again boosted by the June World Bank's Global Economic Prospects report also released last week which estimated the country's economic growth for this year at 3.5 per cent due to, amongst other things, higher commodity prices and the global economic recovery. This was an upward revision from the January estimate of 3.3 per cent by the same multilateral institution.

But despite the improvements that we have recorded, we know that our country's economy is still about 2 per cent smaller than what it was when we were hit by the outbreak of COVID-19 last year. Therefore, we must work hard as a collective – government and the private sector – to sustain this growth trajectory to increase business activity, create jobs and lift people out of poverty.

As the Gauteng Provincial Government, we understand that in order to address the challenges brought to us by COVID-19, grow the economy and create jobs for our people, we must be relentless and efficient in implementing Gauteng's COVID-19 Response Plan which is focused on these four priority areas, namely:

- Defeating the COVID-19 pandemic.
- Re-igniting the Gauteng economy.
- Recalibrating social policy; and
- Improving governance.

DEPARTMENTAL BUDGET VOTE 2021/22

Reflections on the mandate and capacity of Treasury

Honourable Members, the roles and functions of a Gauteng Provincial Treasury are enshrined in the Constitution of the Republic

of South Africa, Public Finance Management Act, and the Municipal Finance Management Act. Our primary task is to be good stewards of scarce public resources and ensure that it is efficiently and effectively spent for the net benefit of citizens.

It is the duty of Gauteng Provincial Treasury to ensure that provincial budgets and budgetary processes promote transparency, accountability, and the effective financial management of the economy.

The process of resource allocation through the budget is elaborate, iterative and the culmination of several stages, with the ultimate aim of determining how best to allocate limited resources to unlimited objectives.

This mandate means the assumption of oversight, supporting and leadership role in managing finances in respect of provincial departments, public entities as well as local government.

In broad terms this implies that Gauteng Provincial Treasury must discharge its responsibility to facilitate a process whereby the state create an enabling environment for inclusive economic growth and job creation; that will not only allow businesses to thrive but also ensure that services are effectively delivered to citizens.

It is for this reason that there is a general recognition even in our Constitution that Gauteng Provincial Treasury functions are central to building a well-functioning developmental state. Therefore, a Treasury must always have the necessary authority and capacity in terms of human capital to ensure that the government system is fully functional, and its service delivery mechanism funded to respond to the needs of the citizens.

Since the beginning of this financial year, we have been engaged in a process of enhancing the capacity of Gauteng Provincial Treasury to effectively deliver on its mandate. We are doing this through the implementation of a configured organizational structure to align it to the generic structures of Provincial Treasuries as approved by the Department of Public Service and Administration.

Honourable Members, it is our firm believe that enhancing the capacity of the Gauteng Provincial Treasury in a structured and deliberate manner will enable us to use the **R754 million** budget allocated to us to support departments in implementing the 2021/22 provincial priorities.

We will do this through, amongst other things:

- Ensuring the effective and efficient administration of provincial and fiscal resources and obtain value for money.
- Implementing the Own Revenue Enhancement Strategy in GPG'
- Contribute to youth employment and skills development through learnership programmes that promote skills development and workplace experiential learning.
- Supporting provincial departments and entities to promote improved legislative compliance in line with financial regulations and improved audit outcomes.
- Providing oversight and support to promote compliance with SCM prescripts.
- Be proactive and interventionist in providing an oversight and support role on the implementation of municipal budgets, and guide and advise municipalities towards MFMA compliance.
- Providing independent, objective assurance and consulting services that are designed to add value to and improve the operations of GPG institutions.

In doing our work as Gauteng Provincial Treasury, we are guided by the national imperative of supporting economic reconstruction and recovery, while stabilising public finances to counter the adverse effects of COVID-19.

PERFORMANCE HIGHLIGHTS AND PLANS

Enhancing sound finances in the province

Honourable Members, in the 2020/21 financial year, departments managed to spend a total of R137.9 billion, or 96 per cent of the adjusted budget to deliver much-needed services to the citizens of Gauteng.

The total wage bill was 53 per cent of the GPG budget against a commitment to keep it below 60 per cent, and we will strive to ensure that it does not pose a threat to service delivery by crowding out resources from other areas of the budget. While the 2020/21 financial year was not a normal year, given the impact of the COVID-19 pandemic, it behoves us as GPG to spend better the resources at our disposal.

When I presented the Provincial Budget in March, I emphasised that the 2021 Medium Term Expenditure Framework (MTEF) Budget was based on a number of measures that were being undertaken in support of the five-year fiscal consolidation path adopted by National Government.

These measures have seen a considerable decrease in the indicative budget baselines of all departments. Therefore, we must improve the absorptive capacity of the allocated resources and live within our means amidst all the fiscal pressures currently being experienced.

Sound fiscal discipline becomes our watchword in the 2021 MTEF. We will also strive to harness resources outside the fiscal envelope to drive the developmental agenda as outlined in the Adjusted GGT 2030 Plan, which remains our guiding policy framework in achieving the ideals of the 6th Administration.

In the 2021/22 financial year, over and above the continuous monitoring of financial performance by departments and entities, as well as infrastructure delivery, there will be a focus on expenditure reviews as a way of analysing deeper the prices paid for goods and services across service delivery programmes.

We must come to terms with doing the same, or more, with even less resources. Gauteng Provincial Treasury is developing cost guidelines to departments and entities that will pave the way towards a standardised budget approach and processes in the determination of financial information.

Own Revenue Collection plays a crucial role in supplementing declining national transfers towards resourcing provincial priorities.

Despite the prevailing economic downturns and the impact of Covid-19 lockdown restrictions, I am pleased to report that for the 2020/21 financial year, we collected a total of R6.58 billion. This means that we surpassed our downward adjusted annual target of R5.95 billion by more than 10 per cent.

The Gauteng Provincial Government Own Revenue Enhancement Strategy was approved by EXCO on 31 March 2021. The overall aim is to supplement the available financial resources towards resourcing of the “Growing Gauteng Together 2030 Plan”.

GPT will lead the roll-out of the Implementation Plan and ensure that the relevant provincial departments and public entities remain committed to mainstream the full implementation of the identified activities towards optimal revenue collection. The impact of the COVID-19 Pandemic as well as envisaged future implications of lockdown regulations have been taken into consideration in terms of the scheduling of activities, timeframes and achievement of milestones.

The Sustainable Fiscal Resource Management Branch is allocated an amount of R164 million in the 2021/22 financial year, towards realising the objective of enforcing the effective and efficient administration of fiscal resources province wide.

Increased compliance with legislated prescripts

In the previous financial year, we continued to promote accountability in public finance management matters including ensuring compliance with financial norms and standards in PFMA compliant institutions. We ensured that all departments and entities submit their annual financial statements in line with timelines. Following the outbreak of COVID-19, we developed guidelines on emergency procurement and intensified its monitoring of the process.

This year, Financial Governance has been allocated R140 million to continue with the work of promoting accountability in financial management matters and ensure compliance with financial norms and standards. The business unit will continue to automate solutions as part of modernising public services to improve service delivery.

To improve audit outcomes, we strengthened internal controls throughout the Province and continued to provide assurance through the implementation of internal audits. All planned internal audits were conducted and ad hoc audits conducted, especially related to COVID-19 procurement.

In this financial year, the Gauteng Audit Services (GAS) will support the provincial government in achieving a clean administration through performing the risk-based audits, information systems reviews and service delivery audits.

Honourable Members, we have allocated R116 million to GAS for this financial year. These resources will enable GAS to continue to add value to the operations of provincial government and strengthen the culture of good governance with the provision of independent, objective assurance and consulting service.

When I presented the 2020/21 Budget Vote to this House last year, I stated our intention to decentralise the Open Tender function with the aim to allow Accounting Officers to take full responsibility for the complete value chain of the procurement function, in line with Section 38 of the Public Finance Management Act.

Today, I can report that Open Tender has already been decentralised to 12 departments and 5 entities.

This has been a gradual process of decentralising the Open Tender function only to those departments and entities that, according to our assessment as Gauteng Provincial Treasury, were ready to implement the function on their own.

In line with this, Gauteng Provincial Treasury will continue to manage the Open Tender function on behalf of Department of Health and Department of Sport, Arts, Culture & Recreation, Gauteng Infrastructure Financing Agency, Gauteng Film Commission and the Gauteng Partnership Fund. These departments and entities are not yet ready to manage Open Tender on their own.

While we are decentralising this function to departments and entities, Gauteng Provincial Treasury as the custodian of provincial resources, will continue to exercise strong oversight to ensure compliance with rules and regulations.

Open Tender will remain a central pillar in procurement processes of Gauteng province going forward. This legacy is guaranteed through the Gauteng Finance Management Supplementary Act Amendment Act, 2019.

This Act is aligned to our objective of transforming the state and governance through measures that promote and enforce transparency and effective management in contracting for goods or services.

To accelerate economic transformation and inclusion of in particular, township enterprises, Gauteng Provincial Treasury has been visiting various communities to register suppliers on the Centralised Supplier Database (CSD). The suppliers are also registered on the E-Invoicing platform to facilitate faster payment for services rendered.

In fact, over the past two weeks, I was leading these roadshows which took place in various townships in Tshwane, Ekurhuleni, Johannesburg, Sedibeng and West Rand.

Through these and other campaigns, the department has increased the number of suppliers registered on CSD to more than 47 654.

In addition, we enhanced our supplier development workshops and provided township suppliers with training on how to tender and how to manage the finances of their businesses.

As a result of these and other capacity building initiatives, the provincial government has been able to procure goods and services from, 4,478 township suppliers in 2020/21, amounting to more than R3 billion.

Working with the Department of e-Government, we are making steady progress on sub-contracting and automating the sub-contracting register. We want to track all the subcontracted contracts in the Gauteng Provincial Government.

The system was implemented effective from December 2020. Departments have started to upload contracts on the system. A total of 98 per cent of the contracts uploaded were awarded to B-BBEE suppliers with a contributor level of 1-4.

As at end of May 2021, the contracts register had 1 708 contract line items to the total value of more than R40 billion. In this financial year, more departments will be trained so that they can also upload their subcontracted contracts on the system.

In this financial year, we have allocated R105 million to the Provincial Supply Chain Management (PSCM) business unit to promote and enforce transparency and effective Supply Chain Management.

Sustainable local government finances

Honourable Members, most of our municipalities in the province continue to face severe financial constraints, and this was worsened by the outbreak of the Covid-19 pandemic.

As Gauteng Provincial Treasury we remain committed to support our local government sphere to strengthen financial management practises and sustainability during tough economic times.

We will continue with our training initiatives and conduct intergovernmental stakeholder engagements.

Still on capacity building issues, I am pleased to inform this House that we will soon hold a graduation ceremony to award 52 officials from various municipalities with certificates for completing the country's first supply chain management learnership programme focusing on the public sector. SCM is a critical area in public finance management area and must be capacitated by qualified officials to function effectively and efficiently.

Unfunded budgets continue to be serious concern in local government.

This year, we will continue to conduct budget assessments on the tabled, adopted and adjusted budgets of the eight delegated municipalities to improve compliance with the Municipal Finance Management Act and the MFMA Regulations and to improve the number of funded municipal budgets in Gauteng.

I plead with our citizens and stakeholders to pay our municipalities for service rendered. This will assist municipalities with their liquidity position and ensure that they can also meet their financial obligations like paying bulk service providers such as Eskom and Rand Water, trade creditors and monthly salaries.

As the Gauteng Provincial Government, we have paid more than R6.1 billion to municipalities for property rates and taxes since 2018/19 financial year. This is an average of R2 billion per year which also increased at an average of over R200 million year on year.

The provincial government debt account now account for the smallest portion of outstanding debtors to municipalities, representing in aggregate about 2 per cent. But our view is that any outstanding amount affects the revenue generation and cash flow positions of municipalities.

That is why working with the Gauteng Department of Cooperative Governance and Traditional Affairs, we will continue to assist our municipalities with the facilitation of government debt payments. In this financial year, we will increase our efforts to ensure that the arrears are either drastically reduced.

In addition, Gauteng Provincial Treasury will continue to work with the Department of COGTA through the Debt Management Committee to assist municipalities to facilitate payments. Specifically, the Debt Management Committee addresses several issues which results in delays in payments which includes the following

- Monthly invoices and statements not being sent to the relevant departments on time or sent to the incorrect department.

- Municipalities failing to resolve disputes.
- Payments made but not yet allocated by municipalities or payments allocated to the incorrect department accounts by municipalities.
- Challenges with confirmation of the ownership of properties for payment of property rates as payments can only be affected once the Deeds Office process of ownership have been finalised.

We are confident that the implementation of the new organisational structure will enable the department to have a new centralised and sharpened focus on oversight over financial management practises in local sphere of government. The organisational structure will also enable us to deal with issues including monitoring of investments.

Honourable Members, the Municipal Financial Governance business unit is allocated a budget of R66.4 million to support municipalities in the 2020/21 financial year.

GAUTENG INFRASTRUCTURE FINANCING AGENCY

Alternative sources of funding

Honourable Members, the Gauteng Infrastructure Financing Agency (GIFA) continues to source strategic infrastructure projects and develop them to attract alternative funding.

GIFA's project pipeline has increased to at least 35 projects with an estimated value of more than R45 billion. We will continue to develop these projects to a bankable stage to attract private sector funding over the medium-term period.

The following are updates on the milestones achieved on GIFA's key projects:

- The selection process of constructors for Kopanong Precinct is at an advanced stage, we will appoint preferred contractors by the end of September this year and construction is expected to start once all contracts for the four clusters have been concluded. The project will be delivered as a PPP to ensure the delivery of well-

maintained government buildings, in a cost-effective manner. This will ensure a safe and conducive working environment for GPG employees.

- National Treasury has approved SANSA's (South African National Space Agency) application to enter into a 10-year lease agreement as the anchor tenant within the Innovation Hub. Space planning designs to suitably accommodate SANSA will be completed by end of June 2021. The private party will complete contractual arrangements with SANSA by September 2021.
- The Rooftop Solar PV: Phase 1 project is at the advance stage of financial close. The finalisation of connectivity agreements with municipalities is in progress and this will be followed by obtaining the generation licenses from national electricity regulator, NERSA.
- GIFA is working closely with the Department of Education and Gauteng Provincial Treasury to find an optimal solution to fund the construction of schools on greenfield (new) sites and brownfield sites to replace old structures, asbestos structures and mobile schools. This project will help towards alleviating the pressures of the need for schools in Gauteng.
- GIFA is working with both National and Provincial Treasuries to obtain approval for the feasibility study of Sedibeng Fresh-produce Market. It is anticipated that by August 2021 the project would be released to the market. The fresh-produce market will complement the Sedibeng Growth and Development Strategy, which is aimed at reinventing, renewing, reviving, and reintegrating the economy of the region. Furthermore, the market will also provide vital agro-processing support to the surrounding agriculture industry.

GIFA will continue sourcing strategic infrastructure projects from provincial departments and municipalities. We have developed stringent project identification and selection tools to ensure that projects that are funded through GIFA's project preparation facility have been well tested for bankability.

GIFA is working with the Office of the Premier, Department of Infrastructure Development, Department of Economic Development and the Gautrain Management Agency to develop the Gauteng Investment Book which is primarily made up of government led infrastructure projects, delivered off-balance sheet and private sector led.

Finally, GIFA continues to work with various stakeholders at provincial and local level to remove obstacles that have been impeding progress on GIFA projects.

GIFA has been allocated R64 044 million this financial year to fund its operations.

CONCLUSION

Honourable Members, let me take this opportunity to thank Premier David Makhura and colleagues in the Cabinet for their continued advice and support.

I also thank the members of the Standing Committee on Public Accounts and the Finance Portfolio Committee for engaging us robustly on our work. Indeed, through their wisdom we have continuously improved our operations.

Furthermore, may I take this opportunity to thank the staff of Gauteng Provincial Treasury led by Acting HOD Mncedisi Vilakazi, and the staff of GIFA under the leadership of CEO Oupa Seabe for their hard work and dedication, sometimes under very trying circumstances.

Madam Speaker, I hereby introduce the 2021/22 Budget Vote of the Gauteng Provincial Treasury.

I thank you.