



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 2022/23 BUDGET VOTE OF THE GAUTENG PROVINCIAL TREASURY, GAUTENG PROVINCIAL LEGISLATURE, 20 MAY 2022.

Madam Speaker.

Honourable Premier.

Colleagues in the Executive Council.

Honourable Members of this House.

The HOD of the Gauteng Provincial Treasury.

The CEO of Gauteng Infrastructure Financing Agency.

Comrades and Friends.

Citizens of Gauteng.

Ladies and Gentlemen

INTRODUCTION

We are presenting this year's Budget Vote of the Gauteng Provincial Treasury in complex and difficult times for our province and our citizens.

The provincial economy, which contributes more than 35% to South Africa's Gross Domestic Product, is still about 1% smaller than what it was in 2019. Our unemployment rate, particularly amongst the youth, is unacceptably high; poverty and inequality have deepened in our society.

These socio-economic challenges are not new but were worsened since 2020 by the outbreak of Covid-19, which has devastated economies across the world and led to a loss of lives and livelihoods.

It was because of these challenges that following the Mid-Term Review of the Sixth Administration, we decided to focus on jobs and

the economy in the last two and a half years of this political term of government.

Working with within the ***Growing Gauteng Together*** plan, the *Gauteng Provincial Government* will implement the following priorities:

- the ***Economy, Jobs and Infrastructure***, which are core to Re-igniting the Gauteng Economy
- ***Education, Skills Revolution and Health*** to focus on Recalibrating social policy to improve educational and health outcomes
- ***Integrated Human Settlements and Land Release***
- ***Safety, Social Cohesion and Food Security***; as well as
- ***Building a Capable, Ethical, and Developmental State*** to include measures aimed at ***Improving Governance Across the Gauteng City Region***

As a Provincial Treasury, our primary task is to protect public money and ensure that it is spent effectively and efficiently to improve the lives of people.

This mandate is enshrined in Section 215 and 216 of the Constitution and Section 17 and 18 of the Public Finance Management Act. As custodians of public finances, we are central to ensure that departments and public entities are funded and use money effectively to realise the provincial priorities.

In addition, our role as a Provincial Treasury of a sub-national government such as Gauteng is to also work within a very difficult environment to support our broad plan of radical social and economic transformation that we are implementing in partnership with the rest of society.

In this regard it gives me pleasure to inform this House that we have appointed Standard Bank of South Africa Limited as a provincial banker for the next five years. We are looking forward to work closely with the bank to drive key economic transformational initiatives of the provincial government.

In our view as provincial government is that improvements in public finance management and economic transformation are in no way incompatible. We believe we have shown in practice that it is possible to do both successfully.

PERFORMANCE HIGHLIGHTS AND PRIORITIES FOR 2022/23

Honourable Members, to achieve our objective of ensuring effective and efficient financial management and drive economic transformation, Provincial Treasury has been allocated a budget of more than R792 million for the 2022/23 financial year. We will use these resources to do the following, amongst other things:

- Improve own revenue collection so we can maintain and enhance provincial spending first and foremost on education, health care, and social services.
- Sustain improvements in public finance management to further cut waste, eliminate corruption, and strengthen public accountability.
- Use public procurement to transform the economic landscape and build a more inclusive and sustainable growth path; and,
- Grow our infrastructure spend through on and off budget initiatives.

Enhance sound finances in the province

Honourable Members, improved revenue collection will ensure that we maintain and enhance spending on education, health care, and social services at the time when transfers from National Government are declining.

That is why we launched the GPG Revenue Enhancement Strategy last month. Our overall aim is to increase revenue generated from the province over the next three years by R3.7 billion over and above the 2022 MTEF revenue baseline estimates.

As a province, we recognize that enhanced own revenue collection relies less in introducing new taxes within our mandate, in accordance with the prescribed processes, but rather improving the efficiency of collection from the traditional sources.

We will continue to enforce the effective and efficient administration of fiscal resources including oversight on revenue and expenditure of infrastructure budgets to ensure service delivery.

The Sustainable Fiscal Resources Management business unit is allocated a budget of R170 million for this financial year to implement its strategic objectives.

Increase compliance with legislative prescripts

Through the Financial Governance business unit, we have continued to implement interventions to support departments, municipalities, and entities to improve management of their finances in accordance with rules and regulations.

These efforts resulted in the provincial government in the 2020/21 financial year recording a total of 17 clean audits. Local government has also steadily improved financial management with the City of Ekurhuleni and Midvaal maintaining clean audits.

However, we realise that much work still need to be done across the Gauteng City Region to sustain improvements in public finance management to further cut waste, eliminate corruption and strengthen public accountability.

Last week I chaired the first meeting of the War Room on Clean Audits, 10 to 30 Day Payment and Transformative Procurement. This War Room has been established in compliance with the Exco Lekgotla resolution. It brings together Provincial Treasury, Gauteng Department of Cooperative Governance, Office of the Auditor-General, Audit Committees, National Departments, Academia, and private sector representatives with expertise on specialized areas such as legal, finance, ethics, supply chain and policy.

Through this War Room, we will unleash the collective knowledge and skills of this team to address provincial government challenges in these four areas:

- Litigation.
- Consequence management.
- Payment of invoices within 10 to 30 days

- Transformative Procurement

As part of the work of this War Room, Provincial Treasury is already working with departments who did not achieve good results in paying suppliers within 30 days in the previous financial year and these are Social Development, Health, and Infrastructure Development. We are intervening in these departments to resolve outstanding payments and ensure that going forward all our departments pay suppliers on time. This is important to support small business particularly township enterprises.

In line with our commitment to public accountability, we will continuously report to this House progress that this War Room is making to bring about clean governance in the Gauteng City Region.

In addition, Gauteng Audit Services (GAS) will conduct internal audits in accordance with approved risk-based plans. This will ensure that problematic areas are identified and addressed timeously to improve final audit outcomes. As part of our new organisational structure, we are in the process of enhancing the capacity of GAS to ensure that it achieves its objectives.

We have allocated budgets of R137 million to Financial Governance and R134 million to the Gauteng Audit Services respectively to implement their strategic priorities in this financial year.

Honourable Members, to promote transparency, accountability, integrity, and public scrutiny regarding all decisions made on tenders, the Provincial Supply Chain Management business unit has continued facilitating the implementation of the Open Tender process. Since 2014, a total of 272 contracts valued at R34 billion have been awarded through the Open Tender process.

Since April 2020, in line with Section 38 of the Public Finance Management Act which details the general responsibilities of Accounting Officers, Provincial Treasury has been engaged in a process of decentralising the Open Tender function to departments. To date, the function of managing Open Tender has been successfully handed over to 12 departments and entities.

In response to Premier David Makhura's call made during the State of the Province Address to strengthen fraud detection on contracts, Provincial Treasury has started a process to introduce compliance checks or mini probity audits on procurement transactions with thresholds of between R500 000 and R1 million using price quotation. This will strengthen governance and contribute towards fighting fraud and corruption.

Working with the Department of e-Government, we are making progress in tracking all the subcontracted contracts in the Gauteng Provincial Government. By the end of the 2021/22 financial year, a total of 243 companies were subcontracted to a total value of R1 billion, which was 26% of the total contracts value in the provincial government.

To accelerate economic transformation, inclusion, and sustainability of emerging enterprises, we continue to register township businesses on the Central Supplier Database and train them on how to access opportunities in the public sector. We do this to ensure that government procurement is used to support market access and sustainability for substantial numbers of emerging enterprises owned by historically disadvantaged individuals, particularly those from the township economy.

As you are aware Honourable Members, On 16 February 2022, the Constitutional Court handed down the judgement in the application for leave to appeal against a judgement and order of the Supreme Court of Appeal, in as far as the validity of the Preferential Procurement Regulations, 2017 promulgated by the Minister of Finance in terms of the Preferential Procurement Policy Framework Act, No. 5 of 2000. This application was brought by the Minister of Finance against Afribus NPC.

The Minister has, on an urgent basis, seek confirmation from the Constitutional Court that the validity of the Preferential Procurement Regulations, 2017, has been and continues to be suspended for a period of 12 months.

While awaiting the outcome of the above from the Constitutional Court, National Treasury issued an advisory note in response to numerous requests for guidance on how to deal with the court

judgement and organs of state were advised that, amongst other things:

- Tenders advertised on or after 16 February 2022 be placed on hold.
- No new tenders be advertised
- Until the new regulations take effect or the Constitutional Court's clarity on the suspension of the invalidity of the 2017 Regulations is provided, whichever ever occurs first, an organ of state may, in terms of Section 3(c) of the Act, request an exemption from the provisions of the Act for a specific procurement requirement or category of procurement requirements.

Provincial Treasury is therefore assisting departments and entities by facilitating requests for exemptions to National Treasury to ensure that the delivery of critical services to our people is not compromised.

Provincial Supply Chain Management business unit is allocated a budget of R108 million in this financial year.

Sustainable local government finances

Municipalities are a sphere of government that is closest to the people. As part of our work to capacitate municipalities to improve financial performance, Provincial Treasury in partnership with National Treasury and the Transport Sector Education and Training Authority is engaged in an initiative to train supply chain management practitioners in local government.

This project has seen 52 municipal SCM officials who did not have any qualification in this area graduating with a Higher Certificate: Supply Chain Management, consisting of 152 credits at NQF Level 05 on the South African National Qualification Framework for the elective stream – Purchasing and Supply for the Public Sector.

This initiative has been very successful to an extent that the second group of 60 trainees on this learnership have already completed their training and will graduate soon. In addition, the third cohort of 130 SCM practitioners has already started with their training.

We fully understand that to achieve our goal of promoting transparency, accountability, and ethical governance in the Gauteng City Region, we must strengthen financial management practices in local government, particularly in the supply chain management function.

Furthermore, Provincial Treasury will continue to participate in and host IGR stakeholder engagements through various fora and provide structured and targeted capacity building initiatives to municipalities. We will also conduct Municipal Finance Management Act compliance assessments to monitor the level of implementing MFMA and its regulations.

The Municipal Financial Governance business unit is allocated a budget of R73 million in this financial year to support efficient and effective financial management in municipalities and municipal entities.

Alternative financing of infrastructure projects

The Gauteng Infrastructure Financing Agency (GIFA) continues to implement the mandate of raising alternative funding for strategic infrastructure projects that would be financed off-budget. This is finance for infrastructure raised from various sources such as private equity funders, development finance institutions, grant, and donor funders.

GIFA's portfolio has grown significantly in recent years, and it has built a strong presence within the province and municipalities. Its most critical focus of delivering robust and sustainable infrastructure project preparation has resulted in projects such as Rooftop Solar PV: Phase 1, Innovation Hub: Enterprise Building 2&3, reaching the final stages of financial close.

The successful financing and implementation of the Rooftop Solar PV, Phase 1 this year will lead to 11 provincial hospitals harnessing close to 10MW of their own electricity power from rooftop solar PVs, thus alleviating the burden on the national grid. Meanwhile, we will be supporting the objectives of Gauteng Integrated Green Energy Strategy.

The signing of the agreement in the coming weeks between the South African National Space Agency (SANSA) and the private party will result in SANSA acquiring operating space at the Innovation Hub as the anchor tenant on Enterprise Building 3. This will be a significant milestone in that it will bring the much-needed confidence to the Innovation Hub to attract smart industries, green economy companies and high-value added service industries to take up occupancy within the hub.

The ongoing gradual economic recovery and expected growth provides for good prospects for precincts such as the Innovation Hub. That is why GIFA has conducted a high-level market study on the future developments at this important science park.

Honourable Members, GIFA has been working with the Gauteng Growth and Development Agency (GGDA) in conceptualising and developing the Jewellery Manufacturing Precinct (JMP) on a 6.5-hectare piece of land designated as an Industrial Development Zone (IDZ) within the OR Tambo International Airport Precinct. The construction of the jewellery manufacturing hub has started and is expected to be completed late this year.

Over the past years this partnership between GIFA and GGDA has brought about two more developments in the JMP vicinity. Firstly, the In2Food Group factory, which is a premium prepared food and beverage business delivering innovative packaging solutions for retailers such as Woolworths and other international customer retailers. The factory is now operational and has provided more than 500 job opportunities. The second development is the Super Block, which is an office park that will house the agencies and logistics companies that offer services to the industries in the precinct.

In line with provincial government's commitment to support the revival and reinvention of the economies of the Southern and Western Corridors, GIFA has completed the feasibility study and business case of the Sedibeng Fresh Produce Market, this entails the refurbishment of the existing market, modernise the facility, increase its size and introduce an agro-processing component.

This R500 million project will create approximately 6000 direct and indirect job opportunities and a positive impact on the GDP of the

region. GIFA and the municipality are working with the National Treasury to deliver this project as a PPP, whereby the private party will finance, build, and operate the fresh produce market. GIFA engaged the private parties on a structured dialogue to ensure private sector participation and created awareness about the project. The project is expected to be released to market in 2022 after National Treasury's approval.

In the west, GIFA has been working with several stakeholders to establish a multi-stakeholder development initiative called Bokamoso BaRona Initiative. Bokamoso BaRona has identified a number of projects for development and implementation on a short, medium and long term period. A progressive partnership has been established with African Development Bank (AfDB), which has made available 500 000 dollars for the development and preparation of the projects under the auspice of Bokamoso BaRona. Merafong Bio-energy Park and West Agri-park are the projects that GIFA will be working on this current financial year.

In the same region GIFA is also working on Merafong Solar Farm Cluster project and is preparing the identified land parcels for the private party to finance, develop and operate the solar farm cluster. GIFA will release the project to the market in 2022.

Honourable Members, equitable share cuts experienced by Education because of the national fiscal consolidation have impacted negatively on the affordability of the Gauteng Schools Programme to build 60 schools through a PPP model. As a result, GIFA is exploring alternative funding raising opportunities such as donor and grant funding. Already the Gauteng Schools Programme has been registered with the Presidential Infrastructure South Africa. GIFA is also working with DBSA's Infrastructure Fund to apply for grant from the National Treasury's Budget Facility for Infrastructure, depending on the funds raised we will determine the optimal delivery model for this programme.

We are currently finalising a partnership with the European Investment Bank with the focus on supporting the Alternative Waste Treatment Technology projects in the three metros of Gauteng Province.

Furthermore, GIFA is part of the GPG Infrastructure War Room that is working on unblocking challenges and accelerating infrastructure delivery in the province. The agency's projects will also be part of this War Room.

For the 2022/23 financial year, we have set aside R63 million to fund GIFA's operations. So far, 74% of the R157 million allocated to the Project Preparation Facility has been committed. This money has funded over 20 feasibility studies of infrastructure projects that have been sourced from provincial departments and municipalities in the past 6 years.

CONCLUSION

In conclusion, let me express my sincere appreciation to the Finance Portfolio Committee under the leadership of Honourable Joe Mpisi and the Standing Committee on Public Accounts under the leadership of Honourable Sochayile Khanyile for the continued oversight and constructive engagement on all departmental matters.

I would also like to thank Head of Department, Ncumisa Mnyani and the CEO of GIFA, Oupa Seabi, and their Teams for their commitment and hard work to improve public financial management in the province.

I hereby introduce the 2022/23 Budget Vote of the Gauteng Provincial Treasury for consideration by this House.

Thank you.