Gauteng Province

MEDIUM TERM BUDGET POLICY STATEMENT
2022

GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

GGT2030
GROWING GAUTENG TOGETHER

MEDIUM TERM BUDGET POLICY STATEMENT 2022

Gauteng Provincial Government

GAUTENG PROVINCE
PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

The Provincial Medium Term Budget Policy Statement (MTBPS) is compiled using information from different sources. Some of this information is subject to revision.

To obtain additional copies of this document, please contact:
The Head Official of Treasury
Gauteng Provincial Government
Private Bag X091, Marshalltown, 2107

Tel: 011 227 9000
Fax: 011 227 9023

This document is also available on the website: www.treasury.gpg.gov.za

PR294/2022
ISBN: 978-0-621-50709-6
MEDIUM TERM BUDGET POLICY STATEMENT 2022

Mr. Jacob Mamabolo
MEC: Finance and e-Government

FOREWORD

The 2022 Medium Term Budget Policy Statement (MTBPS) is the seventeenth to be tabled in the Legislature and the fourth to be tabled by the sixth administration. It is presented at a time of great global uncertainty.

The COVID19 pandemic, at its height in 2020 and 2021, was a severe set-back to the work of the Gauteng Provincial Government (GPG) to address poverty and inequality and to grow the economy. The damaging impact of the pandemic has been followed by the war in Ukraine, affecting food and oil prices, and by rising inflation. Against this backdrop, the MTBPS describes the provincial government's policy goals and priorities, forecasts the macroeconomic trajectory and medium-term expenditure and revenue framework.

The COVID19 pandemic led to significant contraction of economic activity, resulting in job losses in an economy which already had high levels of unemployment. Personal income tax collection has been adversely affected by sluggish employment and large-scale job losses.

Among GPG's policies and strategies to strengthen the province's economy are continued implementation of the Special Economic Zones (SEZs) in the five corridors and the use of preferential procurement aimed at township enterprises, giving effect to the Township Enterprise Development Act (TEDA). Recently announced planned interventions will see the GPG establishing a provincial state bank and a pharmaceutical company. Job creation initiatives such as the Tshepo 1 Million programme continue to have an impact by creating work opportunities for the province's young people.

The 2022 MTBPS comes at the time when the GPG is facing a constrained fiscal environment. Key budget risks include redemption of the e-Toll debt following the announcement by the Minister of Finance that the debt will be repaid through a 70/30 split arrangement, with national government responsible for 70 percent and the province for 30 percent. The province plans to negotiate extended terms for paying its portion of the debt to minimise the potential impact on budgets for social services and service delivery. The province's equitable share, which it receives from national government, will increase from R120,041 billion to R122, 059 billion in 2022/23 to fund the 2022 public sector wage settlement in the province. In 2023/24, it will decrease to R118,566 billion but increase to R123,219 billion in 2024/25 and R128,843 billion in 2025/26 is estimated. The decrease is to ensure fiscal discipline through reprioritisation. Conditional grants will increase slightly from R26 billion to R28 billion over the 2022 Medium Term Expenditure Framework. Own revenue collection is projected to increase from R7 billion to R8 billion over the period.

GPG is determined not only to maintain fiscal discipline but to ensure that the province's residents have access to basic services. The fiscal response includes interventions such as the Own Revenue Enhancement Strategy, strengthening municipalities and maintaining a spending ceiling. The use of spatial referencing and the District Development Model is aimed at improving planning and allocative efficiency and mitigating the risk posed by duplication and an unending cycle of accruals. GPG commits to using its limited resources prudently to continue to provide better healthcare, shelter, safety, and other amenities to the people of the province.

The 2022 MTBPS calls for continued implementation of the priorities of Growing Gauteng Together 2030 while maintaining fiscal discipline towards improved service delivery.

Allow me to thank Head of Department Ms Ncumisa Mnyani as well as Mr Vilakazi and his team for the development and delivery of this publication.

Mr. Jacob Mamabolo
MEC: Finance and e-Government

Table of Contents

List of Tables

List of Figures

Abbreviations and Acronyms

AIDS	Acquired Immunodeficiency Syndrome
ART	Antiretroviral therapy
ARV	Antiretroviral
COGTA	Cooperative Governance and Traditional Affairs
COVID-19	Coronavirus Disease of 2019
CPF	Community Policing Forum
CPI	Consumer Price Index
DBSA	Development Bank of Southern Africa
DDM	District Development Model
ECD	Early childhood development
EMDEs	Emerging market and developing economies
EMS	Emergency Medical Services
EPWP	Expanded Public Works Programme
FPL	Food Poverty Line
F/Y	Financial year
GBV	Gender-based violence
GBVF	Gender-based violence and femicide
GCR	Gauteng City Region
GCRA	Gauteng City Region Academy
GDARD	Gauteng Department of Agriculture and Rural Development
GDCS	Gauteng Department of Community Safety
GDE	Gauteng Department of Education
GDED	Gauteng Department of Economic Development
GDH	Gauteng Department of Health
GDHS	Gauteng Department of Human Settlements
GDID	Gauteng Department of Infrastructure Development
GDP	Gross Domestic Product
GDP-R	GDP by Region
GDRT	Gauteng Department of Roads and Transport
GDSACR	Gauteng Department of Sport, Arts, Culture and Recreation
GDSD	Gauteng Department of Social Development
GEAC	Gauteng Ethics Advisory Council
GEP	Gauteng Enterprise Propeller
GGDA	Gauteng Growth and Development Agency
GGT	Growing Gauteng Together
GHG	Greenhouse gas
GMA	Gautrain Management Agency
GPG	Gauteng Provincial Government
GPL	Gauteng Provincial Legislature
GPT	Gauteng Provincial Treasury

GSDF	Gauteng Spatial Development Framework
G-SET	Gauteng Scheduled Emergency Transport
HAST	HIV and AIDS/STI/TB
HIV	Human Immunodeficiency Virus
ICT	Information and communications technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IMF	International Monetary Fund
MW	Megawatt
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTRF	Medium Term Revenue Framework
NDP	National Development Plan
NEA	Not economically active
NUSP	National Upgrading Support Programme
OECD	Organisation for Economic Co-operation and Development
OoP	Office of the Premier
ORTIA	O R Tambo International Airport
PES	Presidential Employment Stimulus
PES	Provincial Equitable Share
Q	Quarter
QLFS	Quarterly Labour Force Survey
q-o-q	Quarter-on-quarter
SACU	Southern African Customs Union
SARB	South African Reserve Bank
SEZ	Special Economic Zone
SMME	Small, medium or micro enterprise
SoS	School of Specialisation
SPLUMA	Spatial Planning and Land Use Management Act
SSA	Sub-Saharan Africa
STI	Sexually-transmitted infection
Stats SA	Statistics South Africa
TASEZ	Tshwane Automotive Special Economic Zone
TB	Tuberculosis
TEDA	Township Economic Development Act
UBPL	Upper Bound Poverty Line
UK	United Kingdom
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV and AIDS
UN SDGs	United Nations Sustainable Development Goals
USA	United States of America
YES	Youth Employment Service
y-o-y	Year-on-year

Executive Summary

Chapter One analyses changes in world economic output and shows that growth has slowed due to factors including Russia's invasion of Ukraine, retaliatory sanctions, and the continued impact of Coronavirus Disease of 2019 (COVID-19) lockdowns in China. The war has increased international prices of commodities, and particularly the prices of food and oil, of which Ukraine and/or Russia are significant exporters. The International Monetary Fund (IMF) has lowered its forecast for world output growth from 3.6 per cent to 3.2 per cent for 2022 and from 3.6 per cent to 2.7 per cent for 2023.

In 2020, the COVID-19 pandemic resulted in historic low growth in the South African economy. The subdued recovery in 2021 is estimated to progress positively in 2022. Gauteng recorded low but mostly positive economic growth rates in 2021 and the first half of 2022, with a rate of 1.9 per cent in the first quarter followed by a contraction of 0.5 per cent in the second quarter. The province's overall gross domestic product by region (GDP-R) rate of growth for 2022 is estimated at 1.8 per cent.

The number of people employed in Gauteng increased by 138 000 in the second quarter of 2022 while the number of unemployed decreased by 33 000 resulting in a decrease in the provincial unemployment rate to 34.4 per cent. The Gauteng Provincial Government (GPG) is focussing on the development of Special Economic Zones (SEZs) and youth employment initiatives as methods of supporting the province's economy and reducing unemployment. Since 2017, over 100 000 of the participants in the Tshepo 1 Million programme for young people have been placed in earning opportunities.

Chapter Two identifies national and provincial risks that create uncertainty for the province's budget. Slowing GDP growth, the Russia-Ukraine crisis and power cuts are all risks to the size of the national budget and therefore reduce the provincial budget. The GPG has embarked on a process of reprioritisation, tightening the fiscal framework to ensure fiscal sustainability. The province has in place mechanisms to ensure that the provincial wage bill does not exceed the 60 per cent cap.

The Own Revenue Enhancement Strategy is another tool that the province is using to raise revenue for provincial priorities such as paying the 30 per cent share of the e-Toll debt. With a rapidly increasing young population, demands on the province for service delivery continue to grow. Changes in the equitable share will thus benefit the province by keeping up with demand. Against the background of its various priorities, the province continues to assess the fiscal framework so that it is sustainable and responds to the needs of the residents of Gauteng.

Chapter Three gives information about demographic and socio-economic changes in the province. In 2022, the world's population reached 8 billion and, according to Statistics South Africa, South Africa's population stands at 60.6 million, with 40.2 million people of working age. The majority of South Africa's population growth is taking place in the urban areas where more than 60 per cent of the country's people now live. The population of Gauteng is estimated to be 16 million in 2022.

Globally there have been reversals in poverty reduction, exacerbated by rising inflation and the war in Ukraine. As result, at current trends the Sustainable Development Goal of eradicating poverty by 2030 may not be met. In Gauteng, the high rate of population growth is a further challenge for service delivery because the province's population is not only the largest in the country but is also growing rapidly.

In response to this and to revive the provincial economy, along with investment in infrastructure a key strategy of the GPG is the development of SEZs to drive specialised economic activity in the province's corridors. Support for the township economy through implementation of the Township Economic Development Act (TEDA) is also central to plans for reducing the levels of unemployment, poverty, and inequality in the province.

Chapter Four focuses on the provincial government's social and governance priorities which are primarily aimed at improving the living standards of the province's previously disadvantaged communities through better access to social services and through good and ethical governance. By investing in social programmes, the GPG aims to provide good quality education and skills development, improve health and wellness, make provision for integrated human settlements, alleviate hunger and poverty, and build safe communities.

The GPG remains committed to building a culture of integrity in the public service which enables it to provide much-needed services to the province's citizens.

Chapter 1: Global and Domestic Economic Outlook

1.1 Introduction

Global economic growth has slowed due to factors including Russia's invasion of Ukraine, the resulting retaliatory sanctions and the continued Coronavirus Disease of 2019 (COVID-19) lockdowns in China. While the negative economic effects have not been as large as previously anticipated, concerns remain that conditions may worsen. With Russia redirecting its exports to countries not participating in the sanctions and mobilising additional troops to continue its war in Ukraine, there are concerns that globalisation may be fractured and separate trade blocs may develop. This would hamper international trade which would have negative effects on the lives of citizens in the affected countries.

The war has also raised international prices of the essential commodities of which one or both countries are important exporters, particularly food and oil. Central banks around the world are tightening monetary policy in response and this puts downward pressure on growth in the short term. On the fiscal side, government programmes that financially assisted those affected by the COVID-19 pandemic are being wound down. Many governments are not replacing them with new programmes due to the large debts incurred in financing those programmes. This is removing significant government spending from those economies. If these factors coalesce into a recession, these governments' ability to engage in counter-cyclical spending will be limited by their high debt levels.

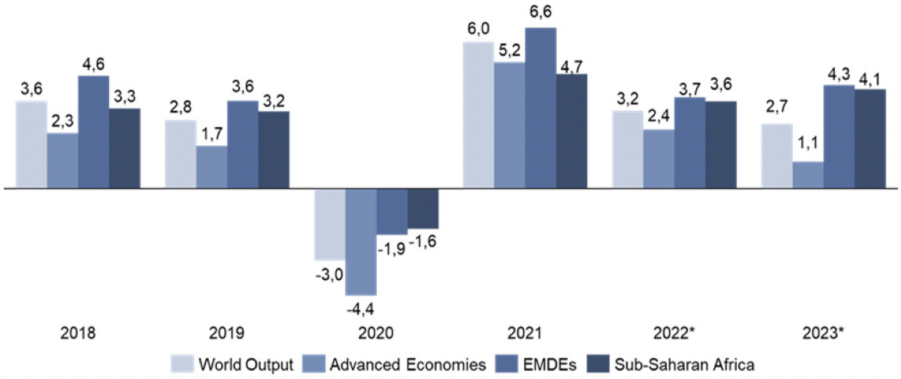
1.2 Global growth recessionary fears

As Figure 1 shows, the IMF forecast for the growth in world output of 3.2 per cent for 2022 and 2.7 per cent for 2023. These figures, below the 3.6 per cent of 2018, are due to the fact that the global economic landscape is less conducive to growth.[40] Households' purchasing power across much of the world has been decreasing because inflation has been rising more rapidly than wages. This means that real wages have been declining despite nominal increases. When household consumption data for this period is released, it will very likely show a decrease in real household expenditure despite government assistance and households accessing debt or their savings.[41] Furthermore, many countries' central banks are accelerating their contractionary monetary policy by raising interest rates and reducing the money supply more rapidly than expected. These factors are putting downward pressure on Gross Domestic Product (GDP) growth rates in many countries.

These measures increase the cost of debt and reduce economic growth by discouraging businesses from investing in capital and by discouraging consumers from purchasing goods and services. A growth rate of 2.4 per cent was predicted for the advanced economy group in 2022; this is expected to fall to 1.1 per cent in 2023. Emerging Market and Developing Economies (EMDEs) were forecast to grow by 3.7 per cent in 2022, increasing to 4.3 per cent in 2023. Sub-Saharan Africa (SSA) was predicted to grow by 3.6 per cent in 2022 and by 4.1 per cent in 2023.

1 International Monetary Fund. Global Economic Growth Slows Amid Gloomy and More Uncertain. Accessed (in August 2022) at www.imf.org
2 International Monetary Fund. World Economic Outlook-July 2022 Update. Accessed (in July 2022) at www.imf.org

Figure 1.1: GDP percentage growth rates, world and selected regions, Y-o-Y, constant prices, 2018-2023



Source: International Monetary Fund, 2022
Note: * indicates forecasts

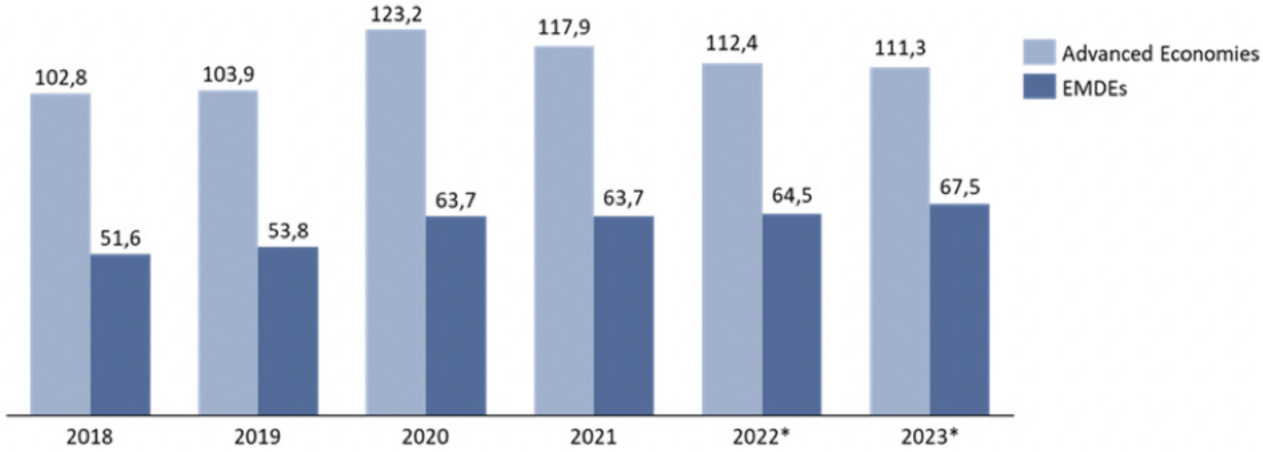
The IMF has forecast that during 2022 the economic growth rate of the United States of America (USA) will fall to 1.6 per cent from 5.7 per cent in 2021, the growth rate of China will fall to 3.2 per cent from 8.1 per cent and that of the euro area will fall to 3.1 per cent from 5.2 per cent. The world's three largest economies, their combined GDP accounted for 57 per cent of world output in 2021 and was forecast to account for 56.4 per cent in 2022. A simultaneous decrease in growth rates in all three of these regions therefore almost guarantees similarly low growth rates in overall world output; this is reflected in the lower forecast for global economic growth. The economic slowdown in China has added to the disruption of the world's supply chains because it is a manufacturing hub for much of the globe and a demand hub for many products, particularly the raw materials that the country uses in its manufacturing sector.

Within the SSA region, Nigeria's GDP growth rate was 3.6 per cent in 2021. Its projection for 2022 has been lowered to 3.2 per cent and its 2023 forecast has been lowered by a marginal 0.1 percentage point to 3 per cent. South Africa's economy grew by 4.9 per cent in 2021, with 2.1 per cent forecast for 2022, an increase of 0.2 percentage points over the earlier forecast, while the 2023 forecast has been reduced to 1.1 per cent.

There is a significant risk that the global economic landscape will continue to deteriorate in the short- to medium-term and that the world's economy will fall into recession at some point in 2023. While the forecast for growth in world output in 2023 remains positive, a technical recession requires only two consecutive quarters of declining output and can thus occur even in a year when the overall growth rate is positive.

As noted above, the financial assistance programmes that governments around the world put in place to help those most impacted by COVID-19 are coming to an end in many countries. This is by definition a contractionary fiscal policy as it is a reduction in government spending unless the programmes are replaced by projects of equivalent value. This is unlikely as inflation and government debt levels are both high, making further fiscal policy tightening likely instead. Figure 1.2 shows that, in 2021, government debt as a percentage of GDP was equal to 117.9 per cent in the advanced economies and has been declining only slowly, with a forecast of 111.3 per cent of GDP for 2023. The EMDEs' government debt was much lower at 63.7 per cent of GDP in 2021 but has been on the rise in 2022 and is forecast to reach 67.5 per cent in 2023.

Figure 1.2: General government gross debt, selected regions, percentage of GDP, 2018-2023



Source: International Monetary Fund, 2022
Note: * indicates forecasts

1.2.1 Politics influencing investment for better and worse

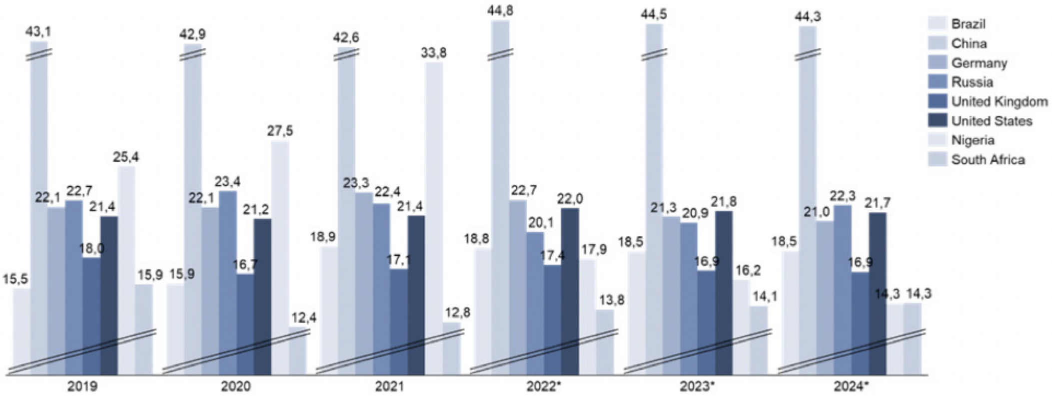
As Figure 1.3 shows, in 2021 investment in China fell to a still very high 42.6 per cent of GDP as the Chinese government reduced its investment spending and implemented policies to rein in property development companies that had been over-leveraging themselves. This resulted in private investment in real estate also falling. The new policies are intended to put the Chinese real estate market on a sustainable trajectory and so far they appear to be succeeding. However, if the risks are realised before the transition is complete the fallout could spread to the rest of the credit market and cause a financial crisis in the country. For now, the IMF predicts that China's investment will remain high, reaching 44.8 per cent of GDP in 2022 before marginally declining to 44.5 per cent in 2023 and 44.3 per cent in 2024.

In Russia, investment fluctuated around 23 per cent of GDP from 2019 to 2021. In 2022, investment fell due to sanctions cutting the country off from imported capital goods, with the rate forecast at 20.1 per cent for the year. With the country seeking alternative sources of imports and the view that the invasion must eventually be resolved, Russian investment is predicted to pick up again. The current forecast places the investment rate at 22.3 per cent in 2024.

In 2020, the United Kingdom (UK) exited the European Union. This decreased its integration with global markets and reduced investor confidence in its economy. Investment fell to 16.7 per cent of GDP from 18 per cent in 2019. Since then, the economic disruption has been smaller than expected and investor confidence has been returning, with a forecast of 17.4 per cent for 2022. Europe's losing access to Russian natural gas has reduced investor confidence and UK investment is predicted to fall to 16.9 per cent by 2024. German investment is forecast to fall from 22.7 to 21.8 per cent over the same period.

In Nigeria, investment was at 29.4 per cent of GDP in 2020. This fell to 25 per cent of GDP in 2021 and has been predicted to continue falling to 20.9 per cent in 2022 and to reach 19.5 per cent in 2024. South Africa's investment as a percentage of GDP is lower but on an upward trend. It was at 12.7 per cent in 2020, increased to 13 per cent in 2021 and is forecast to be 14.5 per cent in 2022 and 14.7 in 2024.

Figure 1.3: Total investment, percentage of GDP, selected countries, 2019-2024

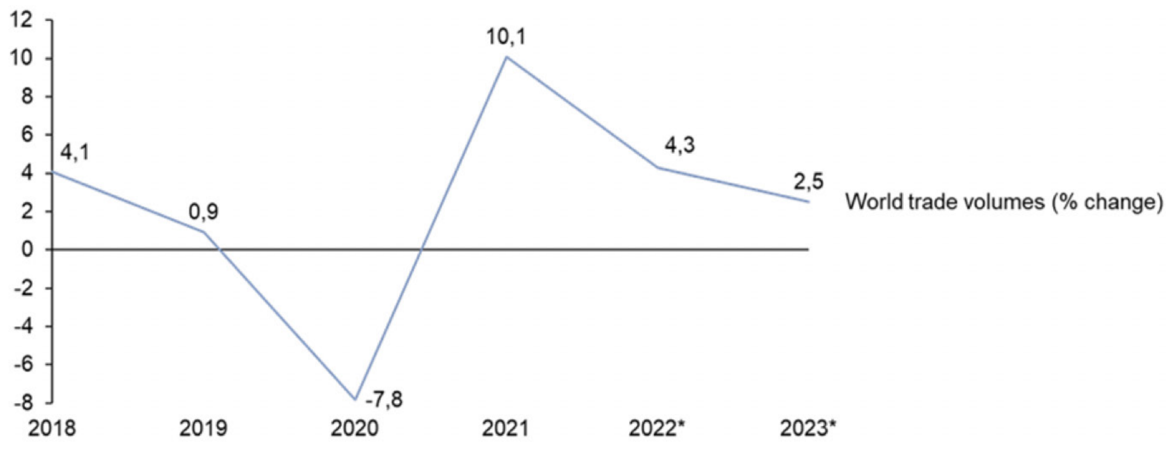


Source: International Monetary Fund, 2022
Note: * indicates forecasts

1.2.2 Impact of geopolitical tension on trade

Figure 1.4 shows that, in 2020, global trade volumes decreased by 7.8 per cent due to the recession and the travel restrictions which were both caused by the COVID-19 pandemic. In 2021, trade volumes recovered, increasing by 10.1 per cent. This was due to pent-up demand being released as restrictions were eased; it was also mathematically intensified by the fact that trade was growing from a lower base after having decreased in 2020, a phenomenon known as the base effect. These factors were transitory and it was expected that trade would moderate in 2022. The hampering of trade due to the invasion of Ukraine led the IMF to reduce its global trade volumes forecast for 2022 from 5 per cent to 4.3. The invasion is predicted to continue into 2023, further polarising the world and leading to the 2023 forecast being reduced from 4.4 per cent to 2.5 per cent.

Figure 1.4: World trade volumes, percentage growth rates, 2018-2023



Source: International Monetary Fund, 2022
Note: * indicates forecasts

The disruption to the economies and supply chains of the euro area caused by Russia's ongoing invasion of Ukraine has ramifications for the whole world as these two countries supply essential commodities to the rest of the globe. Russia is the world's third-largest oil producer, accounting for 14 per cent, or 7 to 8 million barrels per day, of global crude oil production.[42] Ukraine and Russia together supply over 25 per cent of global wheat exports as well as significant quantities of other important commodities such as fertiliser and sunflower oil. Grain supplies from Ukraine have been interrupted by the war while grain and energy exports from Russia have

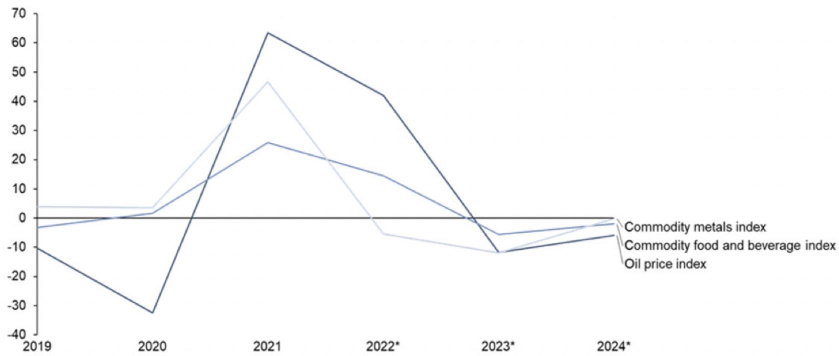
3 India Today. (2022). Russia-Ukraine War: How Rising Crude Oil Prices Impact Us in Way we Don't Quite Notice. Accessed (8th of April 2022): www.indiatoday.in

been interrupted by retaliatory sanctions. Many EMDEs have been affected as they have historically imported substantial quantities of grain from Ukraine and Russia. As food accounts for a large portion of their spending, they are particularly vulnerable to food price increases.

1.2.3 Commodity prices high but likely to moderate

As Figure 1.5 shows, the oil price index decreased by 32.5 per cent in 2020 because of lower demand as the pandemic reduced economic activity and significantly reduced travel. In 2021, the release of suppressed demand led to a 63.5 per cent increase in oil prices. While these changes represent a high degree of volatility, they largely cancelled one another out and prices in 2021 were only approximately 10 per cent higher than in 2019. Of more concern is the 41.9 per cent increase that has been forecast for 2022. This is a real increase and not a base effect as in 2021. High oil prices increase the cost of many goods because they are made of components that must be transported to the place of assembly and most final goods are transported to the places where they are sold. Furthermore, many industries use oil or oil derivatives in their production processes. However, the 2022 increase in oil prices has consisted largely of speculative purchases based on fears of disruption of Russian oil exports due to sanctions. Those exports have since been seen to be less disrupted than feared as Russia has redirected exports to countries participating in the sanctions. Oil prices are therefore forecast to fall by 11.8 per cent in 2023 and by a further 5.9 per cent in 2024.

Figure 1.5: Selected commodity price indices, percentage changes, 2019-2024



Source: International Monetary Fund, 2022

Note: * indicates forecasts

The commodity price indices of food and metals recorded moderate increases in 2020, at 1.7 and 3.5 per cent respectively. They increased much more substantially in 2021, with food prices increasing by 25.9 per cent and metal prices by 46.7 per cent. High metal prices benefit the South African economy as metals and metal ores make up a significant portion of the country's exports. However, limited rail capacity and the port disruptions caused by the floods in KwaZulu-Natal restricted the country’s mines’ ability to increase exports, reducing the amount by which they have been able to take advantage of this windfall. Food prices have been forecast to increase by a further 14.4 per cent in 2022. This was also caused primarily by speculative fears around the invasion of Ukraine but, at the time when the IMF’s latest forecasts were released, Russia had been allowing civilian ships to transport grain from Ukraine to be sold in Africa and the Middle East. Thus, food prices are currently predicted to fall by 5.6 per cent in 2023 and by 2 per cent in 2024. However, very recently Russia has withdrawn from the export agreement.[43] The United Nations, Turkey and Ukraine are attempting to broker a new agreement between themselves but the situation remains uncertain.

Unusually, international financial markets are reflecting expectations of both high and low inflation.[44] This indicates that investors are disagreeing with one another on whether the current high inflation environment will worsen or a major global recession will materialise and suppress inflation. Thus, whichever way the real economy moves a significant portion of investors will be unprepared for that movement. This will create disruption in financial markets that will worsen whichever challenge has arisen.

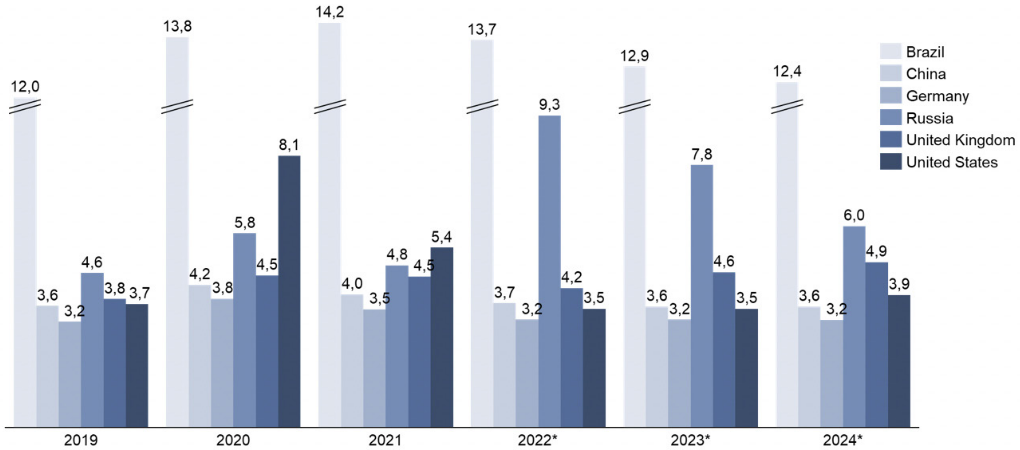
4 Reuters. (2022). U.N., Turkey, Ukraine press ahead with Black Sea grain deal despite Russian. Accessed (in November 2022) at www.reuters.com

5 International Monetary Fund (2022). Global Financial Stability Report, October 2022- Navigating the High-Inflation Environment. Accessed (in October 2022) at www.imf.org

1.2.4 International labour market continues to recover from pandemic

Unemployment rates increased around the world when COVID-19 became a global pandemic during 2020 and national lockdowns and travel restrictions were needed to slow its spread. The impact on the USA was particularly striking, as Figure 1.6 shows, with the unemployment rate more than doubling from 3.7 per cent in 2019 to 8.1 per cent in 2020. Russia also recorded a larger increase in unemployment than some other countries, from 4.6 per cent to 5.8 per cent over the same period, as reduced travel and international trade disrupted the country's petroleum exports.

Figure 1.6: Unemployment rates, percentages, selected countries, 2019-2024



Source: International Monetary Fund, 2022

Note: * indicates forecasts

In 2021, most countries recorded lower unemployment rates as their economies recovered as vaccine rollouts enabled the loosening and lifting of restrictions. The USA's rate fell to 5.4 per cent and that of Russia to 4.8 per cent. However, some countries saw unemployment continue to rise due to ongoing struggles with the pandemic or other internal challenges. Brazil's unemployment rate rose slightly from 13.8 per cent in 2020 to 14.2 per cent in 2021. Overall, the recovery gained momentum in 2022 and unemployment rates are estimated to have continued falling in most countries. In Brazil, the rate for 2022 has been forecast at 13.7 per cent, 0.1 percentage points lower than during the worst of the pandemic. In Russia, however, retaliatory sanctions due to the invasion of Ukraine have resulted in significant loss of employment and the unemployment rate was forecast at 9.3 per cent for 2022, more than half again as high as in 2020. In 2023 and 2024, it is predicted that unemployment rates will fall in Brazil and Russia, remain largely unchanged in China and Germany and rise in the UK and the USA.

1.2.5 Withdrawal and reduction of monetary policy accommodation

To offset the economic impact of the lockdowns required to slow the spread of COVID-19, governments around the world created new welfare programmes and expanded existing ones. Because much of the world's population has been vaccinated, the pandemic has become significantly less severe in most countries and many have either ended their COVID-related welfare programmes or announced that they will do so shortly. These actions were necessitated by the unsustainably high government debt levels shown in Figure 1.2.

However, the global economic recovery from the pandemic is not complete and this reining in of government spending is occurring at a time when the world economy has been disrupted again by the invasion of Ukraine and intermittent lockdowns in China where COVID-19 remains a concern. Bringing government debt back under control is required for long-term economic growth but, in the short-term, governments reducing their expenditure while increasing taxation or keeping it steady will add more downward pressure on their economies and will raise the likelihood of a global recession.

Governments typically raise their spending during a recession to offset its impact and to support a return to growth as soon as possible. When a government enters a recession with its debt levels already high, this reduces its fiscal space to engage in counter-cyclical spending without serious negative effects on confidence levels in their economies, triggering a harmfully high degree of inflation or potentially crowding out private investment. The term 'crowding out' is used to refer to several different phenomena. In this case, it is a situation where, to fund its operations, a government has to borrow so much money that it causes interest rates to rise which reduces investment by private enterprise as the cost of money increases.

Central banks around the world have also been tightening monetary policy. The average EMDE central bank has been applying interest rate hikes since early 2021 while the average advanced economy central bank has been doing so since the end of 2021.[45] Some central banks, particularly among the advanced economies, have even been raising rates at an increasing rate while others have also been selling financial assets to remove money from the system. These measures are intended to reduce demand and thus bring down inflation but reduced demand also reduces economic growth in the short-term. However, bringing inflation under control is necessary for long-term growth.

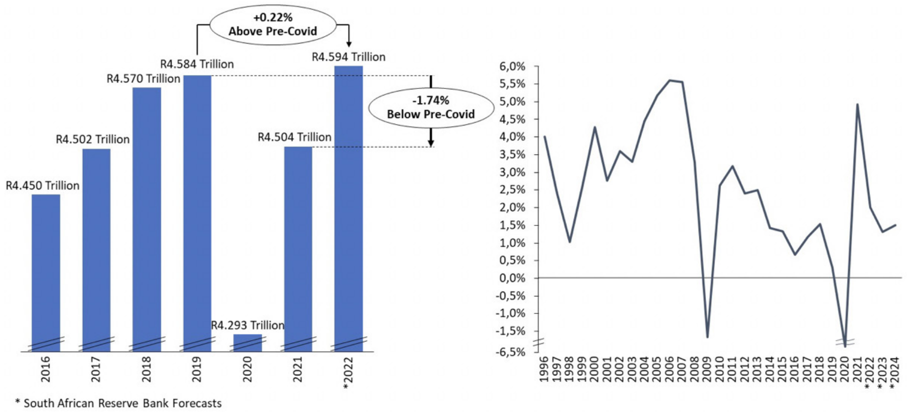
1.3. South African economic overview

The South African economy is expected to recover in 2022 after significantly contracting in 2020. Although it grew in 2021, its output capacity remained low relative to its size in 2019. The recovery is forecast to be smaller than initially estimated due to the negative global outlook and domestic developments affecting the economy. The recovery is mainly supported by more substantial domestic private investment and consumption expenditure. However, consumer and business confidence contracted in the first half of 2022 due to high inflation and the floods in KwaZulu-Natal which disrupted the manufacturing and logistics sectors. Higher than expected inflation in most of 2022 has led to increased consumer and producer prices, resulting in reduced purchasing power and affecting overall expenditure. On the positive side, the labour market started to improve in 2022, with some sectors showing strong employment growth resulting in lower unemployment rates. Economic growth is expected to continue at a slightly faster pace in 2023 and 2024.[46]

1.3.1 GDP expected to return to pre-pandemic levels in 2022

Economic growth in 2021 emerged from the level of 2020, improving from a negative 6.3 per cent in 2020 to 4.9 per cent in 2021. However, economic capacity in 2021 remained below what it was in 2019 before the impact of COVID-19. The size of South Africa's economy was R4.584 trillion in 2019 but declined to R4.504 trillion in 2021 or 1.74 per cent lower than before the pandemic.

Figure 1.7: Gross Domestic Product, South Africa



Source: Statistics South Africa & South African Reserve Bank, 2022

Given the significant easing of COVID-19 regulations and the ending of the COVID-19 state of disaster in 2022, economic activity started to improve and Figure 1.7 shows that growth for 2022 is forecast to marginally improve beyond 2019 pre-Covid-19 levels. This forecast improvement of the economy in 2022 had already been visible

6 International Monetary Fund. (2022). Central Banks Hike Interest Rates in Sync to Tame Inflation Pressures. Accessed (in September 2022) at www.imf.org

7 South African Reserve Bank. (2022). Quarterly Bulletin, September 2022

in 2022Q1. Moreover, the improvement was supported by, among other factors, relatively robust domestic expenditure and investment. Domestic consumption expenditure, shown in the right-hand section of Figure 1.7, improved from a contraction of 6.3 per cent in 2020 to a growth of 4.9 per cent in 2021. According to Statistics South Africa (Stats SA), domestic investment improved from contracting by 25.4 per cent in 2020 to 7 per cent in 2021.[47] Growth in domestic consumption expenditure and domestic investment continued in the first half of 2022.

Even during the contraction of 2022Q2 GDP, investment and domestic expenditure remained positive contributors to GDP in the quarter. Expenditure and production had yet to reach pre-COVID levels in the first half of 2022 but forecasts by the South African Reserve Bank (SARB) suggested economic growth for 2022 will improve. Hence, the annual economic growth rate was forecasted to moderate to 2 per cent in 2022.

The revised forecasts in the 2022/23 national Medium Term Budget Policy Statement (MTBPS) put GDP growth for 2022 at 1.9 per cent and, for 2023 and 2024, 1.4 per cent and 1.7 per cent respectively. Government remains committed to reining in expenditure, expressed through conservative public sector wage bill increase estimates of 4 per cent, with organised labour aiming for 6.5 per cent salary increases.

1.3.2 Idiosyncratic constraints dragging down economic growth

The unstable and insufficient supply of electricity is one of the major challenges holding back the growth of the South African economy. The constrained electricity supply dates back to 2007 and is due to insufficient electricity generated by Eskom, the electricity power utility; it cannot meet the growing demand for power during peak demand periods due to breakdowns at power stations. Given the electricity supply constraints, Eskom implements load-shedding which means that various areas are without electricity for a scheduled duration. Load-shedding directly impacts the economy, especially sectors which use electricity intensively. The SARB has shown that load-shedding reduced growth between 2008 and 2019.[48] The impact of load-shedding could reduce GDP by between 0.3 and 1.3 percentage points, depending on the intensity of the duration of load-shedding in a year.

1.3.3 Energy reforms aimed at stabilising electricity supply

On 24 July 2022, President Cyril Ramaphosa outlined the government's vision for addressing the country's electricity supply On 24 July 2022, President Cyril Ramaphosa outlined the government's vision for addressing the country's electricity supply shortage.[49] The vision was presented as a plan to improve existing electricity generation, support private electricity supply by businesses, improve efficiencies in building new renewable, gas and battery storage capacity, incentivise businesses and households to invest in their own solar electricity generation and transform Eskom so that it is efficient.

The government has taken steps to address the electricity supply problems. Two thousand megawatts (MWs) of solar and wind power have been connected to the grid, with an additional 2600MW to be added starting in early 2024. Private electricity producers have been granted the freedom to sell electricity on their own accord by removing licensing requirements for producers who produce up to 100MW rather than the 1MW previously granted. Regulations have also been relaxed to allow municipalities to procure electricity from sources other than Eskom.

An additional budget will be prioritised for critical maintenance of Eskom's plants to enable it to increase its capacity. Red tape affecting its ability to buy spares for maintenance are being loosened and the organisation has embarked on a recruitment drive to close the critical skills gap.

While South Africa has been running on a model of self-sufficiency in electricity supply, importing electricity from neighbouring countries is now in the government's plans. The vision was presented as a plan to improve existing electricity generation, support private electricity supply by businesses, improve the efficiencies in building new renewable, gas and battery storage capacity, incentivise businesses and households to invest in their own solar electricity generation and transform Eskom so that it is efficient.

The government has taken steps to address the electricity supply problems. Two thousand megawatts (MWs) of

8 Statistics South Africa. (2022). Gross Domestic Product Second Quarter 2022.
9 South African Reserve Bank. (2019). Quarterly Bulletin, September 2019.
10 The Presidency, Republic of South Africa. (2022). Address by President Cyril Ramaphosa on actions to address the electricity crisis.

solar and wind power have been connected to the grid, with an additional 2600MW to be added starting in early 2024. Private electricity producers have been granted the freedom to sell electricity on their own accord by removing licensing requirements for producers who produce up to 100MW rather than the 1MW previously granted. Regulations have also been relaxed to allow municipalities to procure electricity from sources other than Eskom.

An additional budget will be prioritised for critical maintenance of Eskom's plants to enable it to increase its capacity. Red tape affecting its ability to buy spares for maintenance are being loosened and the organisation has embarked on a recruitment drive to close the critical skills gap.

While South Africa has been running on a model of self-sufficiency in electricity supply, importing electricity from neighbouring countries is now in the government's plans.

1.3.4 Impact of floods in KwaZulu-Natal ports on GDP-R

In April 2022, extremely heavy rains in KwaZulu-Natal resulted in floods and landslides. These destroyed and damaged infrastructure and negatively impacted the livelihoods of the province's residents. Infrastructure such as roads was destroyed and people were not able to participate in the economy as they lost their homes and, in some tragic instances, their loved ones. Production in some parts of the province, such as at the Toyota manufacturing plant[50], completely shut down.

The disaster had financial and economic costs, with preliminary estimates showing that the eThekwini municipality incurred over R700 million in operational losses on top of the damage to physical assets.[51] Restoring infrastructure will cost private businesses and government over R700 billion.

It was estimated that it would take at least three months from the time of the impact for KwaZulu-Natal's economy to recover to the state that it was in before the floods, with some sectors of the economy taking much longer. Service sectors, particularly finance, communications and retail, were expected to recover the most quickly, with the tourism, transport and manufacturing sectors taking longer than that; for example, the Toyota manufacturing plant resumed operations in July after closing down in April. The government, agricultural and infrastructure sectors were expected to take six months or more to recover.

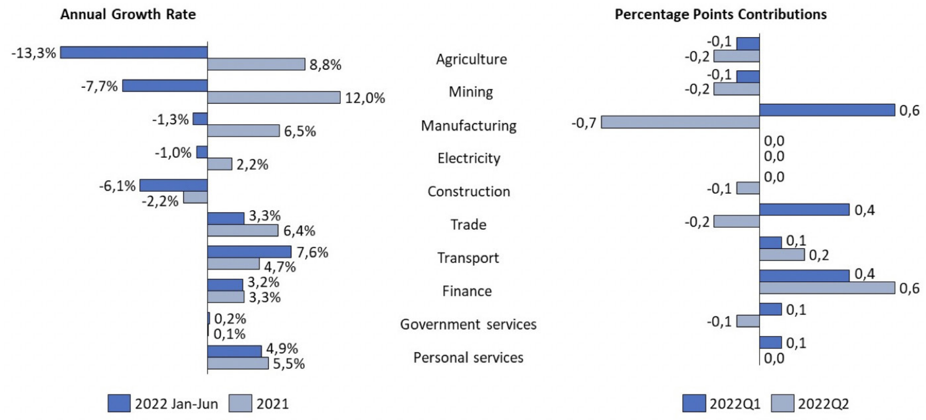
The impact of the floods did not affect not only KwaZulu-Natal; there was a spillover to other provinces and to the national economy. Backlogs in the movement of Gauteng's exports and imports through Durban's ports affected the province's output growth and the country at large.

11 Bureau For Economic Research. (2022). Press Release: Business confidence slips in the second quarter.
12 PricewaterhouseCoopers. (2022). South Africa Economic Outlook The next inflation challenge: salary and wage increases.

1.3.5 Sectoral performance

Most of South Africa's economic sectors recovered in 2021; this was reflected by the economy's overall growth of 4.9 per cent in the year. However, the recovery was reversed as the economy declined by 0.7 per cent in 2022Q2. Figure 1.8 shows that, in the first half of the year, half of the ten economic sectors declined.

Figure 1.8: Economic sectoral growth, 2022Q1-2022Q2



Source: Statistics South Africa, 2022.

Figure 1.8 shows that in the first half of 2022 the primary and secondary sectors declined. In the primary sector, mining and agriculture experienced the most significant declines, jointly reducing growth by 0.2 percentage points in the first quarter and 0.4 percentage points in the second quarter. Industries in the secondary sector, which include manufacturing, electricity and construction, also declined in the first half of 2022. Directly and indirectly, the KwaZulu-Natal floods affected the manufacturing sector, particularly in the second quarter; the sector was the largest GDP growth subtractor (-0.7 percentage points) in that quarter. Following growth of 2.2 per cent in 2021, the electricity sector declined by 1 per cent in the first half of 2022. The decline was caused by Eskom's technical and other difficulties. The construction sector struggled to grow in 2021 and in the first half of 2022.

The tertiary sector, which provides services to the economy, grew in 2021 and continued to grow relatively well in the first half of 2022, with the finance sector making the most significant contribution to growth. In 2022, it contributed 0.6 percentage points in the first quarter and 0.4 percentage points in the second quarter. The personal services sector grew by 5.5 per cent in 2021 and continued to grow in the first half of 2022 when it increased by 4.9 per cent y-o-y. This sector had a slightly positive impact on growth in the first half of 2022, contributing 0.1 percentage points in the first quarter and 0 percentage points in the second quarter. Government services also contributed positively to growth in the first quarter of the year 2022. This contribution was nevertheless below the sector's potential, with investment in the sector having been significantly reduced in recent years.[52]

1.3.6 Fiscal consolidation measures in response to rising debt levels

South Africa's government debt has been rising since the 2008 financial crisis. Since then, the aim has been to reduce debt levels. However, with the rise in expenditure because of the challenges faced by the government and insufficient economic growth after the financial crisis, debt levels continued to rise.[53] Government debt was R627 billion in the 2008/09 financial year and R2.02 trillion in 2015/16 and was projected to increase to R4.7 trillion in 2021/22, resulting in debt-service costs averaging R355.2 billion per year over the medium-term expenditure framework of three years. The fiscal framework in the 2022/23 medium budget policy statement

13 South African Reserve Bank. (2022). Monetary Policy Statement, 19 May 2022.
14 National Treasury. (2022). Budget Review 2022.

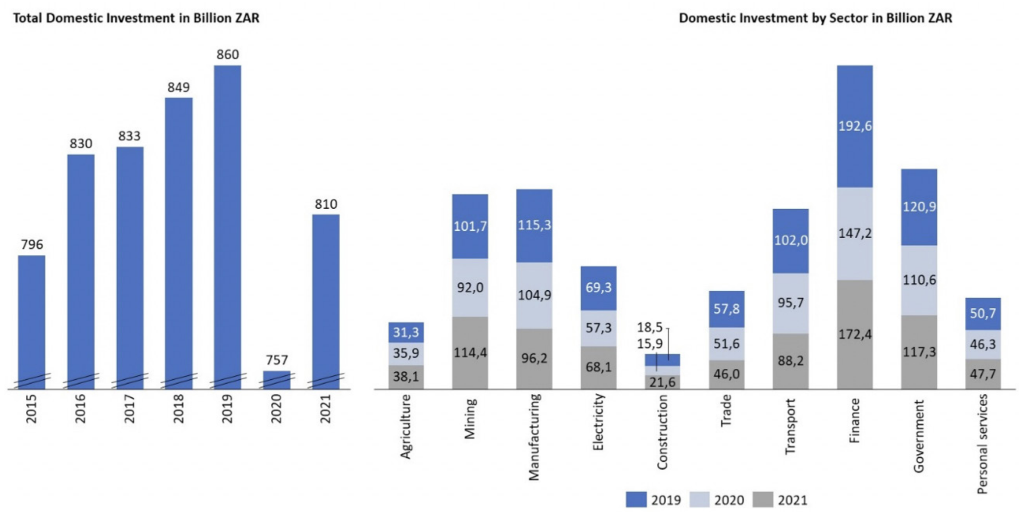
outlines government's aim of reducing the budget deficit and stabilising the debt-to-GDP ratio at 71.4 per cent in the 2022/23 financial year and achieving a fiscal surplus of 0.7 per cent of GDP in 2023/24.

It is intended that government debt will be reduced by using a portion of the higher-than-anticipated tax revenue collection to narrow the deficit while increasing non-interest expenditure to support economic growth, job creation and social protection. Consolidating expenditure is another tool to be used for debt reduction; the expenditure consolidating policy which has been in place mainly focused on reducing growth in employee compensation and government's consumption expenditure. The strategy to consolidate expenditure has significantly reduced the budget baseline in eight consecutive budgets since 2008. Better-than-expected revenue collection in the 2021/22 budget year will help to provide for unexpected expenditure and will assist with implementing policies aimed at promoting economic growth and reducing high debt levels.

1.3.7 Investment

Investment in South Africa has improved from the low levels of 2020 when COVID-19 restrictions were intense. However, by 2021 it had not reached or surpassed the pre-2020 level. Investment growth is primarily supported by private investment while public sector investment has remained weak until the first half of 2022.[54]

Figure 1.9: Domestic investment, 2015-2021



Source: Quantec Research, 2022.

Figure 1.9 shows that in 2019, 2020 and 2021 investment in South Africa was mainly channelled towards the finance sector. Investment in the sector increased to R172.4 billion in 2021 after falling from R192.6 billion in 2019 to R147.2 billion in 2020. Although government sector investment was relatively weak in 2022, it was the second largest in 2021. It was somewhat more fragile because although it had improved from a lower 2020 level to reach R117.3 billion in 2021; it remained lower than the level it was at (R120.9 billion) in 2019.

In 2021, most sectors experienced lower levels of investment than in 2019. The exceptions were agriculture, mining and construction with the mining sector the most prominent of these. In 2019, R101.7 billion was invested in the sector and in 2021 R114.4 billion. Investment in construction and agriculture also increased after 2019. However, the increased investment in these sectors was not enough to enable total investment to recover beyond 2019 levels as they attracted less investment. Despite their being the leading contributors to economic growth in the country, investment in the finance and government sectors in 2021 did not recover to 2019 levels. Overall investment in 2021 thus did not reach a level that surpassed that of 2019.

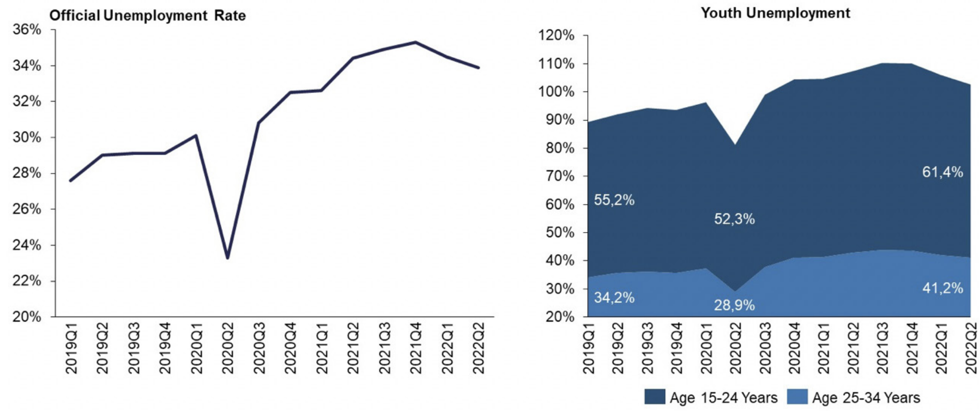
1.3.8 Labour market has not returned to pre-pandemic levels

Figure 1.10 shows the effect on unemployment of the COVID-19 restrictions implemented in 2020. The

15 South African Reserve Bank. (2022). Monetary Policy Statement, 22 September 2022.

unemployment rate began to rise in 2020Q3 and, except for 2021Q1, increased every quarter between 2020Q3 and 2021Q4. In 2019Q1, the unemployment rate was 29.1 per cent and reached a peak of 35.3 per cent in 2021Q4 when the restrictions were imposed. However, in 2022Q2 the rate decreased to 33.9 per cent from 34.5 per cent in 2022Q1; the decrease in the second quarter was the second successive decrease after the 2021 peak.

Figure 1.10: South Africa unemployment rates, 2019Q1-2022Q2



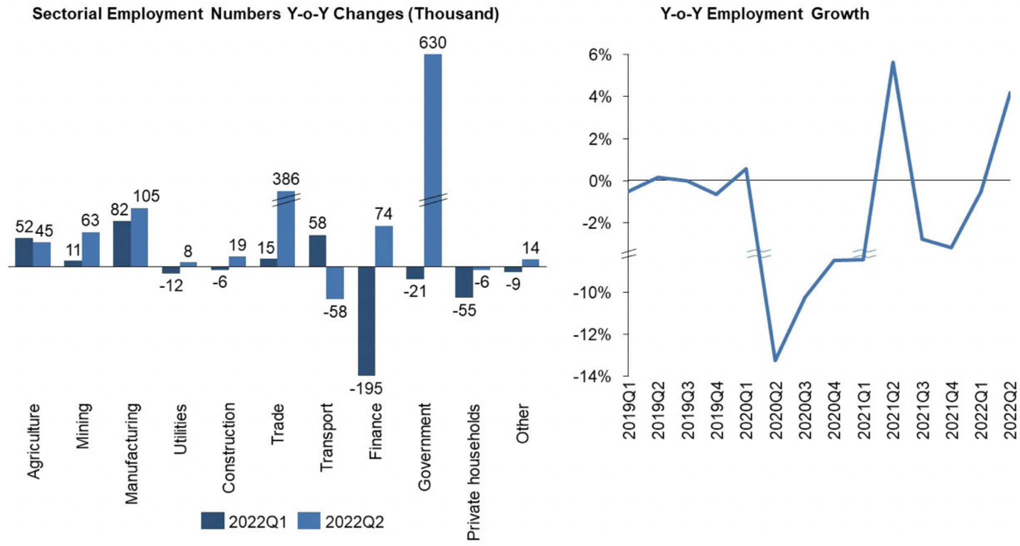
Source: Statistics South Africa, 2022.

Improvement in the labour market was also signalled by the decline in the expanded unemployment rate; this rate includes discouraged workers. The expanded unemployment rate declined by 1.4 percentage points in 2022Q2 to 44.1 per cent.[55] This decline was more significant than the decline in the unemployment rate of 0.6 percentage points, indicating that some discouraged work seekers found employment, with the number of discouraged work seekers decreasing by 4.9 per cent. Youth unemployment remained high in 2022Q2, at 61 per cent for the age cohort 15-24 years and 41 per cent for the cohort 25-34 years. However, there was a decline in both of these groups, by 3 percentage points and 1 percentage points respectively.

Figure 1.11 shows that employment increased in the first two quarters of 2022 compared with the same quarters in 2021. It improved from -3.1 per cent y-o-y in 2021Q4 to -0.5 per cent y-o-y in 2022Q1 and 4.2 per cent in 2022Q2. Employment growth in 2022Q1 affected the labour market positively, as evidenced by an increase in the labour force absorption rate in 2022Q1 and 2022Q2. This increase indicates that the labour market was able to absorb more new entrants into the labour force. The absorption rate increased to 37.3 per cent and 38.7 per cent respectively.[56]

16 Statistics South Africa. (2022). Quarterly Labour Force Survey Quarter 2:2022.
17 Statistics South Africa. (2022). Quarterly Labour Force Survey 2022 Quarter 2.

Figure 1.11: Sectoral employment numbers and Y-o-Y growth, South Africa, 2022Q1-2022Q2



Source: Statistics South Africa, 2022.

The number of employed persons increased by 648 000 in 2022Q2, giving a total of 15.6 million for the quarter. The government sector gained 630 000 y-o-y jobs in the second quarter after losing 21 000 jobs in the first quarter. The government sector had the second most positive impact on employment, gaining 15 000 jobs in the first quarter and 386 000 in the second quarter. The gains in the finance and utilities sectors[57] were not enough to offset their job losses in the first quarter. However, employment in the trade, agriculture, mining and manufacturing sectors increased in 2022Q1 and 2022Q2. The private household sector shed 55 000 jobs y-o-y in the first quarter and 6 000 in the second quarter.

1.4. Gauteng

Although Gauteng is the economic hub of South Africa, it is not immune to fluctuations in international markets or to the challenges that face the domestic economy. After a large initial recovery due to the base effect, the province's post-COVID growth rate has been low. In 2022Q2, in particular, the manufacturing sector led a small decline in the provincial economy. On the positive side, Gauteng's unemployment rate has decreased due to the expansion of employment in the province. The province has benefitted from national government job creation programmes such as the Expanded Public Works Programme (EPWP) which has created over 22 500 jobs; it has also implemented several such programmes itself. These include the Tshepo 1 Million initiative which has seen over 100 000 young people enter earning opportunities after passing through the programme and has set a target of reaching 1 million young people by 2024. The province's government has also created or is creating the Vaal SEZ in the southern development corridor, the O.R. Tambo SEZ in the eastern corridor, the West Rand SEZ in the western corridor and the Tshwane Automotive SEZ in the northern corridor. It is also supporting township and historically disadvantaged businesses by making then preferred suppliers.

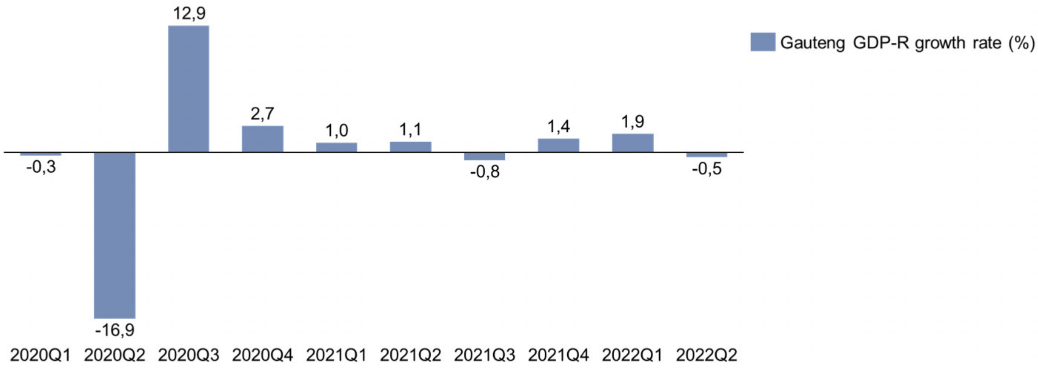
1.4.1. Post COVID-19 GDP-R

As Figure 12 shows, Gauteng's GDP-R fell quarter-on-quarter (q-o-q) by 0.3 per cent in 2020Q1. Following the national lockdown in response to COVID-19 and because of reduced demand from trading partner countries, in 2020Q2 GDP-R decreased by 16.9 per cent. In 2020Q3, the loosening of these restrictions and the base effect caused by the large decrease in 2020Q2 led to a 12.9 per cent increase in GDP-R. The rate of growth then moderated to 2.7 per cent in 2020Q4 before fluctuating around the 1 per cent mark. The province recorded an economic growth rate of 1.4 per cent in 2021Q4 after the 0.8 per cent recorded in 2021Q3. Gauteng's economic

18 The utilties sector is the economic sector that is formed by the electricity industry, gas industry, and water industry,

growth in 2021Q4 was driven primarily by the community and personal services sector which recorded a growth rate of 2.4 per cent. This sector accounts for a large portion of the provincial economy, with the headquarters of many service industries located in Gauteng. GDP-R increased by 1.9 per cent in 2022Q1 before decreasing slightly, by 0.5 per cent, in 2022Q2. IHS Markit forecast the province's overall GDP-R growth rate for 2022 at 1.8 per cent.[58]

Figure 1.12: GDP-R growth, percentages, Q-o-Q, 2020Q1-2022Q2.

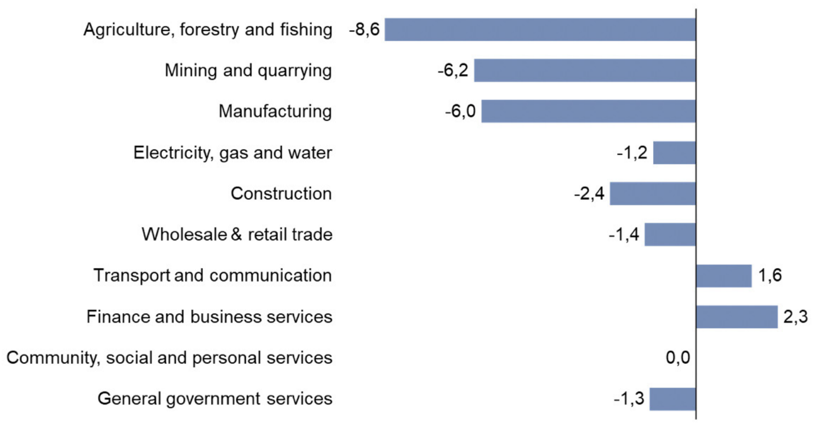


Source: Quantec Research, 2022

1.4.2. Sectoral performance

Figure 1.13 shows that the economic sector recording the largest decline in 2022Q2 was agriculture, forestry and fishing, with a decrease of 8.6 per cent. However, the sector accounts for such a small portion of Gauteng's economy that it made no significant contribution to the overall decrease. The manufacturing sector decreased by 6 per cent and, at 0.9 percentage points, made the largest contribution to the overall decrease because it accounts for a significant share of the provincial economy. Finance and business services is the largest economic sector in Gauteng. Therefore, although it grew by a modest 2.3 per cent this was enough to offset the overall decrease by 0.7 percentage points. This reflects the fact that Gauteng has a modern, primarily service-based economy with a significant contribution from manufacturing and with the basic extractive industries comparatively small. These industries are nevertheless important to the province’s economy because mining and quarrying accounts for a significant portion of exports and both it and agriculture provide inputs for manufacturing industry.

Figure 1.13: GDP-R growth rates by economic sector, 2022Q2



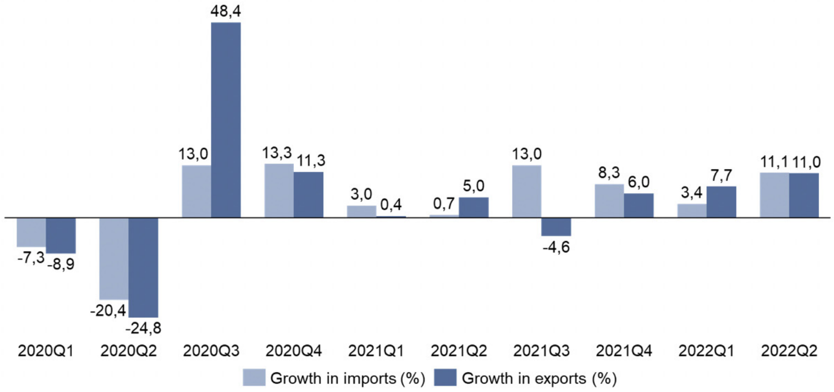
Source: Quantec Research, 2022.

19 IHS Markit. (2022). Regional Explorer version 2.6p Johannesburg.

1.4.3. Provincial trade

Gauteng has tended to import more goods and services than it exports. During 2020 and the first half of 2021, this was reversed due to trade restrictions and lower incomes caused by the pandemic. As Figure 14 shows, in 2021Q3 the total value of imports increased by 13 per cent while exports declined by 4.6 per cent. As a result, the value of imports was greater than that of exports in that quarter. This has remained the case for every quarter over the rest of the period under review. In 2022Q2, imports increased by 11.1 per cent while exports rose by 11 per cent.

Figure 1.14: Exports and imports, total value, percentage changes, 2020Q1-2022Q2



Source: Quantec Research, 2022

The largest contributions to the 2022Q2 growth in exports came from two categories: mineral fuels, mineral oils, bituminous substances and waxes which increased by 36 per cent and contributed 6.6 percentage points to the overall increase; and vehicles other than railway or tramway rolling stock, and parts and accessories thereof, which increased by 19.3 per cent and contributed 2.1 percentage points. The categories which most offset the overall increase were precious metals, metals clad in precious metals and precious and semi-precious stones which declined by 17 per cent and offset the overall increase by 1.3 percentage points; and copper and articles thereof, which declined by 18.6 per cent and offset by 0.2 percentage points.

1.4.4. Labour market post-COVID-19 restrictions

Table 1.1 shows that, in 2022Q2, the working-age population of Gauteng increased y-o-y by 177 000 people or 1.6 per cent. At 105 000, the increase in the labour force was smaller as the Not Economically Active (NEA) population also increased. The number of people employed in the province increased by 138 000 or 3 per cent. This was larger than the increase in the labour force, due to the decrease in the number of unemployed persons, by 33 000 or 1.3 per cent. This resulted in a decrease in the provincial unemployment rate of 1 percentage point to 34.4 per cent. At 142 000 or 17.7 per cent, there was also a large decrease in the number of discouraged work-seekers in the province. A relatively large increase in employment coupled with decreases in unemployment, both those formally unemployed and the discouraged, is a positive sign for the province. However, the unemployment rate remains high which indicates that there is a great deal of room for improvement in the provincial labour market.

Table 1.1.Labour force characteristics, 2021Q2 and 2022Q2

('000)	2021Q2	2022Q2	Y-O-Y Change	Y-O-Y % Change
Working-age population	10 753	10 930	177	1.6
Labour force	7 196	7 302	105	1.5
Employed	4 648	4 787	138	3.0
Unemployed	2 548	2 515	-33	-1.3
Not economically active	3 557	3 628	71	2.0
Discouraged work-seekers	799	657	-142	-17.7
Unemployment rate	35.4	34.4	-1.0	n/a

Source: Statistics South Africa, 2022
Note: Totals do not necessarily add up due to rounding

In his State of the Nation Address in February 2022, President Ramaphosa stated that the Department of Home Affairs would recruit 10 000 unemployed young people through the Presidential Employment Stimulus (PES) to work on digitising the department's civic paper records. The aim is to provide these young people with work experience and to contribute to the modernisation of public services. The department has more than 350 million civic paper records relating to such matters as births, marriages and deaths. Some of these records date back as far as 1895 and are in urgent need of careful and comprehensive digitisation. These records are located in all provinces but the bulk of them are in Gauteng, North-West and the Western Cape.

The most recent available data shows the youth unemployment rate at 46.4 per cent in Gauteng in 2021, an increase from the 40.4 per cent recorded for 2020. Through initiatives such as the PES and its own Tshepo 1 Million programme, the GPG aims to reduce unemployment and particularly among young people. In July, the Gauteng Department of Social Development allocated R240m to skills development programmes to combat youth unemployment.[59]

A recent report by the IMF illustrated how the pandemic has demonstrated that job-retention programmes, such as those implemented by the GPG in which government pays private businesses to retain workers during a crisis, can be effective and efficient uses of public resources during labour market disruptions that are both severe and short-lived.[60] However, governments must take measures to ensure that the funds are used for their intended purposes.

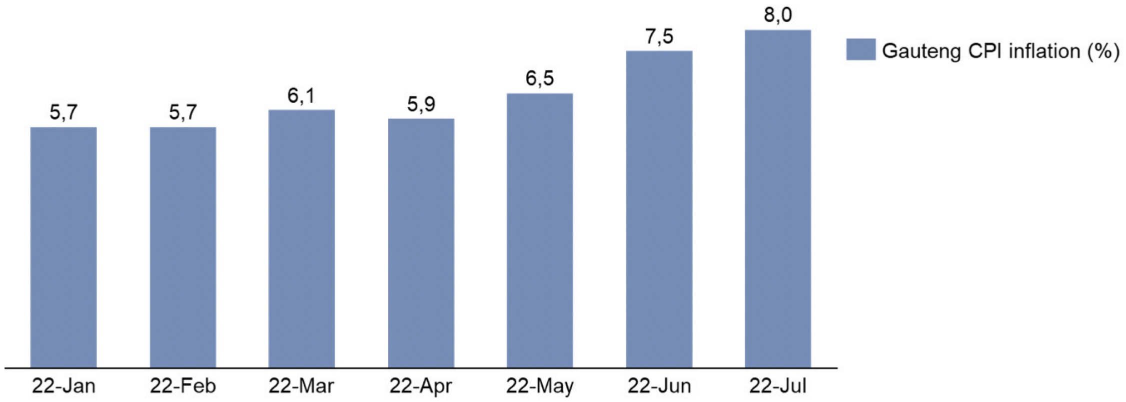
The IMF also recommends that governments bring more informal businesses into the formal economy so that they too can apply for these benefits. Generalised financial support to businesses that are viable outside of crisis conditions has also been effective at preventing the creation of negative feedback loops where a weakened economy causes businesses to close, which further weakens the economy. However, this intervention carries greater risk as governments find it difficult to accurately identify which businesses are viable outside of the crisis and which will collapse once support is withdrawn after the crisis.

20 Office of the Premier. (2022). R240 million for Gauteng youth programmes. Accessed (in September 2022) at www.gauteng.gov.za
21 International Monetary Fund. (2022). Fiscal Monitor Report- Oct 2022. Helping People Bounce Bank. Accessed (in October 2022) at www.imf.org.

1.4.5. Inflation rising due to external factors

The increases in the province's Consumer Price Index (CPI) have been similar to those of the national CPI and, for the most part, for the same reasons. Investor fears related to the invasion of Ukraine have raised international food and fuel prices. These increases have filtered through to the domestic economy and, since oil is a dollar-denominated commodity, have been exacerbated by the stronger US dollar. In light of these developments, Gauteng's inflation rate rose from 5.9 per cent in April 2022 to 8 per cent in July, as shown in Figure 1.15.

Figure 1.15: Consumer inflation rate, percentages, Y-o-Y, January – July 2022



Source: Statistics South Africa, 2022

Central banks around the globe are tightening monetary policy to combat inflation. The upward pressure on international prices is thus likely to ease in the short-term. It is also likely, however, that the SARB will still need to continue to raise interest rates for a time to bring inflation under control.

The IMF recommends avoiding subsidies because they distort prices and prevent the demand for a product from falling when the price rises, encouraging further price increases. This is particularly notable when countries that produce most of their energy using fossil fuels subsidise energy prices. This makes fossil fuels less expensive relative to renewables and discourages transitioning to green energy. Instead, the IMF recommends cash transfers to low-income households or to all households in countries where the administration costs of specific targeting would be greater than the savings. Cash transfers enable households to maintain consumption without distorting prices.

Providing public services free or for a low fee reduces the toll that crises take on the poor because they do not need to do without these services during such crises. This is particularly important in the case of services such as health care and schooling because poor health and the lack of at least a secondary education both reduce the odds of children growing up to have better lives than those of their parents.

1.4.6. Economic growth and job creation initiatives in the Gauteng City Region

As indicated above, the GPG is focussing on the development of SEZs and youth employment initiatives as methods of supporting the Gauteng economy and combatting unemployment in the province.[61] SEZs under development include the Vaal SEZ in the southern development corridor, the O.R. Tambo SEZ in the eastern corridor, the West Rand SEZ in the western corridor and the Tshwane Automotive SEZ in the northern corridor. Youth employment initiatives include Tshepo 1 Million, the Youth Brigade Programme and the Education Sector Youth Employment Programme.

A request for tenders for projects related to the Vaal SEZ was scheduled to be publicly disseminated by the end of September 2022. A request for reallocation of approved funding within the Gauteng Department of Economic Development (GDED) has been submitted with the aim of closing the capital funding gap for bulk infrastructure requirements for implementation and acceleration of shovel-ready investments. A localisation study has been completed and local suppliers engaged for a fuel cell manufacturing project in Emfuleni, with

22 Gauteng Treasury. (2022). National and Provincial Economic Outlook & Provincial Fiscal Framework. GPG.

construction scheduled to begin in the fourth quarter of the 2022/23 financial year. A liquid petroleum gas cylinder storage and distribution project is scheduled to begin construction in Lesedi in the same period. The Vaal SEZ, infrastructure upgrades and private sector investment commitments have together been estimated to have the potential to create as many as 170 000 jobs over a five-year period.[62]

Construction of the Southern Precinct top structure of the O.R. Tambo SEZ was 37 per cent complete as of August 2022, with 337 jobs created by the construction so far, 387 operational jobs created and 48 small, medium and micro enterprises (SMMEs) benefiting from the project. The top structure is scheduled to be complete by March 2023, with work on Precinct 2 and the Springs Underway being more than half complete.

The West Rand SEZ project is currently arranging leases for land and appointing staff. Staff appointments were scheduled to be complete by the end of September 2022, while leasing of land for the SEZ is expected to be complete by March 2023. The project has been estimated to create more than 50 000 permanent and 7 500 temporary jobs.[63]

The Tshwane Automotive SEZ has created 344 permanent jobs and 219 temporary construction jobs out of an eventual target[64] of 20 000, with 34 SMMEs having been trained in construction. The GPG has spent 15 per cent of the construction budget on goods and services from township suppliers and 25 per cent of the electricity used was generated from renewable sources.

Since 2017, over 100 000 of the participants in the Tshepo 1 Million programme have been placed in earning opportunities; over 60 per cent have been young women. The programme has undergone several name changes, with each reflecting a new target for the number of young people assisted. Its current name indicates the latest target of 1 million young people assisted by 2024.[65] Progress on the most recent programmes is being measured in terms of how much of their budgets has been spent so far. The Youth Brigade Programme has spent 3 per cent of its budget while the Education Sector Youth Employment Programme has spent 37 per cent. Furthermore, municipalities in Gauteng have reported that the Expanded Public Works Programme (EPWP) has created 6 524 work opportunities. The GPG departments have reported a further 13 702 work opportunities created by the EPWP and the infrastructure sector has reported 2 280 EPWP work opportunities. Contractors hired by the GPG include 118 new black-owned businesses empowered per year, 40 per cent of which are owned by women and 30 per cent are youth-owned.

1.5 Conclusion

The Russian invasion of Ukraine, the resulting retaliatory sanctions and continued COVID-19 in Asia have had a negative impact on global economic growth in 2022. This has resulted in downward revisions to economic growth forecasts. The global events have affected the South African economy, resulting in increased costs of imported inputs. In turn, these have resulted in high production costs and high final products prices. Rising prices in South Africa are evident in high inflation which has reached record levels and has negatively affected the economic recovery.

Inflation has combined with other domestic economic problems such as the shortage of electricity supply and the floods in KwaZulu-Natal to further dampen economic growth. These factors led to a contraction in South Africa's and Gauteng's economies in the second quarter of 2022. Despite the difficulties facing the country's economy, 2022 growth forecasts suggest that it will marginally improve to above the level it was at before the impact of COVID-19.

23 Office of the Premier. (2022). Plans to fast-track service delivery in Sedibeng. Accessed (in October 2022) at www.gauteng.gov.za

24 Office of the Premier. (2022). West Rand Mega Park- planting to reignite economic growth- 18 February 2022. Accessed (in October 2022) at www.gauteng.gov.za

25 Office of the Premier. (2022). Tshwane Automotive SEZ- a catalyst to Gauteng's economic reconstruction and recovery- 18 February 2022. Accessed (in October 2022) at www.gauteng.gov.za

26 Office of the Premier. (2021). Tshepo 1 Million- transforming lives one youth at a time- 17 December 2021. Accessed (in October 2022) at www.gauteng.gov.za

Chapter 2: Fiscal Framework

2.1 Introduction

Because of the constrained economic environment and mounting national debt, government has adopted a contractionary fiscal policy stance. This aims to rein in South Africa's debt levels and improve the quality of budget allocation. Through its focus on capital and investment rather than consumption expenditure, government is aiming for an expansionary economic effect. However, this will mean lower provincial and local government transfers. This 'double-edged sword' fiscal framework is seen as necessary to achieving fiscal sustainability while maintaining service delivery.

2.2 National risk and budget risks

Risk is a perennial global factor and budgets have to be planned and implemented in this environment.
The following sections outline the major national and budget risks facing the province at present.

2.2.1 National risks

2.2.1.1 Slowing GDP growth

At the onset of the COVID-19 pandemic, the South African economy had already been through a decade of low growth.[66] The pandemic has been followed by increased inflation globally, with central banks moving from reducing interest rates and loosening monetary policy to tightening policy and increasing interest rates. For South Africa and other developing economies, this has resulted in reduced capital inflows and loss of potential investment. Global post-COVID-19 growth has been the result of constrained demand, supply shortages and labour shortages in some markets. South Africa has not seen the same level of economic recovery; as the South African Reserve Bank (SARB) increases interest rates to control inflation and maintain a stable currency, the country's growth trajectory is negatively affected even further.[67]

There is a risk that South Africa may stay in a low growth environment for the medium-term. The country has experienced between 0 and 1 per cent growth for more than 10 years; in such a context, it is difficult to create jobs and reduce unemployment. It also limits the tax base needed to support social payments and enable debt repayment. However, it is critical to maintain a fiscal framework that enables the country to keep its sovereignty, with limited reliance on external creditors and global multi-lateral agencies.[68]

2.2.1.2 Impact of the Russia-Ukraine crisis

The average annual price of Brent crude oil was $107.64 per barrel as of July 2022. This was over $30 higher than the annual average in 2021 and came in the wake of an energy supply shortage that began in late 2021 and was exacerbated by fears about oil supplies caused by the Russia-Ukraine war. Oil influences costs across all stages of production and consequently affects the price of consumer and other goods and therefore the Consumer Price Index (CPI).[69] This is a reality that the province's budgeting process must face.

2.2.1.3 Impact of power cuts

Load shedding leads to reliance on costly diesel for back-up generators, affects service delivery and poses a risk to the economy and the fiscus. Energy demand is not being met due to insufficient generation capacity. There is also debate about the mix of resources, including coal and renewables, which will supply the energy sector into the future; and the national energy transmission system, and municipal sales and distribution of energy, also need urgent attention.

27 https://www.worldbank.org/en/country/southafrica/overview
28 Institute for Risk Management South Africa Risk Report, 2022, South Africa Risks
29 Institute for Risk Management South Africa Risk Report, 2022, South Africa Risks
30 https://www.statista.com/statistics/262860/uk-brent-crude-oil-price-changes-since-1976/

Because of their high carbon intensity, South African exports to markets such as the European Union are at risk from carbon taxes. Related to this is a lack of necessary skills that not only results in mismanagement and weak cost-control but limits the country's ability to plan and carry out energy projects. This in turn impacts economic growth and service delivery, increasing the likelihood of activism and civil disobedience and of decision paralysis. 70

2.2.2 National Budget risk

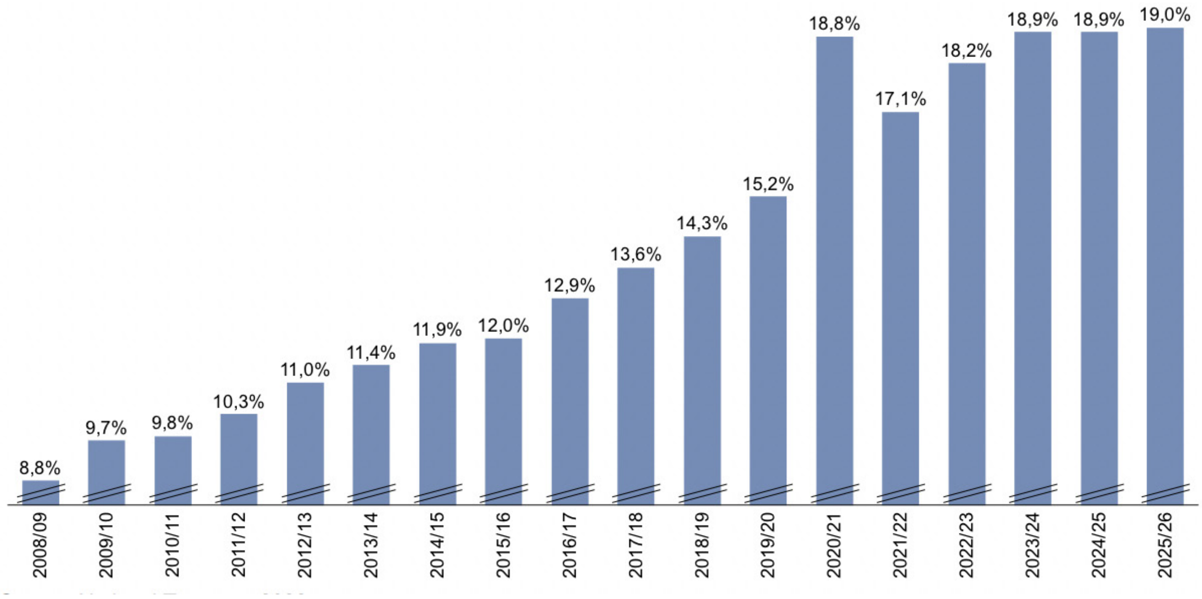
2.2.2.1 Weak financial position of state-owned companies

Well governed and financially sustainable public entities play a vital role in national development. In recent years, a combination of financial mismanagement and corruption has led to a severe deterioration in the financial position of many public entities, leaving them unable to deliver on their mandates. A growing number have required state guarantees or bailouts to remain afloat. This has strained national budgets, draining resources that could have been spent on social and economic needs and setting back economic recovery. The COVID-19 pandemic and associated lockdowns upended the plans of state-owned companies, curtailing revenue growth and collection of arrears even as operational costs remained inflexible. Higher borrowing costs – the result of the March 2020 downgrade of government debt, high levels of leverage and deteriorating financial performance – further limited access to capital. As a result, many state-owned companies are at risk of defaulting on their debt.

2.2.2.2 Cost of servicing debt

Since 2017, interest payments have absorbed a growing share of public resources, crowding out social and economic spending. Over the 2021 medium term, it is estimated that annual debt-service costs will average 20.9 per cent of gross tax revenue, which is twice as large as the median for South Africa's peer group over the period. South Africa's borrowing also remains large by developing-country standards and debt is projected to grow by 7 per cent of GDP over the next three years.

Figure 2.1: Debt-service costs as a share of main budget revenue, 2008/09-2025/26



Source: National Treasury, 2022

Figure 2.1 shows debt-service costs as a share of main budget revenue. In 2008/09, this percentage was 8.8 per cent; it was 17.1 per cent in 2021/22, slightly lower than the 18.8 per cent of 2020/21. These costs are projected to increase in 2022/23 to 18.2 per cent and to 19 per cent in 2025/26. To address this, government has resolved to implement economic reform measures that will significantly increase economic growth, alongside

31 Energy Risk Report 2021/22: Recommendations for decision makers

urgent measures to stabilise the debt-to-GDP ratio. Without these, government debt will continue to rise, crowding out expenditure on social and economic priorities.

2.2.2.3 Public service wage bill

The public sector wage bill poses a risk to South Africa's fiscal sustainability. For Organisation for Economic Co-operation and Development (OECD) countries, the most effective instrument for fiscal consolidation is transfer payment cuts and government wage bill reductions rather than tax increases.[71] As part of its approach to escaping the current economic difficulties, the South African government has therefore proposed a three-year expenditure ceiling on the public service wage bill. It will also implement a zero-based budgeting methodology, cut down on non-interest expenditure and make major efforts to maximise revenue.[72] National Treasury has decided to implement the 3 per cent offer to avoid difficulties that may be experienced should the offer not be included in the 2022 Medium Term Budget Policy Statement (MTBPS) as part of the consolidated fiscal framework despite being rejected by labour.

2.3 Provincial Budget Risks

2.3.1 Additional spending pressures

In the 2022 MTEF Budget, the resource allocation process continued to focus on transitioning from the public health emergency brought about by the COVID-19 pandemic to the economic and service delivery emergency, as emphasised by the province's Premier. Accordingly, the focus was on the following priorities:

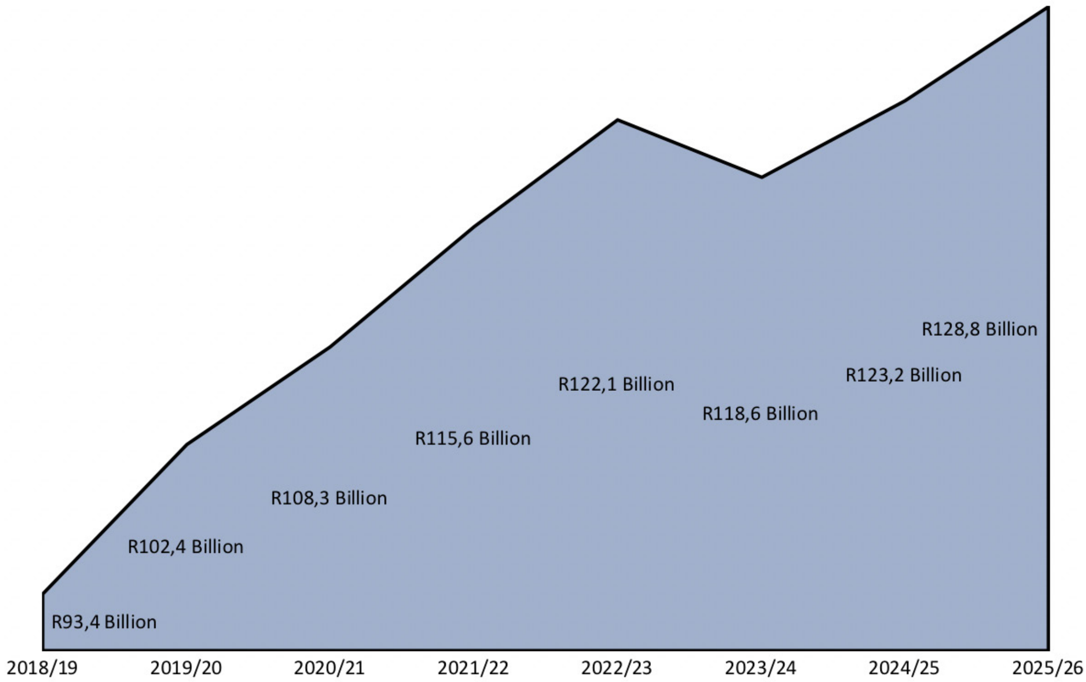
- Fighting the COVID-19 pandemic
- Reigniting the economy
- Recalibrating social policy to improve education, health, and other outcomes.

32 Burger, P. and Calitz, E., 2021. Covid-19, Economic Growth and South African Fiscal Policy. South African Journal of Economics, 89(1), pp.3-24.
33 2022 Medium Term Budget Policy Statement

2.3.2 Equitable Share

As a result of fiscal consolidation, the equitable share risks being reduced, with service delivery being prioritised to align with policy priorities.

Figure 2.2: Equitable Share allocation for Gauteng Province, 2018/19-2025/26



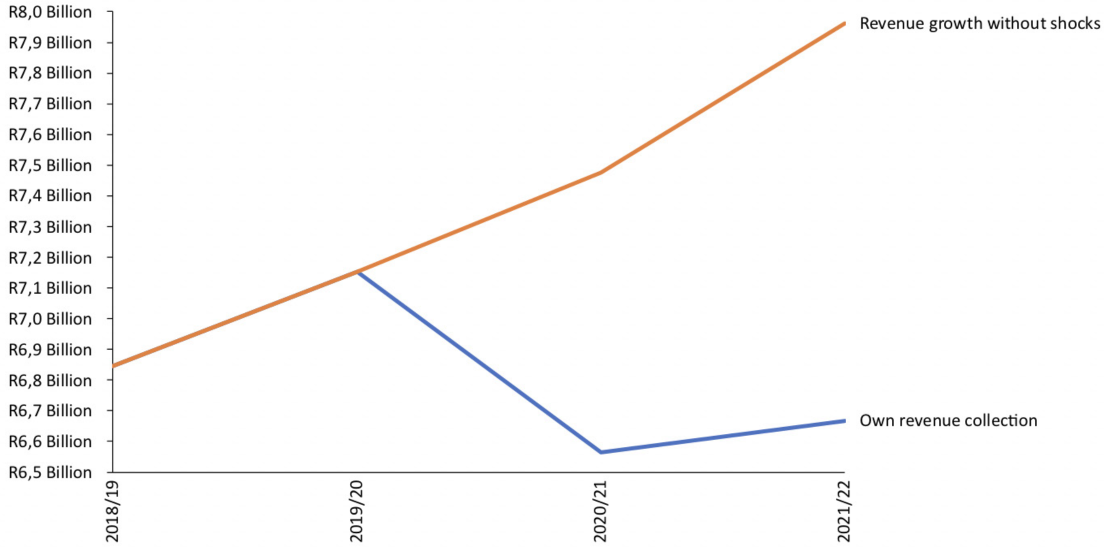
Source: Gauteng Provincial Treasury, 2022

Figure 2.2 shows the equitable share that the province receives from national government for the years 2018/19 to 2025/26. Because of fiscal consolidation, equitable share will dip to R118.6 billion in 2023/23 but is projected to increase to R123.2b in 2023/24 and R128.8 billion.

2.3.3 Reduced revenue collection

The slowdown in the global economic growth rate and continued volatility in international markets are expected to continue into the medium term. COVID-19 cost containment measures during the pandemic resulted in a significant decline in revenue collection which was revised down by R750 million in the 2020/21 financial year. Lockdown restrictions continued to have a negative impact on the gambling industry for the past two financial years. Social distancing and restrictions on the numbers of punters allowed at gambling facilities also drastically impacted revenue collection especially of gambling taxes. Due to the direct relationship between gambling activity and economic conditions, the loss of jobs because of the pandemic put a strain on individuals' disposable income and there was a drastic decrease in gambling activity during the period. To align with the adjusted appropriation, the Gauteng Provincial Treasury (GPT) had to support departments in mitigating the risks posed by COVID-19. However, idiosyncratic events such as this are a learning curve that demonstrate the effects of a shock to the system. Essentially, the risks posed by slow growth are still evident in the economy today and will continue to curtail efforts to raise revenue in the province.

Figure 2.3: Own revenue collection vs Own revenue collection growth without shocks, 2018/19-2021/22



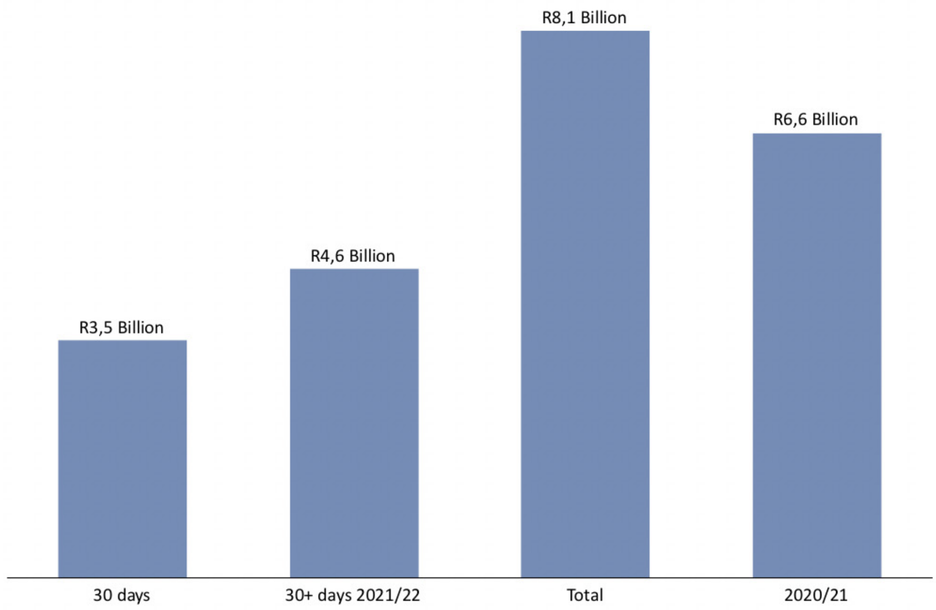
Source: Gauteng Provincial Treasury, 2022

For the years 2018/19 to 2021/22, Figure 2.3 illustrates the growth of own revenue against the potential growth of own revenue if COVID-19 and the subdued economic environment had not occurred. Own revenue collection was on an upward trend from 2018/19 to 2019/20 but declined steeply in 2022/21 due to the COVID-19 lockdown restrictions. In 2021/22, the amount collected grew but at a lower rate. Without disruptions, revenue collection could have been close to R8 billion in 2021/22.

2.3.4 Accruals

Payment of accruals and medico-legal claims reduces the resources available for service delivery.

Figure 2.4: Impact of 2021/22 accruals and payables not recognised on the 2022/23 budget implementation



Source: Gauteng Provincial Treasury, 2022

Figure 2.4 shows the impact of 2021/22 accruals and payables not recognised in the 2022/23 budget implementation. Seventy-eight per cent of the accruals were in the Gauteng Department of Health (GDH) followed by the Gauteng Department of Human Settlements (GDHS) and the Gauteng Department of Infrastructure Development (GDID), both at five per cent. In Q1 of 2022/23, R1.7 billion was advanced to the GDH to partly settle accruals for the 2020/21 financial year. This was an interim measure; a permanent long-term solution needs to be found. Long outstanding accruals for the department are being subjected to a reconciliation process to establish validity and accuracy before payment.

The GPT is strengthening controls and oversight through the budget process, a war room, monthly and quarterly reporting, planning and other interventions. Internal reprioritisation of funds from programmes indicating evidence of possible underspending and moving the funds to areas under pressure during Q4, to provide for cash in areas where it was depleted. The province is implementing automated payment processes within the department to do away completely with manual order procurement processes to avoid over-commitment and ensure transparency. Other departments were assisted with small amounts as and when they approached the GPT. At the end of the 2021/22 financial year, total accruals amounted to R8.1 billion compared with R6.6 billion in the 2020/21 financial year, a 23 per cent increase.

The GDH's known or recorded accruals of R6.3bn create a very large risk for the budget which is insufficient to cover the accruals and provide services in the current financial year. There is also a possible increase of accruals due to invoices not yet processed in the system. A balance therefore needs to be struck between eradicating and reducing accruals and continuing to meet the department's operational needs. The GDH needs to ensure that all outstanding commitments and invoices are verified and captured on the system and do away with manual orders.

2.3.4.1 Measures to resolve accumulation of accruals

- Reduction of the current year's budget by some portion to pay-off accruals and balancing with the funds that are intended to resource in the current year's planned outputs.
- Reprioritisation of funds and scaling down of programmes to stay within the reduced budget after the accruals are settled.

The GPT's view is that provincial own financing cannot be used to fund liabilities such as accruals, over-commitments and unauthorised expenditure by departments. Instead, provincial own financing must be investment-oriented to create value for the province over the long term.

2.3.5 The 2022/23 Wage Settlement

There is an impending risk of a higher-than-budgeted wage settlement which may force further crowding-out of resources towards compensation of employees. Government has been in negotiations with unions with the aim of reaching an agreement. The objective is to ensure that government stays within its spending ceiling. However, unions have not approved the terms tabled by government which include:[73]

- To provide for an agreement on the payment of a salary adjustment for employees employed in the public service for the financial year 1 April 2022 to 31 March 2023.
- The employer shall continue to pay to all employees who were employed on or after 1 April 2022 a monthly non-pensionable cash allowance until 31 March 2023.
- The employer shall pay a 3 per cent pensionable salary adjustment to all employees on salary levels 1 – 12 employed in the public service on or before 1 April 2022.
- The pensionable salary adjustment shall be back-dated to the 1 April 2022, with immediate effect when this agreement enjoys a majority.

Negotiations are currently taking place between government and labour, despite government's implementation of a 3 per cent increase.

34 https://pscbc.co.za/

Table 2.1: Gauteng additional funding from national: 2022/23 financial year

R Billions	Main appropriation 2022/23	Total adjustments: Equitable share	National adjusted appropriation 2022/23
Transfers from National	146,545,313	-	148,563,082
Equitable share	120,041,881	2,017,769	122,059,650
Conditional grants	26,503,432	-	26,503,432

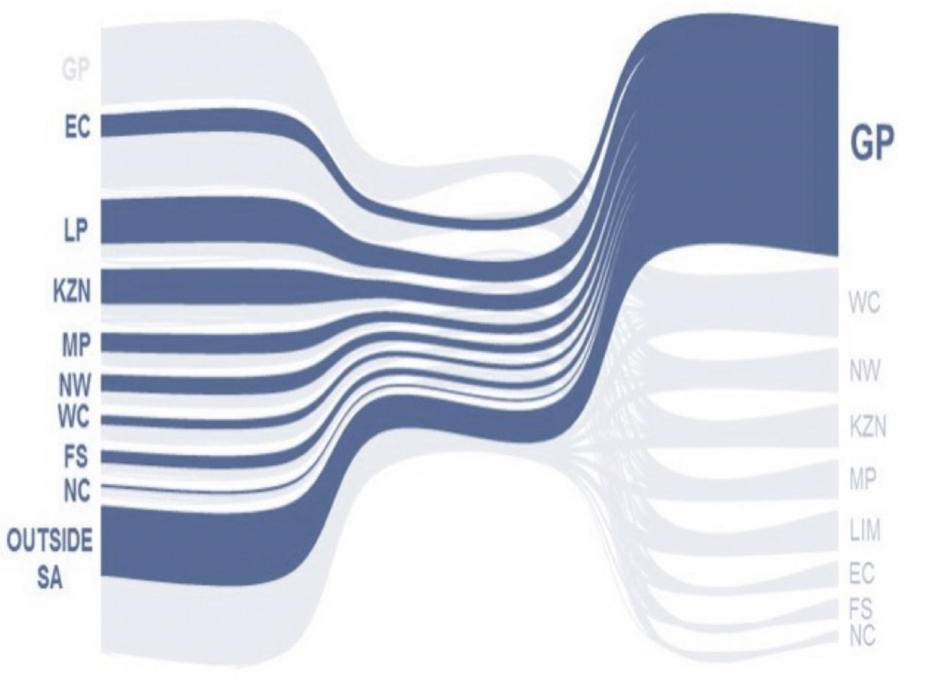
Source: Gauteng Provincial Treasury, 2022

Table 2.1 shows additional funding from national government to be used to finance the 3 per cent public sector wage agreement for the 2022/23 financial year. This total of R2.0 billion will increase the provincial allocation from R146.5 billion to R148.5 billion in the current financial year.

2.3.6 In-migration from other provinces and countries to Gauteng

Migration to and from countries in Southern Africa is driven largely by the search for economic opportunities, political instability and, increasingly, environmental hazards. The region, with an estimated population of 363.2 million people and 6.4 million international migrants at mid-2020, has a number of economic pillars. Industrial development; the mining sector in South Africa, Botswana and Zambia; and the oil wealth of Angola are magnets for skilled and unskilled labour migrants from within the region and elsewhere. At mid-2020, an estimated 2.9 million migrants lived in South Africa, the most industrialised economy in the region and a particularly attractive destination for those in search of education, work and better opportunities.[74] Gauteng's economic strength underlies its attractiveness to migrants.[75]

Figure 2.5: Net migration to Gauteng and other provinces, 2016-2021



Source: Statistics South Africa, 2022

Figure 2.5 shows net migration to Gauteng from 2016 to 2021. Births and deaths are the main drivers of population change but migration continues to be significant not only demographically but politically, economically and socially. The figure shows that South Africa received net immigration of 1.02 million people between 2016 and 2021. Most international migrants settle in Gauteng (47.5 per cent) and the fewest in the Northern Cape province (0.7 per

35 https://www.migrationdataportal.org/regional-data-overview/southern-africa#recent-trends
36 https://www.statssa.gov.za/?p=11331

cent). The economic hub of the country, as well as international migrants Gauteng attracts domestic migrants from rural provinces such as Limpopo, KwaZulu-Natal and the Eastern Cape.[76]

2.3.7 Gautrain funding pressures

The Gautrain patronage guarantee (PG) was significantly affected by the COVID-19 pandemic, with fewer passengers using the service as lockdown restrictions limited the number of people who could travel to their usual workplaces. This reduced number of passengers meant that the provincial government has to cover the shortfall to meet the threshold of ridership. The PG had to be paid as part of the Concession Agreement (CA) for the period on which ridership fell below the contracted threshold. The CA is a long-term fixed agreement between the province and the Bombela Concession Company (Pty) Ltd., running from September 2006 to March 2026. The CA enabled banks to lend money to Bombela to fund the project. In terms of a repayment regime that is dependent on payment of the PG by the Gautrain Management Agency (GMA), these loans are to be paid off by 2023. The CA has very specific and limited relief events but, with respect to the COVID-19 pandemic, these were of no assistance to Bombela or to the province which had to absorb the risks. Failure to make the payments would be negative for the country's reputation, its ability to attract private investment and the recovery of the economy.

2.3.8 E-toll debt

When delivering the MTBPS in Parliament on 26 October 2022, the Minister of Finance announced that government will absorb the e-toll debt amounting to R47 billion currently with the South African National Roads Agency (SANRAL), with national government responsible for 70 per cent of the debt and provincial government responsible for 30 per cent. He added that the GPG takes responsibility for maintenance and further expansion of the Gauteng Freeway Improvement Project (GFIP) and that it will engage with SANRAL about repurposing the e-toll gantry infrastructure, with the possibility of its being used as part of the province's crime fighting strategy as it captures data on vehicles passing under the gantries. The provincial government will be working closely with National Treasury to finalise the details of the e-toll debt redemption modalities, which include extended periods of payment as one of the options. This is in order to reduce an adverse impact on resourcing other government priorities especially in the social sector, and to ensure that new revenue streams are found to settle Gauteng's portion of the e-toll debt.

2.4 Fiscal Framework

A country's fiscal framework is necessary to regulate its fiscus and ensure sustainability of the country's finances .

Table 2.2: Consolidated National Government Expenditure, 2022/23-2025/26

R million	2022/23	2023/24	2024/25	2025/26	Average annual MTEF
	Revised estimate	Medium-term estimate			
Learning and culture	**447.4**	**455.6**	**473.4**	**496.5**	**3.5%**
Health	**258.4**	**256.1**	**267.5**	**279.4**	**2.6%**
Social development	**365.6**	**370.9**	**350.2**	**340.3**	**-2.4%**
Community development	**236.7**	**258.7**	**274.9**	**291.7**	**7.2%**
Economic development	**222.9**	**237.6**	**262.4**	**280.8**	**8.0%**
Peace and security	**227.6**	**226.4**	**235.4**	**246.5**	**2.7%**
General public services	**71.4**	**73.1**	**74.8**	**78.0**	**3.0%**
Payments for financial assets	**62.6**	**25.2**	**25.4**	**26.5**	**-**
Total expenditure by function	**1,892.6**	**1.903.5**	**1,963.9**	**2,039.7**	**2.5%**
Debit-service costs	308	332.2	352.9	380.7	7.3%
Unallocated reserve	-	-	41.3	47.3	-
Contingency reserve	5.0	6.0	6.0	10.0	-
Total expenditure	**2,205.3**	**2,241.7**	**2,364.1**	**2,477.7**	**4.0%**

Source: National Treasury, 2022

37 https://www.statssa.gov.za/?p=11331

Table 2.2 shows consolidated national government expenditure between 2022/23 and 2025/26 and indicates how government priorities are to be financed as policy is mainly implemented through spending. National government has allocated a large portion of the budget to learning and culture and to social development, followed by health. In 2023/24 and 2025/26 health is slightly overtaken by community development. In 2022/23 consolidated expenditure is estimated to be just below R2 trillion, growing only marginally by 2025/26. This is to maintain a spending ceiling and to reduce national debt.

2.4.1 Budget deficit

It is important that a country maintains solvency, keeps debt at manageable levels and is able to able to meet its debt and financial obligations.

Table 2.3: Main budget framework, 2019/20-2025/26

R billion/ percentage of GDP	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Outcome			Revised	Medium-term estimates		
Revenue	**1,345.9**	**1,238.4**	**1,564.3**	**1,694.5**	**1,755.5**	**1,866.8**	**2,002.5**
	29.7%	31.9%	30.0%	30.3%	28.9%	28.5%	28.3%
Expenditure	**1,691.0**	**1,789.0**	**1,887.5**	**2,018.2**	**2,041.6**	**2,144.5**	**2,263.2**
	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Non-interest expenditure	1,486.2	1,556.4	1,619.4	1,710.5	1,709.4	1,791.6	1,882.5
	26.1%	27.8%	25.8%	25.7%	24.2%	23.8%	23.5%
Debit-service costs	204.8	232.6	268.1	307.7	332.2	352.9	380.7
	3.6%	4.1%	4.3%	4.6%	4.7%	4.7%	4.8%
Main budget balance	**-345.1**	**-550.6**	**-323.1**	**-323.7**	**-286.1**	**-277.7**	**-260.7**
	-6.1%	-9.8%	-5.1%	-4.9%	-4.1%	-3.7%	-3.3%
Primary balance	**-140.3**	**-318.0**	**-55.1**	**-16.0**	**46.1**	**75.2**	**119.9**
	-2.5%	-5.7%	-0.9%	-0.2%	70.0%	1.0%	1.5%

Source: National Treasury, 2022

Table 2.3 shows the main budget framework for 2019/20 to 2025/26. Main budget expenditure is estimated to reach 30.3 per cent of GDP in 2022/23, moderating to 28.3 per cent in 2025/26. This reflects fiscal consolidation measures implemented over recent years although debt-service costs will continue to rise over the MTEF period. The main budget deficit is expected to decrease from 4.9 per cent of GDP in 2022/23 to 3.3 per cent in 2025/26. A primary budget surplus is projected from 2023/24, increasing over the outer two years to ensure debt stabilisation.

2.4.2 Impact of fiscal constraints on Gauteng province

The fiscal constraints at national level have an impact on the province primarily through transfers from National Treasury in the form of equitable share and conditional grants which make up a large portion of the provincial budget. Due in part to the ailing economy and the unsustainable fiscal climate over the past years that has led to ballooning national debt and a widening budget deficit, National Treasury has put in place fiscal consolidation measures to improve the country's financial position.

2.5 Provincial Fiscal Outlook

National government raises revenue through taxation which is shared among the national, provincial and local spheres of government. The taxes include personal income tax, corporate income tax and property taxes. The allocations to each sphere are for delivery of good-quality services.

The lockdown to contain the COVID-19 pandemic severely limited economic activity. Government provided relief for households and businesses including through tax deferrals and direct tax relief. This led to a steep downward revision to tax estimates and, along with weaker than expected economic growth, has resulted in a decrease in projected revenue collection by national government. Strong commodity prices have offered windfall revenue collections; however, this is subject to market volatility.

2.5.1 Provincial Receipts

Provincial receipts consist of national transfers (equitable share and conditional grants), which make up approximately 95 per cent of total receipts, and provincial own revenue which makes up the remainder. Equitable share is an unconditional transfer to enable delivery of basic services and assigned functions. Conditional grants are additional transfers from national government, with conditions, to address national priorities, programmes or policy imperatives. Own revenue is generated by the provinces and is generally used to augment the fiscus.

Table 2.4: Summary of provincial receipts, 2022/23 and 2023 MTEF estimates

	Main appropraition	Medium Term estimates			Annual growth rate
	2022/23	2023/24	2024/25	2025/26	
R thousands					
Transfers from National	**146,485,971**	**144,753,430**	**150,432,206**	**157,269,228**	**8.65%**
Equitqble share	120,041,881	118,566,449	123,219,214	128,843,936	8.67%
Conditional Grants	26,444,090	26,186,981	27,212,992	2,842,592	8.55%
Provincial Own Revenue	7,265,546	7,639,132	8,037,299	8,397,466	9.93%
Total Provincial Reciepts	**153,751,507**	**152,392,562**	**158,469,505**	**165,666,694**	**8.71%**

Source: Gauteng Provincial Treasury, 2022

Table 2.4 shows provincial receipts for 2022/23 and over the 2023 Medium Term period. R153.7 billion in receipts in 2022/23 are anticipated to decrease to R152.3 billion in 2023/24 but to increase in 2024/25 to R158.4 billion and R165.6 billion in 2025/26. The reduction is in an effort to maintain the spending ceiling and fiscal sustainability.

2.5.2 Provincial Equitable Share

The equitable share is provinces' main source of revenue and funds social and economic functions such as education, health, and agriculture. Without this allocation, it would be impossible for provinces to ensure continued delivery of services.[77] The province's 2022/23 main appropriation increased from R120 041 billion to R120 059 billion to fund the 2022 public sector wage settlement. In 2023/24, the equitable share will decrease to R118 566 billion, increasing to R123 219 billion in 2024/25 and R128 843 billion in 2025/26. The decrease is to ensure fiscal discipline through reprioritisation.

2.5.2.1 Provincial Equitable Share Changes

The PES formula is used to distribute nationally raised government revenue across the country's nine provinces. The formula consists of six components that consider the relative demand for services and changes in the provinces' demographics. The two largest components - education and health - are based on the demand and need for these services. The other four components enable provinces to perform their other functions taking into consideration each province's population size, proportion of poor people, level of economic activity and the costs associated with running a provincial administration.

Table 2.5: Full impact of data updates on the equitable share and implementation of the equitable share weights, 2022 and 2023 MTEF and 2023/24-2025/26

	2022 MTEF weighted average	2023 MTEF weighted average	Difference		2023/24 Indicitive weighted shares	2023/24	2024/25	2025/26
						2023 MTEF weighted shares 3-years phasing		
EC	12.77%	12.83%	0.05%	EC	12.85%	12.88%	12.84%	12.84%
FS	5.53%	5.50%	-0.03%	FS	5.54%	5.52%	5.52%	5.50%
GT	21.51%	21.40%	-0.11%	GT	21.41%	21.31%	21.38%	21.38%
KZN	20.36%	20.19%	-0.02%	KZN	20.40%	20.31%	20.26%	20.19%
LP	11.40%	11.66%	0.25%	LP	11.43%	11.54%	11.59%	11.66%
MP	8.22%	8.27%	0.05%	MP	8.21%	8.24%	8.25%	8.27%
NC	2.64%	2.64%	0.03%	NC	2.66%	2.67%	2.68%	2.69%
NW	7.06%	7.14%	0.08%	NW	7.05%	7.08%	7.12%	7.15%
WC	10.50%	10.34%	-0.16%	WC	10.46%	10.39%	10.37%	10.33%
Total	**100.00%**	**100.00%**	**100.00%**	**Total**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: National Treasury, 2022

Table 2.5 shows the impact of data updates on the equitable share and implementation of the equitable share weights. At the Budget Council meeting in 2021, it was agreed that the Council would provide written inputs to the Risk Adjusted Index. The new index will have an impact on the equitable share of each province; it was previously agreed that phasing in the impact of the changes be considered.
The Technical Committee on Finance (TCF) endorsed the following guiding principles for special phasing-in:
- It should be applied under exceptional circumstances.
- Only changes to the two largest components (health and education) will be considered for special phasing-in.
- Per component, if the effect of the change(s) exceeds 1 per cent (upwards or downwards) it should be considered for a special phasing-in.
- Special phasing-in of changes cannot exceed three years.

To assess the possible impact of implementing the proposed changes, three different scenarios were considered:

Scenario 1: old risk-adjusted subcomponent: in this scenario, the equitable share was determined using the old risk-adjusted index and reflects the results if no policy changes were made to the health component.

Scenario 2: new risk-adjusted subcomponent: the equitable share was determined using the new risk-adjusted index and reflects the results if policy changes were made to the health component with no special phase-in.

Scenario 3: new risk-adjusted subcomponent with special phase-in: the equitable share was determined using the new risk-adjusted index and reflects the results if policy changes were made with special phase-in.

The impact of the changes on the overall equitable shares range between -0.3 and 0.2 per cent for 2022/23, -0.6 and 0.3 per cent for 2023/24 and -1 & and 0.5 per cent over the MTEF.

The education component has undergone changes through the introduction of the Learner Unit Record Information Tracking System (LURITS). Phased-in over three years to ensure minimal shocks to the system as it affects the allocations to provinces, its purpose is to capture school enrolment data accurately. The changes to enrolment data and mid-year population estimates for the education component have been fully phased in.

Table 2.6: Education component, 2020-2022

	Mid-year population estimates (MPYE): Ages 5-17			School enrolment		Changes in enrolment data	Weighted average		Difference in weighted average
	2020	2021	Change	2020	2021		2021 MTEF	2022 MTEF	
EC	1,900,951	1,920,402	19,451	1,841,019	1,846,066	5,047	13.7%	13.5%	-0.12%
FS	723,637	726,374	2,737	718,209	724,986	6,777	5.3%	5.3%	-0.04%
GT	2,965,205	3,032,584	67,379	2,500,053	2,557,875	57,822	19.9%	20.0%	0.15%
KZN	3,034,031	3,089,666	55,639	2,864,139	2,890,843	26,704	21.5%	21.5%	-0.03%
LP	1,680,493	1,702,615	22,122	1,758,174	1,798,038	39,864	12.6%	12.6%	4.00%
MP	1,165,282	1,178,816	13,534	1,107,426	1,134,299	26,873	8.3%	8.3%	0.02%
NC	317,742	320,416	2,674	303,277	303,777	500	2.3%	2.2%	-0.02%
NW	1,003,834	1,019,372	15,538	862,613	872,221	9,608	6.8%	6.8%	-0.01%
WC	1,448,713	1,468,456	19,743	1,240,349	1,261,958	21,609	9.8%	9.8%	0.00%
	14,239,888	**14,458,700**	**218,812**	**13,195,259**	**13,390,063**	**194,804**	**100.0%**	**100.0%**	**-**

Source: National Treasury, 2022

Table 2.6 shows the education component. Gauteng's school-going population increased from 2.9 million to 3 million between 2020 and 2021, an increase of 67 3379 children aged 5 to 17. R2.5 million learners enrolled in 2020, increasing by 57 822 in 2021. The weighted average of school enrolment is 19.9 per cent in 2021 and 20.0 per cent in 2022, a marginal difference of 0.15 per cent.

Table 2.7: Health component per province, 2020/21-2021/22

	Primary healthcare visits				Hospital workload patient-day equivalents			
	2020/21	2021/22	Average	Share	2020/21	2021/22	Average	Share
EC	12,950,671	13,692,661	13,321,666	13.5%	3,276,297	4,083,839	3,680,068	13.1%
FS	4,809,591	4,771,693	4,790,642	4.9%	1,708,744	1,946,643	1,827,694	6.5%
GT	16,963,951	18,647,814	17,805,883	18.1%	6,360,779	6,834,424	6,597,602	23.4%
KZN	22,809,881	23,906,112	23,357,997	23.7%	5,539,302	6,139,074	5,839,602	20.7%
LP	12,389,041	12,752,688	12,570,865	12.8%	2,493,263	2,659,570	2,576,417	9.2%
MP	7,319,603	7,734,010	7,526,807	7.7%	1,579,260	1,733,190	1,656,225	5.9%
NC	2,214,000	2,333,065	2,273,533	2.3%	509,518	577,039	543,279	1.9%
NW	6,300,025	6,605,539	6,452,782	6.6%	1,511,852	1,630,542	1,571,197	5.6%
WC	9,590,224	10,950,412	10,270,318	10.4%	3,628,823	4,075,393	3,852,108	13.7%
	9,536,987	**101,393,994**	**98,370,491**	**100.0%**	**26,607,838**	**29,679,714**	**28,143,776**	**100.0%**

National Treasury, 2022

Table 2.7 shows that Gauteng's health component share grew from 18.1 per cent between 2020/21 and 2021/22 by an average of 17.8 million people using the facilities. The hospital workload patient-day equivalents-patients accessing hospitals were 23.4 per cent of the population at an average of 6.5 million patients.

The health component has been changed through a review of the risk adjusted index, last reviewed in 2010. As this review will have an impact of the province's equitable share allocation, its implementation is being phased in. Without a phased approach, the estimated impact of the adjustments on the health component would range from -3.6 per cent - 1.8 per cent. Phased in over the three years of the 2022 MTEF, the impact of the changes improves to -1.2 and 0.6 per cent. This phased approach will give provinces time to adapt to the changes in their equitable share resulting from the changes to the risk-adjusted index. A third of the changes will be implemented in 2022/23, two-thirds in 2023/24 with 100 per cent of the changes implemented by 2024/25.

Table 2.8: Comparison of current and new poverty component weighted shares, 2021, 2022 and 2023 MTEF

Provinces	Income & Expenditure Survey 2011/12	2021 MTEF			2022 MTEF			2023 MTEF*			
		Mid-Year Population Estimates 2020	Poor population	Weighted shares	Mid-Year Population Estimates 2021	Poor population	Weighted shares	Mid-Year Population Estimates 2022	Poor population	Weighted shares	Differences in weighted shares (2022 & 2023)
EC	52.0%	6,734,001	3,501,680	14.7%	6,676,590	3,471,827	14.5%	6,676,691	3,471,879	14.4%	-0.001
FS	41.4%	2,928,903	1,212,566	5.1%	2,932,441	1,214,030	5.1%	2,921,611	1,209,547	5.0%	0.000
GT	28.9%	15,488,137	4,476,072	18.8%	15,810,388	4,569,202	19.1%	16,098,571	4,652,487	19.3%	0.002
KZN	45.3%	11,531,628	5,223,828	22.0%	11,513,575	5,215,649	21.8%	11,538,325	5,226,861	21.7%	-0.001
LP	52.9%	5,852,553	3,096,000	13.0%	5,926,724	3,135,237	13.1%	5,941,439	3,143,021	13.1%	0.000
MP	47.3%	4,679,786	2,213,539	9.3%	4,743,584	2,243,715	9.4%	4,720,497	2,232,795	9.3%	-0.001
NC	40.8%	1,292,786	527,457	2.2%	1,303,047	531,643	2.2%	1,308,734	533,963	2.2%	0.000
NW	47.9%	4,108,816	1,968,123	8.3%	4,122,854	1,974,847	8.3%	4,186,984	2,005,565	8.3%	0.001
WC	21.9%	7,005,741	1,534,257	6.5%	7,113,776	1,557,917	6.5%	7,212,142	1,597,459	6.6%	0.001
Total		**59,622,350**	**23,753,521**	**100.0%**	**60,142,978**	**23,917,068**	**100.0%**	**60,604,992**	**24,055,578**	**100.0%**	**-**

Source: National Treasury, 2022

The poverty component of the formula is assigned a weight of 3 per cent. People considered poor for this component are those who fall into the lowest 40 per cent of household incomes in Stats SA's 2010/11 Income and Expenditure Survey. Thereafter, the estimated size of the poor population in each province is calculated by multiplying the proportion of people in that province who fall into the poorest 40 per cent of South African households by the province's population figure from the latest mid-year population estimates. In other words, the variable that changes the weighted shares of the poor population in each province is the population estimates.

According to the 2022 mid-year population estimates, Gauteng's weighted share of the poverty component is estimated to remain largely unchanged over the 2023 MTEF at 0.002 of a percentage point. It is projected at 19.3 per cent, compared with 19.1 per cent over the 2022 MTEF. Over the 2023 MTEF, no significant changes across any provinces are projected. Due to their higher population numbers, Gauteng, KwaZulu-Natal, and Limpopo have higher weighted poverty shares than other provinces.

2.5.3 Conditional Grants

Conditional grants are transfers from national government that have limited flexibility as they are designed to finance nationally determined priorities and to reimburse provinces for providing services. At the end of the 2021/22 financial year, in terms of Section 21 of the 2021 Division of Revenue Act R715.2 million from total unspent conditional grants of R2.731.9 million were shown to be committed to projects and programmes. This R715.2 million was approved to be retained and rolled over by the province; R2 016.7 million will be surrendered in the 2023/24 financial year by the province to the National Revenue Fund.

To manage the impact on services, these reductions consider past performance and whether there has been significant real growth in allocations in recent years. Grants that have persistently underperformed are reduced by larger amounts. Because of the difficulty of managing them, multiple components previously found in the district health programmes grant were collapsed to form two main components. The Early Childhood Development function shifted from Social Development to Education. Funds were added to the human resources and training grant to enable the GDH to deal with the costs of placing the growing number of medical graduates. The health allocation declined slightly over the medium-term period following the decrease in the COVID-19-related allocation introduced in the early stages of the pandemic.

For the current financial year, the conditional grant allocation to the province is R26.4 billion, decreasing by -0.97 per cent to R26.1 billion in 2023/24. During the 2023 MTEF, it will increase from R27.2 billion in 2024/25 to R28.4 billion in 2025/26, an increase of 4.45 per cent.

Table 2.9: Conditional grant allocations by vote over the 2023 MTEF

R'thousand Department	Main Appropraition	Medium Term Estimates		
	2022/23	**2023/24**	**2024/25**	**2025/26**
Health	14,401,342	13,789,598	14,253,628	14,892,191
Education	3,046,289	3,053,715	3,190,670	3,333,612
Social Development	-	-	-	-
Cooporative Governance and Traditional Affairs	-	-	-	-
Human Settlements	5,130,438	5,352,784	5,593,177	5,843,751
Roads and Transport	3,410,608	3,564,614	3,729,053	3,896,115
Agriculture and Rural Development	146,259	152,729	152,729	159,755
Sports, Arts, Culture and Recreation	102,073	103,489	109,375	114,275
Infrastructure Development	33,012	-	-	-
Total Grant Allocation by vote	**26,270,021**	**26,016,929**	**27,028,632**	**28,239,699**

Source: Gauteng Provincial Treasury, 2022

Table 2.9 shows the conditional grant allocations to Gauteng by vote from 2022/23 to 2025/26. The total in 2022/23 is R26.2 billion; over the 2023 MTEF, this is expected to decrease to R26 billion in 2023/24 and to increase to R27 billion in 2024/25 and to R28.2 billion in 2025/26.

The largest grant allocation is to health. The purpose of the allocations under the COVID-19 component of the department's grants was to meet the cost of administering the vaccine programme, including service delivery and acquiring supplies.

The GDHS receives the second highest allocation of conditional grants at R5.3 billion, with the department receiving funding from three conditional grants over the 2023 MTEF: the Human Settlements Development Grant (HSDG), the Upgrading Informal Settlements Partnership Grant (UISPG) and the EPWP Grant. This funding enables the department to carry out projects that will contribute to spatial transformation and radical economic transformation by ensuring that people are closer to places of work and opportunities.

The Gauteng Department of Roads and Transport (GDRT) receives an allocation of R3.5 billion in conditional grants in the 2022/23 financial year. Funds have been reprioritised from the Provincial Road Maintenance Grant to the GDRT to fund a system that will centralise data on road conditions.

2.5.4 Own Revenue

Provincial own revenue makes up approximately 5 per cent of the province's total receipts and national transfers (equitable share and conditional grants) about 95 per cent. Provincial own revenue is generated mainly by the GDRT, the GDED, the GDH and the GPT through motor vehicle license fees, gambling taxes, patient fees and interest earned on provincial reserves respectively. These departments generate approximately 98 per cent of provincial own revenue.

In 2020/21, own revenue collection was negatively affected by restrictions on the sale of certain products due to the COVID-19 pandemic. The restrictions on limited gatherings also affected some revenue-generating sources, resulting in lower than anticipated own revenue collection.

Table 2.10: Own Revenue Collection, 2019/20-2021/22 and 2022/23 main appropriation

R thousands	2019/20	2020/21	2021/22	Main Approproation 2022/23	Average annual growth rate
Office of the premier	380	423	385	386	0.52%
Economic Development	1,180,549	738,470	1,167,347	1,153,431	-0.77%
Health	728,245	513,604	502,554	540,800	-9.44%
Education	56,770	44,414	60,956	39,076	-11.71%
Social Development	16,610	4,755	9,739	4,201	-36.76%
Cooporative Governance and Tranditional Affairs	408	412	4,380	370	-3.21%
Human Settlements	9,978	28,316	11,798	919	-54.84
Roads and Transport	4,196,214	4,571,499	4,471,351	4,795,179	4.55%
Community Satety	41,329	31,924	35,222	43,885	2.02%
Agriculture and Rural Development	15,397	21,964	20,204	14,967	-0.94%
Sports, Arts, Culture and Recreation	368	316	1,188	377	0.81%
E-Government	788	718	743	777	-0.47%
Provincial Treasury	1,035,771	752,620	584,903	624,091	-15.54%
Infrastructure Development	19,327	15,905	16,893	31,471	17.65%
Total Provincial Own Reciepts	**7,302,134**	**6,725,340**	**6,887,663**	**7,249,930**	**-0.24%**

Source: Gauteng Provincial Treasury, 2022

Table 2.10 shows own revenue collection from 2019/20 to 2021/22 and the 2022/23 main appropriation. Total own revenue collection amounted to R7.3 billion in 2019/20, R6.7 billion in 2020/21 and R6.8 billion in 2021/22, with an average annual growth rate of 0.24 per cent over the period. The decrease in own revenue collection in 2020/21 financial year and subsequently the negative average annual growth rates can mainly be attributed to the low revenue collection in the province due to the COVID-19 pandemic.

For the 2020/21 financial year, own revenue collection amounted to R6.7 billion, a decrease of 7.89 per cent compared to 2019/20. The increase in anticipated revenue for the 2022/23 financial year can be attributed to the easing of COVID-19 restrictions including the re-opening of centres for driver's license and disc renewals and the increase in the number of people permitted in a venue and hence an increase in gambling activity. The province has a revenue enhancement strategy to optimise current revenue streams and introduce new revenue streams; these are discussed below.

Table 2.11: Own Revenue Estimates over the 2023 MTRF

R'000	Main Appropriation	MTEF Estimate			Growth rate
	2022/23	2023/24	2024/25	2025/26	
Departments					
Office of the premier	386	390	407	439	4.36%
Economic Development	1,153,431	1,240,418	1,338,748	1,443,170	7,76%
Health	540,800	562,433	587,742	633,586	5.42%
Education	39,076	40,951	42,789	46,127	5.69%
Social Development	4,201	4,386	4,584	4,942	5.56%
Cooporative Governance and Tranditional Affairs	370	398	416	448	6.62%
Human Settlements	919	949	991	1,068	5,15%
Roads and Transport	4,795,179	5,006,167	5,230,945	5,638,959	5.55%
Community Satety	43,885	45,816	47,873	51,607	5.55%
Agriculture and Rural Development	14,967	15,863	16,811	18,122	6.58%
Sports, Arts, Culture and Recreation	377	394	411	443	5.53%
e-Gov	777	812	865	932	6.27%
Provincial Treasury	624,091	670,898	714,439	770,165	7.26%
Infrastructure Development	31,471	32,856	34,331	37,009	5.55%
Total Provincial Own Reciepts	**7,249,930**	**7,622,731**	**8,021,352**	**8,647,017**	**6.05%**

Source: Gauteng Provincial Treasury, 2022

Table 2.11 shows own revenue estimates over the 2023 MTRF. Total own revenue collection is expected to increase from R7.2 billion in 2022/23 to R8.6 billion in 2025/26, an average annual growth rate of 6.05 per cent over the MTRF. GDRT own revenue is expected to increase from R4.7 billion in 2022/23 to R5.6 billion in 2025/26 and GDED own revenue from R1.1 billion to R1.4 billion. Own revenue for the two departments over the MTRF is anticipated to grow at a rate of 5.55 per cent and 7.76 per cent respectively. The GDOH's own revenue collection is expected to increase over the same period at an average annual rate of 5.42 per cent. For 2022/23, it is anticipated that GPT will collect R624 billion increasing to R770.1 billion in 2024/25, an average annual growth rate of 7.26 per cent over the MTRF.

2.5.5 MTEF Estimates

The MTEF provides government with a tool to manage competing policy priorities within the context of budget realities. It facilitates the reprioritisation of expenditure estimates and leads to informed and affordable policy choices in the medium term. The MTEF is being prepared within a very tight fiscal environment as no additional resources are available for the 2023 MTEF budget; additional allocations to a programme will need to be funded through reductions in another programme within a department's budget.[78]

39 MTEF budget forum presentation, 2022

Table 2.12: Provincial Payments Estimates over the 2022 MTEF

R thousand	2022/23	2023/24	2024/25	Average annual Growth rate
Office of the premier	722,858	711,660	723,862	1.71%
Gauteng Provincial Legislature	825,163	820,965	836,805	1.92%
Economic Development	1,982,709	1,782,288	1,558,533	-0.2%
Health	59,426,398	58,208,471	60,618,931	4.14%
Education	59,736,014	60,495,822	61,874,240	2.27%
Social Development	5,537,037	5,421,478	5,545,681	2,29%
Cooporative Governance and Traditional Affairs	610,789	577,079	596,066	3.2%
Human Settlements	6,336,392	6,562,630	6,838,824	4.2%
Roads and Transport	8,719,282	9,148,999	9,269,637	1.31%
Community Safety	1,153,296	1,144,114	1,173,227	2.54%
Agriculture and Rural Development	1,042,356	1,064,807	1,096,778	3.0%
Sports, Arts, Culture and Recreation	1,097,407	1,155,054	1,101,976	-4.6%
E-Government	1,690,374	1,676,316	1,633,563	-2.5%
Provincial Treasury	792,933	801,620	833,486	3.97%
Infrastructure Development	3,312,235	3,203,244	3,236,434	1.03%
Total Provincial Own Reciepts	**152,985,243**	**152,774,547**	**156,938,043**	**2.72%**

Source: Gauteng Provincial Treasury, 2022

Table 2.12 shows estimated provincial payments over the 2023 MTEF. Total payments are estimated at R152.9 billion for the 2022/23 financial year, decreasing by 0.13 per cent to R152.7 billion in 2023/24 and increasing to R156.9 billion in 2024/25. Over the MTEF, the estimated average annual growth rate in expenditure is 2.72 per cent.

2.6 Gauteng Provincial Government Fiscal Response

Gauteng is determined not only to maintain fiscal discipline but to ensure that the province's residents have access to basic services. The fiscal response includes interventions such as the Own Revenue Enhancement Strategy, strengthening municipalities and maintaining a spending ceiling. Spatial referencing and the District Development Model (DDM) will be used to improve planning and allocative efficiency and mitigate the risk of bloated accruals. Through these strategies, the province will ensure that available resources are used to better the lives of the province's residents.

2.6.1 Township Spend: Preferential Procurement

Taking advantage of its status as the country's economic hub and an innovator in broad-based transformation, the province is accelerating implementation of its programme to build the economies of the townships. The Gauteng TEDA and sector-specific economic acceleration efforts led by the Jobs and Economy War Room established in the year under review will be central to these endeavours. Approved in 2022 by the Gauteng Provincial Legislature (GPL), the TEDA provides for the promotion and development of township economies and the creation of a conducive environment for their operation and sustainability and of an enabling environment to attract investment into the townships.

Table 2.13: Budget allocation for Township Spend: Preferential Procurement, 2022/23-2024/25

R thousand Department	2022/23	2023/24	2024/25
Oop	62 450	62 165	61 542
GPL	102 084	93 776	89 711
GDED	74 361	69 457	71 896
GDH	7 627 098	8 019 526	8 211 515
GDE	3 362 556	3 035 535	3 080 722
GDSD	460 152	429 134	442 551
COGTA	79 390	74 266	74 831
GDHS	217 626	212 461	191 243
GDRT	586 971	706 356	671 825
GDCS	74 819	73 499	79 521
GDARD	184 058	188 880	191 710
GDSACR	139 809	129 906	130 734
e-Government	461 046	455 423	423 174
GPT	25 280	25 442	26 110
GDID	334 503	282 970	318 638
Total	**13 792 212**	**13 858 801**	**14 065 729**

Source: Gauteng Department of Economic Development, 2022

The GPT remains steadfast in its determination to reduce unemployment to between 20 and 24 per cent; create 2 million new jobs for young people; attain an economic growth rate of between 2 and 3 per cent; and increase investment levels to 23 per cent of GDP. This is occurring in a challenging economic environment characterised by uncertainty and vulnerability.

2.6.2 Own Revenue Enhancement Strategy

Within the powers mandated by Section 228 of the Constitution to the provincial legislature and, by Section 18 of the Public Finance Management Act to the GPT, concerted efforts are being made to increase the province's revenue baseline. The Own Revenue Enhancement Strategy is anchored in three mutually reinforcing aims:
- To increase the province's existing own revenue sources.
- To modernise to increase efficiency, cost effectiveness and client satisfaction and eliminate loopholes in the collection mechanisms.
- To optimise potential revenue sources currently not fully explored or used.

Because of the need for capacity to assist the GPT with implementing the projects within the strategy, its launch in April 2022 was accompanied by processes to involve expert advice on its implementation so that it could start generating revenue by the beginning of the 2023/24 financial year. The following projects are regarded as quick wins and are currently being pursued:
- Online renewal of motor vehicle licenses
- Rollout of vehicle impound facilities
- Rollout of automated parking at health facilities
- License fees of private health care facilities

- Online auctions of non-core assets
- Billboards at government buildings
- New bookmaker and bingo licenses
- Automation of gambling license operations
- Implementation of new casino regulations.

These revenue initiatives are at various stage of implementation, with online renewals already at the implementation stage and others anticipated to start between Q4 of the current financial year and Q2 of the next financial year.

To provide departments with technical support in implementing the revenue initiatives, GPT is in the process of accessing additional capacity in the form of a suitably qualified service provider under the leadership and guidance of the GPT.

Intended to increase own revenue collection and thus provide sustainable financial resources for service delivery, the strategy is an enabler of resourcing provincial priorities. Had it not been for the COVID-19 pandemic, it was estimated that revenue increases would have been 5.3 per cent in 2020/21, 6.0 per cent in 2021/22, 6.7 per cent in 2022/23 and 7.5 per cent in 2023/24. Given the current outlook of growth levels of less than 1 per cent, the province needs to take all possible steps to ensure that revenue growth rates do not fall below the rates achieved during the term of the previous administration.

2.6.3 Spatial Referencing and District Development Model

2.6.3.1 Spatial Referencing

- Government continues to operate in silos which means that policies tend to be uncoordinated and budgets inefficiently allocated without due consideration of where interventions would best take place to optimise their impact as part of an outcomes-based approach.
- Spatial referencing links interventions to locations in space. It enables analysis of how budgets align with one another and maximise their impact in relation to predetermined spatial locations as per Spatial Development Frameworks approved in terms of the Spatial Planning and Land Use Management Act, 2013 (SPLUMA) for spatial transformation.
- Regulatory reform makes clear that the prescripts of the SPLUMA in relation to spatial prioritisation are binding. They should not be noted as guidelines or best practice but require direct responsiveness and compliance.
- The Gauteng Spatial Development Framework (GSDF) 2030, approved in 2016 in terms of the SPLUMA, provides the spatial rationale of the province and is linked to the long-term planning of Growing Gauteng Together 2030 (GGT2030).
- The GSDF2030 was used as the baseline for analysing whether departments' plans and budgets transversally align in predetermined spatial locations as required by the MTEF Guidelines for Provinces.
- While progress is noted amongst various GPG departments in response to the spatial directives of GSDF2030, full compliance and due consideration are still lacking. Greater compliance is specifically required by the GDHS to limit negative impacts on spatial transformation, efficient bulk infrastructure development, maintenance and operations and municipal financial feasibility.
- Currently, GSDF2030 is under review with the aim of increasing institutionalisation of spatial planning directives and spatial referencing requirements to bolster the various processes linked to strategic planning and budgeting processes while also informing the 2024 review of GGT2030.
- The need for modernisation of urban planning across the GCR serves as a pertinent opportunity to advancing spatial intelligence to direct spatially prioritised and outcome-based budgets through an enterprise-wide smart digital solution.

2.6.3.2 District Development Model

- The DDM aims to provide a better co-ordinated approach to integrated planning between national, provincial, and local government.
- Implementation of the DDM has achieved the following since inception:
    - Establishment of DDM intergovernmental structures that coordinate its implementation in each region.
    - Development of DDM One Plans for all regions.
    - Mobilisation of state-owned companies to support implementation of the DDM across the provinces.

- Development of the DDM implementation tracking tool.
- Hosting of the Sedibeng Presidential Imbizo to discuss the implementation of the DDM in the region.
- Piloting the establishment of the DDM Hub in the Sedibeng region.
- Linkages between 5-year Integrated Development Plans (IDPs) and long term One Plans.
- Institutionalising implementation of the DDM through provincial planning and budgeting processes including Medium Term Expenditure Committee (MTEC) and Annual Performance Plans (APPs).

- There have also been challenges in implementation of the model:
  - Weak participation by national sector departments in implementation of the DDM.
  - The need to coordinate political DDM Champions to provide oversight of the implementation of the DDM in their respective districts and metropolitan municipalities.
  - Limited resources to fully implement the DDM Hub in Sedibeng District Municipality.
  - Mapping the infrastructure and non-infrastructure budgets is the cornerstone to developing cohesive plans that achieve their goals and make an impact in communities.

2.7 Observations and Recommendations

- Utilisation of counter cyclical fiscal policy measures is necessary to counteract the subdued economic environment, enhance fiscal sustainability and grow the economy through preferential procurement by giving effect to the TEDA.
- The fiscal framework exists in a precarious global and domestic environment which calls for government to ensure long-term sustainability of public finances by supporting the ailing local sphere of government by stabilising and prudently using local government finances to improve service delivery.
- To avoid crowding out resources for service delivery improvement, the province should maintain the spending ceiling by keeping the wage bill at 60 per cent of the total budget.
- The province should consider integrated interventions such as spatial budgeting and upscaling implementation of the DDM to avoid potential duplication and maximise the value of each rand allocated to resource provincial priorities.
- The e-toll debt negotiations should work towards an extended payment period to cushion the potential risk to resources geared towards social services.

Chapter 3: Socio-Economic Developments and Economic Response

3.1 Introduction

This chapter discusses demographics, poverty, education and inequality in South Africa and Gauteng in the context of the socio-economic challenges that threaten economic development, including the impact of COVID-19 and climate change. The chapter also discusses the province's economic response strategy and the progress achieved thus far.

The GPG's resolve to strengthen the province's economy is expressed through the Gauteng Economic Response. This includes work still to be done on the SEZs identified in the five corridors. Other planned interventions include the formation of a state bank and a pharmaceutical company in the province.

Government's support for the provincial economy includes a focus on job creation. The Expanded Public Works Programme (EPWP) is a national programme that provides short-term work for the poor and for other persons who are excluded from the formal economy.

The GPG also has its own job creation initiatives, such as the Tshepo 1 Million Programme, the Education Sector Youth Employment Programme and the Youth Brigade Programme. The Tshepo 1 Million Programme assists with job placement for young people and has made an impact in their lives, as discussed further in the chapter.

3.2 Socio-Economic Overview

This section focuses on recent changes to the province's demographics, poverty, education and inequality against the background of global and domestic trends and forecasts.

3.2.1 Demographics

Changes in a country's demographics have consequences for its economic and social landscape, with the ratio of the working age population to the retired population having an impact on a country's production and consumption of goods and services. For many people, particularly the poor, retirement funds are insufficient for survival into old age and are provided by those who are currently working, whether directly or through taxation.

Over the past century, the world's population has approximately quadrupled to about 8 billion and is predicted to rise to 8.5 billion by 2030. However, population growth is currently at its slowest pace since 1950. India is expected to overtake China and become the world's most populous country in 2023. This global population growth has been accompanied by increased life expectancy, falling fertility rates and rising urbanisation, all of which have long-term implications for humanity.[40] Globally, life expectancy at birth reached 73.8 years for women and 68.4 for males in 2020. [41] This increase in life expectancy and the resultant aging population have been more pronounced in the advanced economies while countries in Africa and South-East Asia have the fastest-growing working age populations as their fertility rates are, on average, falling more slowly. A large and growing working age population potentially supports greater economic growth. In India, for example, more than half of the population is of working age and the country has one of the fastest growing economies in the world.

South Africa's population has reached 60.6 million according to the 2022 mid-year population estimate.[42]

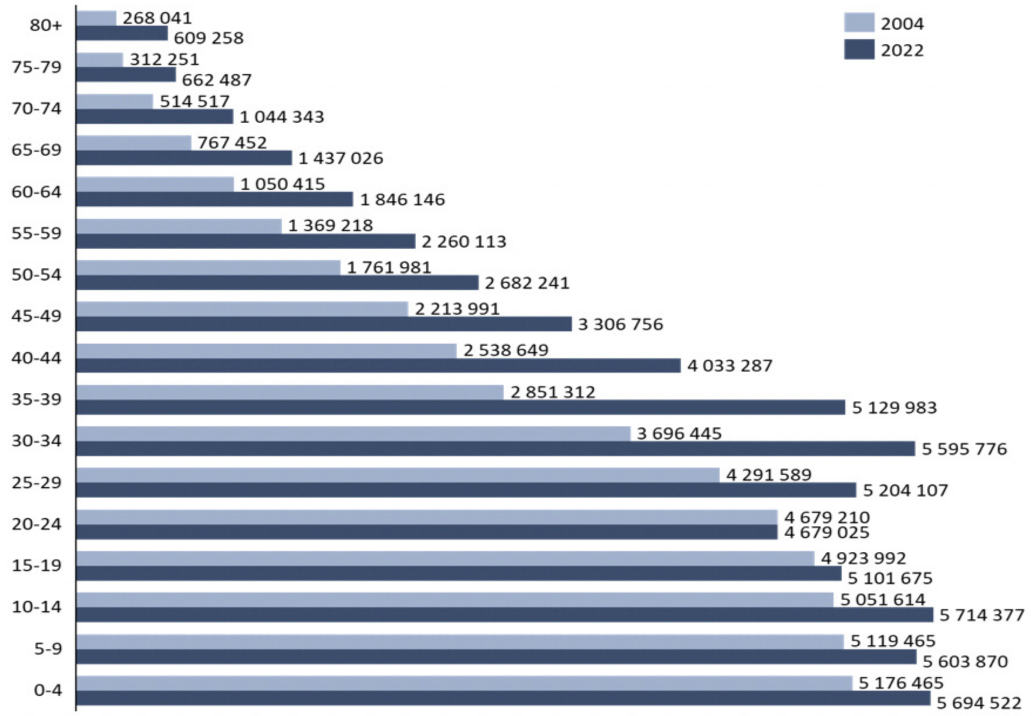
Of this, 40.2 million people are of working age.[43] With a population of 16.1 million, Gauteng accounts for 26.6 per cent of the country's population. At 10.9 million persons or 27.2 per cent of the total, the province proportionately has a slightly higher percentage of the country's working age population.

40 The United Nations. World Population Report 2022. Accessed (in August 2022) at www.imf.org
41 The United Nations. World Population Report 2022. Accessed (in August 2022) at www.imf.org
42 Statistics South Africa. (2022). Mid-year Population Estimates – 2022. Accessed (in August 2022) at www.statssa.gov.za
43 Statistics South Africa. (2022). Quarterly Labour Force Survey – Quarter 2:2022. Accessed (in August 2022) at www.statssa.gov.za

3.2.1.1 Population Growth and Size

The National Development Plan (NDP) sets out the long-term vision of what South Africa aims to achieve by 2030. Improvements in demographic patterns are one of the keyways to improve an economy and society.[44] The current age structure of the South African population presents opportunities as the working age population is larger than the number of younger or elderly people. One of the objectives of the NDP is to maximise the benefits of this 'demographic opportunity' while it lasts. It therefore seeks to support South Africans' ability to work by ensuring affordable quality healthcare for all through the National Health Insurance (NHI) system, by improving education, spatial transformation and skills development and by creating greater employment opportunities.

Figure 3.1: Population Distribution by Age in South Africa, 2004 and 2022



Source: Stats SA, 2022

Figure 3.1 shows the age distribution of the South African population in 2004 and 2022. Calculated using the cohort-component methodology, the 2022 mid-year population was estimated at 60.6 million. The figure indicates a youthful population, with over 60 per cent (37.6 million) below the age of 35 and only one per cent aged 80 or older. Females make up 51.1 per cent of the total, with the share of women higher in the older age cohorts, at 67.6 per cent among those aged 80 years and older but 49.3 per cent of the 0-4 age group.

3.2.1.2 Growing Urbanisation

It is estimated that 56 percent of the world's population of 8 billion people live in cities which, globally, account for approximately 60 percent of population growth. This trend is expected to continue, with the urban population more than doubling its current size by 2050, at which point nearly seven out of every ten people will live in cities. Urbanisation rates in the developed world are approximately 70 percent and in the EMDEs around 50 percent or lower.

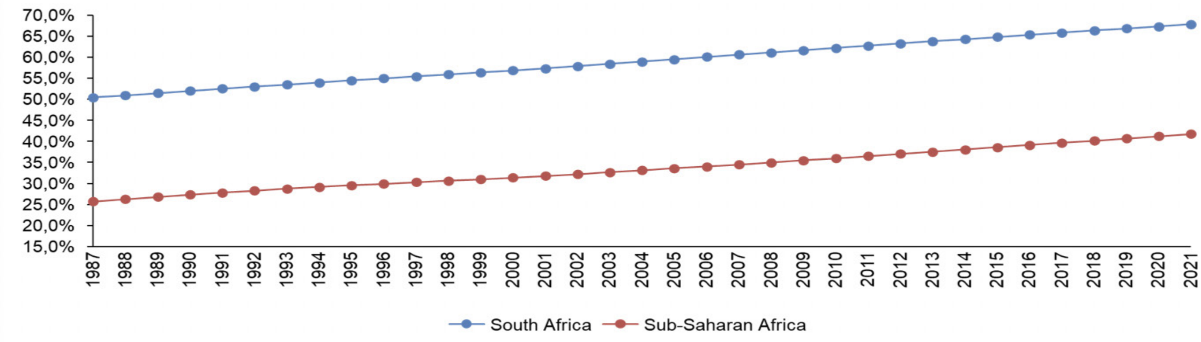
44 National Planning Commission. (2012). The National Development Plan 2030. Pretoria: South Africa

3.2.1.3 Urbanisation Patterns in South Africa

The majority of South Africa's population growth is taking place in the urban areas, where more than 60 per cent of the country's people now live. It is mostly young people who migrate to the urban areas and inner cities because it is here that jobs and economic opportunities are most often found.[45] The country's urbanisation rate accelerated in the early 1990s when policies restricting where people could live were withdrawn; this resulted in increased urbanisation which continues to the present.[46]

Figure 3.2 shows that, in 1987, 50 percent of South Africa's population lived in urban areas; this had increased to 60 percent by 2005 and to 67.85 by 2021.[47] This percentage of urban residents is higher than the global average of 55 per cent and the SSA average of 42 percent. The World Bank forecasts that, by 2050, 80 per cent of South Africa's population will live in urban areas compared with an estimated 56 per cent for the continent.

Figure 3.2: South Africa's Urban Rates (% of Population), 1987-2021



Source: World Bank, World Development Indicators, 2021

With more than 80 percent of global GDP generated in cities, well-managed urbanisation can contribute to sustainable growth through increased productivity and innovation. However, the speed and scale of urbanisation brings challenges such as meeting the demand for affordable housing, viable infrastructure including transport systems, basic services and jobs.[48]

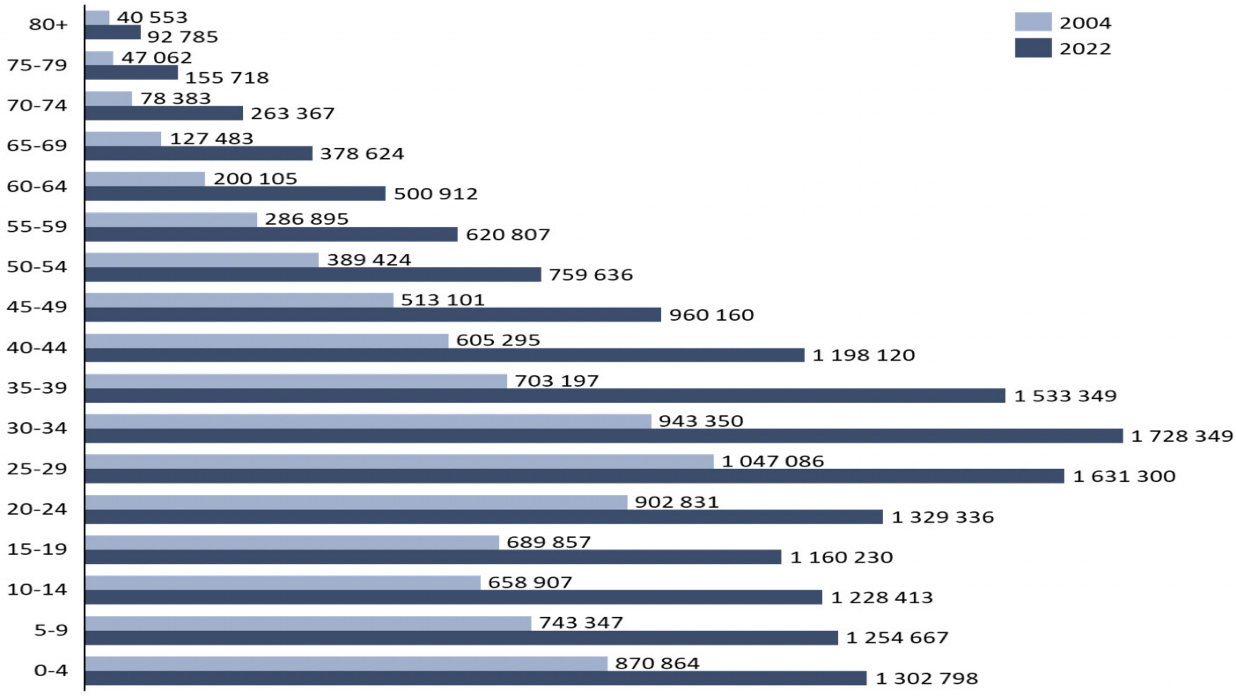
3.2.1.4 Gauteng's Demographics

Gauteng is the smallest province in South Africa by land area but, according to Stats SA's 2022 mid-year population estimate, has the largest population at 16.1 million people. Gauteng is the economic hub of the country and thus attracts work-seekers from other provinces and other African countries. The working age population accounts for 65.7 per cent of the South African population but in Gauteng that share stands at 71 per cent. Stats SA estimates that, from 2016 to 2021, 1.6 million people migrated into the province. This was more than triple the second highest number of in-migrants (about 470 000), received by the Western Cape, during the same period. Many people who come to Gauteng seeking work opportunities return home after working or work search; as a result, the province also experiences fairly high levels of out-migration.

Figure 3.3 shows that Gauteng is one of only two provinces in South Africa with a higher population of males than females (8.1 million males and 8 million females), the other is North-West Province. While there have been great strides in gender equality in the workplace, Gauteng's larger male population is probably due to men being more likely than women to relocate for work often leaving a wife and children in their home province or country.

45 South African Government. (2015). Media Statement: Draft Integrated Urban Development Framework. Accessed www.gov.za
46 International Institute for Environment and Development United Nations' Population Fund. (2012). Urbanization and Emerging Population Issues Working Paper 8.
47 The World Bank (2021). World Development Indicators, October 2022. Washington, DC
48 The United Nations (2021). World Urbanisation Prospects, Washington, DC

Figure 3.3: Population by age cohort, Gauteng, 2004 and 2022



Source: Statistics South Africa, 2022

The high rate of population growth presents a challenge for service delivery because Gauteng's population is not only the largest in the country but is also growing rapidly. Furthermore, the province's unemployment rate is increased by in-migration of unemployed persons. The more jobs the province creates, the more unemployed people it attracts. This makes it difficult to lower the unemployment rate when the economy, nationally and across the continent, is facing difficulties.

3.2.2 Poverty

The COVID-19 pandemic, at its height in 2020 and 2021, caused unprecedented reversals in poverty reduction. These have been exacerbated by rising inflation and the effects of the war in Ukraine. Globally, the pandemic wiped out more than four years of progress in poverty eradication and pushed 93 million more people into extreme poverty in 2020.[49] With food and energy accounting for half of household consumption in SSA, living costs across the region have spiralled. The IMF estimates that 12 percent of the region’s population will face acute food insecurity by the end of 2022.

3.2.2.1 United Nations Sustainable Development Goals (UN SDGs)

Adopted by the UN in 2015 and with global targets and goals to be met by 2030, the SDGs are a standard for evaluating if progress is being made to reduce some of the world’s most pressing issues including reducing poverty, improving the quality of life and realising people’s aspirations for development.[50] The most comprehensive and ambitious poverty reduction plans the world has ever embarked upon, the SDGs are built on five Ps.[51] One is “People” which is centred around ending poverty and hunger in all their forms and dimensions and ensuring that all human beings can fulfil their potential in dignity and equality and live in a healthy environment.

According to the UN, progress has been made in some critical areas and countries have taken concrete actions to protect the planet. About 150 countries have established national polices in response to the challenges of

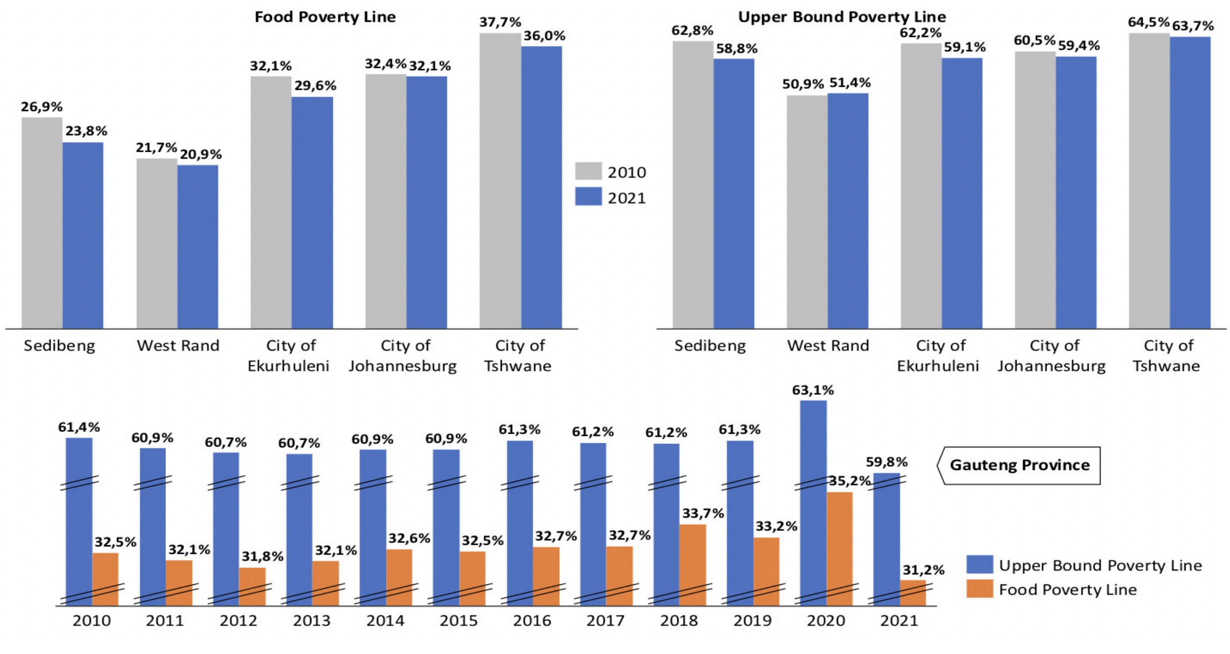
49 The United Nations. The Sustainable Development Goals Report 2022. Accessed (in August 2022) at www.imf.org
50 Statistics South Africa. (2019). Sustainable development goals. Pretoria.
51 People, Planet, Prosperity, Peace and Partnership

rapid urbanisation and about 71 countries and the European Union now have more than 300 policies and instruments that support sustainable consumption and production.[52] SDG 1 asserts that ending poverty in all its forms is the greatest challenge facing the world and an indispensable requirement for sustainable development; globally, since 1990 a quarter of the world has risen out of extreme poverty.

However, despite such progress there are still areas that require urgent attention. Eradicating poverty by 2030 is unlikely, especially if current trends continue. The SSA region is likely to have a higher prevalence of poverty unless aggressive policy shifts are made. It is recommended that countries continue to integrate the SDGs' agenda into their national development plans and to collect and compile relevant socio-economic data as data gaps make it difficult to assess progress and inform decision-making in relation to the 2030 Agenda.

Domestically, the guiding objectives of the NDP are elimination of poverty and reduction in inequality. COVID-19 reversed much of the progress made in fighting poverty, with lockdowns disproportionately impacting low-income households. South Africa uses an internationally recognised approach[53] of three national poverty lines[54] for measuring and monitoring money-metric poverty in the country.

Figure 3.4: Poverty Headcount Ratio, 2021



Source: Quantec Research, 2022

More than half of Gauteng's citizens were poor in 2021. The poverty headcount ratio decreased to 59.8 per cent of the population from 61.4 in 2010. The figures are calculated using the UBPL of R1417 per person per month in 2015 prices. This translates to over 9.4 million people living in poverty in Gauteng in 2021. Using the FPL measure of R663 per person per month, the share of the population below this line decreased from 32.5 per cent to 31.2 per cent between 2010 and 2021. Amongst the province's municipalities, the City of Tshwane has the highest food poverty rate, at 37.7 per cent in 2010 and 36 per cent in 2021.

3.2.3 Inequality

Global inequality has been declining since the 1990s. Most concerning is that some of the highest levels of inequality are in the EMDEs, with income inequality growing fastest in countries such as Brazil, India and South Africa. While progress in reducing of global inequality over the last thirty years has been remarkable, within-country inequalities have increased, especially in advanced economies. Over the past three decades, more than half of the countries and close to 90 percent of the advanced economies have seen an increase in income

52 UN. (2019). The Sustainable Development Goals Report of 2019. New York.
53 The cost-of-basic-needs approach, which links welfare to the consumption of goods and services.
54 The food poverty line (FPL), lower-bound poverty line (LBPL) and upper-bound poverty line (UBPL) capture different degrees of poverty and allow the country to measure and monitor poverty at different levels.

inequality, with some countries recording an increase in their Gini coefficients exceeding two points. [55] Key factors behind the increase in within-country income inequality noted in the literature include technological progress, globalisation, commodity price cycles, and domestic economic policies such as redistributive fiscal policies, labor and product market policies. Over the past several decades, for example, in the USA, the UK and most parts of Europe. Rising inequality can lead to falling living standards for the population of a country over the long term. According to the OECD, widening income inequality has resulted in lower economic growth of 8.5 per cent over the past 25 years in the developed world. [56]

Societies characterised by high levels of inequality may also experience a range of other social issues such as crime and public unrest. Income inequality affects individuals' overall well-being and has a significant impact on access to education and health.

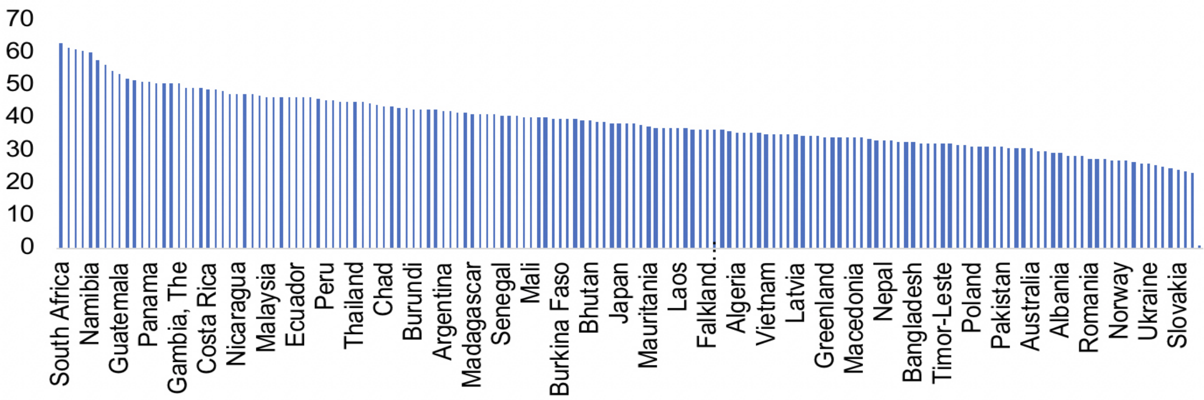
Related to income inequality is social mobility which can be understood as movement in a person's circumstances either "upwards" or "downwards" in relation to those of their parents.[57] Poorer households are often characterised by lower levels of education, inadequate healthcare and nutrition which tend to lead to lower levels of productivity and income.

According to the World Bank, inherited circumstances over which an individual has little or no control drive inequality. Although the Southern African Customs Union (SACU) countries have undertaken some of the most redistributive spending in the world, particularly on education and health, inequality remains extremely high. Levelling the playing field at birth through more inclusive delivery of good quality education, health and basic services is critical to reducing inequality in the region.[58]

3.2.3.1 Global Inequality Trends

What created the global inequality we see today were the large cross-country differences in improvements in health and economic growth over the past two centuries.[59]

Figure 3.5: Gini Coefficient by Country, 2021



Source: The World Bank, 2022

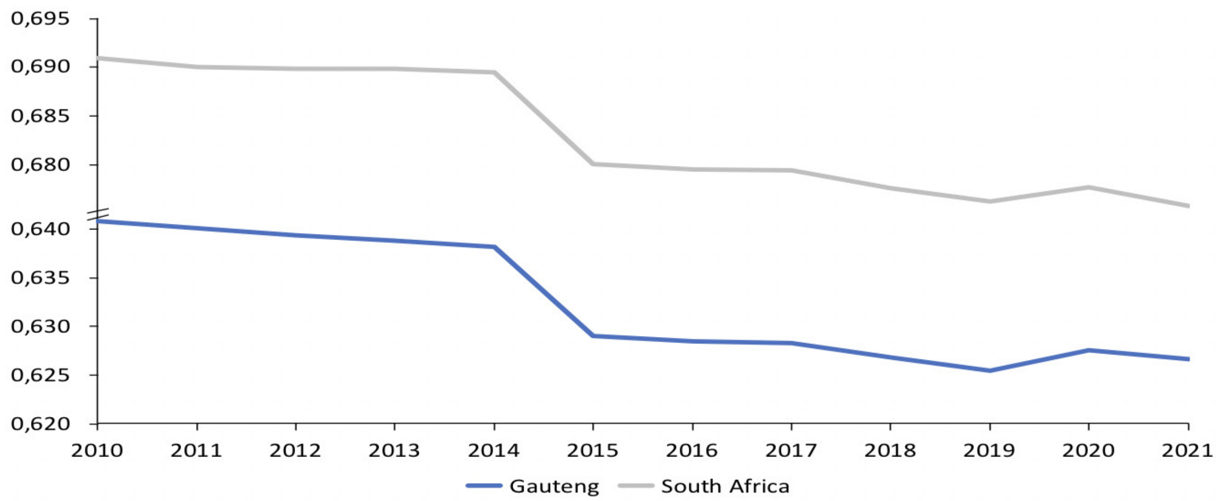
Figure 3.5 shows that the World Bank ranks South Africa as the world's most unequal society. The country has a Gini coefficient[60] of 0.63; next highest is Namibia with an index of 0.61. A Gini coefficient of 0 represents perfect equality while a coefficient of 1 implies perfect inequality. This high-income inequality is linked to ills which include social unrest, crime, labour unrest and service delivery protests.

Inequality in South Africa has long been recognised as one of its most critical characteristics. The country is

55 The IMF Topics. (2021). Basic Facts About Income Inequality. Washington, D.C.
56 The OECD. (2014). Trends in Income Inequality and its Impact on Economic Growth", OECD Social, Employment and Migration Working Papers. Washington, DC
57 The World Economic Forum. (2018). Global Social Mobility Index 2020: why economies benefit from fixing inequality. Washington, DC
58 The World Bank. (2018). Inequality in Southern Africa: An Assessment of the Southern African Customs Union. Washington, DC
59 The World Bank. (2018). Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities. Washington, DC
60 The Gini coefficient measures the extent to which income distribution among individuals or households in an economy deviates from perfect equality.

consistently ranked as one of the most unequal in the world, a fact that has its roots in the history of colonisation and apartheid. As well as being extremely high, South Africa's inequality is remarkably persistent.[61] One of the targets of the NDP is to achieve a GINI coefficient of 0.60 by 2030[62].

Figure 3.6: Gini Coefficient for South Africa and Gauteng, 2010-2021



Source: Quantec Research , 2022

Figure 3.6 shows the trend of the Gini coefficient in South Africa and Gauteng from 2010 to 2021. It indicates that income inequality in South Africa and Gauteng has declined steadily since 2010, with a notable decline in 2015. In Gauteng, the Gini coefficient declined from 0.638 in 2014 to 0.629 in 2015. However, an effect of the COVID-19 pandemic has been to reverse this decline in the country and in the province, with the Gini coefficient increasing in 2020. Nonetheless, Gauteng's income inequality was lower than that of the country between 2010 and 2021. In 2021, the Gauteng Gini coefficient was 0.627 and that of South Africa 0.676.

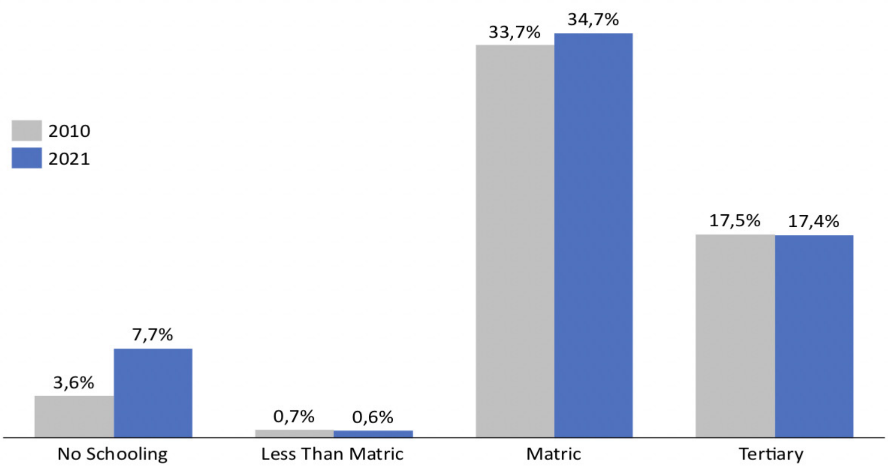
61 Statistics South Africa. (2020). Inequality Trends in South Africa.
62 The Presidency, Republic of South Africa. (2012). National Development Plan 2030 Our Future - Make It Work. Pretoria.

3.2.4 Education Trends

3.2.4.1 Education Levels

Low levels of education are one of the supply-side contributors to South Africa's structural unemployment problem. The legacy of apartheid directly has contributed to lower education levels among Africans in the working-age population.[63]

Figure 3.7: Qualifications of People in Gauteng Older than 20 Years: 2010 & 2021



Source: Quantec Research , 2022

For the years 2010 and 2021, Figure 3.7 shows the percentages of people in Gauteng older than 20 years and their qualification levels. The percentage with no schooling increased from 3.6 per cent to 7.7 per cent. The percentages of people with at least some basic education but without a completed matric were the smallest and decreased from 0.7 per cent to 0.6 per cent in the same period. In 2010, 33.7 percent of adults above the age of 20 years had matric; this increased to 34.7 percent in 2021. In 2010, 17.5 per cent had tertiary qualifications; this marginally declined to 17.4 per cent in 2021. According to the Quarterly Labour Force Survey (QLFS), the largest percentage of those who were unemployed in Gauteng had no matric.[64]

3.3 Climate Change

The escalating intensity of climate change may eventually become catastrophic and is a major threat to long-term economic and to humanity. These risks need to be urgently mitigated. Most pressing is the need to address human-induced climate change; this requires countries to substantially reduce greenhouse gas (GHG) emissions. This objective was adopted by policymakers around the world, including from South Africa, at the United Nations Framework Convention on Climate Change (UNFCCC) 21st Conference of the Parties (COP 21) in Paris in December 2015 (the Paris Agreement). The signatory countries committed themselves to limiting global warming to well below 2°C.

Gauteng accounts for 33 per cent of national carbon emissions. Failure by the province to meet carbon emissions reductions targets will therefore compromise South Africa's position in international climate change response negotiations and the country's ability to access climate change-related funding.

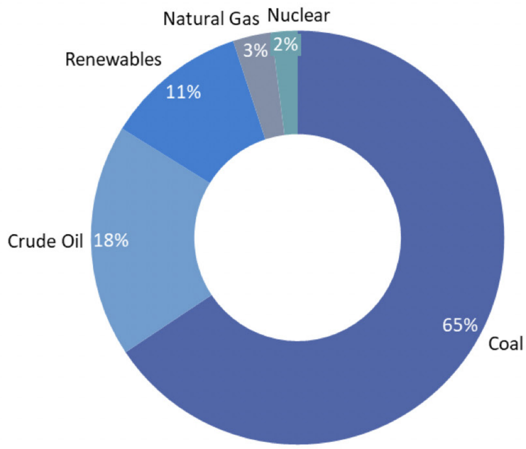
The Integrated Resource Plan (IRP) for electricity is South Africa's long-term plan for electricity generation. It aims to ensure security of electricity supply, minimise the cost of that supply, limit water usage and reduce GHG emissions while allowing for policy adjustment in support of socio-economic development.

63 IMF Working Paper. (2021). Labor Market Reform Options to Boost Employment in South Africa. Washington, D.C.
64 Statistics South Africa. (2022). Quarterly Labour Force Survey. Pretoria.

The Independent Power Producers Procurement Programme (IPPPP) of the Department of Mineral Resources and Energy (DMRE) was established at the end of 2010 to enhance South Africa's electrical power generation capacity. The primary mandate of the Independent Power Producers (IPP) Office is to secure electricity from renewable and non-renewable energy sources from the private sector. Energy policy and supply is, however, not only about technology but also has a substantial influence on economic growth and socio-economic development. The IPPPP has therefore been designed to go beyond energy procurement to contribute to broader national development objectives such as job creation, social upliftment, local industry development and increasing opportunities for economic ownership.

The National Development Plan (NDP) envisages that by 2030 South Africa will have an energy sector that promotes economic growth and development through adequate investment in energy infrastructure. The plan also envisages that by 2030 South Africa will have an adequate supply of electricity and liquid fuels to ensure that economic activities and welfare are not disrupted and that at least 95 percent the population will have access to grid or off-grid electricity.[65]

Figure 3.8: South Africa Total Primary Energy Supply in 2018



Source: The Department of Mineral Resources & Energy, 2021

Figure 3.8 shows the South African energy supply in 2018. It was dominated by coal which made up 65 percent of the primary energy supply, followed by crude oil with 18 percent and renewables with 11 percent. Natural gas contributed 3 percent while nuclear contributed 2 percent to the total primary supply during the same period.[66]

The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) is aimed at bringing additional power into the electricity system through private sector investment in onshore wind, photovoltaic, concentrated solar power (CSP), biomass, landfill gas and small hydro technologies. The REIPPP programme constitutes one of the energy mixes as outlined in the NDP and the Integrated Resource Plan of 2010. In 2018, the REIPPPP power production was dominated by onshore wind power at 60 percent, followed by photovoltaic power at 30 percent. Concentrated solar power and small hydro power contributed 10 percent and 1 percent, respectively, to electricity produced through the REIPPPP. A total of 10 809 Gigawatt-hours (GWh) was produced in 2018.[67]
Gauteng is heavily dependent on carbon intensive energy, and as a result, it is particularly vulnerable to increasing greenhouse emissions, not only at household level where poverty reduces people's adaptive capacity but also at the macro-economic level.

Dating from March 2020, the GPG has an overarching climate change response plan which aims to respond to the impact in a way that capitalises on opportunities for positive change. The specific outcomes identified for the Gauteng City Region (GCR) relate to ecosystems, quality of life, disaster risk management and a green economy. In a meeting of the Executive Council held at the end of October 2022, the GPG set has a goal of planting 100 000 trees within 100 days and as well as supporting 75 recycling facilities and buy-back centres.

65 The Presidency, Republic of South Africa. (2012). National Development Plan 2030 Our Future - Make It Work. Pretoria.
66 The Department of Mineral Resources & Energy. (2021). The South African Energy Sector Report. Pretoria.
67 The Department of Mineral Resources & Energy. (2021). The South African Energy Sector Report. Pretoria.

Other interventions to decrease the province's carbon footprint include the successful Bus Rapid Transit (BRT) roll-out in the Cities of Johannesburg, Tshwane and Ekurhuleni. The Gautrain rapid rail project is an alternative to private vehicle use, with further extensions planned to increase the network in the province.

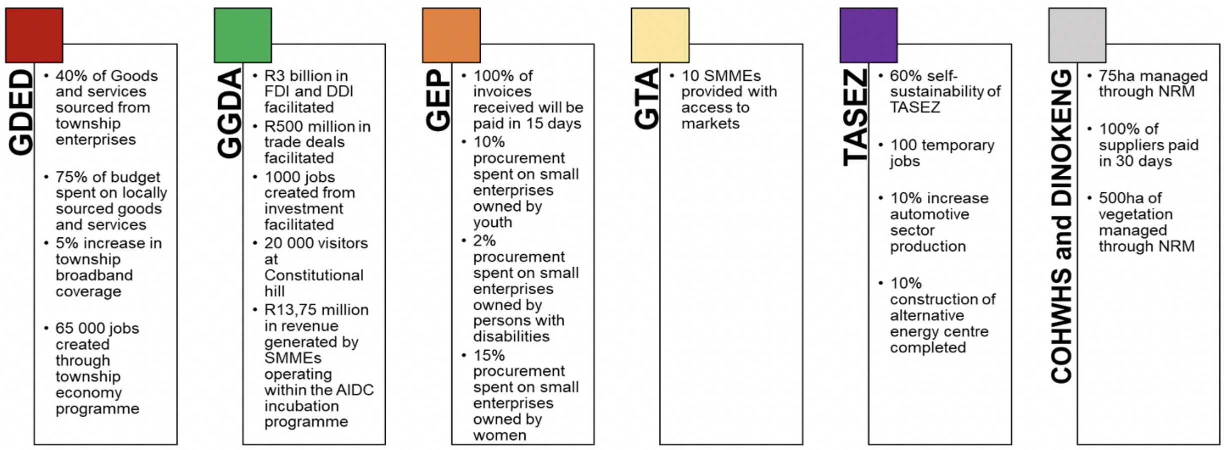
3.4 Gauteng Economic Response

As indicated in Chapter 1, the GPG is maintaining in its focus on the development of SEZs and youth employment initiatives as methods of supporting the province's economy and combatting unemployment.[68] Programmes under development include the Vaal SEZ in the Southern Corridor, the O.R. Tambo SEZ in the Eastern Corridor, the West Rand SEZ in the Western Corridor and the Tshwane Automotive SEZ in the Northern Corridor. Youth employment initiatives include Tshepo 1 Million, the Youth Brigade Programme and the Education Sector Youth Employment Programme.

In a meeting of the Executive Council held at the end of October 2022, the GPG set new targets for specific service delivery interventions. It is also pushing ahead with plans to establish a state bank and a pharmaceutical company. Within the first 100 days, legal consultation on these projects should be complete. Within six months, it is intended that business cases will have been developed and submitted to National Treasury and other entities for approval, recommendations and review. Within one year, it is intended that these projects will have seen considerable progress.

Regarding education, the GPG is aiming to establish 2 400 e-classrooms within a year. With the help of 20 school mobile health clinics and 20 health and wellness programmes to be established in townships, there will also be initiatives to reintegrate learners who have suffered from drug abuse or been the victims of crime.

Figure 3.9: GPG Headline Interventions



Source: Gauteng Provincial Government, 2022.

Figure 3.9 shows some of the key interventions that the GPG, with GDED as the lead department and its agencies, is undertaking. Interventions specifically relating to the GDED include ensuring that 40 per cent of goods and services are sourced from township enterprises and 75 per cent are sourced within the country. Interventions to be made through the agencies include ensuring that all invoices received are paid within 15 days and providing market access to SMMEs.

In the health sector, the goals include upgrading 10 hospitals and 10 community health centres and refurbishing them to meet occupational health and safety standards by March 2023. Goals for assisting those in need of food include the establishment of 1 000 vegetable gardens at centres for the homeless and distributing 86 000 food parcels to those in need between November 2022 and March 2023.

68 Gauteng Treasury. (2022). National and Provincial Economic Outlook & Provincial Fiscal Framework. GPG.

Figure 3.10: Headline Interventions in terms of the TEDA, SEZs and Infrastructure

TEDA	SEZ / INDUSTRIAL PARKS & HIGH GROWTH SECTOR/ INVESTMENT ACCELERATION	CATALYTIC INFRASTRUCTURE
1. Deploy infill residential/ commercial programmes in Evaton, Soweto, Soshanguve and Westbury creating 80 000-plus jobs.	1. TASEZ opens for full production of the new Ford Ranger, becoming one of the largest automotive manufacturing sites in the world	1. 100 MW of renewable energy deployed through microgrids
2. 20,000 stores supported under KU creating 30 000 jobs	2. 100 000 of jobs created through GBS inclusive of ICT jobs created in Townships	
3. Full deployment of cloud zone network 7 757 fibre installation jobs	3. 249 334 gig work opportunities created within the creative sector in Gauteng	
4. 13 taxi economy realised creating 4 758 Jobs	4. R2.32 bn investment secured into ORTIA SEZ	

Source: Gauteng Provincial Government, 2022.

Figure 3.10 shows interventions planned in terms of the Township Economic Development Act (TEDA), SEZs and infrastructure through which the GPG intends to speed up service delivery and, in the process, support the development of projects that will create employment. Direct job creation includes 80 000 people who will be employed from Evaton, Westbury, Soweto and Soshanguve to construct residential fill-in units in townships. Regarding SEZs, the Tshwane Automotive Special Economic Zone (TASEZ) is forecast to be in full production and produce the new Ford Ranger, which will make the site one of the largest in the world.

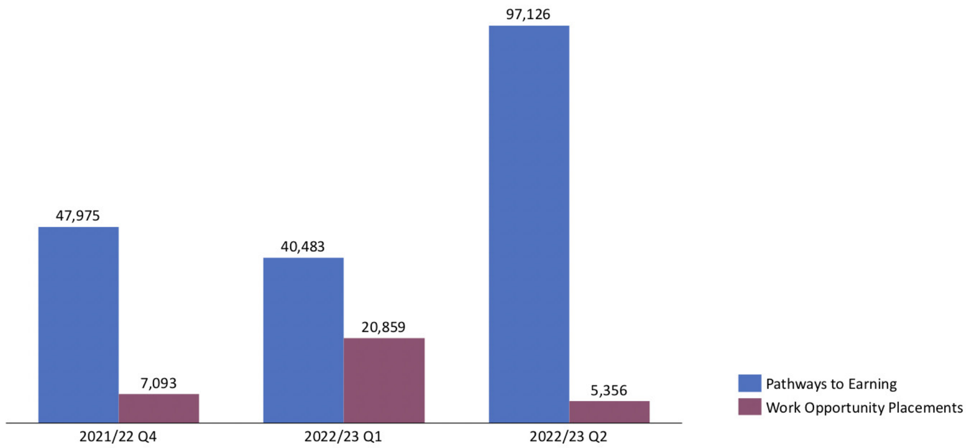
The Bontle ke Botho Community Greening Program will create 3 420 additional EPWP work opportunities during the current administration. 1 400 additional job opportunities will be created on the Gautrain and approximately 2 000 people will become taxi industry cadets. The GPG will employ 50 data capturers to work on the Gauteng Integrated Public Transport Administration System while approximately 550 military veterans and 100 interns will be hired to fill various positions.

3.4.1 Growing the Economy and Other Employment Creating Initiatives

The GPG's strategies to increase youth employment include the Youth Employment Service (YES) and the Tshepo 1 Million Programme. The War Room on Jobs and the Economy has established dedicated working channels with Tshepo 1 Million and YES, across the ten high-growth sector acceleration programmes with a focus on global business services (GBS), information and communications technology (ICT), the creative industries and township hubs.

The Tshepo 1 Million youth jobs creation initiative was initially launched by the GPG in 2014 and was originally called Tshepo 500 000 with a target of creating 500 000 job opportunities. This was increased to 1 million in 2017 and the name changed to Tshepo 1 Million. It creates youth job opportunities by partnering with private sector companies to empower economically excluded young people through developing skills, job placements and entrepreneurship development. Tshepo 1 Million is also partnered with Harambee, a non-profit organisation aimed at empowering young people.

Figure 3.11: Tshepo 1 Million Quarterly Opportunities, 2021/22 Q4-2022/23 Q2



Pathways to Earning = Work seeker support + Short -term jobs/Work experiences + Demand intelligence learning.
Work Opportunity Placements = Formal job placements + Short -term jobs/Work experiences + Self -employment.

Source: Gauteng Provincial Government, 2022.

Figure 3.11 shows how Tshepo 1 Million has empowered young people between the fourth quarter of the 2021/22 financial year (FY) to the second quarter of the 2022/23 FY. The largest number were empowered through "Pathways to Earning". This component of job creation helps to develop work-seeking capabilities, offers work experience opportunities and transfers skills. The number of young people benefitting from Pathways almost doubled over the period shown in the figure to reach 97 126. Participants in the programme have also benefitted from "Work opportunity placements" projects through formal employment, self-employment and short-term employment. In the first quarter of the 2022/23 FY, 492 were placed in long-term jobs and 19 335 gained short-term employment.

Over the 2019-2024 Medium Term Strategic Framework, the Tshepo 1 Million programme has benefited 520 524 young people. Since 2019, GPG departments have increased youth work opportunities by 48 177 against a target of 80 337 and municipalities in Gauteng have contributed 30 192 jobs against a target of 85 733.

3.4.2 Economic Infrastructure Investment

The GPG intends to use infrastructure spending to create job opportunities, with R36.8 billion allocated for infrastructure over the Medium Term Expenditure Framework to build and maintain public infrastructure. Maintaining infrastructure is essential for providing services such as schools, healthcare facilities, libraries, social development facilities and sports facilities.

The EPWP provides temporary work for the poor and socially excluded populations. Most participants are unemployed and have been looking for work for a long time before joining the programme. Between April 2019 and March 2022, the EPWP created 2 950 033 work opportunities,[69] with R33 billion transferred as wages to poor and unemployed people. GPG departments employed 93 314 people against a target of 133 895 which represents 69.7 percent achievement of the target.

Gauteng's municipalities have reported that 6 524 work opportunities have been created by the EPWP, the province's departments 13 702 and the infrastructure sector 2 280. Contractors hired by the GPG include on average 118 new black-owned businesses being empowered per year, 40 per cent of which are owned by women and 30 per cent youth-owned.

Lanseria Smart City is entering the implementation phase based on its masterplan, supporting resolutions from the City of Johannesburg and Mogale City. The Development Bank of Southern Africa (DBSA) will be deploying R15 billion in public infrastructure investment, financed through a special purpose vehicle. A project management office set up at the Gauteng Growth and Development Agency (GGDA) will be driving the programme. The multi-tier SEZ network is coming to life through full implementation of the TASEZ, expansion of the ORTIA SEZ, key initiating steps taken in the Vaal and the Western SEZ and project development agreements with the

69 Gauteng Treasury. (2022). National and Provincial Economic Outlook & Provincial Fiscal Framework. GPG.

private sector. The Lanseria SEZ and the Gauteng-Eastern Cape high-capacity rail corridor are entering the implementation phase, with the IDC due to complete the business case and support for go-to-market for equity partners and debt.

Goals for additional infrastructure projects include securing planning approval for three anchor developments for the Lanseria Smart City development, 400MW in renewable energy deployed through micro grids and achieving a 90 per cent rate of potholes repaired within 24 hours. The provincial government also aims to establish an inter-departmental task team on preventative maintenance, releasing three unutilised buildings for socio-economic infrastructure development and transferring 260 non-core residential properties for use as student housing during the current administration. Transport projects set to be completed within one year include the Vereeniging taxi rank intermodal facility construction, upgrading 40 district municipality roads in Emfuleni and operationalising eight new contracts.

3.4.3 The Township Economy

The TEDA was signed into law by former Premier Makhura in April 2022 in Soweto. The Act aims to structurally transform the province's economy by creating staircases and linkages between what former President Thabo Mbeki referred to as "the first economy and second economy".[70]

The TEDA will create an enabling environment for SMMEs, co-operatives, township businesses, black-owned enterprises, and target groups (youth, women and persons with disabilities). It will also empower a significant number of emerging black firms as contractors and subcontractors, expanding economic and social infrastructure. The TEDA has created a partnership fund to assist small and medium sized township businesses to access funding that will help them grow and sustain their own businesses and create jobs and inter-generational wealth. With the support of the Gauteng Enterprise Propeller (GEP), the Industrial Development Corporation (IDC), the SA SME Fund and Standard Bank, R850 million will be immediately available to assist township businesses to grow.

TEDA's Township Economic Partnership Fund was established as a wholesale blended finance platform to drive credit extension to township areas, with the first allocations made and matching partnership funds raised. The Act is also aimed at changing how townships are regulated and governed and to transform them into zones of widespread job creating commercial activity. This is to be done through new draft standard bylaws and streamlined regulations. The Act compels provincial government and municipalities to procure goods and services from local township-based businesses owned by South Africans. It also encourages business to manufacture goods locally so that jobs can be created in the townships.

The objectives of the Act include support for the development of taxi ranks into micro central business districts. It also aims to support and promote township-based real estate development, convert areas with high commercial densities into township high streets and transform them into township central business district nodes.

TEDA's goals to assist township businesses include the establishment of a beef and chicken abattoir in Evaton and the construction of 800 residential fill-in units in Tembisa and Mamelodi. The GPG plans to refurbish and support 20 000 stores in townships, complete approximately 7 000 fibre installations to create cloud zones for township use and create 13 taxi economy zones projected to stimulate the creation of approximately 4 000 jobs. Support will also be given to 9 000 subsistence farmers to upscale their farms and 10 000 hectares of agricultural land will be released. It is envisaged that 260 000 jobs will have been created through the township economy programmes by the end of current political term.

70 Southern African Regional Poverty Network. (2012). Readings on the Second Economy. Johannesburg.

3.4 Conclusion

Against the backdrop of a difficult global economic outlook, South Africa's population continues to grow and especially in the urban areas. The country and the province have a relatively large working age population bulge. The pandemic has subsided but it has reversed the considerable progress that had been made in alleviating poverty. Although income inequality has worsened globally, the trend in South Africa and Gauteng has however been in the opposite direction.

The threat to humanity presented by climate change has intensified but the country and the province have plans to maximise the benefits of the energy transition. Gauteng's strategy is to develop infrastructure, use the establishment of SEZs as a catalyst for economic development and take advantage of the various interventions currently being implemented to reignite the province's township economies.

Chapter 4: Social Investment and Good Governance

4.1 Introduction

The 2022 medium term budget policy is anchored in the province's policy priorities. These aim to put into effect the vision of Growing Gauteng Together (GGT)2030 and to improve the social fabric of the Gauteng City Region (GCR) by tackling poverty and crime, improving service delivery, ensuring good quality health care, increasing the levels of skills and education, and ensuring good governance in the province.

This Chapter describes the provincial government's social and governance priorities aimed at improving the lives of Gauteng citizens. The policy programmes and initiatives undertaken the provincial government primarily focuses on improving the living standards of the province's previously disadvantaged communities through better access to social services and by ensuring good and clean governance through which the limited available resources can be assigned to these priority programmes.

4.2 Medium term policy priorities

The figure below summarise the policy priorities for giving effect to the province's Growing Gauteng Together (GGT) Vision 2030.

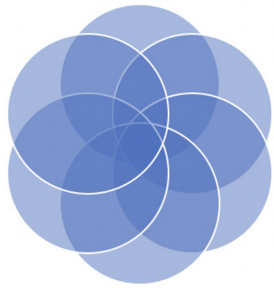
Figure 4.1: Gauteng provincial social investment and governance priorities

4.2.1 Investment in education and the skills revolution

Providing good quality education and improving the level of skills in the province remains one of the GPG's key priorities and a cornerstone of the GGT's policy.

The interventions in education and skills are mainly targeted at townships and underserved communities in the province and are geared towards capitalising on township technical schools and enhancing e-learning through investment in ICT. The aim is to provide good quality education in a well-resourced learning environment, remove barriers to access and increase access to good quality pre-school educational opportunities. The programmes being followed to ensure that these goals are reached are described below.

Figure 4.2: Investment in education and the skills revolution



4.2.1.1 Modernising the education system

The provincial government is continuing to invest in modernising the education system and building on the gains already achieved. This includes investing in ICT infrastructure in schools across the province. The intervention is particularly aimed at full ICT schools as well as no-fee secondary schools through the paperless classroom programme. The aim is to address the educational needs of the 21st century by providing schools with electronic devices for learners and teachers and by enabling access to e-learning programmes to digitally skill and prepare the future workforce.

Table 4.1: Number of Smart Classrooms, 2018/19-2024/25

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Number of classrooms upgraded to Smart Classrooms	None	849	803	571	1000	700	700

Source: GDE 2022/23 APP

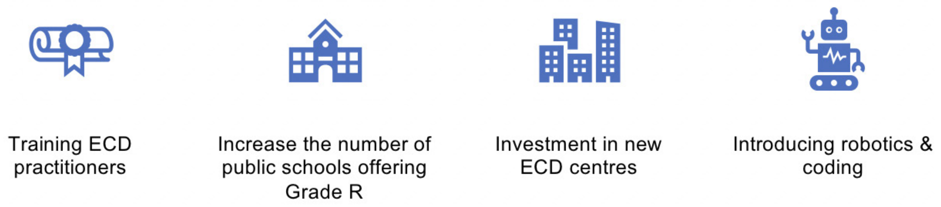
Smart Classrooms are a key component of the environment needed for smart learning. GPG is therefore equipping schools with smart boards, computers, printers, and other ICT infrastructure essential for teaching and learning[71].

GPG aims to be the national benchmark in technology-based learning and has allocated R1.2 billion over the MTEF for ICT-related infrastructure primarily to increase the number of devices, data and security needed to modernise the province's education system.

4.2.1.2 Focus on early childhood development

Early childhood development (ECD) is one of the provincial government's key priorities. In support of this, the ECD function has been migrated from the Department of Social Development to the Department of Education. Ensuring that the province's youngest citizens have a strong foundation, comprehensive and nurturing care will be achieved by providing quality ECD services aimed at improving cognitive and physical development for school readiness. The GPG's ECD programme is driven by the initiatives shown below.

Figure 4.3: ECD programmes

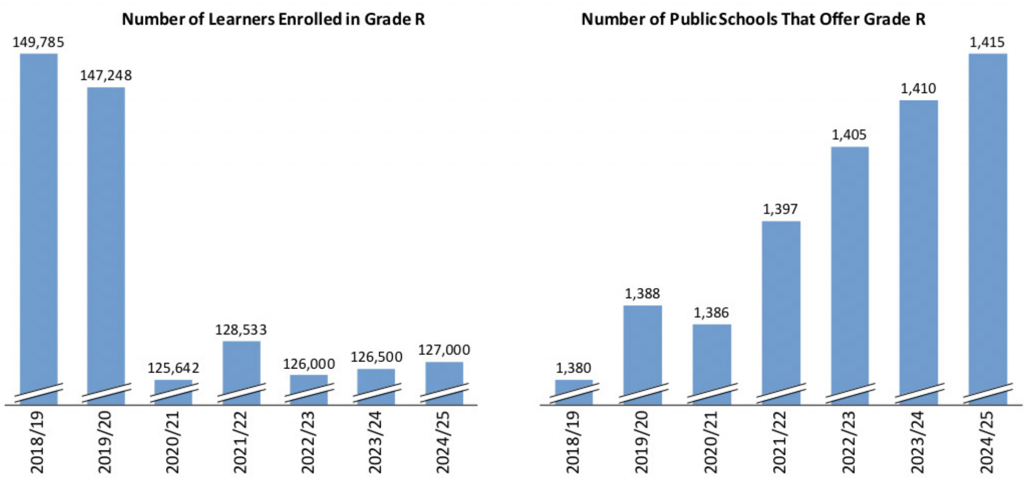


Training ECD practitioners is vital as it will increase the number of teachers who have the skills and knowledge to teach well. To make provision for more learners, GPG will be increasing the number of public schools offering Grade R across the province, investing in new ECD centres and introducing robotics and coding over the 2022 medium term.

The provincial government is aware that, to succeed in today's rapidly-changing society, learners must be analytical and creative thinkers. GPG's initiative to introduce coding and robotics is aimed at equipping and exposing learners to digital literacy, virtual reality, augmented reality, machine learning and artificial intelligence while also increasing their basic ICT skills. The success of this initiative will largely depend on collaboration between the provincial Department of Education and higher education institutions.

Given the limited number of suitably qualified teachers, increasing the number of trained ECD practitioners is vital for the province's ECD initiative. Also essential is to increase the number of public schools offering Grade R, enabling more learners to be accommodated and ensuring that no child is left behind.

Figure 4.4: Grade R In public schools, 2018/19-2024/25



Source: Gauteng Department of Education 2022/23 APP

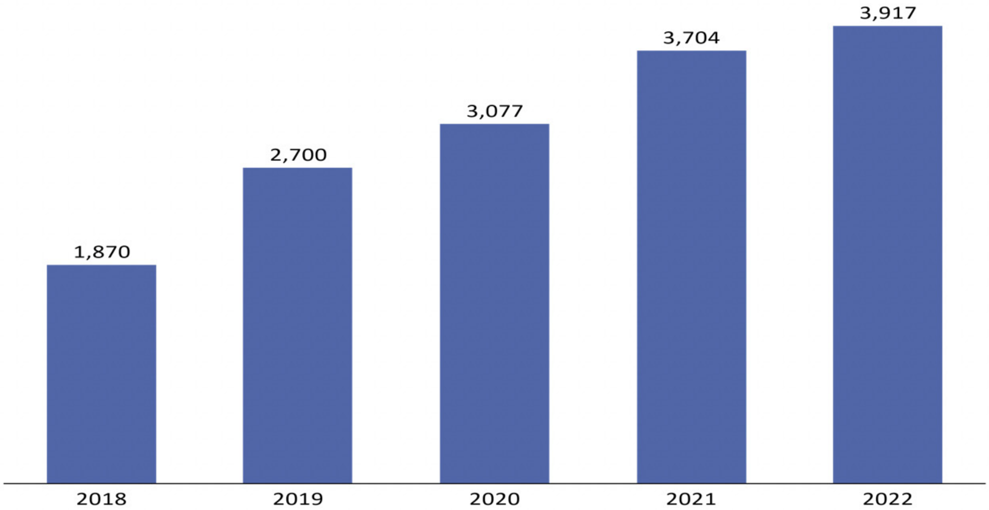
The GPG's main objective, through the ECD programme, is to improve the quality of Grade R teaching and learning and to lay a foundation for enhanced numeracy, literacy, life skills and academic performance at primary and secondary school.

The number of public schools offering Grade R increased from 1 380 in 2018/19 to 1 386 in 2019/20. Two more schools were added in 2020/21 and nine more in 2021/22, bringing the total to 1 397. As at the end of the 2022/23 financial year, the envisaged number of public schools offering Grade R is 1 405. The targets over the 2022 medium term will result in an average increase of five schools per financial year. This may seem a relatively small growth rate; however, it represents good progress when taking account of the resources needed to establish ECD teaching and learning. R1.979 billion is allocated in the 2022/23 F/Y, increasing to R2.2 billion in the 2024/25 F/Y.

4.2.1.3 GCRA financial assistance

The provincial administration remains firmly committed to ensuring that high school graduates in the province receive the funding needed to continue their studies. Through the Gauteng City Region Academy (GCRA), GPG continues to invest in the province's young people.

Figure 4.5: Number of tertiary education bursaries issued, 2018-2022



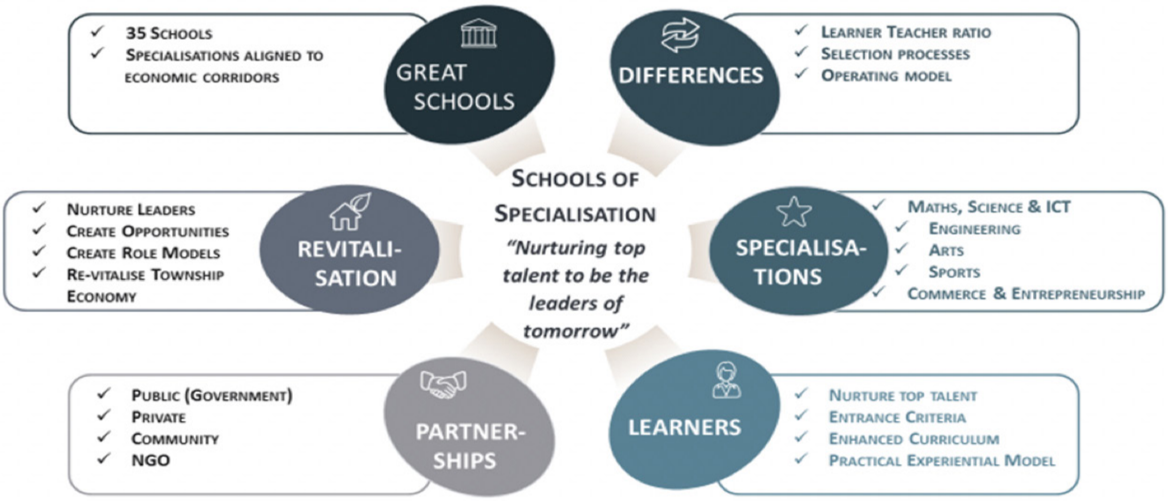
Source: GDE Bursary Programme MTBPS Presentation

The number of tertiary education bursaries issued by the GPG through the GCRA has increased from 1 870 in the 2018 academic year to 3 917 in the 2022 academic year. Since 2009, GPG has allocated R2.2 billion in bursaries, benefitting 30 000 students. In the 2022 academic year, GCRA set aside R420 million for Gauteng students who perform well in Matric.

4.2.1.4 Schools of Specialisation

To address the skills shortages in the economy and expand learner's post-Matric opportunities and increase their chances of employment, GPG continues to invest in Schools of Specialisation (SoSs). These schools are based in various previously disadvantaged townships across the province.

Figure 4.6: Schools of Specialisation objectives



Source: Gauteng Department of Education 2022 Budget Vote Presentation

The establishment of SoSs in townships across the province is geared towards giving effect to the province's GGT 2030 vision of creating a skilled and capable workforce to support inclusive growth.

The SoSs programme is based on the following pillars

Figure 4.7: Schools of Specialisation Programme Pillars

- Addressing skills shortages in the Gauteng City Region (GCR)
- Building the economy of Gauteng
- Nurturing talent from economically disadvantaged communities
- Revitalisation of townships in the province
- Expanding learner opportunities within the system and post matric
- Building schools of excellence

Market-related technical skills are essential, particularly in the previously disadvantaged townships. GPG is therefore investing in the recapitalisation of earmarked township schools and turning them into technical schools to enable them to offer a market-related curriculum aligned with the 4th Industrial Revolution (4IR). GPG is allocating R157 million over the 2022 medium term for this so that the township technical schools can offer technical and engineering programmes, boost high-demand skills, and respond to the demands of the 4th Industrial Revolution.

4.2.2 Improved health and wellness

The National Development Plan (NDP) states that promoting health and wellness is critical to preventing and managing lifestyle diseases and particularly the major non-communicable diseases among the poor such as heart disease, high blood cholesterol and diabetes. How well the health system functions can determine the success in treating disorders and people's longevity and quality of life.
A healthy and vibrant population is a key priority for GPG. The province therefore promotes improved health outcomes across the population, including the reduction of non-communicable diseases. The figure below lists some of the initiatives aimed at achieving this.

Figure 4.8: GPG health initiatives

Street to Street Campaigns

Strengthening the healthcare system

Comprehensive health response to the COVID-19 pandemic

HAST Programme

Mental Health Programme

Emergency Services; improving emergency services' response time

Investing in health infrastructure

Source: Gauteng Province 2022 State of The Province Address

4.2.2.1 Street to Street Campaigns

As an activist government, GPG is taking services to the community. The Street to Street Campaigns are a targeted and holistic approach to taking a basket of services directly to communities' doorsteps. The services include:

- TB screening
- HIV counselling and testing
- Management of and screening for hypertension
- Diabetes screening
- Providing Vitamin A
- Deworming
- Health promotion and education.

This direct approach includes providing COVID-19 vaccination at all service points in the healthcare system and working to combat Tuberculosis (TB) as well as HIV and AIDS, using the UNAIDS 90-90-90 strategy[72] as well as through HIV counselling, testing, and rolling out antiretroviral (ARV) treatment.

4.2.2.2 Strengthening the healthcare system

A strong and reliable healthcare system is critical for ensuring a healthy and vibrant population. The inability to access primary health care and a district health system that does not function effectively have contributed significantly to the failure of the health system. As the country and the continent's economic hub, Gauteng attracts people migrating to the province to access economic opportunities as well as healthcare services. This puts a

72 http://www.unaids.org/en/resources/909090

severe strain on the provincial healthcare system. The provincial government is responding by strengthening the healthcare system so that it is responsive to the needs of the province's people.

- **Comprehensive health response to the COVID-19 pandemic**

Winning the battle against the COVID-19 pandemic and containing the spread of the coronavirus remains a priority for the provincial government. A number of lessons have been learned during the pandemic and the provincial government continues to put in place health initiatives geared towards defeating the virus.

GPG has allocated R1.5 billion for a comprehensive health response to the COVID-19 pandemic. These resources are allocated to the administration and roll-out of the vaccination programme and includes R1.1 billion for posts created for the COVID-19 response programme.

- **HAST programme**

Using a range of strategies, the HAST programme supports patients diagnosed with HIV/AIDS, sexually-transmitted infctions and TB. The impact of HIV/AIDS is particularly felt by the most vulnerable. GPG is committed to removing this burden and administers the largest HIV prevention and treatment programme in the country. In the 2022/23 financial year, R6.2 billion has been allocated for the HIV and TB programme and additional resources will continue over the medium term.

The focus is on revitalising the HIV counselling and testing campaign and intensifying interventions among people who are highest-risk for HIV infection and transmission. GPG is also intensifying the antiretroviral (ARV) roll-out to initiate more people on antiretroviral therapy (ART) treatment; implement strategies to reduce viral loads; encourage adherence; provide assistance at healthcare facilities to people starting their treatment for TB and HIV/AIDS; and improve the sources and quality of data to prevent the loss of TB clients by conducting follow-ups.

The programme also enables small groups of patients to meet monthly at a "club" or support group where counsellors give education and encouragement and ensure that patients are taking the prescribed treatment. HAST also organises large public outreach events at which screening, and testing are provided.

- **Mental health programme**

As a caring government committed to improving the lives of Gauteng citizens, GPG recognises that mental health disorders are very prevalent, leading to a poor quality of life and increased mortality rates and with

economic and social implications. For the 2022/23 financial year, GPG has allocated R474.6 million to mental health care services; this will increase over the medium term. Through the Department of Health, GPG plans to improve mental health services through prioritised district health institutions and regional hospitals, particularly in previously disadvantaged communities.

- **Emergency services**

Emergency Medical Services (EMSs) are a key element of health provision in the province and GPG is allocating resources to improve response times in both urban and rural areas. Through the provincial Department of Health, 30 ambulances have been procured to equip the EMSs so that they can respond to childbirth-related emergencies.

To improve patient waiting times during transportation between health facilities, GPG is currently piloting the Gauteng Scheduled Emergency Transport (G-SET) across all districts in the province. This will result in ambulances transporting patients along pre-determined routes within a cluster of health facilities at scheduled times.

4.2.2.3 Investment in health infrastructure

Appropriate health infrastructure is essential for good-quality care and wellbeing of those in need of health services. The provincial government is thus allocating resources over the medium term to health infrastructure projects, including the construction of new health facilities and the rehabilitation, upgrade and maintenance of existing facilities.

The investment in health infrastructure is primarily targeted at various townships across the province and will also result in the expansion of health services in the Dr Yusuf Dadoo, Edenvale, Jubilee, Kopanong and Leratong hospitals and at the Chris Hani Baragwanath Academic Hospital. In the current 2022/23 F/Y, Phillip Moyo

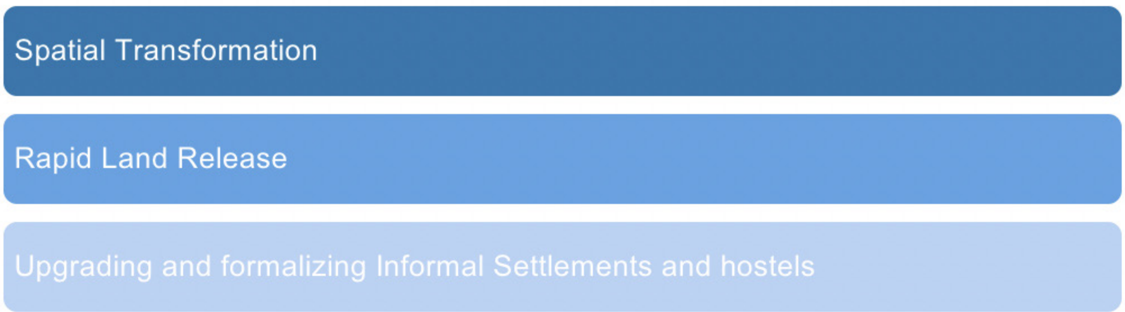
Hospital in Ekurhuleni, Mandisa Shiceka Hospital in Tshwane, and Sebokeng Zone 17 Hospital in Sedibeng are earmarked for handover.

4.2.3 Integrated human settlements, basic services and land release

Provision of housing opportunities to Gauteng's citizens remains a key priority for the provincial government. There are, however, a host of challenges in this regard. The annual influx of an estimated 300 000 migrants into the province places a huge burden on GPG and on the housing sector, with an estimated 1.2 million people seeking housing in the province but not being able to be catered for, with a limited budget and with other competing priorities confronting the provincial government.

The growing housing backlog has contributed to the increase in informal settlements in the GCR as well as the socio-economic challenges that are a direct result of this reality. Despite these challenges, the provincial government continues to work to refine internal processes so that the approach to human settlements delivery is effective and expeditious in delivering houses to the people of Gauteng. GPG has completed 20 908 mega housing units against the 35 172 in the five-year target. 25 064 mega project serviced stands have been developed against the 35 766 in the five-year target. The key initiatives that the provincial government is taking in this regard are shown in the figure below.

Figure 4. 9: Human settlement initiatives



Source: GDHS 2022/23 Budget Vote Speech

As part of the effort to reduce the housing backlog and accelerate delivery of completed houses along with title deeds to the province's citizens, GPG is in the process of implementing a revised housing allocations policy and a re-engineered beneficiary management plan.

4.2.3.1 Spatial transformation

Undoing spatial inequalities and locating new developments close to economic opportunities in socially conducive environments with adequate infrastructure and accessibility remain key priorities for the provincial government. GPG is working to achieve this vision through the delivery of mega-housing projects across the province, particularly targeting previously disadvantaged people.

GPG has made commendable progress from the start of the current administration's term, delivering over 59 000 housing opportunities during challenges such as accruals which negatively affect the ability to reach targets; budget reductions; local business forums blocking projects; legacy projects hampered by non-proclamation of townships; and historical planning backlogs that hamper the issuing of title deeds.

Table 4.2: Number of development plans and houses delivered, 2022/23-2024/25

	PLANNED MILESTONES			BUDGET ALLOCATION		
	2022/23	2023/24	2024/25	2022/23 '000	2023/24 '000	2024/25 '000
Number of Development Plans produced	9	Implementation Phase	Implementation Phase	R105 711	R110 866	R191 270
Number of houses delivered	11 423	9 627	9 119	R2 001 209	R1 842 225	R2 439 731

Source: GDHS MTEC Presentation 2022

During the current medium term, GPG plans to deliver over 30 000 housing units: 11 423 in the 2022/23 financial year, 9 627 in the 2023/24 financial year and 9 119 in the 2024/25 financial year. GPG is also finalising its review of the Spatial Master Plan and the Gauteng Multi-year Project Pipeline/ Project Bank has been updated. It is envisaged that the alignment of planning developments within the province should produce improved mega projects and housing delivery in the medium to long term.

4.2.3.2 Rapid land release

GPG has identified the rapid land release programme as a key initiative in fast-tracking the process of providing Gauteng citizens with properties they can call their own. The provincial government is thus leveraging available state-owned and privately-owned land to fast-track implementation of the rapid land release programme. Planning has started and is in progress on 36 938 sites to enable the release of the identified land parcels with the potential yield of serviced stands within the next two years.

Table 4.3: Number of land release opportunities, 2022/23-2024/25

	PLANNED TARGETS			BUDGET ALLOCATION		
	2022/23	2023/24	2024/25	2022/23 '000	2023/24 '000	2024/25 '000
Number of land release opportunities on serviced sites owned by the state serviced for release/procured from the private and public sectors for release each financial year	2 824	5 000	5 000	R513 786	R1 185 714	R910 214

Source: GDHS MTEC Presentation 2022

The provincial government has to date acquired 13 041 serviced stands and is currently engaged in discussions with the commercial banks in funding beneficiaries of the Ikageleng Rapid Land Release self-build programme. GPG has also entered into an agreement with the Housing Development Agency to act as an implementing entity to help fast-track the rapid land release programme. The improved beneficiary management processes will enable serviced stands to be allocated more rapidly so that qualifying beneficiaries can build their own homes without waiting for government to provide them with housing. GPG is working to accelerate implementation of the rapid land release programme and to ensure that the land acquired is appropriately zoned or rezoned.

4.2.3.3 Upgrading and formalising informal settlements and hostels

The migration influx into the province continues to add to the growing challenge of informal settlements which results in a host of socio-economic issues. GPG remains committed to addressing this challenge and to ensuring good quality housing opportunities in a conducive environment for vulnerable Gauteng citizens in desperate need.

Table 4.4: Number of approved informal settlements, informal settlements receiving support, number of family units completed at hostels, 2022/23-2024/25

	PLANNED TARGETS			BUDGET ALLOCATION		
	2022/23	2023/24	2024/25	2022/23 '000	2023/24 '000	2024/25 '000
Number of approved individual Informal Settlements Upgrading Plans prepared in terms of the National Upgrading Support Programme (NUSP)	20	20	20	R80 000	R80 000	R80 000
Number of informal settlements receiving interim support services per financial year including sanitation (chemical toilets & honey suckers) & water services	72	50	50	R280 000	R193 844	R200 000
Number of family units completed in hostel redevelopment projects per financial year	135	130	600	R53 410	R94 350	R342 000

Source: GDHS MTEC Presentation 2022

GPG has initiated assessment and town planning processes in 71 informal settlements and will be relocating some of them based on their geotechnical conditions. While processes to formalise them are underway, GPG will be continuing to provide all informal settlements with interim basic services.

In the current 2022/23 F/Y, GPG plans to implement alternative sanitation, water provision and solar solutions for a several informal settlements. These alternative solutions are more sustainable and do not rely on the municipal engineering infrastructure; they can, however, be connected to municipal services once the settlements have been formalised.

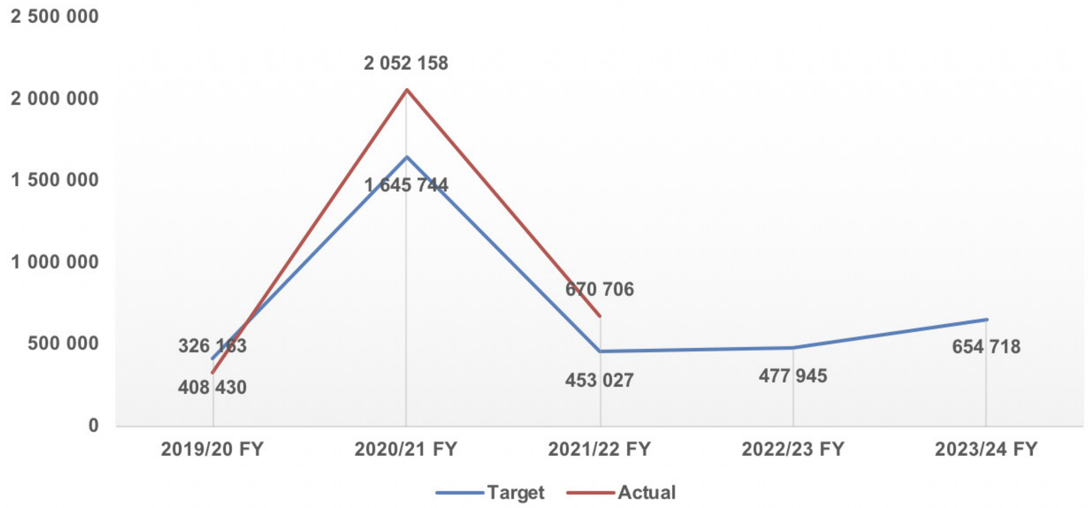
Through implementation of the Gauteng Hostel Redevelopment Strategy, GPG is redeveloping hostels from single accommodation to family rental units. The redevelopment of hostels is contributing positively to addressing the housing shortage in the province. Concurrently, GPG is making plans for dealing with the displacements resulting from the hostel redevelopment projects.

Engineering planning work has started on three hostels: Kagiso, Rethabile and Jabulani. Bulk infrastructure assessments are set to get underway in all inner-city hostels. Alternative land has been found to temporarily transfer residents of some of the inner-city hostels and the planning process for the land parcels is set to get underway. The number of family units to be built as a result of the Hostel Redevelopment Strategy is set to grow from 135 units in the current 2022/23 F/Y to 920 in 2023/24 and 4 560 in the last financial year of the current medium-term period.

4.2.4 Alleviating hunger and poverty and providing food security

The challenge of poverty and food security in Gauteng remains of great concern to the provincial government, particularly in previously disadvantaged townships across the province. Gauteng has the third largest share of national poverty and at the household level has the second largest share of national household poverty. This situation is fundamentally due to the persistently increasing population from in-migration.

Figure 4.10: Access to food relief, 2019/20-2023/24



Source: GDSD 2022 MTEC Presentation

The socio-economic effects of COVID-19 had an adverse impact on food security in the province, with the numbers of people and households whose food security status was at risk drastically increasing. Through the Department of Social Development, GPG intensified the province's food security programme although demand was higher than the target. Post-COVID-19, the numbers have steadily declined and GPG continues to implement food security programmes. As the economic hub of the country, Gauteng attracts people from within and outside South Africa which contributes to the challenge of food security in the province. The figure below shows the initiatives that GPG is taking to tackle poverty and hunger.

Figure 4.11: Poverty alleviation initiatives

Single Window Urban Poverty and Hunger Elimination Strategy	Food Relief, Access to Social Grants, Dignity Packs, School Uniforms, School Nutrition, Scholar Transport, Subsidies for Indigents & Community Food Gardens.
War on Poverty Profiling Programme	Information Repository on Targeted Poor Communities
Food Security programmes	Distribution of Food Parcels

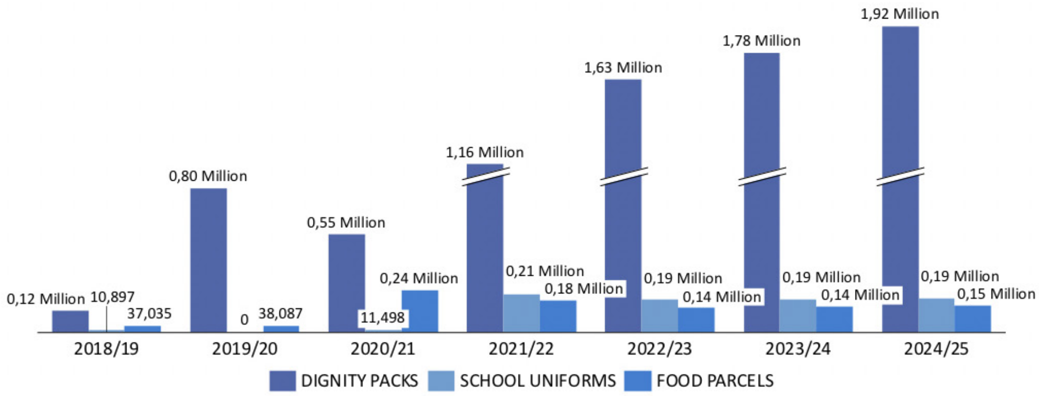
Source: GDSD 2022/23 APP

It is expected that these initiatives, which largely target people and households in townships across the province, will make a considerable contribution towards alleviating urban hunger and poverty.

4.2.4.1 Single window urban poverty and hunger elimination strategy

GPG is addressing the challenge of poverty through implementing the 'single window urban poverty and hunger elimination strategy', a targeted, multidimensional, and integrated approach.

Figure 4.12: Integrated poverty elimination services provided, 2018/19-2014/25



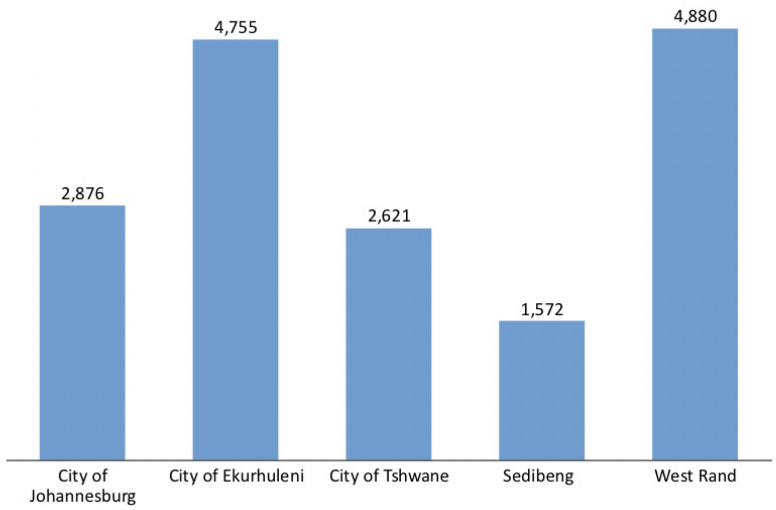
Source: GDSD 2022/23 APP

Through the multidimensional approach of the single window urban and hunger elimination strategy, GPG is allocating resources to poverty-targeted initiatives such as distribution of food parcels and provision of dignity packs and school uniforms to the most vulnerable citizens in townships across the province. Over the medium term, GPG will be increasing the provision of food parcels to 2 million food-insecure and vulnerable people, particularly in townships; expanding the number of learners receiving dignity packs; and increasing the provision of school uniforms to children from disadvantaged backgrounds in schools in previously disadvantaged communities.

4.2.4.2 War on Poverty profiling programme

GPG's War on Poverty profiling programme is a central repository where information is collected about targeted communities in the province.

Table 4.5: War on Poverty profiling programme: number of households profiled to date



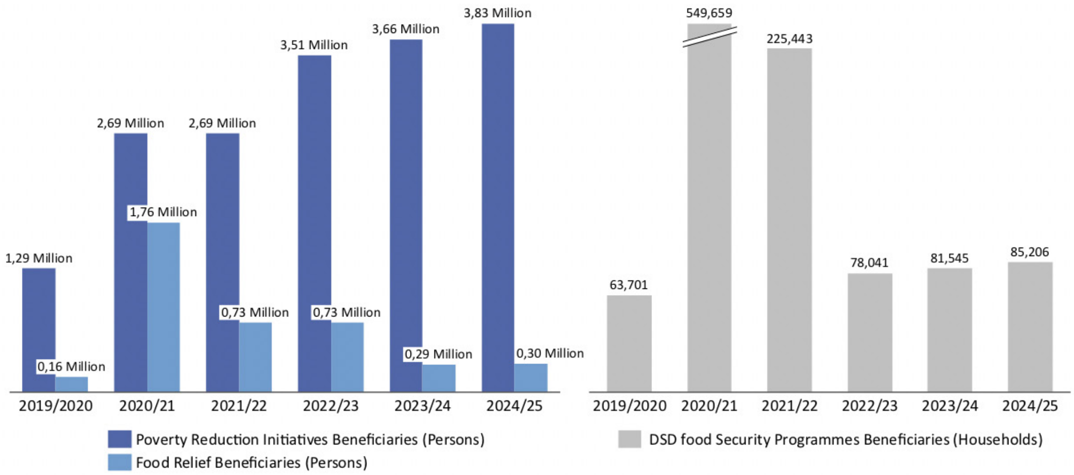
Source: GDSD 2022/23 APP

Over the 2022 medium term, the GPG will continue to implement the War on Poverty profiling programme. This programme enables the provincial government, through the Department of Social Development and sector departments, to provide integrated services where they are most needed. These are a basket of social relief services targeted at the most vulnerable households in townships across the province, providing resources including food parcels, social grants and housing opportunities.

4.2.4.3 Food security programmes

Securing food security for all citizens in the province and ensuring that no one goes to bed on a hungry stomach is one of the key priorities of the provincial government. GPG is continuing with the implementation of food security programmes targeted at the most vulnerable citizens in the province, in townships and in economically disadvantaged areas.

Figure 4.13: Number of people benefiting from food security programmes, 2019/20-2024/25



Source: GDSD 2022/23 APP

The number of people benefiting from food security programmes in the province continues to grow as the provincial government extends the initiative to reach more people in need. Over the 2022 medium term, GPG will continue to implement food security programmes such as distribution of food parcels and community-based feeding programmes.

The provincial government has developed a 20 Year Food Security Plan that aims to achieve the constitutional right of access to food for all residents living in the province. The plan sets out a portfolio of targeted strategic programmes to address food insecurity in the province in a comprehensive way and to reduce the levels of hunger and inadequate access to food by half by 2030. The plan has the following aims:

- No more than 5% of the population should experience hunger
- No more than 10% of the population should experience inadequate access to food
- No more than 13% per cent should live in poverty by 2030.[73]

4.2.5 Building safer communities

High levels of crime in the province remain a great concern, particularly given the violent nature of many crimes and their impact on the most vulnerable citizens in the most disadvantaged communities across the province.

73 Gauteng 20 Year Food Security Plan

Figure 4.14: Gauteng crime statistics, Q1: 2018-2022

CRIME CATEGORY	April to June 2018	April to June 2019	April to June 2020	April to June 2021	April to June 2022	Count Diff	% Change
CONTACT CRIMES (CRIMES AGAINST THE PERSON)							
Murder	987	1 181	675	1 197	1 490	293	24,5%
Sexual Offences	2 418	2 460	1 497	2 632	2 415	-217	-8,2%
Attempted murder	1 038	1 160	769	1 173	1 434	261	22,3%
Assault with the intent to inflict grievous bodily harm	8 781	8 837	5 295	8 743	7 835	-908	-10,4%
Common assault	9 938	10 162	7 465	11 036	10 461	-575	-5,2%
Common robbery	4 429	4 427	2 239	3 814	3 505	-309	-8,1%
Robbery with aggravating circumstances	12 890	13 125	7 939	12 491	13 192	701	5,6%
Total Contact Crimes (Crimes Against The Person)	**40 481**	**41 352**	**25 879**	**41 086**	**40 332**	**-754**	**-1,8%**
Total Sexual Offences							
Rape	1 871	1 966	1 170	2 039	1 909	-130	-6,4%
Sexual Assault	415	370	253	467	417	-50	-10,7%
Attempted Sexual Offences	71	60	35	71	47	-24	-33,8%
Contact Sexual Offences	61	64	39	55	42	-13	-23,6%
Total Sexual Offences	**2 418**	**2 460**	**1 497**	**2 632**	**2 415**	**-217**	**-8,2%**
SOME SUBCATEGORIES OF AGGRAVATED ROBBERY							
Carjacking	2 016	2 204	1 367	2 704	3 113	409	15,1%
Robbery at residential premises	2 092	1 885	1 299	1 819	1 810	-9	-0,5%
Robbery at non-residential premises	1 610	1 647	1 118	1 683	1 588	-95	-5,6%
Robbery of cash in transit	30	12	11	12	18	6	50,0%
Bank robbery	1	0	0	0	0	0	0 Count
Truck hijacking	180	149	93	245	302	57	23,3%

Source: Police Recorded Crime Statistics Republic of South Arica

The scourge of domestic violence against women and children, including sexual assaults, remains amongst the biggest challenges in the province. According to statistics given in the figure above, there has been progress over recent years in dealing with this challenge but more still needs to be done to protect the most vulnerable citizens in the province. Murder and attempted murder rates in Gauteng remain disturbingly high, with an overall increase of 25% and 22.3% respectively between April to June 2018 and April to June 2022. Robbery with aggravating circumstance rates increased by 5.6% in the period under review, with more citizens at risk of becoming victims of violent crime. Robbery of cash in transit vehicles increased by 50% between April to June 2018 and April to June 2022. Rates of sexual offences, which include rape, sexual assault, attempted sexual offences, as well as contact sexual offences declined by 8.2% between April to June 2018 and April to June 2022.

Given the grave reality of crime facing Gauteng, the provincial government remains committed to improving the safety of the province's people through monitoring police performance and rolling out crime prevention initiatives aimed at reducing crime and building safer communities. GPG's primary focus is on the priority crimes of violence against women and children, murder and house robberies particularly in townships and urban areas. Through the provincial Department of Community Safety, GPG is undertaking the following crime reduction initiatives.

Figure 4.15: Crime reduction initiatives

- Recruitment Drive to Increase Police Visibility
- Impact of Community Policing Forums
- Elimination of gender-based violence
- Operation O Kae Molao
- Introduction of Eyes and Ears Programme
- E-policing
- Training of CFP members & Patrollers
- Fighting GBV

4.2.5.1 Recruitment drive to increase police visibility

Recruiting more police officials and their increased visibility, are key to crime reduction. To achieve this, GPG is undertaking the following measures:

- Employing 400 additional traffic police officers over the medium term
- Providing police officials with 100 high-performance vehicles fitted with crime-fighting technology
- Providing 50 additional patrol cars
- Making provision for 12 additional mobile police stations that will also operate at public events and on highways 24 hours per day.

4.2.5.2 Community Policing Forums

Community policing is the first line of defence and a force multiplier in ensuring that our streets and homes are safe. To this end, GPG has and will continue to undertake the following initiatives:

- Training 4 234 Community Policing Forum (CPF) members, resulting in increased police visibility particularly in high crime areas
- Making provision for an additional 5355 patrollers
- Training CPF members: the GPG has trained 221 and will train a total of 1000 CPF members.

4.2.5.3 Elimination of gender-based violence

To address the scourge of femicide and gender-based violence (GBV) across the country and in the province, through the Gauteng department of Community Safety, GPG is undertaking several interventions.

- Providing psycho-social support to survivors of GBV with a focus on closing GBV cases and supporting interventions in institutions of higher learning
- Monitoring the functionality of Victim Empowerment Centres/Victim Friendly Rooms
- Rolling out Green Doors in GBV high-risk areas informed by crime trends
- Providing training to Law Enforcement Agencies(LEA) officers on gender-based violence and femicide (GBVF)
- Conducting case-tracking on identified GBVF cases
- Supporting the implementation of the National GBV Action Plan and the Provincial GBVF Strategic Plan
- Deploying GBV brigades in all wards
- Appointing dedicated GBVF social workers
- Recruiting safety volunteers participating in GBV brigades.

4.2.5.4 Operation O Kae Molao

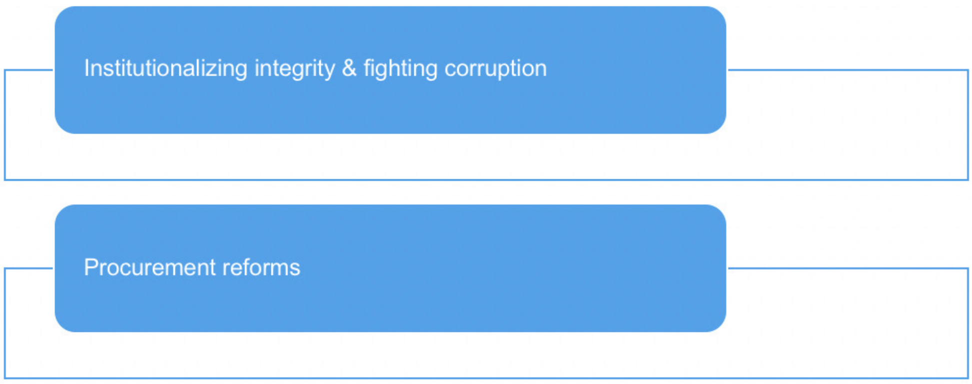
Operation O Kae Molao is a corner stone programme for ensuring that law and order are maintained in the province. It is guided by the principle of maintaining law, order, peace, security and stability and creating an environment enabling all citizens of Gauteng to participate in social and economic activities. The programme aims to reclaim areas of the province controlled by criminals and to enforce laws and by-laws without fear or favour. By implementing this programme, GPG aims to reach the following milestones over the medium term:

- Reduced levels of serious and violent crimes in the province
- Reduced number of Gauteng police stations from the national list of top 30 highest crime volume
- Neutralised organised crime syndicates in Gauteng
- Continuous identification and addressing of the root causes of crime
- Radically reduced volume of crime in the province
- Adequate response to the demand for policing.

4.2.6 Clean governance

Clean governance is key to a capable, ethical and developmental state. GPG remains committed to building a strong ethical culture and cementing clean governance through institutionalising ethics and ethical leadership in the provincial government and society in general. GPG's aim is to build a culture of integrity among public officials, public servants, businesspeople, and civil society. To achieve this, it is taking the initiatives shown in the figure below.

Figure 4. 16: Clean governance initiatives



4.2.6.1 Institutionalising integrity and fighting corruption

Eradication of corruption among public servants, business partners and civil society requires a robust governance structure to give strategic direction on acceptable ethical behaviour in the GCR. The GPG has established the civil society-led Gauteng Ethics Advisory Council (GEAC) to assist with building an ethical culture in the GCR. Through the GEAC, the provincial government aims to address the following key issues:

- Prevention: Ensuring the implementation of proactive measures including, among others, mobilising citizens to fight corruption and promote integrity.
- Detection and investigation: Focusing detection and investigation in high-risk departments.
- Prosecution: Prioritising the prosecution of all those implicated in corrupt activities.
- Recovery: Monitoring the reporting of financial misconduct and economic crimes cases concluded and referred to the Asset Forfeiture Unit for recovery.

4.2.6.2 Procurement reform

The rampant corruption that has been experienced in procurement processes has prompted the GPG to act swiftly to deal with this problem. Through implementation of the Open Tender System which has great potential to improve the integrity of procurement processes, the GPG has laid a firm foundation for clean governance. The Open Tender System is also aimed at determining the causes of regressions and incidences of corruption, non-transparency and delays in payments. Other procurement-related reforms include:

- Fraud detection reviews for all tenders above R10 million
- Signing of an integrity pact with all service providers who do business with government
- Introduction of an e-procurement system.

4.3 Conclusion

The continued migration of people into the province in pursuit of economic opportunities and access to social services such as healthcare and education continues to put a strain on GPG's capacity and resources to deliver on its social mandate. The areas most affected are townships and under-served rural communities across the province. In delivering much-needed social programmes to the most vulnerable citizens and households, the provincial government is therefore encouraged to continue and expand the provision of social programmes as well as initiatives that target previously disadvantaged communities in order to deliver much needed social relief to the most vulnerable citizens and household in the province. The provincial government will continue to invest in ICT infrastructure in township schools whilst simultaneously strengthening security measures to ensure that this infrastructure is secured. The investment in Schools of Specialisation is yielding great results for the province and GPG will give consideration to expanding the initial number of schools targeted.

The GPG will also be expediting the introduction of coding and robotics at the early childhood development and primary schooling stages to ensure that young people from townships across the province have the opportunity to access modern and advanced education which will equip them with the skills needed to compete in the modern world. The provision of access to housing opportunities and undoing spatial inequalities is one of the key pillars of any developing society;GPG is therefore take steps to addressing bottlenecks related to providing housing opportunities to those in need in the province. The provincial government is continuing with to fight the challenge of poverty through a host of poverty alleviation initiatives, including implementation of the 20 year food security plan. The GPG also remains committed to fighting crime and ensuring the safety of all residents of and visitors to the province and is continuing to explore modern and advanced methods to enhance e-policing. Improved governance remains a key priority for the GPG and it continues to strengthen governance systems, collaborate with law enforcement agencies to hold perpetrators accountable and improve its ability to provide much-needed social services to the citizens of Gauteng.

NOTES

Contact Information:

Physical Address:
75 Fox Street, Imbumba House,
Johannesburg
2107

Postal Address:
Private Bag X12,
Marshalltown,
Johannesburg,
2107

Switchboard:
011 227 9000

Email address:
GPTCommunications@gauteng.gov.za

Website Address:
www.gauteng.gov.za

FC Image:
Author Unknown, [ONLINE]. https://www.icapts.co.za/events/infrastructure-finance-project-finance-ppp/

PR294/2022
ISBN: 978-0-621-50709-6

GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

GGT2030
GROWING GAUTENG TOGETHER