



**SPEECH BY THE HONOURABLE BARBARA CREECY GAUTENG
MEC FOR FINANCE ON THE OCCASION OF THE TABLING OF THE
MEDIUM TERM BUDGET POLICY STATEMENT 2018 AND THE
PROVINCIAL ADJUSTMENT APPROPRIATION 2018/19**

Madam Speaker;
Honourable Premier;
Colleagues in the Executive Council;
Honourable Chief Whip;
Honourable Members of this House;
Mayors and MMCs present here;
Heads of our departments;
CEOs of our public entities;
Representatives of business, organised labour and civil society
Comrades and Friends

It is a great honor and privilege for me to present to this House today the 2018 Medium Term Budget Policy Statement and Adjustment Budget, the fifth and last of this Administration under the leadership of Premier David Makhura.

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

- The Medium Term Budget Policy Statement 2018

- The Adjusted Estimates of Provincial Revenue and Expenditure 2018
- Adjusted Estimates of Capital Expenditure 2018
- A copy of my Speech

Last year Gauteng's Medium Term Budget Policy Statement identified four important tasks we needed to achieve to place our province and our country on a better trajectory. Namely to:

- Re-establish good governance and root out state capture and corruption;
- Promote sustained and inclusive growth to create jobs, reduce inequality and transform our economy;
- Restore the health of our public finances so that our revenue collection meets our expenditure needs; and
- Harness our collective energies for social and economic transformation, through a new social compact between government, business, organized labour and civil society.

Let us acknowledge at the outset, Honourable members that under the leadership of President Cyril Ramaphosa, our country as a whole, has indeed taken important strides forward.

But, inclusive growth, significant job creation, and economic transformation remain our biggest challenges.

World growth is projected to reach 3.7% this year and next, creating a broadly favorable climate for domestic growth.

Here at home, National Treasury has reduced growth projections to only 0.7%, citing a combination of weak consumer and business confidence, and the tight fiscal environment.

In Gauteng, second quarter figures show declines in agriculture and mining production. The retail and transport sectors contract in the face of weaker consumer demand.

Our people face severe hardship: high fuel costs, the VAT increase, tolls and food prices eat into family earnings. One in three bread winners faces unemployment. These families are dependent on government provision of health, education and a range of social services.

Yet the resources available cannot be substantially expanded without faster economic growth and job creation.

As newly appointed Finance Minister, Tito Mboweni said, in his Medium Term Budget Policy Statement in October: our country is indeed at a crossroads.

Led by our President, government as a whole has been working hard to ensure that we all choose the path of sustainable and inclusive growth.

The Inaugural South Africa Investment Conference unleashed an unprecedented wave of goodwill amongst those who hold the purse strings in our economy.

The investment momentum ignited by what is now over three hundred billion rand's worth of commitments, continues to inspire confidence.

The Investment Conference followed hard on the heels of the Jobs Summit. Here social partners signed a landmark Framework Agreement to drive job creation, job retention and economic growth.

Last week our own province co-hosted the inaugural Africa Investment Forum which brought together business, financial institutions and governments in a single market-place to close Africa's infrastructure gaps.

In the course of the forum, the African Development Bank and its partners were able to screen projects, assist governments to improve the quality of bids, and introduce them to potential private sector partners.

Provincial projects including the Gautrain Expansion, the Kopanong Precinct and the school building PPP attracted a lot of positive attention.

The Forum resulted in a total investment of thirty-eight billion dollars on the African continent as a whole.

Gauteng itself has proudly added 6.8 billion dollars or ninety-two billion rands worth of infrastructure investment to our province. A significant contribution to the President's efforts to raise a 100 billion dollars - worth of investment in five years.

In September, National Government announced an economic stimulus and recovery plan focused on five interventions including growth-enhancing reforms; budget re-prioritisation, establishment of an infrastructure fund; addressing urgent matters in education and health and investing in municipal social infrastructure.

Here in Gauteng, we have, throughout this term, understood that investment and inclusive economic growth require active intervention from policy makers.

We will continue to ensure our province contributes to the national economic stimulus and recovery plan. Our target is to enhance our private sector partnerships, improve the ease of investing in Gauteng, ensure better public access to government services, improve the skills and employability of young people and protect our vulnerable citizens from the worst effects of unemployment and poverty.

In April this year Premier Makhura and Minister Rob Davies opened the re-vamped provincial InvestSA One Stop Shop. The purpose of the investment centre is to provide professional advice and reduce regulatory inefficiencies and red tape for potential Gauteng investors.

Since 2014/15 the center, has directly facilitated 115 investments worth R10 billion in the Gauteng City Region. These investments are divided into R6.9 billion worth of foreign direct investment and R3.1 billion worth of domestic direct investment. As a result, fourteen and a half thousand jobs were created.

But more needs to be done. According to a recent World Bank Report entitled Doing Business in South Africa 2018, our metro governments in

Johannesburg, Tshwane and Ekurhuleni under -perform when it comes to the ease of accessing construction permits, getting electricity, registering a property and enforcing contracts.¹

It is clear that conditions are ripe for investment in our City Region. We can only appeal to our metros to seize the moment to enhance our competitiveness as a destination.

Better public access to government services, and enhanced efficiency in decision-making also promote a region's investment status. In this regard, the provincial government has taken important strides to modernize public services by making 36 on-line e-services available on a common platform.

Our recent ICT audit showed there is still much room to streamline and rationalize services within the provincial government as a whole. We are still far from having a truly integrated Smart City Region, something we could make an affordable reality if the three metros worked with us to combine their ICT plans and budgets.

According to Dark Fiber Africa (DFA), Gauteng currently has over 10 000 kilometers of fiber. The time has come to look at how government and the private sector as a whole can jointly utilize this resource to speed up economic and public sector modernization.

Madam Speaker, of concern to residents and businesses alike, is the high crime-rate in our province. We accordingly welcome the recent announcement by the Acting Police Commissioner Major Max Masha of

¹ World Bank. 2018. *Doing Business in South Africa 2018*

a crime crackdown over the festive season that will target aggravated robbery; cash in transit heists; an intensified war on drug traffickers and illegal miners; as well as protecting shopping malls and enforcing road-safety regulations.

What we all hope, Honourable MEC, is that our National Commissioner will come to understand that for citizens and businesses to flourish, this important initiative must continue each and every day of the new year!

Fellow members, it is well known in this House, that in this term Government developed a provincial Infrastructure Master Plan and set aside resources for a more inclusive spatial and economic landscape.

In 2017/18 the Gauteng Provincial Government spent R11.2 billion on infrastructure delivery. This is the fourth year in a row where we succeeded in spending by more than 97% of the appropriated budget.

We have also worked hard to integrate new players into existing and new value-chains, and rebuild and, modernize the city region.

Through our infrastructure investment over the last four years, we have built over 30 new schools; rehabilitated another 33; completed 2 new provincial hospitals and three clinics, as well as building 8 new libraries, and 10 multi-purpose combi-courts.

We have also upgraded 110 kilometres of roads and rehabilitated a further 345 kilometres. In the coming six months, we will be fix another 50 kilometres of roads.

Our infrastructure investment is estimated to have added R41 billion to the provincial economy over the last four and a half years; to have created or sustained 265 000 jobs and created 499 000 EPWP opportunities.

Over the next eighteen months our infrastructure spend can add a further R15 billion to the provincial economy, sustain 95 000 jobs and create 260 000 EPWP opportunities.

There can be no excuse, Honourable Members, for any provincial department or any municipality underspending on infrastructure budgets. We must all be clear that in these trying times failure to spend infrastructure budgets is nothing short of immoral.

It deprives our economy of much needed stimulus, it deprives communities of badly needed facilities and most importantly of all, it hampers our ability to create work which is the number one priority of all our citizens.

Throughout the term, our government has pursued a systematic repositioning of the economy by using governments' significant procurement muscle to drive economic inclusion and broad-based black economic empowerment.

Over the past four and a half years, Gauteng has spent 91% of our procurement budget amounting to R76 billion procuring goods and services from businesses owned by historically disadvantaged individuals, including more than 10 000 black-owned enterprises.

When Gauteng first adopted the open tender procurement system, concerns were expressed that this would undermine our transformation programme. At that time, Premier Makhura argued strongly that open and transparent government is in no way a threat to economic transformation.

I am happy to share with this house today that through the Open Tender Procurement System, as at the end of the previous financial year, eighty tenders have been awarded to 570 suppliers.

Ninety one percent of these companies are black-owned. In rand terms 88 percent of the spend went to these same companies owned by historically disadvantaged individuals.

We can now say without a shadow of doubt that there is absolutely no contradiction between good governance and economic transformation!

Perhaps our most innovative approach is the Township Economic Revitalisation Programme. Here over ten thousand township entrepreneurs have had an opportunity to register on the central supplier database. Since 2014 we have procured goods and services from forty three percent of these to the value of R10.7 billion.

Support for emerging township enterprises over the past four years led to the successful establishment of more than 30 township industrial or business centers. This includes direct investment by this administration in ICT incubation facilities and industrial parks.

Honourable members, this provincial government has recently launched the Pitching Booster which seeks to unearth and support township manufacturers and producers.

This process allows SMMES and Cooperatives to pitch concepts that will assist the Province in accelerating job creation. Winning pitches will be allocated grant funding of between forty to a hundred and fifty thousand rand.

This year we have also made improvements in paying our suppliers within 30 days. We can now include the Department of Education in the category of Departments who pay over 90% of their invoices within 30 days and 82% of their invoices within 15 days!

Even the Department of Health has managed to pay half of its suppliers within 30 days in the first six months of this year!

Through our radical transformation approach, we have decisively intervened to grow companies owned by historically disadvantaged individuals and support small enterprises and co-operatives in townships.

Many of these co-ops and enterprises have been created through targeted spending on Gauteng's Care Economy.

Every school day we provide nearly one and a half million learners with a nutritious meal. We are transporting 100 000 learners to school. Since 2014, we have provided 894 000 food parcels to families in our

province. Over the last four years we have distributed just over 500 000 school uniforms and over 1 million of dignity packs.

These services have not only benefitted vulnerable individuals and families. They have also created sustainable livelihoods for eighty- two thousand breadwinners. This includes 24 000 school patrollers; 17 500 food handlers; 9000 scholar transport operators and 32 000 women who no longer need the child care grant. They are now gainfully employed in co-operatives and micro enterprises.

Tshepo 1 Million has been our most successful provincial partnership with the private sector. We have provided more than 510 000 young people with specific skills and facilitated their access into the labour market; Gauteng province has created 420 000 net jobs since 2014.

Over the next eighteen months Tshepo One Million aims to create a further one hundred and eighty thousand opportunities through training, internships, and self -employment initiatives.

Concerted effort by Government and the private sector has resulted in the first green shoots. Third quarter figures for the manufacturing, retail and mining sectors are showing upward trend. The quarter on quarter improvements are modest, but they do indeed offer renewed hope to us all.

I ask you Honorable members, to join me today in commending our President for his very bold leadership of the economy. There is simply no other leader in our country at the moment, who has gained so much confidence from both black and white business.

Today we also celebrate the results of the Gauteng City-Region Observatory's 5th Quality of Life Survey (2017/2018) which were released on Tuesday.

The survey shows that despite very challenging economic conditions, and continual in-migration, the overall quality of life in the province continues to improve.

Measured through a 'Quality of Life Index' made up of 58 different variables, overall quality of life in Gauteng has steadily increased from a value of 6.02 in 2011 to the current value of 6.30.²

The survey, the biggest of its kind on the continent, also indicates that satisfaction with provincial government in particular, has improved since the last time the survey was run in 2015/16.

In spite of continued high levels of population and household growth in Gauteng, the QoL survey shows that levels of access to services have remained stable.

This is a considerable achievement. From 2014, Gauteng's population has grown from 13.2 million to 14.7 million in 2018 as per the Mid-Year Population Estimates published by Statistics South Africa.³ This represents an annual average growth rate of 3%,

² <http://gcro.ac.za/research/project/detail/quality-of-life-survey-v-201718/>

³ http://www.statssa.gov.za/?page_id=1854&PPN=P0302&SCH=7362

Last month, Finance Minister, Tito Mboweni, emphasized that it is imperative that we not only make the correct economic choices, but we also make the correct fiscal choices.

He called on all of us to join a common battle to keep the expenditure ceiling, so we reduce national debt and cut borrowing. He was adamant that as a country, we have to live within our means. He stressed that as a public sector, we must choose investment over consumption.

We, in this ANC -led administration, understand that tough economic times, mean Gauteng's residents are ever more dependent on this government to provide them with both social services and economic opportunities.

We also understand that in the absence of sustained growth, our tax base will not improve. This means if we must expand services, we have to take difficult decisions:

- We must manage our wage bill, so it does not exceed 60% of our budget;
- We must continue to reform our budgets, so we move more resources from the head to the tail;
- We must sustain good financial governance and above all combat irregular, fruitless and wasteful expenditure; and
- We must assist in restoring good governance to our municipalities.

Honourable members as you are aware, over the past four years, we have managed to stabilize the provincial wage- bill below 60 percent of the total budget. Our intention has been to manage the threat of crowding-out spending on infrastructure and goods and services.

In October, Minister Mboweni said National Treasury will not allocate additional money to fund the public service wage -agreement and that national and provincial departments are expected to absorb these costs within their compensation baselines.

Most of our provincial departments can absorb the additional costs of the wage- agreement as they are under-spending on compensation.

However, the Departments of Health and Education are not in a position to do this without seriously compromising frontline services. To assist in maintaining frontline services in schools and hospitals, we must compensate the two departments from the provincial revenue fund.

We want today to commend the Department of Education for taking proactive steps to re-allocate teaching posts from schools with reduced leaner numbers to where they are needed most.

I urge the Department of Health to develop and implement a proper human resource plan that treads the thin line between managing the compensation budget and ensuring medical staff, are appointed to critical posts.

One of the major risks to the sustainability of the provincial health system comes from budget over-runs in the five academic hospitals. A major contributor here is the steady reduction in conditional grants to fund these hospitals from the national fiscus.

It is our belief that funding for these institutions, which are essentially national in character and usage, needs re-calibrating. We hope that this

matter will receive attention as part of the national stimulus and recovery plan.

Gauteng Province has sustained our record of clean and unqualified audits and today we ask you to celebrate with us the fact that this is the third year in a row that all Gauteng departments and entities have unqualified audits. This celebration is all the more special Honourable Members because we are the only province in the country to achieve this!

Our major concern remains the high level of irregular expenditure which prevents a number of departments from moving to clean audit status.

In November we will table the Gauteng Finance Matters Amendment Bill in this house, so we enshrine the Open Tender System in law. Last year this system prevented R1.5billion in irregular expenditure. In our view it remains the only sustained and systematic instrument to eradicate irregular expenditure across the province going forward.

The financial sustainability of our municipalities poses a significant risk to service delivery and the financial health of government as a whole.

As Honourable Members know, Provincial Government has intervened in Emfuleni in terms of section 139 of the constitution.

We are currently finalising the Financial Recovery Plan with National Treasury. This focuses on the development of a financial resources plan; revenue management; expenditure management; indigents management and local economic development.

We have also had several engagements with Eskom and Rand Water to discuss how we work together on debt recovery, distribution losses and billing for services. As provincial government we have already used our own resources to improve waste collection and road maintenance in Emfuleni.

The West Rand District Municipality is also facing a difficult financial situation. A team from Provincial and National Treasury and COGTA recently conducted a high-level investigation into the municipality's finances.

This report is currently being finalised for consideration by National Treasury.

I also want to report to you today that the independent forensic investigation into the VBS investments made by Merafong and the West Rand District Municipality should be completed by the end of the month.

Over the past four months I have had two rounds of meetings with district and local municipalities who tabled unfunded budgets earlier this year. All have agreed to re-work their budgets, so they table funded budgets in the municipal adjustment process.

Provincial Treasury cannot allow delegated municipalities to table unfunded budgets. Municipalities, like the rest of us, must live within their means.

We are also resolute that no department should owe municipalities for services and rates. We continue to work hard in the debt management committee to ensure Provincial Government meets our obligations to municipalities. To date in the current financial year, we have affected payments to municipalities amounting to R820 million.

In preparation for this Budget Policy Statement, provincial government solicited the views of Gauteng residents through a social media campaign. I want to thank the over 1400 citizens for the comments and contributions we received.

Your views have shaped the content of this speech and are already guiding today's Adjustment Budget as well as the main Budget we will table in March next year.

I include a few of the suggestions that are representative of what we received:

- **Methelisi Dlamini from Randburg** said GPG must focus on opportunities to increase trade and investment in the Gauteng province so we grow the size of our economy.
- **Obokeng Mogole from Khutsong** and **Loyiso Janjies from Johannesburg** want more money spent on infrastructure, so we create work opportunities and tackle unemployment.
- **Mosinki Mosinki from Noordsesig** wants government to help young women to work rather than be dependent on child care grants.

- **Jaco Joubert from Centurion and Mohamed Riaz Bux from Lenasia** want more money spent to keep young people productively occupied through skills development, entrepreneurship and building recreation facilities. They also want crime and drug abuse to be a major focus.
- **Masingita Mashau from Vosloorus and Thabo Khumalo from Soweto** want government to prioritise spending on health and education.

We want to agree with the many public contributors who emphasized the importance of focusing spending on citizens' needs rather than on perks for politicians and officials!

We also agree that it is important for all Departments to heed the recommendations of the Auditor General, so we improve financial governance in all Departments.

The Adjustment Budget

Gauteng Province received no new allocations to the equitable share in the National Budget Adjustment. The only money we received from national government consisted of roll-overs amounting to R290 million.

Accordingly, the Provincial Adjustment comes mainly from our own revenue collection, which, fortunately, has surpassed our revenue targets by 10 percent.

In 2017/18, we successfully topped the R6 billion mark on collections. In fact, Honourable members Gauteng Province has managed to generate R25.5 billion in own revenue over the past four and half years!

I now turn to the adjustment budget which, as always, is guided by the Public Finance Management Act. Accordingly, it caters for unforeseeable and unavoidable events, the roll overs and an allocation of resources which have become available since the budget tabled in March.

An upwards adjustment of R1.9 billion is effected today. This takes the 2018-19 main appropriation of R121.4 billion to an adjusted amount of R123.2 billion. Additional funding is allocated as follows:

- **Office of the Premier:**

A total additional amount of R128 million is allocated. Included in this amount is R118 million for the compensation of families affected by the Life Esidimeni tragedy.

- **Economic Development:**

The Department receives R18.5 million which includes R7 million for the procurement of enterprise licenses for the Gauteng Economic Barometer that will give the province real-time information on economic performance.

- **Health:**

An additional R284.3 million is allocated to the Department. This amount includes R182.2 million for the improvement in conditions of service; R81.5 million for the South African Cuban Student Doctor Programme; R20.6 million for the payment of revenue collecting agencies who are doing a great job collecting patient fees from the Road Accident Fund; and a further R120 million for lease payments, and the acquisition of machinery, furniture and equipment for the new office building where the Department has re-located following the fire at the Bank of Lisbon.

- **Education:**

The Department is allocated a total amount of R438.2 million for compensation of employees. This amount includes R95 million to fill critical posts in districts, head office and schools. The remaining R343.2 million will be used to address the budget shortfalls in compensation.

- **Social Development:**

The infrastructure budget of the department is increased by R25.9 million to fund maintenance and to provide for the Occupational Health and Safety requirements at several facilities. R2.1 million comes from the Health and Welfare Sector Training Authority (HWSETA) for the payment of stipends to 35 social work interns.

- **Cooperative Governance and Traditional Affairs:**

A total amount of R65 million is added to the baseline of the department. This includes R20 million for servicing the pump stations on the Vaal River to mitigate effluent spillage, and R10 million towards the voter education awareness campaigns for the 2019 National and Provincial Elections

- **Human Settlements:**

Receives R49.2 million earmarked for the payment of rates and taxes to municipalities to cover outstanding debt for RDP houses awaiting transfer and five provincial hostels.

- **Roads and Transport:**

Receives an additional infrastructure amount of R329.9 million, to finalise the rehabilitation of road infrastructure projects that commenced last year. R42 million is specifically set aside to continue maintenance work on roads in Emfuleni,

- **Community Safety:**

A total additional amount of R32.5 million is added to the baseline of the department of which R20 million is to support projects that strengthen police visibility, crime prevention, combat drug abuse and promote road safety.

- **Agriculture and Rural Development:**

The department receives an additional amount of R20 million to implement Bontle Ke Botho projects which include waste collection in Emfuleni.

- **Sport, Arts, Culture and Recreation:**

The department's infrastructure budget is revised upward by R 86 million to fund the construction of seven libraries and to complete other capital projects including the Women's Living Heritage Monument and the Provincial Archives Centre. SRAC also receives a total additional amount of R5.5 million to support cultural festivals and emerging township productions, all of which support locally produced content.

- **The Department of E-Government:**

Receives an amount of R100 million to assist with shortfalls on the operating cost of the broadband network.

Honourable Members as I move towards conclusion, I would like to express my thanks to:

- Premier David Makhura who, over the last four and a half years has inspired us with his vision of a transformed, and modernised City Region and has earned our respect through his integrity and humble spirit of public service;
- My Colleagues in the Executive Council for friendship, support and

teamwork;

- The Honourable Members of this house and in particular the Finance Portfolio Committee under the able leadership of Honourable Sakhile Khumalo for diligent oversight of our provincial finances;
- Team Treasury, led by Ms Nomfundo Tshabalala, who work tirelessly and always with wisdom in managing our finances and supporting Departments, entities and Municipalities;
- The citizens of Gauteng who give us a mandate to govern and have offered me so many useful tips on social media on how to grow our economy and spend our budget; and finally,
- My family, who support and inspire me each and every day.

Honourable members as we struggle to make the right choices, choices that must help our country, our province and our people to prosper, it is important to draw inspiration from the father of our democratic nation. One of the world's greatest leaders, whose centenary we celebrate this year. The late President Nelson Rolihlahla Mandela advises optimism in the face of adversity. He counsels that:

“Part of being optimistic is keeping one’s head pointed toward the sun, one’s feet moving forward. There were many dark moments when my faith in humanity was sorely tested, but I would not and could not give myself up to despair.”

And so, we too here in the Gauteng Provincial Government will not give up. No matter the complex difficulties we face. Instead we will keep our heads pointed towards the sun and our feet forever moving forward.

I thank you

