



## **GAUTENG PROVINCE**

PROVINCIAL TREASURY  
REPUBLIC OF SOUTH AFRICA

### **SPEECH BY HONOURABLE NOMANTU NKOMO-RALEHOKO, GAUTENG MEC FOR FINANCE AT THE TABLING OF THE 2020/21 BUDGET VOTE OF GAUTENG PROVINCIAL TREASURY, VIRTUAL GAUTENG PROVINCIAL LEGISLATURE SITTING, 23 JUNE 2020.**

Madam Speaker;

Honourable Premier;

Colleagues in the Executive Council;

Honourable Members of this House;

The HOD of Gauteng Provincial Treasury;

The CEO of Gauteng Infrastructure Financing Agency;

Comrades and Friends;

Citizens of Gauteng who are listening to us on radio and watching us on various social media platforms right now;

Ladies and Gentlemen

### **INTRODUCTION**

Madam Speaker an organization that is deeply rooted in history of struggle, pioneering solutions to fundamental challenges in society and triumph over adversity, the cause of history tends to grant it, from time to time, a rare opportunity to revisit as well as retrace its steps to refresh memory of all its own cadres about the principal objectives of the struggle and its outcomes.

Today, as the peoples of the world, as South Africans and the people of Gauteng in particular, we are looking in the eye of a perfect storm precipitated by global public health emergency.

Covid-19 has stretched and tested health infrastructure and services all round to be able to save lives due to this pandemic, at the same time, with a strategic opportunity to re-imagine an inclusive economy and in which all can share in its growth which must set us on a new path which seeks to define an economic future we have been instructed at the Congress of the People in Kliptown 65 years ago, to put in place in a Post-Apartheid socio economic architecture for a united South Africa.

Today, I stand here before this august House not just as an ordinary day but summoned by rich and deep history of unity of our people in 1955 at the adoption of the Freedom Charter, which I would like to revoke its spirit this morning.

On 23 June 1955, executives of the African National Congress, the South African Indian Congress (SAIC), the South African Congress of Trade Unions (SACTU), the Coloured People's Congress (CPC) and the South African Congress of Democrats (COD) met in Tongaat.

This group, who later became known as the Congress Alliance, met to consolidate and develop a draft Congress document for the expected delegates in two (2) days' time, at the largest non-racial mass gathering at the time held on the 25<sup>th</sup> and 26<sup>th</sup> June 1955.

Speaker, the current crisis we are confronted with from the fallout arising from Covid-19, requires the same unity of our people to be able to mitigate the impact of current and post Covid-19 socio-economic future which has always been envisaged in the Freedom Charter albeit with a very constrained budget.

Madam Speaker, in March this year, I tabled the main provincial budget and outlined how we will work within the constrained fiscal environment to

fund the Growing Gauteng Together plan (GGT2030) which is an ambitious yet realistic plan and to put the province at a new trajectory.

The success towards the implementation of the GGT2030 which depends squarely on the ability of the provincial treasury to mobilise and avail financial resources in a form of a solid, sound and disciplined funding regulatory framework.

Our priorities are clear, concise, sound and eloquently elaborated in the GGT plan and are as follows

- Economy, Jobs and Infrastructure
- Education, Skills and Healthcare
- Sustainable Human Settlements, New Cities and land Release
- Safety, Social Cohesion and Food Security
- Sustainable Future for All
- Building a Capable, Ethical and Developmental State
- Building a Better Africa and Better World

But as you all know, Honourable Members, our economic situation and indeed that of the entire world has worsened since then. Today, all countries in the world are facing a global health and economic emergency resulting from the Covid-19 pandemic.

According to the World Bank's June 2020 *Global Economic Prospects*, the world's economy is experiencing the deepest contraction since World War 2. In fact, even some of the richest countries are grappling with biggest economic declines in per capita output since the year 1870.

South Africa is part of the globalized world, as such our economy has been plunged into a recession and is estimated to contract by 6% this year. Millions of our people have lost their livelihoods, while millions more have

been pushed into extreme poverty. Equality in our society has also worsened.

As Premier David Makhura said when delivering his Budget Vote Speech last week, the “GGT2030 will need to be re-imagined and rebooted because structural problems it sought to address have worsened in scale and depth” due to the Covid-19 pandemic.

I will discuss these matters in more detail when I present the Provincial Adjustments Budget to this House next month.

This budget will outline how we are funding our response to the prevailing health emergency. It will also allocate resources to key interventions aligned to the re-imagined GGT2030, so that we can over time address the social challenges that we are facing, transform and stimulate the provincial economy beyond this Covid-19 pandemic.

As part of this process, departments will be expected to reprioritize their budgets to ensure that we fund our current demands.

## **MANAGING EXPENDITURE ON COVID-19**

However, because these are extraordinary times, Provincial Treasury has since the outbreak of Covid-19, worked to support frontline departments and ensure that public funds are used in line with rules and regulations.

As Honourable Members will recall, as of 15 March 2020, Covid-19 has been classified as a Disaster in terms of section 23 of the Disaster Management Act, 2002 (Act No. 57 of 2002) (“the DMA”). New regulations under the DMA were introduced to slow the speed of Covid-19 transmission.

In response to the COVID-19 pandemic, Provincial Treasury issued a number of circulars with the aim to assist departments and entities, as follows:

- Guidelines or circulars to inform all departments, and Public Entities and the Provincial Parliament (where applicable) of financial measures to be put in place to respond to the pandemic.
- Provincial Treasury has provided advice to inform departments and Provincial Public Entities of the arrangements related to cash donations, budgeting, accounting and reporting in response to the pandemic as well as;
- Provincial Treasury is facilitating one payment run weekly for the duration of the crisis period, to ensure that departments are able to efficiently procure and pay services providers timely
- Several supply chain management instruction notes and circulars to guide emergency procurement, deviations and expansion of contracts

These and other measures related to Covid-19 have been mainstreamed into all our programmes to fully support departments, municipalities and public entities; and provide oversight to ensure compliance with rules and regulations when public funds are spent.

## **DEPARTMENTAL BUDGET VOTE 2020/21**

Honourable Members let me now turn to the Budget Vote of Provincial Treasury. Madam Speaker, the Department has been allocated a budget of R807 778 000 for the 2020/21 financial year.

We will use these resources to ensure that, working within this challenging environment, we fund provincial priorities, support departments and municipalities to effectively and efficiently manage their finances and promote good governance that enhances the delivery of quality public service to our people.

To realize these objectives, we will focus on achieving the following key outcomes:

- Enhanced sound finances in the province
- Increased compliance with legislated prescripts
- Sustainable local government finances
- Alternative sources of funding

## **ENHANCED SOUND FINANCES IN THE PROVINCE**

Honourable Members, we remain committed to support departments in spending allocated resources in a manner that promotes good governance and enhances service delivery.

That is why we welcome the fact that in the past financial year, departments spent a total of R128.3 billion or 97% of the budget to provide public services to citizens including education, social services and healthcare.

In addition, the province increased spending on conditional grants from R21.552 billion or 93% of the budget in previous financial year to R22 billion or 95% of the total budget. Expenditure on infrastructure amounted to R10.8 billion or 97% of the total budget.

Own Revenue Collection is extremely important for our province. It assists us to maintain spending on key priorities, even at the time when the equitable share from National Treasury is decreasing due to the country's economic challenges. I am pleased to report that in 2019/20 financial year, we collected a total of R7.2 billion and this means that we surpassed our adjusted annual target of R6.67 billion by 8.2%.

In line with our objective, we managed to contain the Wage Bill to not more than 60% of the total budget.

In this financial year, we will continue to work closely with departments to ensure that they comply with relevant legislation when they spend their budgets.

We also plan to start implementing the new Revenue Enhancement Strategy. We believe that optimisation and diversification of own revenue collection is critical in augmenting the equitable shares and conditional grant funding. This will assist the province to alleviate some of its financial constraints and provide resources where they are needed.

The Sustainable Fiscal Resource Management business unit is allocated a total of R171 million to achieve these and other objectives in the 2020/21 financial year.

## **INCREASED COMPLIANCE WITH LEGISLATED PRESCRIPTS**

### *Promoting good governance and transparency*

Honourable Members, as a custodian of provincial resources we promote integrity, good governance and ethical conduct in the management of financial matters in the province. We have implemented targeted interventions to assist departments, municipalities and public entities to comply with rules and regulations.

We have therefore allocated R131 million to Financial Governance business unit to support departments to comply with financial norms and standards and achieve unqualified audit outcomes. These includes implementing the following measures:

- Ensuring that Annual Financial Statements are submitted by all departments and entities;
- Consolidated Annual Financial Statements are tabled within prescribed timelines;
- Implement approved audit plans and issue reports to strengthen internal controls in departments and entities and

- Increase the number of suppliers who submit invoices electronically through the Electronic Invoice System so that they can be paid within 15 to 30 days.

The Open Tender System has been implemented in all fourteen provincial departments and six provincial entities. Provincial Treasury has issued correspondence to relevant departments, outlining its intent to decentralise the probity audit function in a phased approach, based on the readiness of individual departments. The decentralisation will allow Accounting Officers to take full responsibility for the complete value chain of the procurement function, in line with Section 38 of the Public Finance Management Act.

To further strengthen our internal control and regulatory environment and provide assurance through implementation of internal audits, we have allocated R129 million to Gauteng Audit Services (GAS) Business Unit for this financial year. The provision of independent, objective assurance and consulting service by GAS continues to add value to the operations of provincial government and strengthen the culture of good governance.

#### *Leveraging procurement to achieve radical economic transformation*

Honourable Members, this provincial government remains fully committed to use our procurement spend to accelerate economic transformation and inclusion of in particular, township enterprises. To ensure sustainability, GPG initiatives led by the Department of Economic Development include capacity building, as well as access to finance and markets in the mainstream economy.

In this financial year, we have allocated R128 million to the Provincial Supply Chain Management business unit to, amongst others, work with departments to improve spending on township enterprises to meet the provincial target of 30% of the procurement budget spend.

In addition, this business unit will continue to register township suppliers on the Central Supplier Database and capacitate them in key areas including how to submit bids for tenders so that they access government opportunities, grow their business and create jobs.

## **SUSTAINABLE LOCAL GOVERNMENT FINANCES**

Honourable Members, most of our municipalities in the province are facing severe financial constraints. This situation has been made worse by the ongoing health and economic emergency resulting from Covid-19, which has negatively impacted revenue collection cumulatively by as much as R5 billion as of end of May.

It has also negatively impacted on the progress we have been trying to make in supporting municipalities to table funded budgets for 2020/21 financial year. However, we will continue to work with municipalities in the strengthening and development of credible turnaround strategies that will support their budgets.

Honourable Members, municipalities were supported during the lockdown period through the reprioritisation of the USDG, UIDG and MIG grants totalling R1,2 billion. The funds were used on Covid-19 related measures as afforded by the transferring departments.

We continue to engage with departments to ensure that undisputed debt owed to municipalities for rates and taxes is paid. We also assist municipalities to resolve queries that they have with departments so that outstanding government debt can be paid.

As the MEC for Finance, I remain resolute in my undertaking to ensure that we pay municipalities what is due in terms of municipal services provided. I can confirm to this House that provincial departments have paid municipalities an amount of R2 billion for the 2019/2020 financial year. At present, we owe municipalities less than 1% of the total outstanding debt due to municipalities.

I also want to make an appeal to my colleagues in the Provincial Executive Council (EXCO) that although we are making good progress, we indeed can do more and that we must ensure that our departments settle their accounts as they become due with municipalities. Although our debt is very small in comparison to other categories of debtors like households

and business debtors, it will go a long way in improving the liquidity of our municipalities.

As Provincial Treasury, we are working closely with the Department of Cooperative Governance and Traditional Affairs in the province to mitigate the challenges faced by our municipalities including dealing with debt owed to Eskom and Rand Water.

In addition, we will continue to assist municipalities to strengthen financial management practices, through amongst other things:

- An oversight and support role on the implementation of municipal budgets;
- In-Year Reporting and financial performance.
- Building capacity and capability to strengthen financial management practices in supporting delegated municipalities and;
- Improved MFMA compliance by Gauteng delegated municipalities (across accountability cycle).

However, due to the Covid-19 pandemic, our intergovernmental deliberations are now taking place through online platforms, where important legislative updates, deliberations on their budgets and financial management regulations are discussed. I have done the same with my deliberations with the Members of the Mayoral Committee of Finance within Municipalities.

In relation to this, the Municipal Financial Governance business unit is allocated a budget of R76 million to support municipalities in the 2020/21 financial year.

## **ALTERNATIVE SOURCES OF FUNDING**

Honourable Members, our government component, the Gauteng Infrastructure Financing Agency (GIFA) continues to implement the important task of sourcing alternative funding to enhance infrastructure service delivery in this province.

GIFA's project pipeline now consist of 32 projects, with an estimated value of more than R40 billion. We will continue to develop these projects to a bankable stage to attract private sector funding over the medium-term period.

The following are key updates on some of GIFA's key projects:

- Significant milestone on Tshwane Innovation Hub project has been achieved. The South African National Space Agency (SANSA) has committed to 10-year lease agreement as the anchor tenant within the Innovation Hub. The agreement is awaiting approval by National Treasury.
- Kopanong Precinct Project will be delivered as a PPP to ensure the delivery of well-maintained government buildings, in a cost-effective manner whereby risk is transferred to the private party. This will ensure a safe and conducive working environment for GPG employees. A Request for Proposal (RFP) has been issued to the market for the refurbishment and development of Kopanong Precinct in four clusters. Bids are expected on 1<sup>st</sup> July 2020.
- We have completed the feasibility studies for the Agro-processing Hubs in the West Rand and Sedibeng, AIDC Disassembly Knock-down Hub, Tshwane Freight Rail Terminal (Pyramid South) and Lesedi Transit Hub. These projects are important to our plan "*Growing Gauteng Together – Our Roadmap to 2030*" and will be funded through leveraging private sector funding. The projects will be released to the market during 2020/21 period.
- We are working with the Presidential Infrastructure Coordinating Council (PICC) to obtain the generation licences for the Rooftop Solar panels Project at 16 Health facilities that have been divided into 4 clusters. This will enable government to conclude a contractual agreement with the private party to finance, build and operate the rollout of rooftop solar panels on these facilities. This project is in support of the provincial strategy of utilizing clean and

renewable energy that is sustainable and mitigates the impact of climate change.

We have acknowledged the delays on the delivery of projects earmarked for alternative funding. The main causes of these are protracted decision-making processes by the owners and confirmation of budgets particularly for public private partnership projects. We will be engaging relevant departments to resolve any challenges that are impeding progress on these projects. Later in the year, we will meet project owners at local government level with the same intentions.

GIFA has been allocated R66 million this financial year to fund its operations.

## **CONCLUSION**

Madam Speaker, I hereby submit Provincial Treasury's Budget Vote for 2020/21 financial year.

I thank you.