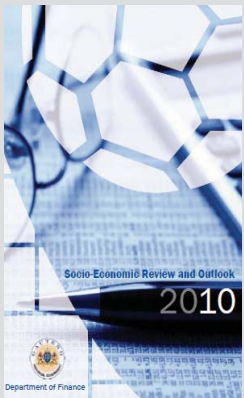


# THE HISTORY OF THE SERO



**T**he Socio-Economic Review and Outlook (SERO) publication plays an important role in public administration, through informing the policy-making process, to ensure that the process fulfils the values and principles of public administration.

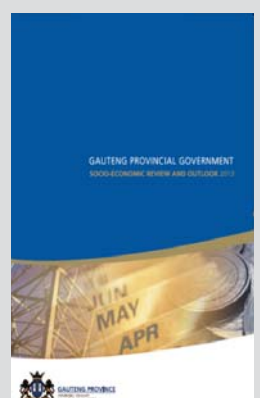
Section 195(1) of the Constitution of South Africa requires that all spheres of government provide an administration that is 'development-orientated', 'transparent and one that ensures services are provided impartially, fairly and equitably'. One of the persistent challenges facing the country is the need for government to redress the persistent levels of poverty, inequality and unemployment, to improve the livelihood of communities. One way to highlight these challenges is through in-depth research to examine improvements made as a result of policy implementation to alleviate poverty, inequality and unemployment, and to plan further policy engagements.

The publication of the SERO is a directive of the National Treasury to all provincial treasuries. The document provides socio-economic analyses that serve as a point of reference for policy-makers regarding service delivery and development challenges that need urgent attention from different spheres of provincial government. The findings of the publication aid the provincial government to achieve allocative efficiency and to respond efficiently in implementing the provincial strategic objectives.

The first Gauteng SERO was tabled in 2008 and it has since been published annually, together with the annual Estimates of Provincial Revenue and Expenditure, which are tabled in March in the Gauteng Provincial Legislature. Since its inception, the SERO has provided a wide range of analyses which have identified some issues for consideration relating to budget allocations and policy decisions.

In celebrating the 10th year milestone of the publication, this leaflet has been compiled to accompany the 2017 SERO, in taking the reader through a journey travelled since its inception in 2008. It looks at the policy issues that were identified in the past SEROs, focusing on how these issues have evolved since they were reported on. This leaflet profiles the policy focus in the SERO of selected issues and examines the progress made to date in addressing these focus areas. The profiled editions are for 2008, 2010, 2013 and 2016. In each case, data is reviewed from the year in which the profiled SERO reported and compared to the latest data currently available.

For more information on other publications of the SERO, please visit <http://www.treasury.gpg.gov.za/Pages/Documents.aspx>



**GAUTENG PROVINCE**  
PROVINCIAL TREASURY  
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward

# SERO 2008: Governance and Municipal Sustainability

The 2008 SERO was the first publication of the Gauteng Provincial Treasury. The publication consisted of five chapters, outlining the performance of the provincial economy in relation to the national economy. Chapter One highlighted the contributions of the Gauteng economy, comparing it to the performance of South Africa as a whole. Chapter Two looked at the demographic profile of the province, informing the reader about some of the defining characteristics of the province's population. Chapter Three analysed the labour market, whilst Chapter Four profiled development indicators of the province. The last chapter focused on governance and municipal sustainability within the province. It is this chapter that is profiled in the leaflet.

The 2008 SERO listed the objectives of local government as specified in Section 152 (1) of the Constitution (Act 108 of 1996) as follows:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to ensure social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in the matters of local government.

To achieve the second objective in particular, the financial viability of municipalities is pivotal in ensuring that the delivery of services is sustainable and the quality of life of residents is improved.

Corporate Governance, for the purposes of King IV, is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy.

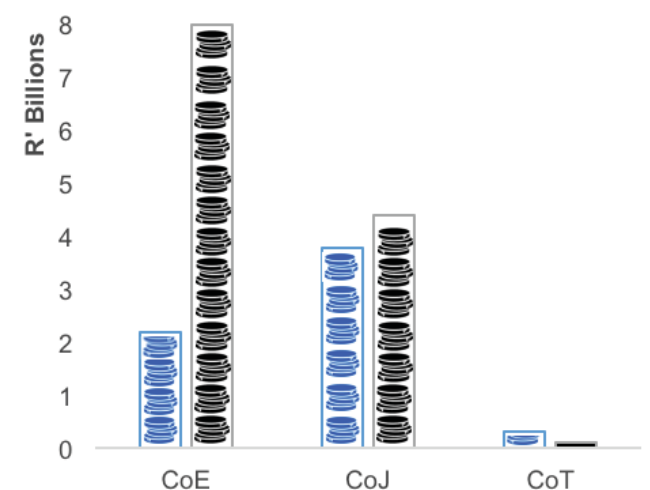
*King IV: Report on Corporate Governance for South Africa 2016*



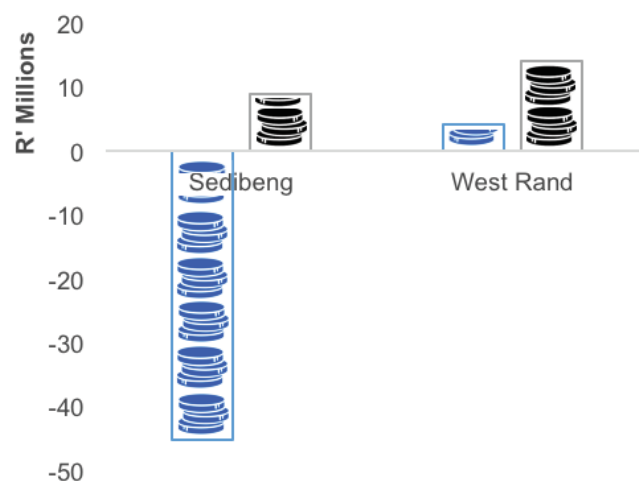
*Municipalities are funded by transfers from national and provincial governments, loans and own revenue, primarily through service charges*

Municipalities are responsible for their own budgets, which must be aligned with their Integrated Development Plans (IDPs). However, some municipalities were facing financial management challenges in 2008, such as difficulty in generating reliable revenue projection and credit control measures. The Municipal Financial

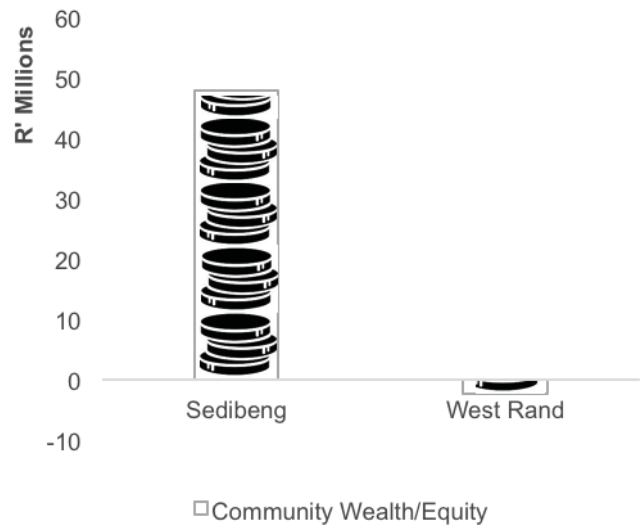
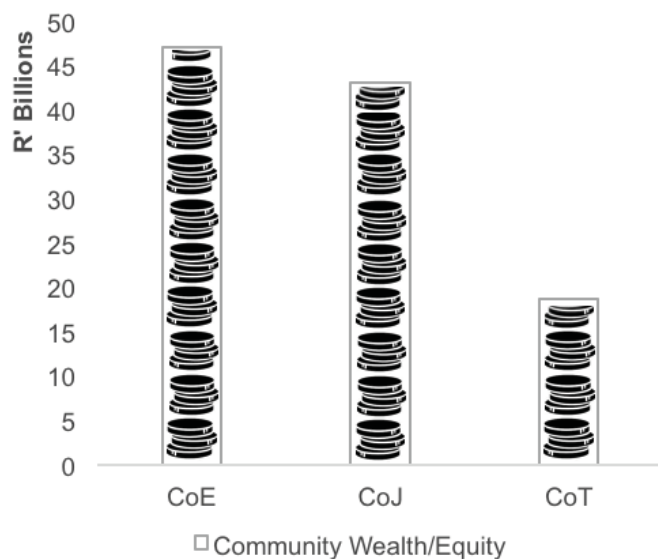
Management Act 56 of 2003 (MFMA) was enacted with the aim of promoting good financial management among municipalities and of empowering mayors and councillors in their leadership. The figure below shows Gauteng's municipalities' financial status for the 2015/16 financial year:



■ Surplus/Deficit 2015/16 ■ Cash and Cash Equivalents



■ Surplus/Deficit 2015/16 ■ Cash and Cash Equivalents



Source: Municipal Annual Financial Statements, 2017

Note: Community Wealth/Equity is calculated by subtracting the value of a municipality's liabilities from the value of its assets. In this way, it is equivalent to the equity of a private business enterprise. Cash and cash equivalents refer to the value of the company's assets that are in cash or can be converted to cash immediately.

Looking at municipal sustainability in the present time, the figures show that metropolitan (metro) and district municipalities in Gauteng appear to be managing their finances in a sustainable manner, at least for the most part. All but one of them have positive values for community wealth/equity, indicating that their assets exceed their liabilities in value. Their cash and cash

equivalents are all positive, suggesting solvency in the immediate short term. Four out of five also recorded a budget surplus in the 2015/16 financial year. The Sedibeng district municipality had a budget deficit of ZAR45.2 million in that financial year. This was, however, only equal to slightly more than ten per cent of its revenue of ZAR344 million for the year.

## SERO 2010: The Millennium Development Goals (MDGs)

The 2010 SERO made a desktop assessment of the impact of policies implemented in the province on the lives of citizens. Using socio-economic indicators, such as education, poverty, inequality, service delivery and human development, it examined the impact of development initiatives and evaluated the progress that the country and the province have made towards achieving the MDGs. In profiling the 2010 SERO, the leaflet focuses on developments regarding the MDGs.

Out of all the topics that were discussed in the 2010 SERO, the emphasis in this leaflet is mainly on the MDGs. The publication reported on various MDGs, including the statistics that measured the share of persons living on less than USD1 per day, adjusted for Purchasing Power Parity, and set a target for lifting all people above this level. The other MDG statistics reported on were 'achieving universal primary education' and 'reducing infant mortality'. The 2010 SERO primarily used data from 2008, as this was the latest available data at the time. The information below includes data from the 2015 MDG Country Report for South Africa.

The MDGs are part of the United Nations (UN) initiative called the Millennium Declaration of 2000, to which South Africa is a signatory. They aim to move the world towards the elimination of poverty. The Goals include reducing the number of people living in poverty, achieving universal primary education and reducing child mortality

SERO 2010

Share of Persons Living Below the Food Poverty Line, SA & Gauteng, 2008 & 2015



2008

2015

SA

34%

22%

Gauteng

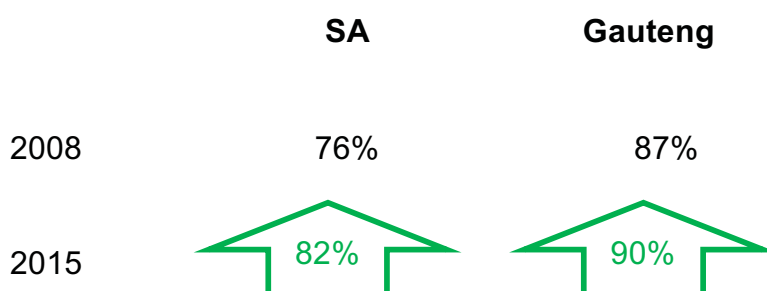
22%

16%

Source: IHS Markit, 2016

The Millennium Development Goals: Country Report 2015 by Statistics South Africa (MCRSA) stated that in 1994, 11.3 per cent of the population was living under USD1 a day and that this had fallen to 4 per cent by 2011.<sup>1</sup> This was lower than the MDG target, which was 5.7 per cent. However, the measurement of poverty has changed since 2010, and current publications and data providers use new poverty lines. The food poverty line measures the extent to which individuals are unable to purchase sufficient food that is adequate for nutrition. In 2008, the year reported on by the 2010 SERO, over one third of South Africans were living under the food poverty line, with a rate of 22 per cent recorded in Gauteng. By 2015, this had improved to 22.2 per cent in South Africa and 16 per cent in Gauteng.

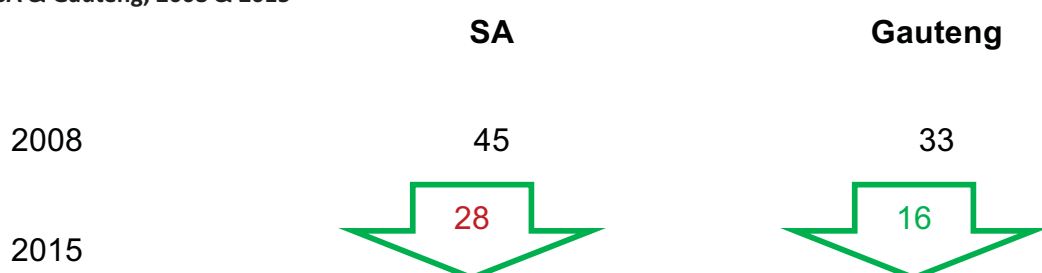
#### Persons Aged 20+ With Primary Education or Better, SA & Gauteng, 2008 & 2015



Source: IHS Global Insight, 2016

The MCRSA stated that in 1994 the net enrolment rate into primary education for male South African children was 96.5 per cent and for female South African children 96.8. By 2013, these rates had risen to 99.1 and 99.4 per cent, respectively. This was another MDG target successfully achieved. In 2008, over three quarters of all persons in South Africa aged 20 years or older had at least a primary education. In Gauteng, 86.5 per cent had a primary education or better. In both regions, this had increased by 2015, to 81.6 per cent in South Africa and 90.1 per cent in Gauteng.

#### Infant Mortality Rates, SA & Gauteng, 2008 & 2015



Source: Health Systems Trust and Gauteng Department of Health, 2016

Note: The Infant Mortality Rate is the number of children, out of every 1 000 born, that passed away before reaching the age of 12 months.

In 2008, almost 45 out of every 1 000 children born in South Africa did not reach 12 months of age. For Gauteng, this rate was just over 33 out of 1 000. The infant mortality rate was far lower in 2015, in both South Africa and Gauteng, falling to 15.5 in Gauteng specifically. Although the rate was lower in 2015, South Africa did not achieve this goal as per the MDGs. The MDG target that was set for 2015 was 18 out of every 1 000 children.

## SERO 2013: The Service Charter

The 2013 SERO featured an even stronger than usual focus on measuring access to services. It covered the standard economic topics, such as economic growth, inflation, etc. in South Africa and other countries, as well as international trade and the share of the economy contributed to by manufacturing, which was at 13.4 per cent for South Africa in 2011. In addition, the 2013 SERO contained chapters of all five municipalities in Gauteng at the time. These chapters had a strong focus on service delivery. This was also the focus of the Service Charter, a document signed in 2013.

The Service Charter was an agreement between government, as the employer, and its employees, the public servants, which detailed the roles and responsibilities of both as partners in the cause of bettering the lives of the people through improved service delivery.

We, the parties in the Public Service Coordinating Bargaining Council (PSCBC) representing the State as Employer and public servants:

...Uphold the Constitutional responsibility of the State clearly articulated in the Bill of Rights to deliver services to the citizenry...

Motivated by the proven value of collaboration in building a new South Africa, and encouraged by the willingness of all the parties in working towards a common goal of finding mutually-beneficial solutions to our common challenges...

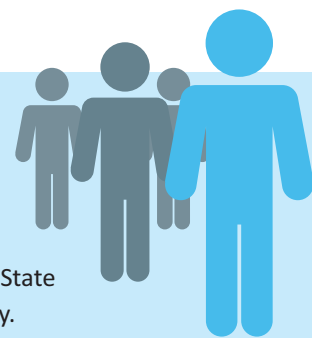
*The Service Charter*

<sup>1</sup> Statistics South Africa. (2015). Millennium Development Goals: Country Report 2015. Pretoria.

## Definition of the Service Charter:

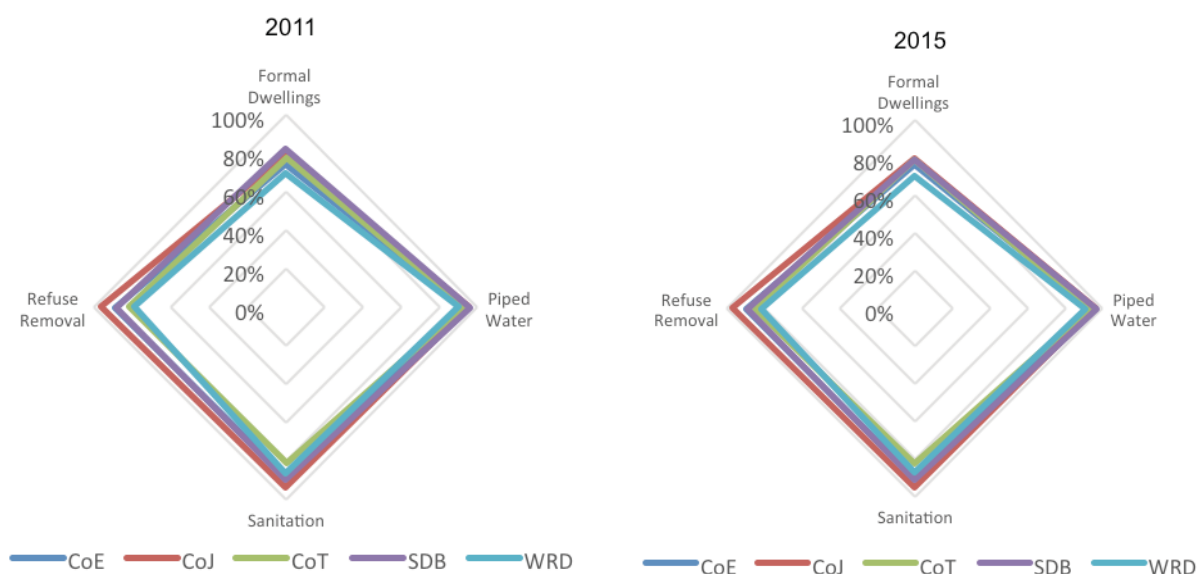
3.1 This Service Charter is a social contract, commitment and agreement between the State and public servants. It is a written and signed document which sets out the partners' roles and responsibilities to improve performance, enhance and fast track the delivery of services to improve the lives of our people.

3.2 It is a document that enables service beneficiaries to understand what they can expect from the State and will form the basis of engagement between government and citizens or organs of civil society.



The figure below displays the service delivery status for Gauteng municipalities in 2011 and gives an update on how the situation looked in 2015, using the infrastructure diamond. The nearer the diamond is towards the centre, the worse the service delivery and the further away from the centre, the better the service delivery.

### Infrastructure Diamond, Gauteng Metro and District Municipalities, 2011 & 2015



Source: IHS Markit, 2017

Note: CoE = City of Ekurhuleni ; CoJ = City of Johannesburg ; CoT = City of Tshwane ; SDB = Sedibeng ; WRD = West Rand.

In 2011, 82.9 per cent of persons living in Sedibeng were doing so in a formal dwelling. This was the best performance among Gauteng's municipalities, with the average for the province at 77.1 per cent. In 2015, the average had risen to 77.4 per cent. Sedibeng was also the best performer for access to water in 2011, with 95.9 per cent of residents having access to water at or above RDP-level. RDP-level was defined as piped water within their dwelling, their yard or within 200 metres of their dwelling. The provincial average was at 93.6 per cent. In 2015, Sedibeng remained at the top, with access to water rising to 96.4 per cent, while the average increased to 94 per cent.

The CoJ had the best access to sanitation in 2011 and 2015, at 93.8 and 94.9 per cent, respectively. Over the same period, the average rose from 87.8 to 89 per cent. A household with

access to sanitation is defined in this case as one with a hygienic toilet. The CoJ was also the best performer for access to refuse removal, at 96.2 per cent in 2011 and 97 per cent in 2015. The average increased from 86.9 to 88.6 per cent over the period.

The Gauteng Provincial Government (GPG) programmes at the time included the Gauteng Employment Growth and Development Strategy (GEGDS) and the Expanded Public Works Programme (EPWP). Specific projects included the ICT G-link project, which aimed to achieve 95 per cent broadband coverage in the province, to narrow the digital divide and allow the roll out of e-government services. Another project is aimed at increasing the number of no-fee schools to begin addressing the skills shortage.



# SERO 2016: The TMR

The 2016 SERO analysed Gauteng's socio-economic status in the global and national context. The global view gave comparative information about Brazil, India and Nigeria, which, like South Africa, are major emerging markets. The publication consisted of four chapters, which focused on demographics, economic issues, the labour market and progress made on access to services. In looking at economic issues, the publication examined the manufacturing industry, which is an important sector targeted by the Transformation, Modernisation and Re-industrialisation programme (TMR), with the aim of strengthening economic growth and development.

The TMR is a provincial application of national government's National Development Plan (NDP). The NDP was approved at the Cabinet Lekgotla of 6 September 2012, as the primary framework for government economic policy. It was the result of collaboration between leading thinkers within South Africa and aims to eliminate poverty and reduce inequality by 2030. The plan asserts that South Africa can achieve these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state and promoting leadership and partnerships throughout society.

The 2016 SERO examined the manufacturing industry, which is an important sector targeted by the TMR. The industry is important to the Gauteng economy, due to its linkages with the rest of the economy and its potential for labour absorption. Furthermore, the Gauteng manufacturing sector produces more than half of South Africa's manufactured exports. The GPG aims to support township enterprises, specifically, by spending at least 30 per cent of its procurement budget on goods produced by township businesses. Assisting in the development of enterprises that meet the needs of township residents is another priority.

Agro-processing is a component of manufacturing that has been identified as having particularly high growth potential and the ability to stimulate the agriculture, forestry & fishing sector, as it uses manufacturing outputs as its inputs.

...over the next five-to-fifteen years, we shall take active decisive steps to make Gauteng an integrated city-region characterised by social cohesion and economic inclusion; the leading economy on the continent underpinned by smart and green industrial and socio-economic development. Accordingly, the fifth administration, has adopted a ten-pillar programme of radical transformation, modernisation and reindustrialisation of Gauteng...

*Gauteng Premier David Makhura: State of the Province Address 2014  
SERO 2014*

Developing these industries will benefit employment, as the South African labour force is primarily low- and semi-skilled, while manufacturing and agriculture employ low- and semi-skilled workers for the most part. Other strategies to increase employment include employment incentives for businesses that hire youth and widening the EPWP to reach approximately 2 million by the year 2020.

After a project is implemented, time is required for its effects to reflect in the economy and there is a further lag between these effects and the release of data that can be used to assess them. Therefore, the TMR is too recent a programme to analyse its impact and its effect on the welfare of the people of Gauteng. The available data shows that, through the Township Revitalisation Strategy, over 25 000 township enterprises and co-operatives have been supported and benefitted from the GPG's pledge of spending 30 per cent of its goods and services budget on township enterprises.

## The Five Development Corridors of the TMR

- **The Central Development Corridor**, which is centred on the City of Johannesburg (CoJ) as the hub of the ICT, finance, services and pharmaceutical industries;
- **The Northern Development Corridor**, anchored around the City of Tshwane (CoT) as administrative capital and the hub of the automotive sector, research, development, innovation and the knowledge-based economy;
- **Eastern Development Corridor**, centred around the economy of the Ekurhuleni Metro as the hub of manufacturing, logistics and transport industries;
- **The Southern Corridor**, which encompasses the Sedibeng district and is also aimed at the creation of new industries, new economic nodes and new cities and;
- **The Western Corridor**, comprised of the current West Rand District and focussing on the creation of new industries, new economic nodes and new cities.

# 10 PILLARS OF THE TMR

## ■ Transformation

- 1 Radical economic transformation
- 2 Decisive spatial transformation
- 3 Accelerate social transformation
- 4 Transform the state and governance

## ■ Modernisation

- 5 Modernise economy
- 6 Modernise the public service and the state
- 7 Modernise human settlements and urban development
- 8 Modernise public transport and other infrastructure

## ■ Industrialisation

- 9 Re-industrialise Gauteng, the country's economic hub
- 10 Take a lead in Africa's new industrial revolution.



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