



GAUTENG PROVINCE

PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

SPEECH BY HONOURABLE JACOB MAMABOLO, GAUTENG MEC FOR FINANCE ON THE OCCASION OF TABLING THE 2023/24 GAUTENG PROVINCIAL BUDGET TO THE GAUTENG PROVINCIAL LEGISLATURE, 09 MARCH 2023.

Madam Speaker;
Honourable Premier.
Colleagues in the Executive Council.
Honourable Chief Whip.
Honourable Members of this House.
Mayors and MMCs present here.
HODs of our departments.
CEOs of our public entities.
Private sector representatives
Comrades and Friends

Madam Speaker, I am honoured to be given the opportunity to present the 2023/24 Gauteng Provincial Budget to the Legislature today.

We are tabling this budget following the State of the Nation Address (SONA) by President Cyril Ramaphosa, the State of the Province Address (SOPA) by Premier Panyaza Lesufi and the National Budget by Finance Minister Enoch Godongwana.

Honourable Members, allow me to start where Premier Lesufi ended during the presentation of the State of the Province Address.

The Premier correctly and eloquently said: “Our people are not difficult. They are just asking all of us gathered here, to do one thing, and one thing only, to do our work! To do our work within budget, time, without misusing public funds”.

Equally, Minister Godongwana concluded his budget speech by saying: “Our economy is facing significant risks. Uncertainty is on the rise. It requires us to do bold things. To put the fear of failure aside and execute the difficult trade-offs needed to get from where we are now, to where we want to be in future”.

Honourable Premier, flowing from what the Minister said, we believe that in the SOPA you have put the “fear of failure aside” and clearly said where we are and where we want to be in future. In that regard you have placed the bold programme of Townships, Informal Settlements and Hostels, popularly known as TISH at the centre of our work.

Honourable Members, in presenting this budget to the people of our province, let me be upfront and announce that we are injecting into the Gauteng economy a total of R493.4 billion over the Medium Term Expenditure Framework, of which a bigger share of it will go into supporting social services, the Township Economy, creating jobs, especially for the youth, empowerment of women and addressing the energy crisis.

Honourable Members, one of the key drivers of the Township Economy is entrepreneurship, as many people start their own businesses in order to generate income and create more employment opportunities for our people.

By supporting the growth of the Township Economy, it is indeed possible to create new jobs, increase access to goods and services, and promote much-needed economic development in our communities.

And let me be clear: Despite the challenges we are facing as a Province, we remain steadfast in our resolve.

We are unwavering on this commitment.

We will further outline this matter as we proceed with the Budget.

The 2023 MTEF Fiscal Framework will see the provincial budget grow by an annual average rate of 3 per cent, from R158.945 billion in 2023/24 to R164.785 billion in 2024/25 and R169.703 billion in 2025/26.

Honourable Members, Gauteng remains the economic engine, the 7th largest economy on the continent, the 26th largest urban region in the world.

ECONOMIC OUTLOOK

Honourable Speaker, allow me to share with you the economic environment in which we are presenting this budget.

Global economy

As you know, the uncertain global economic environment has resulted in the downward revision of economic growth projections from 3.4 per cent for 2022 to 2.9 per cent for 2023 before rising to 3.1 per cent in 2024.

On a more positive side, the lifting of prolonged COVID-19 lockdown regulations in China is expected to boost global trade, increase demand, and improve global supply chains. This is because today, there are more countries that trade with China. In fact, China's economy is projected to grow by 5.2 per cent in 2023, which will be good for global economic output, and this will boost demand for its trade partner's commodities.

SA and Gauteng economy

We are encouraged by the rebound in the economy to pre-COVID 19 levels. Our country's economy continues to recover even at the time when we face multiple risks such as the deepening energy challenges.

Delivering the National Budget to Parliament last month, Finance Minister Enoch Godongwana revealed that the size of our economy reached R4.6 trillion in 2022, which means that it is bigger than what it was before the outbreak of the COVID-19 pandemic in 2020.

In 2022, South Africa's economy surpassed expectations when it grew by an estimated 2.5 per cent against the forecast of 1.9 per cent. It is estimated to grow by an average of 1.4 per cent from 2023 to 2025.

Statistics South Africa economic data released this past Tuesday revealed that real growth GDP contracted by 1.3 per cent quarter to quarter in Q4, from a revised upwards growth of 1.8 per cent quarter to quarter in Q3 because of the adverse effects of load-shedding.

Consumer confidence is above the 10-year average. There are also signs of an upswing and recovery underway in services and tourism sector of the economy.

Honourable Members, Gauteng contributes 35 per cent to the country's GDP, amounting to more than R1.2 trillion. Data from our Socio-Economic Review and Outlook, one of the key publications that we are releasing today, shows that the provincial economy is estimated to have grown by 2.1 per cent in 2022 against an expectation of 1.8 per cent. The province's economic output is projected to moderate to 1.5 per cent this year before stabilising at an average annual rate of 2 per cent in the period to 2026.

However, to address the socio-economic challenges of our province, GGT2030 say we must record annual growth rates of 4.5 per cent per annum by 2030. To achieve this target, the province should concentrate on increasing growth, which will lead to an increase in per capita GDP and reduce unemployment.

Honourable Members, in order to grow the Gauteng economy, we will engage key economic actors, private sector and the residents of the province to look at innovative and creative methods of consolidating the 35% contribution of the province to the GDP.

We will report back on the specific interventions we are going to make on this matter.

Such interventions will include:

- partnering with municipalities and exploring a set of incentives to address municipal red tape that constrains fixed investments; engaging the private sector on supporting the fastest growing sectors the economy;
- engaging national government and SOEs on supporting the Gauteng economy;

- building partnerships with township-based entrepreneurs in the context of the Township Economy Development Act; leveraging our infrastructure expenditure and that of the private sector to enhance the productivity of the Gauteng economy.

The finance and business services sectors are primarily concentrated in Gauteng, which also accounts for a significant share of manufacturing output.

Therefore, growing these two sectors would likely increase the growth of Gauteng's economy. Furthermore, a significant share of South Africa's exports of banking services and manufactured goods are sold to other African countries. Thus, increased economic growth in the right African country would likely increase demand for Gauteng's exports.

We also take into account the risk posed by grey listing to our economy. However, we believe that National Treasury is adequately handling the matter.

Before I proceed to the fiscal framework, let me acknowledge that the budget we are presenting today is a continuation of the work done in the preceding years for which there is immense progress based on the budget allocations of the previous years.

We are therefore not reinventing the wheel.

We also appreciate that we are slowly moving towards the end of the current term.

Therefore, in outlining the budget to support the priorities announced by Premier Lesufi, we understand and appreciate that time is of the essence.

FISCAL FRAMEWORK

Honourable Members, having outlined our achievements, we now turn to the details of the 2023 Fiscal Framework.

The Gauteng Provincial Government Budget comprises transfers from National Government in the form of Provincial Equitable

Share, amounting to R148.2 billion in 2023/24, growing to R153.3 billion in 2024/25 and R160.2 billion in the outer year of the MTEF.

Added to this is money from national government in the form of Conditional Grant allocations, accounting for an average of 18 per cent of total transfers, amounting to R27.4 billion, R27.9 billion and R29.1 billion in each respective year of the 2023 MTEF, to realise policy imperatives within the education, health, human settlements and transport sectors.

Provincial own receipts account for 5 per cent of the gross revenue available for the province to appropriate for its spending requirements, and this equates to R7.6 billion, R8 billion and R8.4 billion in 2023/24, 2024/25 and 2025/26 respectively.

Honourable Members, provincial own revenue consists mainly of motor vehicle license fees, casino and horse racing, patient fees and interest earned on short term investments, which contributes to close to 98 per cent of total own revenue.

As indicated in the MTBPS, we have set a target of R7.3 billion and I am pleased to announce that as at end of February we have collected a total of R6.7 billion, representing 92 per cent of the appropriated target. Our own revenue collection to date also reflects the recovery of the economy post COVID-19 pandemic as observed in the collection of gambling and horse racing revenue.

Over the medium term, a total of R24 billion is estimated to be collected. These estimates are mainly driven by growth in new vehicle sales of 16.4 per cent in the fourth quarter of 2022, of which a greater proportion is attributable to the province, according to Statistics South Africa February 2023.

THE 2023 MTEF BUDGET ALLOCATIONS

Honourable Members, I today take this opportunity to briefly outline how we are using this budget to fund provincial priorities.

A total of 83 per cent of the provincial budget amounting to R412 billion over the 2023 MTEF is allocated to the **Social Cluster**. These resources will be used to drive social transformation in Gauteng and are already in the baselines of the departments.

Honourable Members, let me now turn to the **Economic Cluster** which will receive a total of R66.6 billion, or 13.5 per cent of the budget over 2023 MTEF.

The **Governance Cluster**, which focuses on, amongst other things, strengthening collaboration amongst all spheres of government, enhancing integrated planning for improved service delivery, accounts for R12.1 billion, or 2.5 per cent of the 2023 MTEF budget

EARMARKED BUDGET ALLOCATIONS FOR THE 2023 MTEF

At the outset, let me emphasise that the funding decisions have been influenced by the ability of Gauteng Provincial Government departments to absorb the ample resources that I have just outlined, as measured by their financial performance in the preceding financial years.

Consistent with the commitment we made during the MTBPS in November 2022, the strategic focus of our budget remains empowering women as a basis of contributing to the fight against Gender-Based Violence and Femicide.

This we will do by repositioning, and through leveraging technology, supply chain and procurement instruments to create capacity for departments to meet their quarterly and annual targets for women empowerment.

We have come to realise that the supply chain function is critical to direct expenditure for goods and services and infrastructure to support achievements of specific targets directed at empowering women of Gauteng.

We have also announced that in order to support women in the different parts of the province, we will also track our expenditure through the technological system known Spatial Referencing tool.

Through these initiatives, we believe we will be able to meet our targets for women empowerment, who continue to suffer at the hands of male perpetrators.

These empowerment initiatives are in addition to law enforcement interventions by the entire criminal justice system to reduce the scourge of Gender-Based-Violence.

We believe in that way we will be able to make sure that our expenditure changes the quality of life, particularly for women who are victims of patriarchy and gender-based violence.

We are also confident that by repositioning and improving the supply chain function and procurement, we will also be able to meet our targets for job creation, especially among the youth of our province as the figures released by the Gauteng Economic Barometer of the Department of Economic Development, it is clear that youth unemployment remains a challenge in this province.

We are collaborating with Office of the Premier and GDED with regards to tracking and monitoring performance by departments on women, youth and people with disabilities.

These issues were adequately and comprehensively addressed by Honourable Premier Lesufi in his State of the Province Address.

Let me now turn to the earmarked allocations over the 2023 MTEF, which were made with a particular focus on the **Five Elevated Areas** that Premier Lesufi pronounced on when he assumed office in October 2022 and expounded on during the SOPA last month.

At the outset, let me emphasise that the funding decisions have been influenced by the ability of GPG departments to absorb the ample resources that I have just outlined, as measured by their financial performance in the preceding financial years.

Beginning with the functions that are at the heart of why we exist as a Provincial Government, over the 2023 MTEF, a total of R4.6 billion will be allocated to the **Gauteng Department of Education** – these funds are to address the pressures in the Compensation of Employees baseline, as well as augment the delivery of support services such as scholar transport, school nutrition and school subsidies to make education more accessible.

Investment in education remains a priority, as it is the foundation upon which a productive and economically active citizenry is built.

Prioritisation of the health and wellness of people also takes up a significant share of what is being allocated to the **Gauteng Department of Health**, additional to the existing baselines, with an additional R5 billion over the medium term, with focus on retaining part of the capacity taken on board to fight the COVID-19 pandemic, and which will go a long way in strengthening the health delivery platform.

Additional resources also go towards augmenting the Goods and Services baseline, which has been under pressure from the fiscal consolidation measures undertaken in the 2021 MTEF, and which will be deepest in the 2023/24 financial year.

More crucially, of the R5 billion, a total of R784 million has been allocated to the **Gauteng Department of Health** to address urgently the backlog in surgical and radiation oncology services, emanating from shortages in both personnel and equipment, and the knock-on effect of the COVID-19 pandemic that stretched the capacity of the Gauteng health system.

In efforts to clear the backlog, **Gauteng Provincial Treasury** and **Gauteng Department of Health** have worked with civil society organisations - SECTION27 and Cancer Alliance – in an approach, which involves the procurement of the necessary machinery and equipment needed for radiation therapy to assist the patients on the waiting list, particularly given that the nature of the disease requires urgency.

This collaborative approach with civil society in addressing the crisis is expected to address the waiting lists, and I anticipate that this time next year, we will be outlining the resolution to this challenge. I must point out that this is an example of the forging of collaborative public and private partnerships that will yield important lessons in confronting the many health challenges that Gauteng faces.

In the SOPA, the Honourable Premier spoke of fighting crime being an Apex Priority. There is hardly anybody who has not been affected, directly or indirectly, by crime. This budget aggressively

confronts the urgency with which the **Gauteng Department of Community Safety** will be resourced to respond accordingly.

The R4 billion additional allocation over the 2023 MTEF is for the training and absorption of the 6 000 crime prevention wardens currently undergoing training that is scheduled to conclude at the end of April 2023.

In addition to capacitating these crime prevention wardens with the necessary tools of trade, the resource allocation will also enable the acquisition of technological solutions to fight crime – such as drones, and the leasing of helicopters to enhance the visibility of crime prevention efforts. Also included in this allocation is funding for fleet services, to further capacitate traffic police to undertake their duties.

Honourable Members, in the next few months, MECs are going to present Departmental Budget Votes to this House. They will outline in more detail the implementation of the priorities that the Premier has pronounced on.

INFRASTRUCTURE SERVICE DELIVERY TO IMPROVE DEVELOPMENT AND CREATE JOBS

Honourable Members, let me now turn to our approach to infrastructure. As the Gauteng Provincial Government, we view infrastructure development as a key enabler to improve service delivery as well as a vehicle to stimulate economic growth and investment.

While recovery efforts are spread across the three spheres of government, the GPG-specific interventions include the allocation of R574 million towards the Tshwane SEZ and OR Tambo International SEZ, primarily for internal bulk infrastructure to make these sites more functional.

It is imperative that we continue to be diligent to ensure that the budget of R 39.5 billion investment results in the desired outputs and outcomes. This amount includes a budget of R7.68 billion that has been set aside to improve the infrastructure within the TISH programme, as follows:

- **Townships**: Of this amount, R3.5 billion will go towards the provision of new, and improvement of existing infrastructure to enable the province to provide the required services. Some of the notable projects within the townships includes the construction of housing units at Sebokeng Ext 28, construction of Sewer Pipelines and manholes at Mohlakeng- Pelzvlale, Soshanguve South secondary school in Soshanguve;
- **Informal Settlements**: To improve the basic infrastructure services within the informal settlements in the province R3.8 billion has been allocated to upgrade the following informal settlements – Kwa Brown, Mamello, Piel’s Farm, Thabong, Pangoville (Munsieville), Bergsig Informal Settlement and Ratanda; and
- **Hostels**: A total of R322 million will go towards the renovation and improvement of conditions of hostels. Some of the hostels planned for the upgrade includes George Goch; Denver; Jeppe; LTA Rethabile, Kwama-Siza, Dube, Orlando, Diepkloof and Orlando West.

We continue to strive towards a balanced allocation between the need for new infrastructure while also adequately maintaining existing infrastructure to restore and protect the value of our investments over a long period of time.

There is a need to make more dedicated efforts to ensure that projects are ready to proceed through the different stages across the infrastructure value chain and that we are more diligent in terms of the management of risks associated with inadequate infrastructure planning and poor delivery.

We are now at a point in our journey towards improving infrastructure investments where it is imperative that the **Gauteng Provincial Treasury**, as the custodian that allocates funds, must ensure that there is value for money on all our projects.

We must allocate these limited resources to projects that will take the province forward and provide the required services to the citizens of Gauteng.

At a minimum, Gauteng Provincial Government departments are expected to prove that projects are ready for implementation before they can be allocated funds, with a realistic consideration of the length of time required for planning and approvals processes.

Gauteng Provincial Treasury will strengthen its monitoring and oversight role in terms of ensuring that departments spend allocated resources prudently and address problems in the infrastructure value chain across all four cornerstones of infrastructure delivery, from planning, budgeting, procurement, and implementation, and with sound financial management.

In line with Premier Lesufi's directive, we will establish a Procurement Plan Analysis Unit. It will focus on categorising commodities, link projects to budget, and track and monitor implementing of procurement plans. We will also automate supply chain management functions to minimise human interventions in the procurement process.

MITIGATING THE ENERGY CHALLENGE

Honourable Members, the energy supply challenge facing our country has become the single biggest threat to our economic recovery and any potential future growth, if it continues to deepen over the short to medium term. This is not only because of its effects on the supply of electricity only, but also water and sewerage reticulation.

That is why there is heightened activity in finding solutions to mitigate the effects of load-shedding. Despite the haste to find solutions, it will be prudent to resource only those proposals that are sound and credible from a technical perspective, as well as affordable.

The **Office of the Premier** working together with the **Corporate Governance and Traditional Affairs (CoGTA)**, **Gauteng Provincial Treasury** and **Gauteng Infrastructure Financing Agency (GIFA)** are building in-house energy capacity to support efforts that the province and municipalities are making in finding lasting solutions to the current energy crisis.

To this end, an amount of R1.2 billion in seed capital will be set aside by the **Gauteng Provincial Treasury** as announced by Premier Lesufi during the State of the Provincial Address, to fund projects based on assessment of readiness to implement and value for money.

GIFA, together with its partners within Bokomoso Ba Rona Initiative (a Non-profit Company), are facilitating the creation of a sustainable post-mining economy in the West Rand region of Gauteng. Through this Initiative, Sibanye Stillwater and Far West Rand Dolomitic Water Association donated 30 000 hectares of land to the NPC for development of agro-industrial projects and commercial catalytic projects.

In 2022 **GIFA** issued a Request for Proposal to the market for the development of a Merafong Solar Farm Cluster. The solar farm cluster will be located on the land donated to the NPC. So far, **GIFA** has identified six (6) Independent Power Producers to develop 1 500 hectares of this allocated land, and this has a potential of generating 800MW. The process of allocating land parcels to the IPPs is underway and will be completed in March 2023 when lease agreements are signed.

GIFA is also concluding negotiations with a private party on Phase 1 of the Rooftop Solar PV project to generate close to 8MW from selected hospitals. As part of addressing the energy crisis we are going ahead with Phase 2 of the Rooftop Solar PV project in government owned-properties especially education and health institutions. We will invite the developers as part of Gauteng's response to the energy crisis.

Honourable Members, we welcome the Minister of Finance announcement of tax rebates to encourage both businesses and individuals to invest in renewable energy.

STRENGTHENING INTERNAL CAPACITY TO ENHANCE COMPLIANCE WITH RULES AND REGULATIONS

Honourable Members, compliance with rules and regulations is important to achieve clean governance in the province. Therefore, Gauteng Provincial Treasury will, in the new financial year,

introduce pre-compliance checks prior to creating a Purchase Order for quotations between R500 000 to R1 million.

GPG will explore procurement rules which allow government and its main contractors to buy from large groups of township-based businesses, with systems linking them to supply as if they were one large firm. This will build the needed capacity for these businesses to supply large markets and discover new suppliers. The GPG aims to spend about 60 per cent of the R35 billion budgeted for goods and services to provide support to township initiatives.

In line with SOPA commitments, the province will establish an Invoicing Dispute Resolution Unit that will serve as an ombuds for disputed invoices. To this end, a dedicated central email has been established where all disputed invoices should be sent. The email address is disputedinvoices@gauteng.gov.za.

Honorable speaker, Gauteng Provincial Treasury in support and strengthening the capacity of municipalities to manage their own affairs has committed to provide the technical support to all district and local municipalities. In this budget, we have provided 10 technical advisors to be placed in these municipalities. Their scope includes various disciplines on municipal financial management and the implementation of Financial Recovery Plans where municipalities are under provincial interventions.

PROGRESS ON IMPLEMENTING THE EXPANDED MANDATE OF GAUTENG PROVINCIAL TREASURY

Honourable Members, you are well aware that the Gauteng Provincial Government has made an undertaking to establish a State-owned Bank to extend access to financial services to township Small, Medium and Micro-sized Enterprises (SMMEs) and residents, specifically those who remain largely excluded from the financial services. The Bank will also support infrastructure development to help boost the economy and create jobs.

We have now completed the Legal Due Diligence of the State-Owned Bank, and in the 2023/24 financial year, will be moving ahead with plans to develop the Business Case for the Bank.

To capacitate our health care system, we are also pushing ahead with plans to establish a State-owned Pharmaceutical Company. The legal due diligence on this project was completed in January this year and strongly supports its establishment of this entity.

In addition, we have also established an Advisory Panel for the State-Owned Pharmaceutical Company to provide the needed technical support in this regard.

Honourable Members, with respect to the E-Tolls matter, let me reaffirm the point made by Honourable Lesufi during SOPA and the feedback we gave in the Medium-Term Budget Policy Statement in November 2022.

As we correctly stated that the profound and historic announcement made by Minister of Finance Enoch Godongwana in his MTBPS, settled the E-Toll matter beyond any shadow of doubt with government absorbing the E-Toll debt split between National and the Gauteng Provincial Government.

In welcoming this announcement by the Minister of Finance, we did indicate that there is still work to be done to fully implement and give practical effect to this decision. It is in this context that we reported that a Memorandum of Agreement (MOA) will be concluded with the national government.

As Premier Lesufi revealed, negotiations with the National Government are still underway. Once these engagements have been finalised, the MOA will be concluded and proper feedback and update will be given.

We are confident that the outstanding matters such as the conclusion of the MOA should not bring any anxiety or doubt with respect to the announcement made by the Minister of Finance in the 2022 MTBPS.

As I announced during the MTBPS, in the 2023/24 financial year, there will be no specific allocation that is required for e-Tolls. It is in this context, Honourable Members, that we would like to assure residents of Gauteng that we will not compromise our priorities in social services such as health and education.

CONCLUSION

Let me emphasise once more that the funding decisions have been influenced by the ability of GPG departments to absorb the ample resources that I have just outlined, as measured by their financial performance in the preceding financial years.

I would also like to reiterate that the GPG Fiscal Framework remains stable, despite reductions in the envelope of resources due to downward revisions in the Provincial Equitable Share, which have necessitated an increased level of circumspection in funding decisions, and the need to be resilient in the event of future shocks to the economy.

In the context of many social and other challenges before us, the preparation of the 2023 MTEF Budget has been a formidable task and we are still seized with the responsibility to manage real fiscal risks such as the energy supply crisis, inflationary pressures on costs of providing services, increasing pressure from accruals and low economic growth.

In conclusion, Honourable Members, I would like to thank Premier Lesufi for his leadership and for continuously pushing us to serve the people of Gauteng better.

Thank you too, to colleagues in the Executive Council and the Premier's Budget Committee, for your active participation, robust engagement, and valuable input to ensure that the difficult choices we make when allocating budgets are focused on improving the living conditions of residents in Gauteng

We thank the Finance Portfolio Committee and the Standing Committee on Public Accounts under the capable leadership of Honourable Tshilidzi Munyai and Honourable Sochayile Khanyile respectively, for their insight and oversight on all budget or financial management matters.

I thank the Head of Department, Ms. Ncumisa Mnyani and the entire Treasury team for their dedication to effective and efficient management of public funds

Last, but not least, I want to thank the People of Gauteng for their continuous engagement, suggestions, and criticisms. Their valuable input into the work that we do as public officials ensures that we continuously improve service delivery to communities.

Honourable Members, I present the following documents for consideration by this House:

- The Appropriation Bill for 2023.
- The Explanatory Memorandum to the Bill.
- Estimates of Provincial Revenue and Expenditure.
- Estimates of Capital Expenditure.
- The Socio-Economic Review Outlook, and
- A copy of my Speech.

Thank you