



## GAUTENG BRACES ITSELF FOR TOUGH TIMES

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Nkomo-Ralehoko urges residents to emulate the Springboks.

GAUTENG MEDIUM TERM BUDGET  
POLICY STATEMENT, 2019

# MID TERM BUDGET TO MAKE GP A WINNING PROVINCE

By Thebe Mabanga



## MEC ASKS GAUTENG TO EMULATE SPRINGBOKS.

Gauteng finance MEC Nomantu Nkomo has urged the residence of the province to emulate the South Africa's victorious rugby team in order to confront the challenges faced by the province.

Delivering her maiden Medium Term Budget Policy Statement, Finance MEC Nomantu Nkomo said **"In the midst of a lot of bad news that have been coming our way as a country... the triumph of the Springboks at the beginning of this month lifted up the spirit of the nation."**

**"The triumph of the rugby national team demonstrated what winning teams are made of. As the Gauteng Province we need the mentality of a winner as we tackle the difficult challenges that will be confronted with in the period ahead."**

The MEC started off by acknowledging that she presents the budget at a difficult time, and the poor and the unemployed are looking to government to lift them out of their plight.

She noted that the policy statement **"takes place at time when our country is facing deteriorating economic and fiscal conditions"**. She noted the scrutiny of rating agencies, with Standard & Poor's last week Friday reviewing its outlook for South Africa.

**"Honourable members, we must collectively be able to respond adequately on how to create much needed jobs, world class infrastructure, skills for modernised economy, improve conditions of living; regarding safety; the land question; social cohesion and integrated human settlement."** The MEC said.

**"Let us have the courage to walk away from policies, programmes and projects which deliver no value nor relevance to what we want to achieve."**

The MEC was frank about the province's and the country's dire economic outlook and did not mince her words.

**"In the first quarter of 2019, the provincial economy contracted by 2.5 per cent, in tandem with South Africa as a whole. Growth for Gauteng province is projected to slowly rise to 1.8 per cent in 2022, which is expected to be above the national average of 1.7 per cent**

**the same period. The sectors that will propel this growth are finance, transport, construction and trade."**

The MEC said despite the significant contribution to the country's output, Gauteng's economy is growing far more slowly than the population.

**"This creates a disproportionate burden on the social and economic infrastructure and provision of basic services, and critically on the capacity of the economy to absorb higher numbers of our people into gainful economic opportunities."**

**"This low economic growth has a direct negative bearing for the fiscal envelope at a time when government is grappling with a crisis of unemployment and a host of other challenges that not only threaten the social fabric of society, but also threaten to lock the country in a vicious cycle of poverty and deprivation."**

The MEC lauded President Cyril Ramaphosa's Investment drive, which R 363 billion worth of investment commitment at the conclusion of the recent Second South African Investment Conference.

She also noted Gauteng's own efforts to boost investment. **"To enhance the ease of doing business Gauteng is working through Invest SA Gauteng, which is a division of the Department of Trade and Industry to provide a**

**One-Stop Shop service to investors with the goal of establishing Gauteng as the preferred location for investment.”**

Nkomo-Ralehoko announced that over the past five years, InvestSA Gauteng facilitated investments worth about R10 billion in the Gauteng City Region. A total of R6.9 billion of these were foreign direct investments, while the rest were domestic direct investments.

**“Partnerships between the public and private sectors are also expanding through the Public-Private Growth Initiative.”**

The MEC noted that the private sector has committed investments of R840 billion in 43 projects, estimated to create 155 000 jobs over the next five years.

For its part, the Gauteng government has allocated about R444 million in additional resources to boost growth. The bulk of this, about R 320 million, goes to the Health Department for the repair and refurbishment of hospitals to prepare them for the National Health Insurance.

The province also aims to enhance its own revenue collection and aims to collect around R21 billion of its own revenue over the next three years from vehicle license and other license fees, gambling and horse racing taxes.

The province has made spending on infrastructure the centrepiece of its economic plan as part of Transformation, Modernisation and

**Re-industrialisation plan adopted by the last administration and guides the province’s growth plans to 2030.**

Nkomo-Ralehoko showed nerves at the start of the delivery of her speech but grew in assured confidence as she proceeded. She described the period at the end of her address as “emotional”.

**“That’s because I realised that this is not my work but that of my team for the past four months and especially the last two weeks”.**

She also noted the support of her family, in particular her 22 year old son and 14-year old daughter, from whom she takes much time away due to the demands of the new role.

She takes the fortuitous circumstances that led to her appointment in her stride, having briefly been made Education MEC then, when Premier David Makhura bowed to popular pressure, was moved to finance. She says she understands that she will always be compared [to predecessors] but intends to apply herself to the best of her abilities.

Nkomo Ralehoko says her twenty tears as a Member of Gauteng legislature have prepared her for this role. **“being a member of the legislature allows [one] to look at things at finance with immense oversight experience,”** she says.

During her time at the legislature, she has been a chairperson of the

agriculture committee, transport committee, the chair of chairs and then deputy speaker. In that period she has also risen through the ranks of the governing party to become a member of the Gauteng Provincial Executive.

**“Another thing that has helped me is education,”** she says, noting that she has read virtually all documents she has encountered at her new department.

Nkomo-Ralehoko, who is an aunt to Eastern Cape premier Oscar Mabuyane, describes herself as a “rural girl” who hails from Engcobo in the Eastern Cape who is passionate about the upliftment and development of the poor.

**“Another thing that has helped me is education” says Nkomo Ralehoko**

# GAUTENG FINANCE MEC TAKES TOUGH LINE ON GOVERNANCE, EFFICIENCY AND WASTAGE

By Thalia Holmes

**Gauteng Finance MEC Nomantu Nkomo-Ralehoko took a hard line on resource wastage in her Medium-Term Budget Policy Statement Tuesday.**

**“We want a Gauteng that continues to promote good governance through the provision of sound fiscal stewardship. This work includes efforts to ensure prudent financial management, expenditure in line with policy priorities, and with public accountability and transparency,”** she said in her address to the provincial legislature.

**This, she said, also meant focusing on:**

- **improved audit outcomes for provincial departments and municipalities,**
- **enhanced infrastructure spending,**
- **improved spending on conditional grants,**
- **increasing the collection of revenue for both spheres of government, and**
- **the reduction of accruals.**

## **CONTROL OF MUNICIPAL SPENDING**

Nkomo-Ralehoko highlighted the need to eliminate unfunded budgets.

**“Unfunded budgets are a sign that the municipality has a risk of a financial problem that would affect the sustainability of their operations,”** said Nkomo-Ralehoko.

**“Engagements with the mayors on their budgeting strategy and plans have already taken place. Municipalities were allowed a special adjustment budget process in order to undertake the necessary adjustments to achieve a funded state budget.”**

As part of a national initiative to achieve enhanced budget outcomes, National Treasury placed 127 municipalities across the country “on notice,” warning their December transfer would be



withheld due to these municipal councils having adopted unfunded budgets.

However, **“due to our exerted efforts, our affected municipalities adopted special adjustments budgets and National Treasury will not be withholding the December tranche of the Equitable Share from any of the Gauteng municipalities,”** the MEC reported.

Nkomo-Ralehoko said she remained “relentless and resolute”

in her pursuit to ensure that municipal spending is well-grounded.

**“Although for some it will be difficult in the next year or two, but we must get all municipalities to be sustainable financially,”** she said.

## **FIGHTING TO REGAIN ‘CLEAN’ AUDITS ACROSS THE PROVINCE**

In her March budget speech, former finance MEC Barbara Creecy boasted that the province had significantly improved its financial management and compliance.

This, she said, had resulted in 65% clean audits and a hundred percent unqualified audits for all departments and entities for three years in a row.

However, the country’s auditor general Kimi Makwetu revealed earlier this month that Gauteng’s most recent audit no longer shows a perfect record. He noted a “concerning trend” that saw clean audits among the province’s departments drop from 12 to seven.

Irregular expenditure had increased and the auditor general highlighted concerns with management and delivery of key projects in the province.

**“Accounting officers and authorities did not respond timeously to the findings we**



**we raised in prior years, especially on the need to strengthen the supply chain management processes and reporting on performance," Makwetu said.**

Nkomo-Ralehoko raised the matter in her medium term budget speech. **"It is of serious concern that some departments and entities regressed from the audit opinions achieved in the previous year. All departments should commit themselves to a culture of transparency and public accountability by implementing credible internal financial controls."**

The finance MEC said that she had taken "strong guidance" from the auditor-general's results for municipalities and departments.

**"We will be seeking regular inputs from the Finance Portfolio Committee on where they believe we must place our focus in assisting and supporting municipalities and departments,"** she said.

#### **PAYMENT OF SUPPLIERS**

The MEC reported back on a national drive from Treasury for government departments to pay their suppliers more timeously.

**"To date, seven departments are paying 100% of their invoices within 30 days whilst five are paying 95% of these invoices within 30 days,"** she said.

This appears to be an improvement on March's numbers, where Creecy reported that "most" of the departments paid 92% of their invoices within 15 days, but that the Gauteng department of health paid only 68% of its invoices within 30 days.

Nkomo-Ralehoko said suppliers could help ensure they were paid in good time by ensuring that their invoices, banking details and tax compliance statuses are up to date and accurate; and by registering on the province's Electronic Invoice Submission (EIS) system and online invoice tracking portal.

#### **STRATEGIC FOCUS ON CORRUPTION**

The Gauteng government says rooting out corruption is a priority.

**"The plan is to focus on implementation of the anti-corruption strategies adopted by Gauteng Provincial Province as part of its arsenal in the battle against fraud and corruption,"** the budget policy statement detail reads.

Among various other initiatives, the province's Fraud and Anti-Corruption Unit will continue to conduct awareness sessions amongst provincial and municipal workers **"to educate employees on fraud and corruption matters"**.



## KEEPING MUNICIPAL FINANCES HEALTHY

By Thebe Mabanga

**The Gauteng Provincial government is succeeding in its drive to keep municipal finances healthy and has managed to secure the latest tranche of equitable share payments from National Treasury for all its municipalities.**

This was announced by Finance MEC Nomantu Nkomo-Ralehoko when she delivered her Medium Term Budget Policy Statement on Tuesday. The payments are due in December.

Municipalities are a vital source of growth, with service delivery protests now flagged as a high risk to growth by rating agencies alongside reliable power and water supply.

Nkomo-Ralehoko announced that Gauteng Treasury in collaboration with the department of Co-operative Governance and Traditional Affairs have embarked on a serious drive with all municipalities that adopted unfunded budgets for the 2019/20 Financial year to move them towards the funded budget.

**“Our drive is to assist municipalities’ over the current term of office to get them to a funded budget status through instituting fiscal plans.”**

127 municipalities country wide were placed on notice by National Treasury that their December tranche of the Equitable Share transfer will be withheld due to municipal councils having adopted unfunded budgets.

**“I am pleased to announce that due to our exerted efforts, our affected municipalities adopted special adjustments budgets and National Treasury will not be withholding the December tranche of the Equitable Share from any of the Gauteng municipalities,”** said Nkomo-Ralehoko.

She highlighted the province’s intervention at Emfuleni Local Municipality and West Rand District Municipalities’ respectively, after their financial status and service delivery capability deteriorated.

**“It must be noted that these interventions are not aimed at putting the municipality under administration but only to implement a financial recovery plan to improve the functionality of these municipalities.”**

Speaking to Inside Politic following the delivery of the budget speech, Nkomo-Ralehoko said her vision for Gauteng municipalities was to see the Sedibeng District Municipalities and Mogale City in the West Rand successfully competing with Gauteng’s three Metros of Ekurhuleni, Johannesburg and Tshwane for investment and driving growth.

She says she would like to see Sedibeng thrive as a city by the Vaal River with its agricultural and tourism endowment while the West Rand can be revitalised based on agriculture manufacturing and as a mining hub, where although gold mining in the area of Carletonville is in decline, it can still be explored for the economic benefit of the region and province.

# NEW LEADERSHIP, NEW FOCUS SAME OLD CONSTRAINTS

By Thalia Holmes



**A new finance MEC, a new administration, and the roll-out of a new provincial plan. The Gauteng Medium-term budget policy statement, presented on Tuesday by Nomantu Nkomo-Ralehoko, was all about taking stock and adjusting the strategic focus adopted by South Africa's economic hub.**

Nkomo-Ralehoko, speaking to the Gauteng legislature, noted that her maiden adjustment speech came at the end of the fifth administration and the dawn of the sixth. With it, comes the province's focus on resourcing a five-prong provincial plan: "Growing Gauteng Together," or the GGT plan.

**"The GGT Plan aims at addressing the triple challenges of poverty, unemployment, and inequality that continue to prevail in the Gauteng and the whole country,"** the introduction to the adjustment detail reads.

**It will do so by addressing five key priorities, identified as follows:**

- **Economy, Jobs and Infrastructure;**
- **Education, Skills Revolution and Health;**
- **Integrated Human Settlements and Land Release;**
- **Safety, Social Cohesion and Food Security; and**
- **Building a Capable, Ethical and Developmental State**

Of the several priorities highlighted by the plan, Tuesday's budget adjustments reflected a short-term commitment specifically to infrastructure and health.

## **INFRASTRUCTURE**

**"Honourable Members, there is general agreement that infrastructure is a fundamental enabler towards the delivery of services"** said Nkomo-Ralehoko. And yet, **"25 years into our democracy, we still**

**face major challenges in ensuring that infrastructure projects are implemented in such a manner that provides value for money, achieves the best results from the money spent and derives maximum benefit from the very scarce financial resources at our disposal,"** she said.

The Gauteng province's budget for infrastructure has been increased by almost R200-million to reach a total of R11.55-billion for 2019/20. This is **"mainly based on the performance of projects during the first two quarters."**

Nkomo-Ralehoko highlighted the need to improve contract performance across the board. **"Too many of our projects are characterised by numerous cost and scope changes from the start of the construction processes due to poor planning and designs as well as poor contract management,"** she said.

In fact, poor project planning and delivery meant that certain departments lost substantial portions of their budget in the interim. The department of education relinquished almost R204-million in this medium term, mainly due to a **"lack of readiness to implement projects"**.

In a budget environment as lean as the current one, the swelling of one budget almost always comes at the cost of another. For example, the increased infrastructure allocation came from budget that was originally earmarked for the construction of community libraries by the Department of Sport, Arts, Culture and Recreation, according to budget detail.

## HEALTH

The Gauteng Department of health was the biggest winner in the medium-term budget reallocation. It was granted an additional R320.2-million **“primarily for the planning and procurement of the Occupational Health and Safety, Repairs and Refurbishment maintenance programme and for projects that are currently at construction stage.”**

The department also receives a total of almost R60-million towards the Health Revenue Incentive Scheme. *See more on this in our separate article about health*

## OTHER BUDGET INCREASES

Other departments that saw budget increases were as follows:

- Economic Development receives an additional amount of R33.4 million for the Gauteng Gambling Board business automation project
- Social Development receives R60.7 million, primarily to improve existing facilities.
- Roads and Transport receives an additional allocation of R91.4 million for the maintenance and repairs of existing roads in the province.
- Community Safety is allocated an additional R5.5 million in order to settle accruals and outstanding expenditure.
- Department of Agriculture and Rural Development receives an additional R5.6 million for the implementation of a milling plant project. Rollovers (where budget from the National Treasury were under-drawn previously and will now be spent) were also granted to several departments. In most cases, these will go towards the payment of outstanding invoices to suppliers, or the development of infrastructure under that

departmental mandate.

## KEEPING IT LEAN; INCREASING SELF-RELIANCE

The finance MEC was emphatic about cutting the fat and doing “more with less”. Part of this was manifest in her commitment to keeping the public wage bill at a manageable level.

**“One of the key deliverables of Gauteng Provincial Treasury is to contain the provincial wage bill at a maximum of 60% of the total budget of the province,”** she said.

The MEC explained that the rationale for this is **“to ensure that there is no crowding out of resources – once salaries have been paid, there needs to be money left for operational programmes,”** she said.

She also set about managing expectations around department budgets for the upcoming year. **“We expect that the crafting of the 2020 MTEF budget will be informed by leaner baselines,”** she said. **“Departments will be required to utilize or spend within existing allocations to reflect the extent to which they respond urgently to tackle widespread unemployment, poverty and pervasive inequality.”** In addition, Nkomo-Ralehoko highlighted the province’s need to increase its own revenue in the coming years, due to the **“impact of lower revenue projections and government’s policy of fiscal consolidation”**.

Over the current medium-term period ending in 2020, the province expects to collect R21.2-billion in own revenue. According to a breakdown provided in March, this represents roughly 5% of its overall budget, while 95% of Gauteng’s budget comes from the National

Treasury, including the equitable share portion and conditional grants.

Former finance MEC Barbara Creecy said in her March budget speech: **“In 2014 we took a conscious decision to increase provincial revenue. Together with our sister departments we set out to eliminate loopholes in collection mechanisms and promote operational efficiency. Every year during the five-year term, we surpassed our annual revenue targets.”** The expected R21.2-billion **“is the highest amount raised by any provincial government and goes a long way to explaining why we have managed to keep the province’s finances afloat.”**

Despite South Africa’s current lacklustre investment prospects, Gauteng has also been bolstered through InvestSA Gauteng by investments worth about R10 billion over the past five years. A total of R6.9 billion of these were foreign direct investments and the balance were domestic direct investments, said Nkomo-Ralehoko.

As she takes the reins, Nkomo-Ralehoko is in a uniquely influential position to steer the economy of the country. The ‘place of gold’ is home to 15.2-million people, almost 26% of the country’s population. Apart from being the seventh-largest economy in Africa, Gauteng is also the “economic and industrial hub of South Africa, accounting for 35.1% of the country’s GDP,” the MEC noted. As the finance leadership straddles the unique challenges presented by this province, all eyes will now be set on how the new plan is implemented in its fullness in the fast-approaching first quarter of next year.



# HEALTH DEPARTMENT GETS BIGGEST CUT OF THE INTERIM GAUTENG BUDGET

- By Thalia Holmes

**As the most populated province in South Africa, Gauteng faces unique challenges around healthcare, finance MEC Nomantu Nkomo-Ralehoko said during her medium-term budget policy speech delivered at the provincial legislature on Tuesday.**

**“At a time when Gauteng’s population is steadily on the increase owing to in-migration, we ... need to deal with increased numbers accessing already-strained health facilities and continue to provide social services to the most vulnerable members of society.”**

According to the province’s budget breakdown this year, health received Gauteng’s largest budget allocation, with R50.77 billion, or roughly 38% of the province’s total budget. Now, with medium-term reallocations, that amount has grown higher still.

The total health allocation for 2019/20 now stands at R51.6 billion.

Extra funding of R320 million has been made available for health infrastructure, **“primarily for the planning and procurement of the Occupational Health and Safety, Repairs and Refurbishment maintenance programme and for projects that are currently at construction stage,”** said Nkomo-Ralehoko.

Gauteng health MEC Bandile Masuku warned in his July budget vote speech that **“in order to achieve the Premier’s mandate on prioritising the identified hospitals as a measure of transformation of healthcare in Gauteng, we will have to source additional resources towards the improvement of healthcare at Bheki Mlangeni, Jubilee, Mamelodi, Tembisa, Tambo Memorial, Edenvale, Dr. George Mukhari, Kopanong & Sebokeng ‘Complex’ and Thelle Mogoerane hospitals.”**

**“The selection of these hospitals,”** Masuku continued, **“is not solely based on worst performance but also, on the potential of what an integrated, innovative and responsive health system in Gauteng can do.”**

This budget appears to be a rollout of the Premier’s suggested yardstick for health transformation in the province.

The department also receives a total of R59 million for the Health Revenue Incentive Scheme. This is intended to assist with revenue collection and payment, for which the department has become somewhat notorious in recent years. The bulk of the money (R56 million) is for the payment of revenue collecting agencies, with R3 million for computers and printers to be used by “revenue-assigned officials” in the designated top 15 health institutions.

Some progress has already been made with regard to supplier payment, according to former finance MEC Barbara Creecy. She noted in March that the Department of Health now pays 68% of its invoices within 30 days, and **“makes an effort to ensure small enterprises are prioritised.”**

In addition to the extra tranches of cash, the department will receive rollovers of almost R300 million as “conditional grants” (grants provided from the national treasury provided that certain expectations or conditions are met).

R9 million of that will go toward funding Antiretroviral medicines procured in March this year; R5.4 million will pay for the procurement of the Human Papillomavirus Vaccine as well as training, material and travel claims aimed at reducing the incidence of cervical cancer, says the budget detail. The bulk remainder of this allocation will go towards the National Tertiary Service and the Health

Professional Training Development grants.

According to the Parliamentary Monitoring Group (PMG), the former grant “aims to provide strategic funding to enable provinces to plan, modernize and transform services in tertiary hospitals. All in all, 26 hospitals or hospital complexes will be funded through the grant.

The Health Professional training grant funds the costs associated with the teaching and training of both undergraduate and postgraduate health professionals, says the PMG. It aims to develop and recruit medical specialists in under-serviced provinces, and also precipitates the shift of training from central sites to regional and district hospitals.



**Gauteng health MEC - Bandile Masuku**

At the dr Yusuf dadoo EMS base for voluntary nightshift duty

# INFRASTRUCTURE AT THE HEART OF BOOSTING ECONOMY

By Thebe Mabanga

Taking its cue from national government, Gauteng has identified infrastructure spending as the central plank to boosting growth and job creation and has unveiled plans to accelerate spending across economic and social infrastructure. **“There is general agreement that infrastructure is a fundamental enabler towards the delivery of services. Twenty-five years into our democracy, we still face major challenges in ensuring that infrastructure projects are implemented in such a manner that provides value for money, achieves the best results from the money spent and derives maximum benefit from the very scarce financial resources at our disposal,”** said finance MEC Nomantu Nkomo-Ralehoko, while delivering the first Medium Term Budget Policy Statement (MTBPS) of the new administration in Johannesburg on Tuesday.

The MEC announced that a budget of R11.4 billion was allocated in the main appropriation for the Gauteng government’s infrastructure programme for 2019/20 to maintain and improve the condition of existing stock and to provide additional infrastructure assets.

This budget has been adjusted upwards by R199.37 million to R11.55 billion mainly based on the performance of projects during the first two quarters.

**“Too many of our projects are**

**characterised by numerous cost and scope changes from the start of the construction processes due to poor planning and designs as well as poor contract management. “ Investment in infrastructure lies at the heart of stimulating economic growth in the province - necessary for dealing with poverty, unemployment and inequality.”**

Nkomo-Ralehoko said infrastructure development brings much needed stimulus and support to the economy through the vast number of positive spinoffs. These include direct and indirect economic activity, increased employment opportunities, and an enabling business environment.

**“To respond to the bleak economic outlook that is not looking good, an Executive Council Lekgotla was convened under the leadership of Premier Makhura to explore ways of financing catalytic projects through various sources of funding in order to unlock the full potential of the Gauteng economy.”** The MEC said. In line with this, the Department of Infrastructure Development (DID) is currently finalising Gauteng’s five-year infrastructure project pipeline.

The plan will be published and updated annually in order to identify priority projects for each year using information from Municipalities, State Owned Entities (SOEs) and National Government and provide progress on delivery of pipeline projects.

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The challenge for both national and provincial government is to improve the planning, coordination and execution of infrastructure in the face of global competition and a capital and skills crunch.

Nkomo-Ralehoko says the government's focus is on establishing partnerships, particularly leveraging private sector financing for implementation of large infrastructure programmes and projects in the province. For funding, the government will also tap into national government's R100 billion infrastructure fund, administered from the Development Bank of Southern Africa (DBSA). The Fund is headed by former public works Director General Sean Phillips, the man who delivered the Expanded Public Works Programme more than 15 years ago.

Tasneem Motara, the MEC for Infrastructure Development says her department is using its R3,4 billion budget and supplementary budgets of other departments to drive infrastructure development. This includes the Department of Health, which received an additional R320 million to refurbish ten priority hospitals and upgrade all hospitals to Office of Health Standard compliance to make them ready for the National Health Insurance (NHI). use and release to for commercial and agricultural development to allow for its optimal use.



**INFRASTRUCTURE  
DEVELOPMENT MEC -  
TASNEEM MOTARA**

Image Source:  
<https://www.africanconstructionexpo.com/2019/06/07/tasneem-motara-mec-infrastructure-development-and-property-management-gauteng-province/>



GAUTENG PROVINCE

REPUBLIC OF SOUTH AFRICA

PROVINCE

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Growing Gauteng Together