
Madam Speaker;
Honourable Premier;
Colleagues in the Executive Council;
Honourable Members of this House;
The HOD of the Gauteng Provincial Treasury;
Comrades and Friends;
Citizens of Gauteng who are listening to us on radio right now;
Ladies and Gentlemen

Honourable Members, we are presenting this Treasury Budget Vote in complex and difficult times for Gauteng Province and our citizens.

The recent downgrade of our Sovereign credit rating and news that we are now in a technical recession is cause for concern, by all of us.

Our situation raises new questions about the role of sub national governments to protect poor households, vulnerable groups and strengthen the productive capacity of the economy.

Current public debate also raises important questions about the role of Provincial Treasuries.

The roles of a Provincial Treasury are enshrined in Section 215 and 216 of the Constitution and Section 17 and 18 of the Public Finance Management Act. Our primary task is to protect public money and ensure that it is efficiently and effectively spent as this Legislature, through its elected public representatives, decides, and not siphoned off for use by private interest.
What is more complex and difficult to define is the role Provincial Treasuries should play in supporting radical social and economic transformation.

Here in Gauteng, we are guided first and foremost by our ten pillar programme of transformation, modernisation, and re-industrialisation. Accordingly, our Provincial Budget policy has been anchored around four key principles:

- Improving own revenue collection so we can maintain and enhance provincial spending first and foremost on education, health care, and social services;
- Sustaining improvements in public finance management to further cut waste, eliminate corruption and strengthen public accountability;
- Using public procurement to transform the economic landscape and build a more inclusive and sustainable growth path; and,
- Growing our infrastructure spend through on and off budget initiatives.

In our view, improvements in public finance management and economic transformation are in no way incompatible and we believe we have shown in practice that it is possible to do both successfully.

We pride ourselves in innovating the Open Tender system to restore public confidence in a fair and just public procurement system. We are also proud that over the last three years, we have spent R42.8 billion of our R46 billion goods and services budget procuring from companies owned by historically disadvantaged individuals.

Earlier this month, Premier David Makhura released the provincial government’s Mid Term Review and the Citizens’ Report, which indicates significant progress in setting our province on a new growth trajectory, ensuring we attract investment, build new infrastructure, support new industries, and create jobs even in tough economic times.

This report demonstrated that the Gauteng economy continues to grow and show resilience despite tough global and domestic economic conditions and the quality of life for our citizens continues to improve.
Nevertheless the challenges facing our province as a result of our growing population and accelerating urbanisation coupled with sluggish and skewed economic growth, means that there is still much more that we must do as the Provincial Treasury.

To ensure that we achieve both our economic transformation and finance management objectives, we will use our departmental budget of R712.6 million for this financial year to do the following:

- Introduce legislation on the Open Tender system so that by the end of this term, it becomes the institutionalised manner of procuring goods and services in this province;
- Maintain unqualified audits in departments and provincial entities;
- Increase government spending in townships to 40% of our procurement budget within the next two years;
- Ensure all departments, with the exception of the Gauteng Department of Health (DOH), pay service providers within 30 days;
- Sustain our increase in own revenue collection; and lastly,
- Source alternative funds for implementation of socio-economic projects.

Building public confidence through promoting clean government and transparency

Madam Speaker, corruption in the public procurement environment has the potential to rob poor communities of much needed facilities and development. For this reason, we continue to accelerate the implementation of the Open Tender system in all provincial departments.

This innovation received widespread acclaim at our Open Tender Seminar in October last year, as well as from suppliers and members of the public who have attended the actual public adjudication sessions. To date, 73 projects have been awarded as part of this process with a total value of R12.382 billion.

In this financial year, 80% of new procurement will go through the Open Tender system. Five new entities will also adopt the Open

Three local municipalities have indicated they will pilot the system this year namely: Emfuleni, Midvaal, and Mogale City. I challenge all other municipalities to join us.

As with any new programme, we have areas for improvement:

- The first relates to the timeous development of procurement plans and specifications by departments;
- The second relates to continued upskilling of Bid Specification and Bid Evaluation Committees in departments; and
- The third relates to the security of bid documents to prevent interference.

All of these areas are currently receiving attention.

This year, we will introduce legislation in this House to govern the Open Tender system. This legislation will:

- Establish a legal framework for the Open Tender process with clear guidelines for public information and public adjudication of all tenders;
- Enact the use of probity audits to quality assure the final outcome of tenders; and
- Establish an appeals process to manage disputes without the necessity for costly court proceedings.

Further to our commitment to fight fraud and corruption in the public service, we are fast-tracking the implementation of the Forensic Services Strategy, which focuses on deterrence, prevention, detection, investigation, sanctions, and recovery.

Our efforts with regard to the implementation of the strategy are beginning to bear fruit. We have now cleared all but 7 of our backlog cases and to date 46% of the recommendations have been implemented. In the 2016/17 financial year, we commissioned 37 investigations on behalf of the GPG, and they will be finalised in the current year.
I want to urge all MECs to take personal responsibility to track the implementation of recommendations for their departments so that disciplinary hearings are speedily concluded and transgressors are sanctioned.

Promoting Clean Government through Audit Outcomes

Honourable Members, as the custodian of provincial resources, the GPT has implemented tailor-made strategic interventions over the past two and a half years to support departments, municipalities, and entities to manage their finances in accordance with laws and regulations.

These efforts resulted in the provincial government last year recording the best audit outcomes in 13 years. In this financial year, the Provincial Treasury will continue to work closely with departments and entities to ensure we sustain our improvements.

In addition, Gauteng Audit Services (GAS) will conduct internal audits in accordance with approved risk based plans. This will ensure that problematic areas are identified and addressed timeously to improve final audit outcomes.

Leveraging procurement to transform Gauteng’s economy

Honourable Members, Section 217 of our Democratic Constitution deals with Government procurement. It says and I quote:

*When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.*

Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for:

- a. categories of preference in the allocation of contracts; and
b. the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

In our view Honourable Members, these constitutionally enshrined provisions give us a basis to ensure government procurement is used to support market access and sustainability for substantial numbers of emerging enterprises owned by historically disadvantaged individuals, particularly those from the township economy. Not for the few.

In this regard, in the past financial year, we spent 91% of our goods and services budget on procuring from companies owned by historically disadvantaged individuals.

With regard to supporting township enterprises, we increased the number of suppliers registered on our database to 7 024. Provincial departments spent a total of R7, 304 billion on township enterprises in the 2016/17 financial year. This represents 23% of the total provincial government’s budget for goods and services, and exceeds the target of 18% we had set.

But we have also come to understand that treasury procurement quotas are a necessary but not sufficient criteria to support broad based empowerment.

In order to accelerate economic transformation, inclusion, and sustainability of emerging enterprises, these initiatives must be combined with supplier development, as well as access to finance and markets in the mainstream economy.

In this regard, we are developing a range of partnerships with the private sector:

- FNB, which has already involved 158 suppliers through their start-up and scale up programme, with 200 companies targeted for this financial year;
- The South African Supplier Diversity Council (SASDC) will conduct training, accreditation and facilitate the integration of small black owned companies into the supply chain processes of large corporates and Tier 1 suppliers of government. We are
targeting 2420 suppliers on the Central Supplier Data base over the next 36 months;

- Shanduka Black Umbrellas will assist the Provincial Treasury to develop township suppliers in the Western Corridor so that they can access procurement opportunities;
- Hollard has committed to pilot a supplier development programme so that township panel beaters can service and repair cars owned by Hollard policy holders. In the long term, this initiative is likely to result in an increase in the number of certified township based panel beaters servicing the wider insurance industry and government garage;
- Arcelor Mittal and the Vaal University of Technology are currently working on developing a partnership to expand supplier development and incubation in the Southern Development Corridor.

We plan; in the course of this financial year, to host a Supplier Development Seminar so that we can share our experiences with others working in this important area.

30 Day Payment of Suppliers – Progress and Interventions

In the 2016/17 financial year, six departments paid 100% of their supplier invoices within 30 days. These departments were:

- Office of the Premier,
- Roads and Transport,
- Agriculture and Rural Development,
- Social Development,
- Provincial Treasury, and
- COGTA.

Four of the remaining eight departments paid 97% or more of their suppliers within 30 days. These were:

- Human Settlements (99%),
- Economic Development (99%),
- E-Government (99%) and
- Sports, Arts, Culture and Recreation (97%).

In line with the directive from Premier Makhura during the State of the Province Address, we are currently working with the three large
departments namely; Health, Education, and Infrastructure to ensure that they pay 90% of their invoices within 30 days.

In addition, we will:

- Introduce a first in, first out, method to pay invoices;
- Improve the electronic submission of invoices for suppliers of the three departments;
- Train officials to acknowledge goods and services receipts timeously.

As government, we are committed to paying all our suppliers on time; in fact the new target for the provincial government is 15 days from the receipt of a valid invoice. This will ensure that in particular small businesses are able to maintain a positive cash flow, thrive, and become sustainable in future.

**Hands-on Support to Municipalities**

Last month, we convened the MEC-MMC of Finance Forum to take stock of the state of finances in the local sphere of government. Municipalities are at the coal face of service delivery and the first to feel the effects of tough economic times. We agreed with the MMCs that more work must be done to address the issues of municipal debt and improve revenue collection.

Municipalities are not expected to address these challenges alone, and that is why I committed that the Provincial Treasury as the custodian of provincial resources will work closely with municipalities to find lasting solutions.

To contribute to this effort, the provincial government has paid more than R2.9 billion to settle debt to municipalities for rates and services. I want today, to recognise the tireless work of the inter-government Debt Management Committee that ensures debt owed to municipalities by the provincial government and public entities is paid on time. As we speak, total provincial government debt to municipalities is less than 2% of total municipal debt.

To ensure that we continue to pay property rates, we have set aside a total of R2.4 billion over the next three years.
Honourable Members of this House will remember that we instituted a Constitutional Section 154 support initiative in Emfuleni and Merafong in the previous financial year.

This initiative is aimed at putting the municipalities on a stable financial footing during this term of office. Amongst other things, the provincial intervention team has assisted these municipalities to:

- develop a comprehensive list of debtors and creditors
- develop payment plans for Rand Water and Eskom for the outstanding amounts, and ensuring that these commitments are adhered to.
  - A total of R85 million (R80 million by Emfuleni and R5 million by Merafong) has been paid to Rand Water towards settling the combined principal debt of R249 million;
  - The Eskom principal debt for both municipalities was at R216 million at the time of the agreement and to date, these municipalities have managed to pay R64 million.
- review all current contracts with the aim of reducing expenditure and duplication and also improving delivery on current contracts.

Despite this, we remain concerned about the administrative capacity and financial sustainability of Emfuleni and accordingly I have asked the MEC of COGTA to conduct a detailed study into the municipality’s viability in terms of Section 136 of the Municipal Finance Management Act.

We are also very aware of the entrenched fiscal challenges impacting on the financial viability of Sedibeng District Municipality and Rand West District Municipality. Submissions to this effect were made by the respective MMCs of these district municipalities at the MEC-MMC of Finance Forum that took place last month.

We will continue to work closely with COGTA and municipalities in this process to ensure that they become financially sustainable and accelerate the delivery of services to the public.

As part of our oversight work, we note that a number of our municipalities experience challenges in spending their infrastructure budgets, in particular Conditional Grants. As a consequence, only R10 billion out of R20 billion was spent by May this year, two months
before the end of the municipal financial year. The three metros were the worst offenders in this regard with a cumulative spend of only 52% of their infrastructure budgets.

Our view is that failure to spend capital budgets will impact negatively on the quality of municipal facilities and job creation. This is a serious indictment in tough economic times.

With regard to the new municipal financial year, Honourable Members, municipal capital budgets are largely aligned to national priorities and the provincial TMR vision.

I do however; want to express my concerns regarding Mogale City, which has failed to meet the regulatory requirement to table its budget by 31 May 2017. Recent attempts to re-convene the Council to table the final budget have failed. This has serious implications and I hope Councillors there will speedily put the interests of Mogale’s residents first.

Honourable Members, please join me in congratulating our Municipal Governance Unit for the award given to the Provincial Treasury by the Chartered Institute of Government Finance Auditors and Risk Officers at their Conference last week. This award recognises all the hard work they have done to improve Municipal Finances in the 2016/17 financial year.

*Improving provincial budget expenditure to meet service delivery demands*

Madam Speaker, I am pleased to announce that here in the provincial government, departments spent R104.4 billion in 2016/17, which represents 99% of the total budget for the year.

An amount of R12.4 billion or 97% of total infrastructure budget was spent in the year under review, and R18.5 billion or 98% of the Conditional Grants budget was spent in the same period.

However, the Provincial Treasury is very concerned about the level of accruals particularly in Health in the 2016/17 financial year.
We therefore welcome Premier Makhura’s decision to set up an Executive Council Sub Committee to assist Health to manage its financial and related service delivery issues. The Provincial Treasury will do everything in its power to assist the department to manage its expenditure so that we can balance the health care needs of our patients with the available fiscal resources.

Alternate Financing of Infrastructure Project

Honourable Members, provincial government has developed the Infrastructure Master Plan 2030 and is committed to work with other spheres of government and the private sector to implement the plan.

In this financial year, the Gauteng Infrastructure Financing Agency (GIFA) will work with the Gauteng Planning Division to develop a financing model for the Master Plan.

Currently, GIFA has a pipeline of 24 projects, which have been through feasibility studies and collectively, have the potential to raise more than R40 billion.

GIFA has now received TAll (b) approvals for three projects, namely Tri-generation Plants at six academic hospitals in the province, and the Enterprise Buildings 2 and 3 at the Tshwane Innovation Hub. Negotiations with the identified preferred bidders for these projects are currently underway. The financial close of these projects is expected in August this year.

Honourable Members, it gives me pleasure to announce that at the beginning of April, provincial government made a payment of R1.2 billion to National Treasury; paying off the R4.2 billion loan that we took in 2006 to fund the construction of the Gautrain Rapid Link Project popularly known as Gautrain.

This is the first of the two loans totalling R5.2 billion that provincial government took in 2006 and 2011 to fund the Gautrain project. The other loan of R1 billion was secured from Absa Bank in 2011 and will be paid off in September this year.
The successful repayment of our first loan on time shows that this provincial administration is willing and able to work across all spheres of government to implement the rollout of infrastructure.

**Improving Provincial Revenue Collection**

Honourable Members, improved revenue collection will ensure that we maintain and enhance spending on the three main key provincial priorities, namely education, health care, and social services.

We will enhance our revenue collection efforts, including engagements with the Department of Health and the Road Accident Fund. This will ensure that figures are reconciled monthly so that funds due to us are paid without delay.

We are also implementing the Know Your Patient – IVS project to properly classify patients and enhance the Health Department’s ability to recover patients’ debts. It will also allow us to accurately bill other provinces and government agencies for services provided to their patients.

I have personally experienced the benefits of this exciting project that went live at Chris Hani Baragwanath Hospital as a pilot in June this year. We will deploy it to other academic hospitals as soon as all teething problems have been addressed.

Honourable Members, it gives me pleasure to recognise the leaders of the team responsible for this innovation who are in this House today, namely Ms Ntina Themba, Mr Samuel Nkomonde, and Ms Dot Corrigan. Thank you for all the hard work that you are doing to modernise our revenue collection!

**Internal operations of treasury**

Honourable Members, the Provincial Treasury as the custodian of provincial resources is always focused on strengthening its internal operations to enhance our own capacity. We were therefore honoured and gratified to have these achievements recognised nationally during the 2016 Batho Pele Awards hosted by the Department of Public Service and Administration.
Ms Nomfundo Tshabalala was honoured as the best Head of Department in the country. The Provincial Treasury also won Silver Medals in the categories: the best functioning department, as well as the most ethical and professional provincial department in the country.

The department was also recognised at the Premier’s Service Excellence Awards held in February this year where it won four awards: an Integrity Award in the category of Clean Governance for the Ethics Management Programme, a Silver Award in the Sustainability Performance & Product Excellence category for Improved Audit Outcomes in GPG, and a Gold Award for the Open Tender Process. Our Head of Department, Ms Nomfundo Tshabalala was also honoured with a Gold Leadership Award in the Celebrated Individuals category.

Let me therefore conclude by thanking HOD Nomfundo Tshabalala and her dedicated team for all their hard work. I also want today, to express my thanks to the Finance Portfolio Committee under the Leadership of Honourable Sakhiwe Khumalo for its efficient and effective oversight over all our Treasury matters in the Province.

Thank you