



## **GAUTENG PROVINCE**

**PROVINCIAL TREASURY**  
REPUBLIC OF SOUTH AFRICA

**KEYNOTE ADDRESS BY GAUTENG MEC OF FINANCE AND E-GOVERNMENT  
HONOURABLE NOMANTU NKOMO-RALEHOKO, ON THE OCCASION OF THE  
CIGFARO PUBLIC SECTOR FINANCE SEMINAR, EMPERORS PALACE, 05  
JULY 2022.**

**Facilitator of the Session and President, Cheryl Reddy**

**Board Members of the Chartered Institute Of Government Finance, Audit &  
Risk Officers represented by the Past President, Peet du Plessis, Asma Sheik, ,  
Alice Stander, Robert Klein and Bradley Brown.**

**Ms Jeanine Poggioline from Accounting Standard Board**

**Representatives from Treasury at National & Provincial Level**

**Representatives from COGTA**

**Representatives the City of Tshwane**

**Distinguished guests**

**Ladies and Gentlemen**

Good morning

### **INTRODUCTION.**

On behalf of the Gauteng Provincial Government, I take this opportunity to thank the Chartered Institute of Government Finance, Audit and Risk Officers for inviting us to this *CIGFARO Public Sector Finance Seminar*. We send our best wishes to this gathering of finance and governance practitioners in the public sector.

Ladies and Gentlemen, as we meet here today, we do so in an environment characterised by uncertainties as well as major economic challenges both domestically and in globally.

As the world is gradually emerging from the social and economic devastation caused by the COVID-19, we are compelled to do so while navigating through other challenges like the war in Ukraine which has led to a sharp increase in oil and gas prices, and subsequently the increase in the prices of food.

South Africa is part of the globalized world, and we are also feeling the effects of these developments. The cost of living for all South Africans is rising, negatively impacting already constrained household incomes.

However, we are encouraged by the figures released by Statistics South Africa last month which showed that our economy grew stronger than expected in the first quarter of 2022 with the Gross Domestic Product increasing by 1.9% from the previous quarter. What is important about this picture is that for the first time in two years, our GDP has return to pre-pandemic levels.

This growth in GDP numbers was mainly because of a sharp increase in manufacturing activity driven by a rise in production of petroleum and chemicals, food, and beverages, metals, and machinery. Finance, real estate and business services and trade also contributed positively to GDP in this quarter.

## **GAUTENG ECONOMIC RECOVERY**

Programme Director, Gauteng contributes more than 34% to the country's Gross Domestic Product. We are the economic hub of South Africa. We therefore have a responsibility to continuously implement strategies that drive economic growth because that not only impacts on us as a province, but the rest of South Africa.

It was with this in mind that as the Gauteng Provincial Government, we have decided to focus on jobs and the economy in the last two and a half years of this political term of government.

To realise our objective of growing the economy and creating jobs, the provincial government is implementing the following interventions, amongst other things:

### **SMME and township enterprise empowerment**

On 29 April 2022, Premier David Makhura signed the Township Economic Development Bill into an act of Parliament now called the Township Economic Development Act.

This was a giant step in our efforts to transform township economies, by supporting local businesses to grow and create jobs.

Through this Act, government will:

- Link township investment facilitation to value-chain transformation and SMME empowerment through active enterprise development and supplier development.
- Create of an economic geography for the township enterprise zones which overlays “benefit stacking”, which is a means to stack in these zones all the accessible benefits for people and businesses such as funding, procurement, better by-laws, tax breaks and dedicated programmes.
- Incentivise the installation of broadband in township enterprise zones and empower township-based Internet service providers, whilst in the process unleashing Global Business Services sector thereby contributing to much needed job opportunities especially for the youth, and.
- Introduce funding designed specifically for township-based enterprises.

One of the most exciting initiatives that will be made possible as the result of the Act is that it allows government to designate certain areas within townships as Township Enterprise Zone or Township Enterprise Precinct. Businesses in these zones will be provided with different forms of support to ensure their sustainability and growth.

We strongly believe that this will encourage industrial and commercial activity in economically depressed areas, to progressively reduce the prevalence of deprived populations in areas exhibiting “township” characteristics by allowing government support to be responsive, progressive, and cumulative to targeted deprived populations. It will also facilitate spatial transformation in a changing economic context across Gauteng.

#### *Infrastructure as a booster for district development*

When I delivered the Gauteng Provincial Budget for 2022/23 at the Legislature in March, I announced that we will spend R36 billion over the next three years to improve infrastructure service delivery, create much-needed jobs and development in our communities. This includes:

- Bulk infrastructure development that promotes local employment and transforms marginalized areas of the province.
- Tourism infrastructure development and upgrade.
- Investment schemes that unlock private sector funded development.

In addition, these resources will be used to build and maintain public infrastructure that provides the enabling environment required to deliver government services to communities including schools, healthcare facilities, libraries, social development facilities and sports facilities.

This massive infrastructure expenditure will provide many opportunities for township entrepreneurs in various sectors including manufacturing, built environment, renewable energy and so forth.

I therefore urge you as leaders in our communities to work with us to ensure that our people in townships take these opportunities to grow their companies, revitalize local economies and create jobs.

### *Partnerships with the private sector*

Programme Director, in any society, partnerships between government and private sector are crucial to achieve socio-economic improvement for the benefit of citizens. In Gauteng, we have been implementing sector specific partnerships called Action Labs.

These partnerships are focused on growing specific economic sectors and create jobs by attracting investment from major players and growing exports and market access on the African continent.

### *Special Economic Zones*

As the provincial government, we are also focused on promoting and facilitating investment in Special Economic Zones. We believe that SEZs are the investment anchors for development of network industries in the province and reduce the cost of doing business.

As a result, various special economic zones are currently being developed including the High Tech SEZ, Vaal SEZ, OR Tambo International Airport SEZ, Tshwane SEZ and Western Corridor SEZ.

## **PROMOTING GOOD GOVERNANCE AND ACCOUNTABILITY**

As Gauteng Provincial Government, we are fully committed to clean government, transparency, and public accountability. That is why we implement interventions to support departments, municipalities, and entities to improve management of their finances in accordance with rules and regulations.

These efforts resulted in the provincial government in the 2020/21 financial year recording a total of 17 clean audits. Local government has also steadily improved financial management with the City of Ekurhuleni and Midvaal maintaining clean audits.

However, we have realised that much work still need to be done across the Gauteng City Region to sustain improvements in public finance management.

That is why we have established the War Room on Clean Audits, 10-30 Day Payment and Transformative Procurement, which is focused on four pillars, namely:

- Litigation.
- Consequence management.
- Payment of invoices within 10 to 30 days
- Transformative Procurement

This means that we must review the litigation processes and systems across the Gauteng City Region environment, including identifying the root cause and failures, analyse the extent, costs and resolution of litigation matters and develop mitigating measures that will address the root causes, focusing on preventative controls, including the use of cost-effective alternative dispute resolution mechanisms.

To deal with irregular and unauthorised expenditure, the War Room must determine the root causes for non-compliance with legislation, including identifying trends that are prevalent in government entities, develop capacitation strategies for supply chain management units including training of SCM committee such as Bid Evaluation Committee and Bid Adjudication Committee.

We will also provide training to CFO offices on the interpretation of the various Treasury Instructions, Circulars and Practice Notes. We must also partner with National Treasury on the professionalisation of the SCM components through learnerships and professional bodies.

On dealing with issues of consequence management, our work will focus on developing internal control processes for reporting allegations of financial misconduct and financial offences to ensure compliance to legislative and regulatory requirements.

We will introduce strategies to ensure consistency and improved transparency of the consequence management outcomes, evaluate the investigative capacity within the province to be able to handle the volume of cases and develop Standard Operating Procedure Manuals for disciplinary processes including processes for cases to be referred to South African Police Services.

To ensure that the Gauteng City Region pay suppliers within 10 to 30 days for services rendered, we must analyse the current trends and identify areas of success and the root causes for non-payment within set timeframes.

This War Room must also develop strategies including capacitating Offices of the CFOs to ensure that there is compliance with rules and regulations; all valid invoices are tracked and paid on time for services rendered to government. Payment of suppliers on time is important for economic growth and job creation.

We are all aware that procurement is one of the important strategic tools of transformation to ensure meaningful participation of black people in the economy, which is important for sustainable growth and development

Working within relevant legislation and guidelines, this team must propose solutions on how we can use Transformative Procurement to ensure that, amongst other things, small medium and micro enterprises from our townships and co-operatives are afforded more opportunities in government procurement.

This is preferential procurement also known as affirmative procurement which comprises participation programmes aimed at the engagement of SMMEs owned by previously disadvantaged persons in all types of contracts and the generation of income for marginalised sectors of society.

As Premier David Makhura said during the State of the Province Address, Gauteng has decided to adopt the War Room approach to bring knowledge, skills and resources of both government and private sector to urgently deliver on key priorities.

In line with this approach, this War Room on Clean Audits, 10-30 Day Payment and Transformative Procurement comprises government officials and private sector representatives with expertise on specialized areas such as legal, finance, ethics, supply chain and policy.

Our aim is to unleash the collective knowledge and skills of this team to successfully address the four pillars that I have spoken about as identified by the Exco Lekgotla and achieve our objective of clean governance in this province.

As part of the work of this War Room, the Gauteng Provincial Treasury is, amongst other things, already working with departments who did not achieve good results in paying suppliers within 30 days in the previous financial year and these are Social Development, Health, and Infrastructure Development.

We are intervening in these departments to resolve outstanding payments and ensure that going forward all our departments pay suppliers on time. This is important to support small business particularly township enterprises.

In addition, the provincial government is continuing to implement the Open Tender process to promote transparency, accountability, integrity, and public scrutiny regarding all decisions made on tenders. Since 2014, a total of 272 contracts valued at R34 billion have been awarded through the Open Tender process.

Since April 2020, in line with Section 38 of the Public Finance Management Act which details the general responsibilities of Accounting Officers, Provincial Treasury has been engaged in a process of decentralising the Open Tender function to departments. To date, the function of managing Open Tender has been successfully handed over to 12 departments and entities.

Lastly, we understand that to achieve our goal of promoting transparency, accountability, and ethical governance in the Gauteng City Region, we must also strengthen financial management practices in local government, particularly in the supply chain management function. That is why we continue to implement various training initiatives to improve the capacity of local government.

One of these is a partnership that the Gauteng Provincial Treasury has with National Treasury and the Transport Sector Education and Training Authority to train supply chain management practitioners in local government.

This project has seen 52 municipal SCM officials who did not have any qualification in this area graduating with a Higher Certificate: Supply Chain Management, consisting of 152 credits at NQF Level 05 on the South African National Qualification Framework for the elective stream – Purchasing and Supply for the Public Sector.

This initiative has been very successful to an extent that it is now being rollout in departments and municipalities, and that the second group of 60 trainees on this learnership have already completed their training and will graduate soon. In addition, the third cohort of 130 SCM practitioners has already started with their training.

## **CONCLUSION**

Effective and efficient management of public funds is key to the achievement of our mandate to deliver quality services to citizens, grow the economy and create jobs.

As the Gauteng Provincial Treasury, our primary task is to protect public money and ensure that it is spent effectively and efficiently to improve the lives of people.

This mandate is enshrined in Section 215 and 216 of the Constitution and Section 17 and 18 of the Public Finance Management Act. As custodians of public finances, we are central to ensure that departments and public entities are funded and use money effectively to realise the provincial priorities.

That is why we continue to work closely, in partnership, with all stakeholders including organisations such as the Chartered Institute of Government Finance, Audit and Risk Officers to continuously improve financial management in the province. We believe that our perspective on public finance management will always be enhanced by close collaborative efforts with stakeholders in both private and public stakeholders.

I have no doubt that your discussions will allow you to successfully navigate through all these issues and more. Once again, we wish you a successful Seminar!

Thank you.