No.123 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Thursday, 24 March 2022

**ANNOUNCEMENTS**

none

**TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Finance Portfolio Committee, Hon. J Mpisi, tabled the Committee’s Oversight Report on the** **Principle of the Gauteng Provincial Appropriation Bill *[G001-2022]* for the 2022/2023 financial year, as attached:**

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**FINANCE PORTFOLIO COMMITTEE**

**OVERSIGHT REPORT ON**

**THE PRINCIPLE OF PROVINCIAL APPROPRIATION BILL**

**[G001 – 2022]**

**18 March 2022**

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**ACRONYMS**

**AIDS** Acquired Immune Deficiency Syndrome

**CGR Gauteng City Region**

**DED Department of Economic Development**

**EPRE Estimates of Provincial Revenue and Expenditure**

**EPWP Expanded Public Works Programme**

**FY Financial Year**

**GBN Gauteng Broadband Network**

**GDE Gauteng Department of Education**

**GDP Growth Domestic Product**

**GGT2030 Growing Gauteng Together 2030**

**GPG Gauteng Provincial Government**

**GPL Gauteng Provincial Legislature**

**GPT Gauteng Provincial Treasury**

**HIV** Human Immune Deficiency Virus

**HOD Head of Department**

**ICT Information, Communications and Technology**

**IGR Inter-governmental Relations**

**IMF International Monetary Fund**

**LTSM Learner Teacher Support Material**

**MEC Member of Executive Council**

**MTBPS Mid-Term Budget Policy Statement**

**MTEF Mid-Term Expenditure Framework**

**MTSF Medium Term Strategic Framework**

**NDP National Development Plan**

**NHI National Health Insurance**

**OoP Office of the Premier**

**PAB Provincial Appropriation Bill**

**PES Provincial Equitable Share**

**PMDC Provincial Disaster Management Centre**

**RDP Reconstruction and Development Programme**

**SCM Supply Chain Management**

**StatsSA Statistics South Africa**

**STIs Sexually Transmitted Diseases**

**SMMEs Small, Medium and Micro Enterprises**

**SOM Sector Oversight Model**

**SONA State of the Nation Address**

**SOPA State of the Province Address**

**TB Tuberculosis**

**TER Township Economic Revitalization**

**TMR Transformation, Modernization and Re-industrialisation**

The Chairperson of the Finance Portfolio Committee, Hon. J. Mpisi, tables the report of the Finance Portfolio Committee on the Provincial Appropriation Bill [G001-2022] as follows:

1. **INTRODUCTION**

The Provincial Appropriation Bill (PAB) provides for the appropriation of money from the Gauteng Provincial Revenue Fund for the requirements of the Gauteng Province in respect of the financial year ending 31 March 2023 and to provide for related matters.

As the custodian of the provincial purse, the Gauteng Provincial Treasury is a partner of the Portfolio Committee in the budget oversight process. Through this process the Portfolio Committee satisfies the constitutional imperative for legislative approval of the budget. During this process, the Portfolio Committee ensures transparency of the budgets, accountability by the Executive Council and that the departmental budgets allocations are directed to priority areas and projects supporting provincial and national priorities.

South African economy is still reeling from the effects of COVID-19 pandemic. The 2022 MTEF budget is one that has been marked by fiscal consolidation and a concerted effort towards the reconstruction and recovery of the economy of the Gauteng City Region. Therefore, the budget focuses on winning the COVID-19 pandemic, re-igniting the Gauteng economy to take the lead in South Africa’s economic reconstruction and recovery programme, recalibrating social policy to improve educational and health outcomes, fight crime and protect the most vulnerable sections of the population against urban poverty and hunger and improving governance across the Gauteng City Region to focus on delivering results, improving the quality of life of residents and enhancing ethics , integrity and accountability.

The 2022 MTEF budget is still strongly anchored on the national and provincial policy priorities. For the sixth Administration, provincial budget will align the budget with the objectives of the National Development Plan (NDP) through the “Growing Gauteng Together - Our Roadmap to 2030” (GGT2030) and the Provincial Programme of Transformation, Modernisation and Re-industrialisation (TMR), which remains the pillar and the guiding framework for the GGT2030 Plan.

Over the 2022 Medium Term Expenditure Framework (“the “MTEF”), GGT2030 Plan remains the key strategic thrust by which the Gauteng Province is boldly addressing the challenges of poverty, unemployment and inequality, which have deepened during the pandemic. The GGT2030 Plan has been adapted and adjusted in line with the changed environment. Moreover, the lessons learnt during the pandemic will inform the delivery of faster, more efficient and effective services, which is even more crucial in the light of the contracted provincial fiscal envelope coupled with a rise in the need for services by communities.

The GGT2030 Plan is a plan that builds on the progress of 25 years of democracy including the TMR Programme adopted in 2014. The Gauteng Provincial Government ensured the aligning of the seven priorities contained in the Medium-term Strategic Framework and the GGT2030 Plan. The GGT2030 Plan outlines the priorities of the sixth administration as follows: The Economy, Jobs and Infrastructure; Education, Skills Revolution and Health; Integrated Human Settlements and Land Release; Safety, Social Cohesion and Food Security; A Capable, Ethical and Developmental State; Towards A Better Africa and A Better World; and Sustainable Development for Future Generations.

In addition to the triple challenges, the GGT2030 plan responds to the global challenges that confronts the province, including Unemployment; Poverty and hunger; Crime and Substance abuse; Climate change; Unsustainable Growth and Economic Crises; Migration; Flight and Displacement; Health; Inequality; Social exclusion; Lack of decent work and Social Protection; and Political instability, Insecurity and Violent Conflicts. The priorities will be implemented in partnership with national government, local government and other stakeholders using the District Development Model. Budgets are therefore directed at a set of interventions contained in the GGT2030 Plan which will enable the province to Deliver on the mandate of the sixth Administration.

In this report, the Portfolio Committee strives to confirm the efforts undertaken by the government in responding to the current socio-economic environment and its associated challenges. It is on this basis that the report attempts to illustrate the current economic status and the extent to which government plans to alleviate it in implementing its strategic priorities. Furthermore, the report highlights allocations to GPG departments priorities for 2022/23 FY including conditional grants as well as capital expenditure. From the report, the Portfolio Committee will draw conclusions and recommendations on the Provincial Appropriation Bill.

In drafting this report the following source documents were used, among others: State of the Nation Address (SONA), State of the Province Address (SOPA), Budget Speech by the Minister of Finance; National Development Plan (NDP); Budget Speech by the MEC for Finance, Gauteng Provincial Appropriation Bill Explanatory Memorandum 2022 and Estimates of Provincial Expenditure (EPRE) for 2022.

1. **PRINCIPLE OF THE BILL**

The Provincial Appropriation Bill provides for the appropriation of money from the Provincial Revenue Fund for the requirements of the Province of Gauteng in respect of the financial year ending 31 March 2023; and to provide for matters incidental thereto. The 2022 MTEF budget was prepared within a very tight fiscal environment and it is underscored by the following key budget principles: resourcing the provincial priorities of winning the battle against the Covid-19 pandemic; re-igniting the Gauteng economy and recalibrating social policy to improve educational and health outcomes; reprioritization of the budget to resource GGT2030 priorities and the Covid-19 Response Plan; shifting of funding from consumption to investment in strategic economic infrastructure to support government’s reconstructions and recovery efforts; and readiness of departments to implement and capacity to deliver infrastructure projects. To this end the total budget allocation for the province is R152.9 billion in 2022/23 FY, which grows steady to R156.9 billion in the outer year of the 2022 MTEF.

1. **PROCESS FOLLOWED**

The MEC of Finance, Honourable N. Nkomo Ralehoko, introduced the PAB [G001-2022] in the Gauteng Provincial Legislature on Wednesday, 09 March 2022.  Subsequent to this, the Speaker, Honourable N. Mekgwe formally referred the PAB [G001-2022] to the Finance Portfolio Committee for consideration and reporting in terms of Rule 220 (2) of the Standing Rules of the Gauteng Provincial Legislature (GPL).

Later the same day, the Portfolio Committee received a presentation from the Gauteng Provincial Treasury, led by the MEC Nkomo Ralehoko, on the principles of the Bill.

The Portfolio Committee convened a meeting to deliberate and adopt the report on Friday, 18 March 2022.

1. **GLOBAL ECONOMIC OUTLOOK**

The global economy, though recovering, is still reeling from the impact of COVID-19. According to the International Monetary Fund (IMF), global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022[[1]](#footnote-1). The downward revision is largely related to the pandemic and the aftermath thereof. The Omicron variant created panic which resulted in some countries backtracking on the pace with which their economies would reopen and to some extent, reimposing some restriction, albeit at a lesser degree.

Despite lifting lockdown restrictions and reopening the economy, there is still a cloud of uncertainty lingering globally which is exacerbated by the emergence of new COVID-19 variants. The World Bank states that the rapid spread of Omicron is likely to continue to disrupt economic activities[[2]](#footnote-2). Furthermore, the World Bank also expects global growth to slow down significantly from 5.5% in 2021 to 4.1% in 2022 and 3.2% in 2023. The deceleration in growth, particularly in major economies such as the United States and China is expected to impact heavily on external demand in emerging and developing economies.

1. **SOUTH AFRICAN ECONOMIC OUTLOOK**

The South African economy showed some resilience in 2021, particularly in the fourth quarter, amid the onset of COVID-19 since 2020. However, some factors such as the riots in Gauteng and Kwa-Zulu Natal in July of 2021, the onset of the Omicron variant and persistent load shedding somewhat reversed the gains. Moreover, the year 2022 did not start off on a positive note either. The South African Reserve Bank (SARB) hiked the REPO rate from 3.75% to 4%. The possibility of more interest rate hikes, depending on economic developments, does not offer much respite to consumers. The rate was increased due to an uncertain economic environment and to deal with inflation[[3]](#footnote-3). Expected further rate hikes may have an impact on economic growth projections for 2022.

Unemployment stood at 34.9% in the third quarter of 2021. It is therefore of vital importance to identify employment opportunities in labour intensive sectors such as manufacturing. The manufacturing sector grew by 2.8% due to the production of petroleum, chemical and plastic products, and food and beverages. The real GDP grew by 1.2% in quarter four of 2021[[4]](#footnote-4). The 1.2% GDP growth brings the annual GDP growth rate to 4.9% for 2021. It is difficult not to have a pessimistic outlook for 2022, however, there might be some positives. The easing of lockdown restrictions and reopening of the economy should provide scope for infrastructure development and investment, with positive economic spin-offs.

1. **PROVINCIAL ECONOMIC STATUS**

Gauteng remains a major contributor to national GDP. Notwithstanding, the Province was not spared from the impact of the pandemic and other adverse global economic developments. Before the onset on the pandemic, economic growth in Gauteng averaged 1.9%[[5]](#footnote-5). Therefore, re-igniting and revitalizing the Gauteng economy is of utmost importance.

It is important, now more than ever, to put a concerted effort into job creation and economic revitalization. The Socio-economic Review and Outlook produced by the Gauteng Provincial Treasury indicates that annual data for 2020 shows that employment, both formal and informal, has decreased by 340 000 jobs in Gauteng compared to the previous year. The Province needs to put concerted efforts into supporting SMMEs and into identifying labour intensive job opportunities. Furthermore, the provincial government needs to expedite the roll-out of Special Economic Zones (SEZ) in the five corridors as announced by the Gauteng Premier in his State of the Province Address in February 2022.

1. **LINKAGE BETWEEN OUTCOMES AND PRIORITIES**

The sixth Administration’s term of governance necessitates budget reforms to ensure that the funds are directed towards the plans of the Administration. For the sixth Administration, provincial budget reforms seek to align the budget with the objectives of the National Development Plan (NDP) through the “growing Gauteng Together - Our Roadmap to 20430” (GGT2030) and the Provincial Programme of Transformation, Modernisation and Re-industrialisation (TMR). The TMR remains the pillar and the guiding framework for the GGT2030 Plan.

The GGT2030 Plan is a plan that builds on the progress of 25 years of democracy including the TMR Programme adopted in 2014. The Gauteng Provincial Government ensured the aligning of the seven priorities contained in the Medium-term Strategic Framework and the GGT2030 Plan. The GGT2030 Plan outlines the priorities of the sixth administration as follows: The Economy, Jobs and Infrastructure; Education, Skills Revolution and Health; Integrated Human Settlements and Land Release; Safety, Social Cohesion and Food Security; A Capable, Ethical and Developmental State; Towards A Better Africa and A Better World; and Sustainable Development for Future Generations.

In addition to the triple challenges, the GGT 2030 responds to the global challenges that confronts the province, including: Unemployment; Poverty and hunger; Crime and Substance abuse; Climate change; Unsustainable growth and economic crises; Migration; Flight and displacement; Health; Inequality; Social exclusion; Lack of decent work and social protection; and Political instability, insecurity, and violent conflicts. The aforementioned priorities will be implemented in partnership with national government, local government and other stakeholders using the District Development Model. Budgets are therefore directed at a set of interventions contained in the GGT2030 Plan which will enable the province to Deliver on the mandate of the sixth Administration.

To this effect, it is envisaged that departmental budgets reflect alignment and commitment to the GGT2030 Plan, in response to the global and domestic challenges that confront the province.

1. **PROVINCIAL FISCAL FRAMEWORK**

Table 1 below illustrates the summary of the revenue envelope. The Gauteng Provincial Government receives R146.5 billion in the form of transfers from national government in the 2022/23 FY with a projected increase to R148 billion in the outer year of the MTEF. It should be noted that although the equitable share was adjusted downward due to the impact of data updates on the Provincial Equitable Share (PES) formula, the additional allocation to the PES negates the impact of the downward adjustment. Thus, the PES increases marginally from R120 billion in 2022/23 FY to R120.8 billion in the 2024/25 FY.

***Table 1: Provincial Revenue Envelope***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Medium-term estimates** | | |
| **R thousand** | **2022/23** | **2023/24** | **2024/25** |
| Provincial equitable share | 120 041 881 | 116 263 997 | 120 759 712 |
| Conditional grants | 26 503 432 | 26 186 981 | 27 212 992 |
| **Total transfers from National** | **146 545 313** | **142 450 978** | **149 972 704** |
| Provincial own revenue | 7 249 930 | 7 622 731 | 8 021 352 |
| **Gross Revenue** | **153 795 243** | **150 073 709** | **155 994 056** |
| Less: Direct Charges Office Bearers | (81 118) | (81 936) | (85 510) |
| Financing from PRF |  | 2 782 775 | 1 029 497 |
| **Total Revenue** | **153 714 125** | **152 774 548** | **156 938 043** |

*Source: Explanatory Memorandum of the Provincial Appropriation Bill 2022*

Provincial receipts consist of funds from the equitable share, conditional grants and own revenue. For the 2022/23 FY, the equitable share amounts to R120 billion and it increases to R120.8 billion in 2024/25 FY. Similarly, conditional grants also increase from R26.5 billion in 2022/23 FY to R27.2 billion in the outer year. The province has projected to collect revenue amounting to R7.2 billion, which accounts for 5% of the total budget for the current financial year. The major revenue sources for the province are the Departments of Roads and Transport, Economic Development, Health and Treasury. The direct charges against the Revenue Fund relates to the remuneration of public office bearers in line with legislation. **The total budget allocation for the province is R 153.7 billion in 2022/23 FY, which grows steady to R157 billion in the outer year of the MTEF.**

1. **CAPITAL EXPENDITURE FRAMEWORK**

Table 2 below illustrates allocations for infrastructure projects per department in line with the overall strategic goals of the province. The Estimates of Capital Expenditure allows GPG to communicate infrastructure investments and projects to be planned and implemented over the MTEF period.

***Table 2: GPG INFRASTRUCTURE ALLOCATION PER DEPARTMENT***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Medium-term estimates** | | |
| **R thousand** | **2022/23** | **2023/24** | **2024/25** |
| Economic Development  Health | 350 175  2 319 140 | 244 125  1 970 520 | 2 009 600 |
| Education | 1 743 745 | 1 737 922 | 1 838 460 |
| Social Development | 143 532 | 99 934 | 108 757 |
| Human Settlements | 5 395 559 | 5 618 165 | 5 861 208 |
| Roads and Transport | 2 095 899 | 2 468 795 | 2 418 010 |
| Agriculture & Rural Development | 29 113 | 35 969 | 49 422 |
| Sport, Arts, Culture & Recreation | 40 423 | 96 316 | 11 360 |
| Infrastructure Development | 139 150 | 96 409 | 88 775 |
| **Total Infrastructure by Vote** | **12 256 736** | **12 368 155** | **12 385 592** |

*Source: Explanatory Memorandum of the Provincial Appropriation Bill 2022*

Infrastructure investment is an important factor in reducing poverty and income inequality. To this end infrastructure investment and delivery is one of the priority interventions in the economic reconstruction and recovery plan. The identified projects in the 2022 MTEF period are expected to positively contribute towards achieving this priority and GGT2030 strategic priorities.

The province receives a combined R37 billion for infrastructure projects across eight departments over the 2022 MTEF. Regarding individual projects’ contractual commitments emanating from the 2021/22 financial year and planning and procurement activities advancing infrastructure investments in the province. The overall allocation is set to steadily increase over the MTEF period, from R12.2 billion in 2022/23 FY to R12.3 billion in the outer year. Of the R37 billion, 96% is allocated to the Departments of Human Settlements, Education, Roads and Transport and Health. While R1.5 billion or 4% is allocated to the Departments of Social Development, Agriculture and Rural Development, and Sports Arts, Culture and Recreation, Infrastructure Development, and Economic Development.

Of the combined MTEF budget, R20.7 is allocated to address the condition of existing infrastructure assets by either maintenance and repairs, upgrades and additions, and rehabilitation. A total of R15 billion will go towards the construction of new infrastructure and the replacement of infrastructure that no longer comply with current standards. While the remaining budget will fund non-infrastructure items like compensation of employees within the infrastructure units. **The Portfolio Committee welcomes the infrastructure allocations in view of the President’s commitment to a recovery plan that is based largely on using infrastructure as a catalyst.**

1. **CONDITIONAL GRANTS**

Conditional grants are funds which are transferred from national government and their use is restricted by conditions attached to them. The grants cannot be used at the province’s discretion, as they are designed to finance nationally determined priorities and to reimburse provinces for providing national services. Conditional grants are intended to achieve specific objectives and provinces must meet certain requirements to receive them.

The National government transfers four types of conditional grants, namely, allocations to provinces and municipalities made to supplement the funding of programmes or functions funded from provincial and municipal budgets; allocations made for specific purposes of national interest, without a requirement for addition funds from provincial and municipal own budgets; in-kind allocations to provinces and municipalities for designated special programmes; and specific allocations that may be released to provinces and municipalities to fund disaster response, in terms of the Disaster Management Act, 2002 (Act No. 57 of 2002).

Over and above core service grants, provinces are allocated grants to incentivize departments to increase work efforts through labour intensive methods and to remunerate volunteers in the social sector. The grants are the **Expanded Public Works Programme (EPWP) Integrated Grant** and the **Social Sector EPWP Integrated Grant.** **The Portfolio Committee welcomes the provision of funds for Integrated EPWP Grant and the EPWP Incentive Grant as that will** **provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities.**

The total amount allocated for conditional grants in 2022/23 FY amounts to R26 503 432 000 and they are expected to grow to R26 186 981 000 in 2023/24 FY before peaking at R27 212 992 000 in the outer year of the MTEF.

**TABLE 3: Conditional Grants Allocated to the province**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Department** | | **Medium-term estimates**  **R’000** | | |
|  | **2022/23** | **2023/24** | **2024/25** |
| Health | | 14 421 682 | 13 789 598 | 14 253 628 |
| Education | | 3 056 637 | 3 053 715 | 3 190 670 |
| Social Development | | 23 948 |  |  |
| Cooperative Governance & Traditional Affairs (EPWP Integrated Grant) | | 2 106 |  |  |
| Human Settlements | | 4 942 660 | 5 130 438 | 5 352 784 |
| Roads and Transport | | 3 420 465 | 3 564 614 | 3 729 053 |
| Community Safety | | 4 706 |  |  |
| Agriculture and Rural Development | | 149 584 | 146 259 | 152 729 |
| Sports, Arts, Culture and Recreation | | 276 172 | 280 011 | 293 735 |
| Infrastructure Development (EPWP Integrated Grant) | | 6 768 |  |  |
| **TOTAL CONDITIONAL GRANTS** | | 26 503 432 | 26 186 981 | 27 212 992 |

*Source: EPRE- 2022/23*

**Vote 4: Department of Health**

**Total conditional grant allocation for the Department of Health amounts to R14 421 682 000 in the 2022/23 FY.** In the financial year under review, the Department receives an additional amount of R989.5 million. The additional allocation will cater for the intake of additional medical interns, to capacitate central hospitals for oncology services, as well as to enable the department to continue with administering the COVID-19 vaccination roll-out programme.

**Vote 5: Department of Education**

**The overall allocation for the Department of Education amounts to R3 056 637 000 for the financial year under review.** The allocation for Early Childhood Development (ECD) Grant has been included in the conditional grant allocation of the GDE. The shift of this ECD grant comes into effect on 1 April 2022.

**Vote 6: Department of Social Development**

**The Department receives an amount of R23 948 000 for the 2022/23 FY only.** The allocations comprise of two conditional grants, i.e., the EPWP Integrated Grant and the Social Sector EPWP Incentive Grant. Allocations are only made for the 2022/23 FY. Further provisions for the for the EPWP in the two outer years of the MTEF will be dependent on expenditure in the

financial year under review.

**Vote 7: Cooperative Governance and Traditional Affairs**

**The Department receives an amount of R2 106 000 in the 2022/23 FY.** The allocation provides for the EPWP Incentive grant. The two outer years of the MTEF are however not provide for.

**Vote 8:** **Department of Human Settlements**

**The Department is allocated R5 141 364 000 for the financial year under review.** The Conditional grant comprises the Human Settlement Development Grant, Upgrading Informal Settlements Partnership Grant and the EPWP Integrated Grant.

The allocation will enable the Department to adequately respond to spatial transformation and radical economic transformation by ensuring that people are place closer to places of work and economic opportunities. In addition, the allocations will enable the department to, among others, embark on Mega Projects, upgrade informal settlements, re-develop hostels, and wind down legacy projects.

**Vote 9: Department of Roads and Transport**

The **Provincial Roads Maintenance Grant, Public Transport Operations Grant, and the EPWP Integrated Grants are allocated a total amount of R3 420 465 000** in the financial year under review. The grants will be utilized for the maintenance of the provincial road network, payment of bus subsidies and to incentivize departments based on job creation statics from the previous financial year.

**Vote 11: Department of Agriculture and Rural Development**

**The overall budget for the Department of Agriculture and Rural Development amounts to R149 584 000 in the 2022/23 FY.**

The allocation provides for four grants i.e., the Comprehensive Agricultural Support Programme to support farmers with production inputs, the Ilima/Letsema grant to support farmers with piggery and livestock commodity improvements, the Land Care grant for poverty relief and infrastructure development to sustain natural resources, as well as the Expended Public Works Programme Incentive grant that incentivizes departments in instituting job creation programmes.

**Vote 12: Department of Sports, Arts, Culture and Recreation**

**In the financial year under review, the Department will receive an amount of R276 172 000.** The allocation will enable the Department to support province with the upcoming Netball World Cup through the Mass Participation and Sport Development grant. The allocation increases to R280 011 000 in the 2023/24 FY, and R293 735 000 in the outer year of the MTEF.

**Vote 15: Infrastructure Development**

**The Department is allocated an amount of R6 768 000 for the 2022/23 FY.** There are no allocations for the two outer years of the MTEF as provision is dependent of the previous year’s performance. The allocation makes provision for the EPWP conditional grant chiefly for job creation and poverty alleviation. Allocations have been gradually decreasing due to delays in submission of Proof of Evidence to account for funds given to the Department. The grant is essentially an incentive grant from the National Department of Public Works to fund stipends in the National Youth Service (NYS) programme.

1. **BUDGET ALLOCATION PER VOTE**

The following budget appropriations have been allocated to departments for expenditure in the 2020/21 FY and over the MTEF period. The total allocation for the 2022/23 FY amounts to R152 985 243 000 with a projected increase in the outer years of the MTEF.

***TABLE 4: PROVINCIAL MTEF ALLOCATIONS***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Medium-term estimates** | | |
| **R thousand** | **2022/23** | **2023/24** | **2024/25** |
| Office of the Premier | 722 858 | 711 660 | 723 862 |
| Gauteng Provincial Legislature | 825 163 | 820 965 | 836 805 |
| Economic Development | 1 982 709 | 1 782 288 | 1 558 533 |
| Health | 59 426 398 | 58 208 471 | 60 618 931 |
| Education | 59 736 014 | 60 495 822 | 61 874 240 |
| Social Development | 5 537 037 | 5 421 478 | 5 545 681 |
| Cooperative Governance and Traditional Affairs | 610 789 | 577 079 | 596 066 |
| Human Settlements | 6 336 392 | 6 562 630 | 6 838 824 |
| Roads and Transport | 8 719 282 | 9 148 999 | 9 269 637 |
| Community Safety | 1 153 296 | 1 144 114 | 1 173 227 |
| Agriculture and Rural Development | 1 042 356 | 1 064 807 | 1 096 778 |
| Sports, Arts, Culture and Recreation | 1 097 407 | 1 155 054 | 1 101 976 |
| e-Government | 1 690 374 | 1 676 316 | 1 633 563 |
| Gauteng Provincial Treasury | 792 933 | 801 620 | 833 486 |
| Infrastructure Development | 3 312 235 | 3 203 244 | 3 236 434 |
| **Total provincial estimates by Vote** | 152 985 243 | 152 774 547 | 156 938 043 |

**Vote 1: Office of the Premier**

**The budget allocation for the Office of the Premier (OoP) is R722.9 million in 2022/23 FY and decreases over the MTEF to R712 million in 20224/24 FY before increasing to R724 million in the 2024/25 FY. The OoP is strategically positioned and capacitated to deliver services that support the seven provincial priorities for the 2020-2025 contained in the Growing Gauteng Together Plan 2030 (GGT 2030) Plan**.

To this end, the OoP through its transversal oversight role will utilize the budget to provide strategic intervention required to coordinate the Premier’s advisory councils and working groups, and to provide research support to the Premier’s advisory councils and coordination and monitoring of strategic and flagship programmes such as Ntirhisano, Communication and Messaging, Rapid Land Release, Primary health Care and National Health Insurance; Tshepo 1 Million, Township Economy Revitalization ‘ and Urban Planning.

The OoP will continue implementing the high/priority high focus areas including, the introduction of new e-services across all GCR spheres of government and improving ICT broadband footprint with the GCR; piloting an e-voucher and food distribution system; and promoting social mobilization and ward-based community engagement to close the trust deficit between government and communities. Finally, the OoP will establish war rooms that underpin the priorities of GGT2030 to support the implementation of the GGT2030 plans.

Additional funding amounting to R19.6 million is allocated to the OoP in the 2022/23 FY for the implementation of public sector wage agreement and for payment of stipends to the covid-19 Call Centre Agents.

**Vote 2: Gauteng Provincial Legislature (GPL)**

**The Gauteng Provincial Legislature (GPL) is allocated an amount of R825.2 million for the 2022/23 FY.** **The allocation is projected to decrease to R821 million in 2023/24 FY before increasing to R837 million in 2024/25 FY.** The allocation will ensure that GPL continue discharging its constitutional mandate of law-making, oversight over the executive and facilitation of public participation in legislative processes. GPL also receives R14.1 million in earmarked funding to implement the 2022/23 FY public sector wage agreement.

**Vote 3: Department of Economic Development**

The Department seeks to radically transform, modernize and re-industrialize the economy in Gauteng, manifesting decent work, economic inclusion and equity. **The main budget for the 2022/23 FY amounts R1.9 billion, decreasing to R1.6 in the outer year of the MTEF.**

The allocated funds are directed towards funding of the Economic Reconstruction and Recovery Plan (ERRP), like ERRP mobile buses, Lanseria PMO, Tshwane Automotive SEZ, seed funding for the establishment of the construction inputs and services hub in Munsieville, infrastructure maintenance of the ORTIA Precinct 1 and the master plan consolidation of the Westrand/N12 development corridor. Furthermore, the department receives R125 million in additional funding earmarked for projects such as, industrial parks, bidding and hosting, Cradle of Humankind and Dinokeng, tourism and infrastructure and destination promotion, Constitution Hill Visitor Centre, SMME development and tourism, tourism route implementation, Township Economy Revitalization, and probity audits.

**Vote 4: Department of Health**

**The Department receives a budget of R56 billion in 2022/23 FY, decreasing to R58 billion in 2023/24 FY, before increasing to R61 billion in the 2024/25FY**. The allocated budget will ensure the realization of the department’s strategic priorities including, the implementation of the of the National Health Insurance; improved patient care services by increasing accessibility of health care services; improved clinical services by reducing maternal, neonatal, infant and child mortality; ensuring that levels of literacy and community involvement are increased to drive the health, wellness and healthy lifestyles campaigns towards reduction of the burden of disease and ill-health; digitization of health business to achieve efficient business processes; and contributing to job creation as part of the health economy.

The Department receives additional funding amounting to R2.8 billion for various projects like, retention of some Covid-19 staff until 31 March 2023; appointment of Occupational Health and Safety practitioners; consumable supplies; medical supplies; rental and hiring of equipment to respond to the Covid-19 pandemic; implementation of the public sector wage agreement.

**Vote 5: Department of Education**

**The total budget allocation for the 2022/23 FY amounts to R59.7 billion.** **The total allocation is projected to increase to R60 billion in 2023/24 FY and further to R62 billion in the outer year of the MTEF.**

To realize the outcome on, “All children completing Grade R should be school-ready”. The Department will expand Grade R to public ordinary schools and introduce pre-Grade R, thus promoting two years of Early Childhood Education. Training will be provided to educators in ECD Centres, curriculum support and pro-poor interventions to provide school nutrition to ECD leaners will be expanded.

The Department expects to improve matric pass rate for Gauteng in accordance with the national mandate of 90% of candidates passing the NSC by 2022. This will be achieved through interventions such as Secondary School Improvement Programme (SSIP) and walk-in sites for Grade 12 leaners. Associated with this is the integration of Information, Communication and Technology to SSIP to support blended learning. Thereby combining remote and contact learning.

Therefore, Learner and Teacher Support Material will be procured to support ICT learning resources. To better equip learners with necessary skills essential for their careers and future learning, a provision is made for coding and robotics programmes in schools.

To ensure that schools are safe learning areas, the Safe Schools programme is intensified through the deployment of patrollers and the appointment of Youth Brigades to ensure that safety standards at schools are met. Finally, provision of nutritious meals to learners in quintiles 1-5 and scholar transport to ensure safe transportation of learners continues to be catered for.

An amount of R574.8 million has been allocated to support the department’s effort to improving the quality of matric pass rate by increasing the proportion of bachelor pass rate to 44% of learners writing the National Senior Certificate (NSC) examinations. In addition, the department will continue to implement the Master Skills Plan 2 for which an amount of R663.3 million has been allocated. The aim of the Master Skills Plan 2 is to reach employment targets through education and skills training.

An amount of R1.2 million has been made available to resources the introduction of the new ICT based curriculum in schools. Moreover, the school nutrition programme and scholar transport receive R1.3 billion and R1.3 billion respectively for the 2020/21 FY.

Over the MTEF period, the department receives R8.8 billion in earmarked funding for public sector wage agreement; capitalization of township technical schools; enhancing learning through ICT; appointment of additional teachers; leasing of offices and for the Youth Brigades.

**Vote 6: Department of Social Development**

In the quest to implement its strategic priorities as contained in its 2020-2025 Strategic Plan and to respond to the GGT 2030 priorities. **For the 2022 MTEF, the total budget of the department is R5.5 billion in 2022/23 decreasing to R5.4 billion in 2023/24, before climaxing back at R5.5 billion in the 2024/25.**

This budget will support priorities associated with, economy, jobs and infrastructure through youth development, women development, creation of sustainable employment through the EPWP, support to cooperatives; welfare-to-work programme. The Department will also lend credence to the priority on safety, social cohesion, and food security by among others providing services to older persons, providing services to persons with disabilities, providing pycho-social support services; strengthening the implementation of the social crime prevention strategy; distributing dignity packs; and responding to gender-based violence and femicide.

To augment its services, the department receives additional funding to the tune of R556.3 million for the implementation of the Gauteng City Region Street Adult Homelessness Strategy, support to welfare NGOs, public sector wage agreement; and for the Thuliswa-Nkabinde agricultural projects.

**Vote 7: Cooperative Governance and Traditional Affairs**

**The Department of Cooperative Governance and Traditional Affairs (COGTA) receives a total allocation amounting to R611.9 million for the 2022/23 FY declining to R577.1 million in 2023/24 FY before growing to R596.1 million in 2024/25 FY**. The allocation lends support to GGT 2030 priority “Building a Capable, Ethical and Developmental State”.

To this effect, the budget will fund the 2022 public sector wage agreement, development of a master system plan for the Integrated Gauteng Provincial Disaster Management Centre; transfers to municipalities to improve fire and rescue services capabilities; support for two district municipalities in reviewing and developing financial viability and sustainability strategies and plans development of a long-term GCR Integrated Urban Development Framework; development of Capital Expenditure Framework; and conducting land use audits for two district municipalities. Moreover, the department will support Civic Awareness and Voter Education campaigns; ABCD capacity initiatives to be implemented in municipalities; capacitation of municipalities to implement revenue plans; and to undertake data enrichment of large power and water users and to reduce unauthorized, irregular, fruitless and wasteful expenditure among others.

The budget is also aimed at providing supporting municipalities with their organizational structure and institutional reviews; reviewing Gauteng Spatial Development Frameworks, training on risk and integrity management; support for municipalities in implementing LED programmes; aligning government plans with the District Development Model; and support war-room on service delivery among others.

Furthermore, an additional amount of R13.7 million is allocated for the implementation of the public sector wage agreement in the 2022/23 FY.

**Vote 8: Human Settlements**

**The Department of Human Settlements receives a total allocation of R6.3 billion.** **The allocation is projected to increase to R6.6 billion and R6.8 billion in the 2023/24 and 2024/25 FY, respectively.**

The budget allocation will enable the Department to undertake projects that contribute to spatial transformation and radical economic transformation by ensuring that people are located closer to places of work and economic opportunities. It will also provide sustainable human settlement services and infrastructure in line with national access and equity policy and objectives. To this extent, the department will provide housing opportunities through Mega Projects; wind down legacy projects; procure serviced sites for rapid land release programmes; improve and upgrading informal settlement in the province; carry out urban renewal projects; re-develop hostels; and implement title deeds acquisition and township formalization.

To cater for public sector wage agreement in the 2022/23 FY and operational costs related to office accommodation, additional R453.6 million is provided.

**Vote 9: Roads and Transport**

The Gauteng Department of Roads and Transport contributes to developing the economy of the Gauteng Province primarily through the provision and maintenance of roads, and subsidized transport to ensure access to services. To this end, **the department is allocated R8.7 billion in the 2022/23 FY, which peaks at R9.3 billion in the 2024/25 FY.** Some of the programmes to be implemented over the MTEF include the following:

* Development and implementation of a Single e-Ticket;
* The Transport Management Centre;
* Transport Authority of the province to support transport integration across all spheres of government;
* Maintenance of current transport infrastructure;
* Investing in road infrastructure; and
* Rolling out of Queue Management system.

A further R28.9 million is made available in additional funding for the implementation of the public sector wage agreement in the 2022/23 FY.

**Vote 10: Department of Community Safety**

**The Department of Community Safety is allocated an amount of R1.2 billion in the 2022/23 FY, decreasing to R1.1 billion in 2023/24 FY, before increasing back to R1.2 billion in the outer year.**

Pursuant to the outcome of ensuring that, “All people are and feel safe” and in support of the GGT 2030 priority on “Safety, Social Cohesion and Food Security”, the allocated budget for the department will seeks to reduce priority crimes by reviewing the current policing model. The Department will also continue to coordinate and monitor implementation of the Gauteng Gender Based Violence and Femicide (GBVF) response plan in response to the scourge of GBVF. About the social crime, the department acknowledges the involvement of communities in crime prevention, hence professionalisation of and support of community policing forums will continue. Under crime perception management, the department will educate communities about road safety, community-police relations, and economic opportunities. To improve effectiveness and integration of the criminal justice system, there will be watching briefs at courts to identify areas for improvement in in crime investigation processes. The Department will also implement the Anti-Corruption Strategy adopted by the province to fight fraud and corruption. To reduce road fatalities, road safety educational programmes, road safety law enforcement operations and special services programmes will be embarked upon.

The department receives an additional amount of R398.1 million to supplement the budget for fleet services, shift allowance and overtime to traffic law officers, payment of stipend to patrollers and for the public sector wage agreement.

**Vote 11: Department of Agriculture and Rural Development**

**The Department of Agriculture receives a total allocation of R1 billion in the 2022/23 FY.** **It is projected that the allocation will increase to R1,064 billion in the 2023/24 FY and increase further to R1.096 billion in the outer year of the MTEF.**

The Department’s focus is on the Economic Recovery and Reconstruction Plan by implementing priorities such as the Agri-Industrialization project, urban food production as a catalyst for food security; improved market access in agriculture; commitment to providing support to farmers; positioning GCR as Africa’s agro-processing and cannabis mecca; establishment and implementation of agri-parks; processing facilities to support the agricultural value chain, land and agrarian reform as drivers for sector transformation; climate change respons4e; waste and green economy; and capacitating informal waste recyclers.

Additional funding of R35.8 million is earmarked for feasibility studies on climate change, a horticultural production hub; an egg aggregation pack station, starch manufacturing facility and for public sector wage agreement.

**Vote 12: Department of Sports, Arts, Culture and Recreation**

In accordance with the vision of an active, creative, modernized, and informed GCR contributing to sustainable socio-economic growth and social cohesion. **The Department’s allocation for the 2022/23 FY amounts to R1.1 billion, which accumulates to R1.2 billion in 2023/24 FY, before it declines back to R1.1 billion in 2024/25 FY.**

The Department’s budget will support programmes which contribute towards three GGT 2030 priorities, that is, “The Economy, Jobs and Infrastructure”, “Education, Skills Revolution and Health”, and “Safety, Social Cohesion and Food Security”. To this effect, the department will support programmes such as creative and cultural industries; continue to bid for and host national and international major sporting and arts and culture events; increase participation by learners in school sport; transfer records to the archives repository and conduct public outreach about the role of archives; and financially support the Women’s Living Monument, Kagiso Monument and Recreational Centre and Boipatong Monument.

Furthermore, R12.4 million is allocated for the implementation of the public sector wage agreement in the 2022/23 FY.

**Vote 13: Department of e-Government**

The key role of the Department of e-Government is the roll-out of a network infrastructure that will connect government facilities, including schools, hospitals, offices and economic zones. It endeavours to create an enabling platform and support service; enable GCR entities to deliver e-Government Services; establish a GCR e-Government governance structure to drive priorities, policies, standards and regulations; promote the usage of e-Government services; stimulate the ICT economy through facilitating incubation and innovation; and encourage public and private partnerships for the development and roll-out of e-Government services.

**The Department’s allocation for the 2022/23 FY amounts to R1.690 billion, which increases to R1.676 billion in 2023/24 FY, before declining to R1.633 billion in the outer year.**

The Department’s budget is dedicated to the implementation of GPG digital ecosystems like, modernisation of the provincial ICT infrastructure and provision of connectivity; provision of digital platform, e-services and applications; provision of provincial ICT oversight and governance; facilitation of ICT solutions advocacy, facilitation and communication; and facilitation of ICT industry stimulation and ICT skills development.

The department receives earmarked funding for amounting to R18.6 million for the implementation of the public sector wage agreement in the 2022/23 FY.

**Vote 14: Gauteng Provincial Treasury**

The department supports all the priorities of the GGT2030 by ensuring that the priorities as per the plan are funded. However, the mandate of the department is linked to two GGT2030 priorities, namely, “Building a Capable, Ethical and Developmental State” and “Economy, Jobs and Infrastructure”

**To this effect Gauteng Provincial Treasury is allocated an amount of R792.9 million for the financial year under review.** **The allocation is projected to increase to R801.6 million in 2023/24 FY and will further increase to R833.4 million in the outer year of the MTEF**. The increase is informed by the need to implement the approved organizational structure.

The budget funds the projects associated with enhanced sound finances in the province such as, improving fiscal management and increased compliance that promotes clean governance and accountability, integrating and synergising budget and planning processes and improving revenue collection. It also caters for projects linked to increased compliance with legislated prescripts by ensuring compliance with various legislated prescripts and regulations. Pertaining to sustainable local government finances, the department ensures efficient and effective management in municipalities and municipal entities and coordinate the provisioning of capacity building. The department also contributes towards the reduction of youth unemployment through skills development in support of Tshepo 1 million. Finally, the Department through its government component source alternative funding for strategic infrastructure projects, thus alleviating pressure on the fiscus.

In addition, R23.9 million is allocated to the department to make provision for the public sector wage agreement.

**Vote 15: Department of Infrastructure Development**

The Department is mandated to develop and maintain socio-economic infrastructure that enables all the province’s people to have access to social services by utilising the construction sector as catalyst for the development of sustainable communities, managing the provincial property portfolio and ensuring the implementation of all infrastructure programmes and projects reflected in the short, medium, and long-term plans of the GPG.

**The total budget allocation amounts to R3.3 billion for the 2022/23 FY and the budget allocation is projected to decrease to R3.2 billion respectively in the outer years of the MTEF.** The Portfolio Committee noted with appreciation that the funds will be directed to assist the towards job creation, economic growth, skills development and capacitating the state.

Some of the programmes to be implemented during the MTEF period include, improving property management to optimise the public owned fixed property portfolio; and ensuring contribution of infrastructure spend for socio-economic development to spur economic growth, job creation, boosting local manufacturing of infrastructure and construction inputs and promoting empowerment. The department will also continue delivering on the infrastructure programme; improve adherence to Infrastructure Delivery Management Systems across the infrastructure planning and delivery chain; and service leases for office accommodation for GPG offices.

The department also receives additional funding of R20 million in earmarked funding to supplement the budget for the payment of rates and taxes for government buildings and for the implementation of public sector wage agreement.

1. **SOCIAL IMPACT**

The advent of the COVID-19 pandemic and the restrictions that came with it stalled, to some extent, the pace of in-migration. However, the easing of lock-down restrictions and reopening of the economy, means that the pace of in-migration will accelerate. The pandemic might be receding to some extent; however, it is still expected to pick-up in the coming winter season. This means that the roll-out of the vaccine programme needs to be strengthened to ensure some degree of resistance against the virus, to allow the province to re-ignite the economy without many deterrents.

The 2022 PAB is therefore presented under tough economic and social challenges, however provisions are made for, among others, health, education, Gender Based Violence (GBV) awareness, the LGBTQI+ community, military veterans, people with disabilities and other social aspects. The allocations demonstrate gender responsiveness and a continued responsiveness to the impact of COVID-19.

1. **FINANCIAL IMPLICATIONS**

The provincial main appropriation amounts to R152.985 billion in the 2022/23 FY, expected to decrease to R152.774 billion in the 2023/24 FY, before increasing to R156.938 billion in the 2024/25 FY. The major beneficiaries of the budget allocations are Departments of Health, Education and Social Development, as they account for the lion’s share of the budget.

1. **COMMITTEE RECOMMENDATIONS**

The Portfolio Committee recommends the following:

* That the GPT should continue to monitor value for money and cost containment measures in all expenditure incurred by GPG Departments;
* That GPT should ensure that there is allocative efficiency in the budget allocations in view of outstanding infrastructure projects;
* That GPT should ensure the ring fencing of funds by departments to service accruals; and
* That GPT should ensure that GPG Departments spend their allocations in line with the APPs.

**Notwithstanding the aforementioned recommendations, the Portfolio Committee recommends that departments be allowed to spend until such time that the budget is approved.**

1. **CONCLUSION**

The Portfolio Committee notes that this budget was prepared against challenging economic environment that is characterised by restrained economic activity. Amidst the current social and economic climate, the Portfolio Committee urges GPG departments to exercise fiscal discipline in relation to financial expenditure and appeals for proper implementation in the interest of promoting inclusive economy.

1. **ACKNOWLEDGEMENTS**

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The Committee’s gratitude is extended to the following support staff: Group Committee Coordinator Mr. T. Bodibe, Senior Committee Coordinator Mr. J. Ntsane; Acting Senior Committee Coordinator Ms. C. De Beer; Researchers Mr. M. Tshehla and Ms. L. Chiloane; Legal Advisor Ms. W Ngubane; Senior Information Officer Mr. W. Nsibande; Media Officer Mr. A. Dikola; Committee Administrator Mr. Z. Mabuza, Service Officer Ms. R. Msimanga, Catering Assistant Ms. E. Nthene and Hansard Recorder Ms. R. Singh.

1. **ADOPTION**

After due consideration, the Finance Portfolio Committee unanimously adopted the report on the *Principle of the Provincial Appropriation Bill [G001-2022]*.  In terms of Rule 117 (2) (c) read with Rule 164, the Finance Portfolio Committee presents to the House and recommends the adoption of the Committee’s Oversight Report Report on the *Gauteng Provincial Appropriation Bill [G001-2022].*

1. [*https://www.imf.org/en/Publications/WEO*](https://www.imf.org/en/Publications/WEO)*:* [*World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation*](https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022)  [↑](#footnote-ref-1)
2. [*https://www.worldbank.org/en/news/press-release/2022/01/11/global-recovery-economics-debt-commodity-inequality*](https://www.worldbank.org/en/news/press-release/2022/01/11/global-recovery-economics-debt-commodity-inequality)*: Spread of COVID-19 Variants Alongside Inflation, Debt, and Inequality Intensifies Uncertainty.* [↑](#footnote-ref-2)
3. [*https://www.marketwatch.com/story/south-african-reserve-bank-raises-main-repo-rate-to-4-from-3-75-271643291201*](https://www.marketwatch.com/story/south-african-reserve-bank-raises-main-repo-rate-to-4-from-3-75-271643291201)*: South African Reserve Bank Raises Main Repo Rate to 4% From 3.75%.*  [↑](#footnote-ref-3)
4. [*http://www.statssa.gov.za/?p=15214*](http://www.statssa.gov.za/?p=15214)*: The South African economy records a positive fourth quarter.* [↑](#footnote-ref-4)
5. *Gauteng Province: Socio-Economic Review and Outlook (SERO) 2022.* [↑](#footnote-ref-5)