



MEDIUM TERM BUDGET POLICY STATEMENT 2015



GAUTENG PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward

MEDIUM TERM BUDGET POLICY STATEMENT 2015

Gauteng Provincial Government

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Foreword

The 2015 Medium Term Budget Policy Statement (MTBPS) provides a roadmap for the implementation of a Ten-Pillar Programme (TPP) intended to radically transform, modernise and re-industrialise Gauteng City Region that is characterised by social cohesion and economic inclusion as restated by the Honourable Premier David Makhura in this year’s State of the Province Address. The TPP responds to the country’s strategic objective of the National Development Plan (NDP) aimed at eliminating poverty and reducing inequality by 2030.

In the tabling of the national 2015 MTBPS this year by Minister of Finance, Mr Nhlanhla Nene stated that, South Africa’s economy will grow at about 1.5 percent in 2015 rising to 1.7 percent in 2016. This is considerably lower than what was projected at the tabling of the February 2015 Budget where a 2 percent growth was envisaged for this year and 2.4 percent in 2016. Gauteng Gross Domestic Product growth was recorded at 1.8% in 2014 and it is estimated that economic growth for the province will remain at these levels for 2015. The weaker economic growth led to a decline of revenue estimates thus reduced national transfers (equitable share and conditional grant) to provinces.

This publication reaffirms our commitment to addressing the three challenges of rising levels of poverty, unemployment and inequality. In the 2014 MTBPS, I presented to this house, the four aspects towards resourcing the TPP in response to the constrained economic and fiscal environment. Amongst others, we committed ourselves to reducing expenditure on non-core goods and services and maintaining spending on quality social services while increasing spending on infrastructure. The 2015 MTBPS shows progress we have made in increasing provincial funding and how this was done without compromising quality service delivery to the people of Gauteng. During 2014/15 we have managed to surpass the main appropriated revenue target by collecting an amount of $\frac{3}{4}$ of a billion rand which goes into the Provincial Revenue Fund as Reserves to further cushion a constraint fiscal space, whilst the 2015/16 financial year budget allocation of R96 billion has been made available. In an attempt to enhance revenue collection in the province, a Revenue Enhancement Strategy has been developed and adopted by the Executive Council in July 2015, for implementation on identified revenue sources. Collectively with all revenue generating departments, we are planning to collect R3 billion over and above the revenue base line for the current administration term. With spending on goods and services being reduced, R500 million savings is estimated over the 2015 Medium Term Expenditure Framework (MTEF).

I would like to thank the Head of Department, Ms Nomfundo Tshabalala; all other heads of departments and chief financial officers for their contribution and commitment into the radical transformation, modernisation and re-industrialisation of Gauteng City Region; and strides made in improving own revenue and the way they spend the money allocated to various mandates. I would also like to acknowledge the officials of Gauteng Provincial Treasury, more specifically; the Sustainable Fiscal Resource Management Programme under the leadership of Mr Jeffrey Mashela; who have worked tirelessly with their colleagues across departments to ensure that our public finances remain sound.

Ms Barbara Creecy
MEC for Finance

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List of Abbreviations

3C's	Three Challenges
AAP	Active Ageing Programme
ACSA	Airports Company South Africa
AET	Adult Education and Training
AFASA	African Farmers Association of South Africa
AGOA	Africa Growth and Opportunity Act
AIDC	Alternative Information and Development Centre
AIDS	Acquired Immune Deficiency Syndrome
AIS	Automotive Investment Scheme
ANA	Annual National Assessments
APDP	Automotive Production Development Programme
ART	Antiretroviral Therapy
ARVs	Anti-Retrovirals
ASP	Automotive Supplier Park
ATC	Approved Training Centre
AVS	Account Verification Solution
BAS	Basic Accounting System
BBBEE	Broad Based Black Economic Empowerment
BDP	Business Development Support
BRICS	Brazil Russia India China and South Africa
BRT	Bus Rapid Transit system
CARMMA	Campaign on Accelerated Reduction of Maternal and Child Mortality in Africa
CBD	Central Business District
CBDA	Cooperatives Bank Development Agency
CGECCD	Consultative Group on Early Childhood Care and Development
CHCs	Community Health Centres
CHWs	Community Health Workers
CITP	Comprehensive Integrated Transport Plan
CJS	Criminal Justice System
CMA	Court Management Agency
CoE	City of Ekurhuleni
CoGTA	Gauteng Department of Corporative Governance and Traditional Affairs
CoJ	City of Johannesburg
ConHill	Constitutional Hill
COS	Councils of Stakeholders
COSSASA	Confederation of School Sport Association of Southern Africa
CoT	City of Tshwane
CPFs	Community Police Forums
CPI	Consumer Price Index
CRDP	Comprehensive Rural Development Programme
CRUs	Community Residential Units
CYCCs	Child and Youth Care Centres
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DCST	District Clinical Specialist Teams
DDI	Direct Domestic Investment
DHIS	District Health Information System
DoE	Department of Education
DoH	Department of Health
DoRA	Division of Revenue Act
DoRB	Division of Revenue Bill
DPSA	Department of Public Service and Administration
DPSA	Disabled People of South Africa
DTI	Department of Trade and Industry

EC	Eastern Cape
ECD	Early Childhood Development
EDL	Essential and Non-Essential Drug List
EFTA	European Free Trade Association
EIAs	Environmental Impact Assessments
EMF	Environmental Management Frameworks
EMS	Emergency Medical Services
E-ENaTiS	Electronic National Traffic Information System
EPCE	Estimates of Provincial Capital Expenditure
EPI	Expanded Programme on Immunization
EPRE	Estimates of Provincial Revenue and Expenditure
EPWP	Expanded Public Works Programme
ESMOE	Essential Steps in Managing Obstetric Emergencies
ESSP	Extra School Support Programme
EXCO	Executive Council
FAL	First Additional Language
FAWU	Food and Allied Workers Union
FDI	Foreign Direct Investment
FET	Further Education and Training
FFC	Financial and Fiscal Commission
FLISP	Finance-linked Individual Subsidy Programme
FMG	Finance Management Grant
FNB	First National Bank
GBN	Gauteng Broadband Network
GCR	Gauteng City Region
GCRA	Gauteng City Region Academy
GCRO	Gauteng City Region Observatory
GDARD	Gauteng Department of Agriculture and Rural Development
GDCS	Gauteng Department of Community Safety
GDED	Gauteng Department of Economic Development
GDHS	Gauteng Department of Human Settlement
GDID	Gauteng Department of Infrastructure Development
GDoE	Gauteng Department of Education
GDoH	Gauteng Department of Health
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region
GDRT	Gauteng Department of Roads and Transport
GDSACR	Gauteng Department of Sport, Arts, Culture and Recreation
GDSD	Gauteng Department of Social Development
GEAR	Growth Employment and Redistribution
GEGDS	Gauteng Economic Growth and Development Strategy
GEP	Gauteng Enterprise Propeller
G-Fleet	Government Fleet
GGDA	Gauteng Growth and Development Agency
GICC	Gauteng Infrastructure Coordination Commission
GIFA	Gauteng Infrastructure Financing Agency
GIIMP	Gauteng Integrated Infrastructure Master Plan
GIKES	Gauteng Innovation and Knowledge Economy Strategy
GIPF	Gauteng Industrial Policy Framework
GPG	Gauteng Provincial Government
GPT	Gauteng Provincial Treasury
GSPF	Gauteng SMME Policy Framework
GTA	Gauteng Tourism Authority
GTSS	Gauteng Tourism Sector Strategy
GVA	Gross Value Added
GVA-R	Gross Value Added by Region
GYPP	Gauteng Youth Placement Programme
HCM	Human Capital Management

HCT	HIV Counselling and Testing
HCW	Health Care Waste
HDI	Human Development Index
HET	Heritage, Education & Tourism
HFRG	Hospital Facility Revitalisation Grant
HIV	Human Immune Virus
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HPV	Human Papilloma Virus vaccine
IASP	International Association of Science Parks
ICS	Improved condition of services
ICT	Information Communication and Technology
ICU	Intensive Care Unit
IDC	Industrial Development Corporation
IDMS	Infrastructure Delivery Management System
IDP	Infrastructure Development Plan
IDZ	Industrial Development Zone
IHMC	Innovation Hub Management Company
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPAP	Industrial Policy Action Plan
IPID	Independent Police Investigative Directorate
IRDP	Integrated Residential Development Programme
ITMP	Integrated Transport Master Plan
ITP	Integrated Transport Plans
IUCD	Intrauterine Contraceptive Device
IYM	In-Year Monitoring
JDA	Johannesburg Development Agency
JMP	Jewellery Manufacturing Precinct
KZN	Kwazulu - Natal
LANs	Local-area networks
LEAs	Law Enforcement Agencies
LED	Light-emitting diode
LED	Local Economic Development
LSEN	Learner with Special Education Needs
LTSM	Learner Teacher Support Materials
MDG	Millennium Development Goal
MDR-TB	Multi Drug-Resistant Tuberculosis
MEC	Member of the Executive Council
MECs	Members of the Executive Council
MerSETA	Manufacturing, Engineering and Related industries Skills Education Training Authority
MIDP	Motor Industry Development Programme
MMC	Medical Male Circumcision
MMH	Mildly Mentally Handicapped
MoU	Memorandum of Understanding
MOUs	Maternity and obstetric units
MPC	Monetary Policy Committee
MSD	Medical Supplies Depot
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee
MTEF	Medium Term Expenditure Framework
MTRF	Medium Term Revenue Framework
MVL	Motor Vehicle License
NAFU	National African Farmers Union
NBCR	Nuclear, Biological and Chemical Response System
NBER	National Bureau of Economic Research
NCS	National Core Standards
NCS	National Curriculum Standards
NDA	National Development Agency

NDP	National Development Plan
NEA	Not Economically Active
NEPAD	New Partnerships for Africa's Development
NERSA	National Energy Regulator of South Africa
NHFC	National Housing Finance Corporation
NHI	National Health Insurance
NHIS	National Health Information System
NHLS	National Health Laboratory Service
NIP	National Infrastructure Programme
NMT	Non-Motorised Transport Infrastructure
NPO	Non-Profit Organisation
NPTR	National Public Transport Regulator
NSNP	National School Nutrition Programme
NW	North West
OBE	Outcome Based Education
OEMs	Original Equipment Manufacturers
OoP	Office of the Premier
OPD	Out Patients Department
ORTIA –IDZ	OR Tambo International Airport Industrial Development Zone
OSD	Occupational Specific Dispensation
PAAB	Patient Administration Billing
PACS	Picture Archiving and Communication System
PAHC	Primary Animal Health Care
PBC	Premier Budget Council
PERO	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PHC	Primary Health Care
PHRA-G	Provincial Heritage Resource Agency of Gauteng
PIC	Public Investment Corporation
PICC	Presidential Infrastructure Coordinating Committee
PMO	Project Management Office
PMS	Performance Management System
PoA	Programme of Action
PPP	Private Public Partnership
PRASA	Passenger Rail Agency of South Africa
PRF	Provincial Revenue Fund
PSC	Public Service Commission
PTOG	Public Transport Operations Grant
PV	Photo Voltaic
PWD	People with Disabilities
QLTC	Quality Learning and Teaching Campaign
Q-o-Q	Quarter on Quarter
R&D	Research and development
RDP	Reconstruction and Development Programme
RIMS	Revenue Information Management System
RNCS	Revised National Curriculum Statement
SACMEQ	Regional assessment consortium tests
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAHRA	South African Heritage Resources Agency
SAMRC	South African Medical Research Council
SANRAL	South African National Road Agency Limited
SAPO	State of the Province Address
SAPS	South African Police Services
SARB	South African Reserve Bank
SARS	South African Revenue Services
SA-SAMS	School Administration and Management System

SASCE	South African Schools Choral Eisteddfod
SDP	Supplier Development Programme
SERO	Socio-Economic Review and Outlook
SETA	Skills Education and Training Authority
SEZ	Special Economic Zone
SGB	School Governing Body
SIAS	Screening, Identification, Assessment and Support
SIPs	Strategic Infrastructure Projects
SMEs	Small, Medium-sized Enterprises
SoNA	State of the Nation Address
SoPA	State of the Province Address
SPTN	Strategic Public Transport Network
SRSS	Sedibeng Regional Sanitation Scheme
SSA	Sub-Saharan Africa
SSIP	Secondary School Intervention Programme xiii
SMEs	Small Medium-sized Enterprises
SMMEs	Small Medium and Micro Enterprises
SSMP	School Sport Mass Participation Programme
SSP	Strategic Support Plans
SSP	School Sport Programme
Stats SA	Statistics South Africa
STI	Sexual Transmitted Infections
STP	Science and Technology Park
SWHs	Solar Water Heaters
TAC	Tshwane Auto City
TB	Tuberculosis
TDCA	Trade, Development and Co-operation Agreement
TEMP	Total Ethics Management Programme
TER	Township Enterprise Renewal
TIHMC	The Innovation Hub Management Company
TIMSS	Trends in International Mathematics and Science Study
TMR	Transformation, Modernisation & Re-industrialisation
TPP	Ten Pillar Programme
TRT	Tshwane Rapid Transit
TTT	Technical Task Team
UJ	University of Johannesburg
UN	United Nation
UNDP	United Nations Development programme
UNIDO	United Nations Industrial Development Organization
URPs	Urban Renewal Projects
USA	United States of America
US\$	United States Dollar
VAT	Value Added Tax
WAN	Wide Area Network
WARD	Women in Agriculture and Rural Development
WBOT	Ward Based Outreach Teams
WEO	World Economic Outlook
WISN	Workload Indicators of Staffing Needs
WoP	War on Poverty
WWTW	Waste Water Treatment Works
YARD	Youth in Agriculture and Rural Development

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Executive Summary

The Medium Term Budget Policy Statement (MTBPS) is a government policy document that communicates to legislature and the province, the economic context in which the forthcoming budget will be presented, along with fiscal policy framework over the medium term period. The MTBPS is produced and tabled three months prior to the tabling of the main annual provincial budget. The Publication consist of five chapters incorporating the radical Transformation, Modernisation and Re-industrialisation (TMR) programme and the related Ten Pillars with detailed presentation of the various projects that will be undertaken in line with the Ten Pillar Programme (TPP). This is aligned to the broader vision of building a seamlessly integrated, socially cohesive, economically inclusive City Region.

The socio-economic review and outlook of South Africa with particular focus given to the Gauteng province is presented. Global investment patterns, sovereign debt as well as global trade are discussed as a point of departure. The economic outlook of the province is presented with analysis of Gross Domestic Product (GDP) and labour market trends, amongst other economic variables. The socio-economic review of the province is provided with specific focus on the three challenges facing government; poverty, unemployment and income inequality.

The MTBPS present the fiscal framework of Gauteng Provincial Government (GPG) for the current financial year and for the medium term period. The statement provides for national transfers to provinces, with emphasis placed on GPG. Focus is on the province's spending plans, more specifically, expenditure on infrastructure for the current financial year. The chapter further outlines progress on the financing approaches as announced to the Members of the Executive Committee in last year.

The policy part of the Publication deals with the introduction of the TMR programme, with emphasis on radical transformation of Gauteng City Region. The National Development Programme (NDP) is presented as it provides a foundation for the TMR programme. The transformation programme is analysed per pillars of radical economic transformation, decisive spatial transformation, accelerated social transformation, and transformation of state and governance. In addition to capital intensive activities, initiatives to radically transform the economic landscape of the province, Small Macro Medium Enterprises (SMMEs) and township enterprises. Radical social transformation within the context of radically transforming the education, health and social sectors is presented.

Another element of the TMR; modernisation of Gauteng City-Region (GCR), is discussed. Modernisation is segmented into the modernisation of the public service, economy, human settlements and urban development, and public transport infrastructure. Various projects undertaken to modernise the economy are investment in Information and Communication Technology (ICT) and broadband infrastructure. Modernising the public transport infrastructure, with the expansion of the Gauteng integrated transport infrastructure is discussed as the initiative.

The policy context of the MTBPS concludes with re-industrialisation of the Gauteng Province through strategic infrastructure development being planned alongside the five envisaged corridors. These include amongst others, the development of massive public transport infrastructure across the Province; the revitalisation of old industries and townships; and coordinated investments in key strategic industries.

CHAPTER 1: ECONOMIC OVERVIEW AND OUTLOOK

1.1. Introduction

In this chapter an assessment of the global economy is made, in terms of Gross Domestic Product (GDP), investment and sovereign debt, consumer confidence and other important indicators to allow for policy debates relating to equitable resource allocation. An assessment of the global and national economy is crucial as it potentially affects the provincial economy in various ways, especially through the country’s main trading partners. Another area of focus would be the provincial socio-economic aspect, relating to progress made and outlook in contrast to national trends, and initiatives considered to address challenges.

The socio-economic variables within a provincial context that would be looked at include the following but are not limited to the mortality rate, educational attainment, human development and crime. The chapter concludes with observations made with a summary of issues for further consideration within a policy realm.

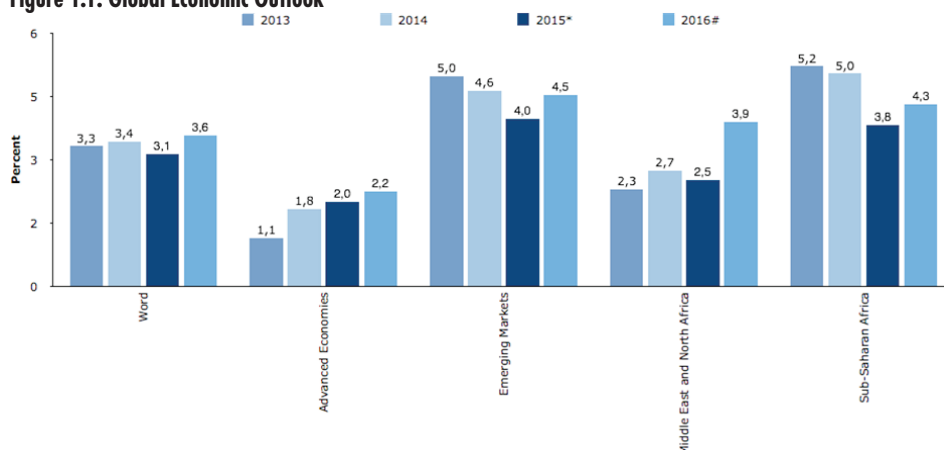
1.2. Global Economic Review and Outlook

The global economy, is growing slower than expected with slower growth in oil-exporting countries. According to the World Economic Outlook 2015, advanced economies will experience a slight pickup in growth, whilst a slowdown would be experienced in emerging markets and developing economies. The continued slowdown in growth in emerging markets can be attributed to factors such as, lower commodity prices and tighter external financial conditions¹.

1.2.1. Global Gross Domestic Product

According to the World Economic Outlook (WEO), global GDP remained stable at 3.4% in 2013 and 2014. In 2015, GDP is forecast to reach 3.1% a slight decrease from that of the previous year². This is expected to increase slightly to 3.5% in 2016. Declining commodity prices have placed significant pressure on emerging market growth, attributed to a lower demand levels for commodities by the global market.

Figure 1.1: Global Economic Outlook



Source: IMF World Economic Outlook, 2015. Note* indicates an estimate # indicates a forecast

Figure 1.1 provides a snapshot of economic performance and outlook within a context of global, advanced, emerging and developing economies. This shows that advanced economies have been experiencing positive growth since 2013. In 2013, advanced economies had a GDP growth of 1.1% which increased to 1.8% in 2014 and is estimated to increase by 0.4% to reach 2% in 2015. It is projected that in 2016, GDP growth for these economies will be recorded at 2.2%. Emerging markets have shown a slowing trend in their growth over the period under review, with growth of 5% recorded for 2013, slowing down to 4.6% in 2014. It is estimated that the growth for emerging markets will slow down further by 0.6% to 4.0% when compared to the previous year but is forecast to recover in 2016 with positive growth of 4.5%. According to the 2015 International Monetary Fund

¹ IMF, 2015. World Economic Outlook Update

² IMF, 2015. World Economic Outlook

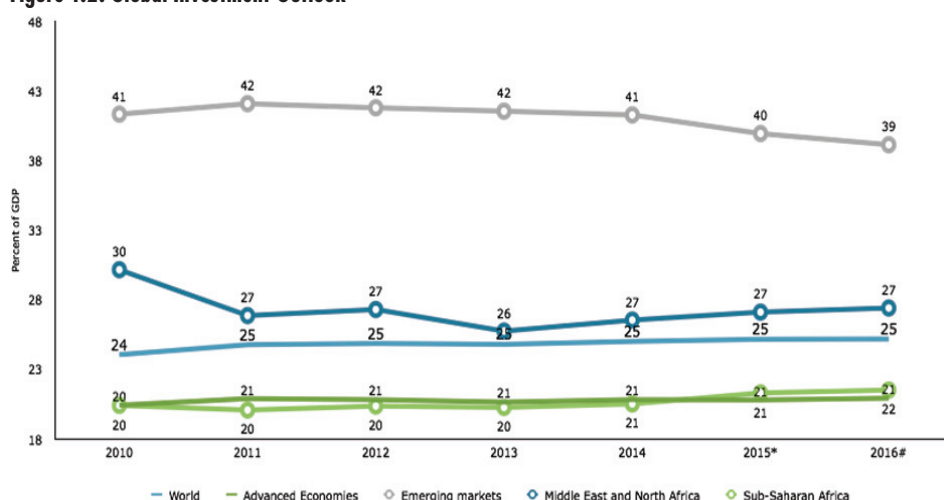
(IMF) global outlook report, the slower growth can be attributed to, amongst others, lower commodity prices and tighter external financial conditions³.

Middle East and North Africa show positive growth with GDP for 2013 recorded at 2.3% and this is expected to improve and reach 2.5% in 2015. The positive trend of the Middle East and North African markets is expected to continue with a growth of 3.9% forecasted for 2016. Improvements in confidence, manufacturing and exports as well as a bottoming out of oil production, contributed to the pick-up in growth. This modest upturn, however, remains fragile, and output still languishes well below the regions’ potential growth. In 2013 the GDP for Sub-Saharan Africa was 5.2%, this slowed down to 5% in 2014 and is expected to decline to 3.8% in 2015. The growth for this region is expected to pick up in 2016, with growth forecasted at 4.3% showing an increase of 0.5% when compared to the growth experienced in the previous year. According to World Bank chief economist, Ms Chuhan Pole, the slower growth in this region can be attributed to the economic growth slowdown in China, lower commodity prices, and electricity supply challenges in countries such as South Africa and Zambia⁴.

1.2.2. Investment Outlook

The level of investment is marginally declining globally and this can be attributed to the slower growth being experienced in the Global economy⁵. Investments are crucial in a country as they are necessary to fund growth and development. This is especially relevant for emerging market economies, which have significant raw material endowments, but lack the investment to extract.

Figure 1.2: Global Investment Outlook



Source: IMF World Economic Outlook, 2015. Note * indicates estimate and # indicates forecast

Figure 1.2 shows that investment in advanced economies has been showing steady growth. Investment as a percentage of GDP amounted to 20% in 2010 and remained steady at this level until 2014. It is estimated that in 2015 investment as a percentage of GDP will remain at the same level of 21% as that of the previous years and in 2016 it is forecasted that it investment will pick up slightly to 22% of GDP, showing an increase of 1% from the investment levels of 2015. Although increasing, the level of investment in advanced economies is low, this could be as a result of the decrease in confidence by investors due to the European financial crisis and the prospects of a recession in all Eurozone countries. Emerging markets investment as a percentage of GDP amounted to 41% in 2010 and is estimated to decline to 40% in 2015. In 2016 investment as a percentage of GDP is forecasted to further decline to 39%, showing a decrease of 1% from the 2015 level. Middle East and North Africa are showing signs of decline between 2010 and 2013 with levels recorded at 30% and 26% respectively. In 2014 the level of investment in this region recorded at 27% and expected to remain at levels for 2015 and 2016. Investment in Sub-Saharan Africa from 2010 until 2013 was recorded at 20% of GDP, this is expected to pick up slightly in 2014 to 21% and it is anticipated that it will remain at these levels for 2015 and 2016.

³ <http://www.imf.org/external/Pubs/ft/weo/2014/01/pdf/text.pdf>

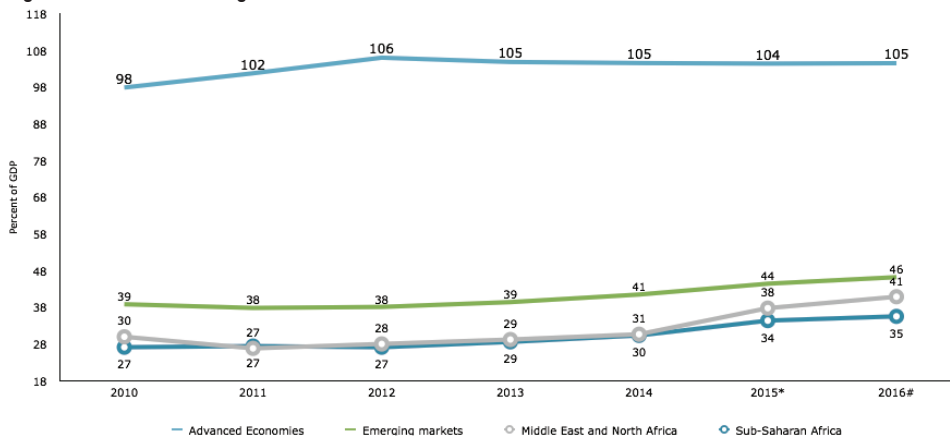
⁴ <http://www.bdlive.co.za/africa/africanbusiness/2015/10/05/sub-saharan-africa-growth-to-slow-to-3.7-in-2015-says-world-bank>

⁵ IMF, 2015. World Economic Outlook

1.2.3. Sovereign Debt

High levels of sovereign debt in advanced economies continue to constrain the global economic recovery, as it becomes difficult for countries to determine how to scale down their borrowing requirements for the purpose of maintaining sustainable borrowing limits in order to balance growth and be able to manage debt levels efficiently⁶. Furthermore, years of uncontrolled spending, non-existent fiscal reforms and an increase in the budget deficits of countries such as Greece and the United States of America (USA), are a significant risk to the global outlook.

Figure 1.3: Global Sovereign Debt



Source: IMF World Economic Outlook, 2015. Note * indicates estimate and # indicates forecast

Figure 1.3 shows the level of sovereign debt in different global economies as a percentage of GDP. The levels of debt in global markets are showing an increasing trend as governments take measures to stimulate growth within their economies.

From the figure the effects of the European financial crisis are evident as there is an increase in the level of sovereign debt between 2013 and 2016 in advanced economies. In 2010 sovereign debt was recorded at 98% of GDP, this increased drastically to reach 106% in 2012. The increase in the level of sovereign debt for this economy can be attributed to the effects of the global financial crisis. In 2013, sovereign debt amounted to 105% of GDP, this remained steady at this level for 2014 and it is forecasted and is expected to reach 105% in 2016. Due to the looming recession of some Eurozone countries, it can be anticipated that the level of sovereign debt will increase as fiscal stimulus packages are effected to boost growth⁷. Emerging markets in 2010 recorded a debt level of 39%; this grew by 2% to reach 41% in 2014. It is estimated that in 2015, the level of debt for emerging markets will grow to 44% showing an increase of 3% from the levels recorded in the previous financial year, while a further increase is expected in 2016, with debt levels anticipated to reach 46%.

Middle East and North African markets debt levels showed signs of decline before starting to pick up in 2014. In 2010, the level of public debt was recorded at 30%. In 2011 Middle East and North African markets recorded a debt level of 27%, and this increased by 4% to reach 31% in 2014. In 2015 it is anticipated that the levels of debt for this market will increase further to 38% showing a drastic increase of 7% from the levels recorded in 2015. It is forecasted that in 2016 sovereign debt will be recorded at 41%. The Sub Saharan Africa debt levels follow the trend of global debt with increases over the period under review. In 2010 it was 27% and is forecasted to increase to 35% by 2016. It is however worth noting that a number of countries are undertaking fiscal reforms to reduce their sovereign debt levels.

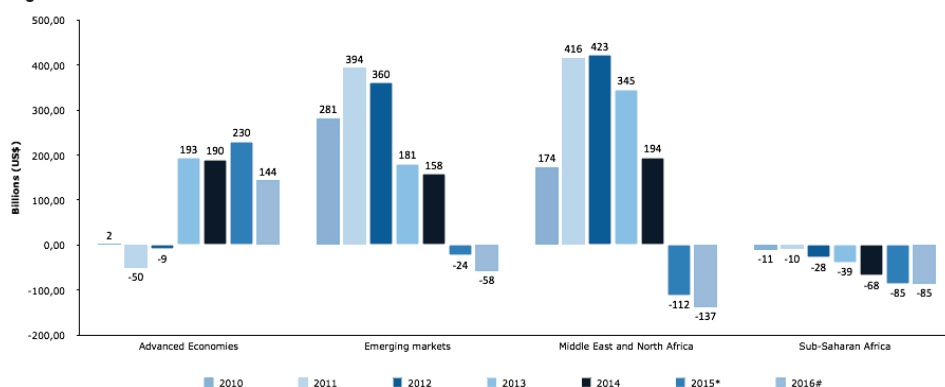
1.2.4. Trade Outlook

The decline in global commodity prices signals a weaker global demand. Commodity exporting countries (mainly emerging market economies) are seeing a decline in their trade conditions, and this is expected to continue. Trade conditions in advanced economies have improved in the recent past, however with economic conditions in emerging markets, which are importers of advanced market exports, this improvement is uncertain.

⁶ Nelson, M, 2013. Sovereign Debt in Advanced Economies: Overview and Issues for Congress

⁷ Nelson, M, 2013. Sovereign Debt in Advanced Economies: Overview and Issues for Congress

Figure 1.4: Global Trade



Source: IMF World Economic Outlook, 2015

Figure 1.4 shows global trade for the period 2010 to 2016. In 2010, global trade in advanced economies amounted to \$2 billion, this decreased to negative \$9 billion in 2014. In 2013, global trade in these economies amounted to \$193 billion, and is estimated to increase to \$230 billion in 2015, while in 2016, it is forecast that trade levels will reach \$144 billion showing a significant decrease from the levels recorded in 2015. Emerging markets trade was recorded at \$281 billion in 2010. From 2011, the trade levels in emerging markets show signs of decrease, with the 2011 amount recorded at \$394 billion whilst forecast to reach negative \$58 billion in 2016. Weaker than expected economic growth is one of the factors which the low trade levels can be attributed to⁸.

Trade in the Middle East and North Africa Economy has been showing signs of decline since 2013, with trade levels recorded at \$423 billion in this year, this declined to reach \$194 billion in 2014. It is anticipated that trade levels will decline further from the levels recorded in 2014, with negative \$112 billion estimated for 2015 and is forecast to decrease further to reach negative \$137 billion in 2016. Plunging oil prices, as most of the countries in this region export oil, have had a great effect on levels of trade. Trade in Sub-Saharan Africa is at negative levels and will continue to decrease over the period under review. In 2010, trade levels amounted to negative \$11 billion and in 2013 reached negative \$39 billion. A further slowdown in the levels of trade for this economy, is anticipated, with the 2015 trade levels estimated at \$85 billion and will remain at these levels for 2016 also. The low levels of trade in this region are mostly affected by the large population living in poverty.

1.3. South African Economic Review and Outlook

South Africa’s GDP grew at a steady pace until the global financial crisis event of 2008-2009, which then declined. The steady trend achieved pre-financial crisis can be attributed to a sustained record of macroeconomic prudence and a supportive global environment. The country’s economy remains a dual with the highest inequality levels in the world, perpetuated mainly by past policies of economic exclusion⁹.

1.3.1. South Africa’s Gross Domestic Product

South Africa’s GDP growth has been low compared to that of other emerging markets. As shown in Section 1.2.1 emerging market economies are expected to grow at 4% in 2014, 2 percentage points higher than South Africa. Some of the factors that contributed to this slow growth are electricity supply shortages, labour unrest, high unemployment, inequality and weak trading partner growth¹⁰. In particular, the manufacturing and mining sectors face significant challenges as the combined effect of lower global demand and lower commodities prices takes hold. As outlined in the National Development Plan (NDP), the government aims to accelerate progress and build a more inclusive society through two main strategic goals to double the GDP by 2030 and eliminate poverty, and reduce inequality¹¹.

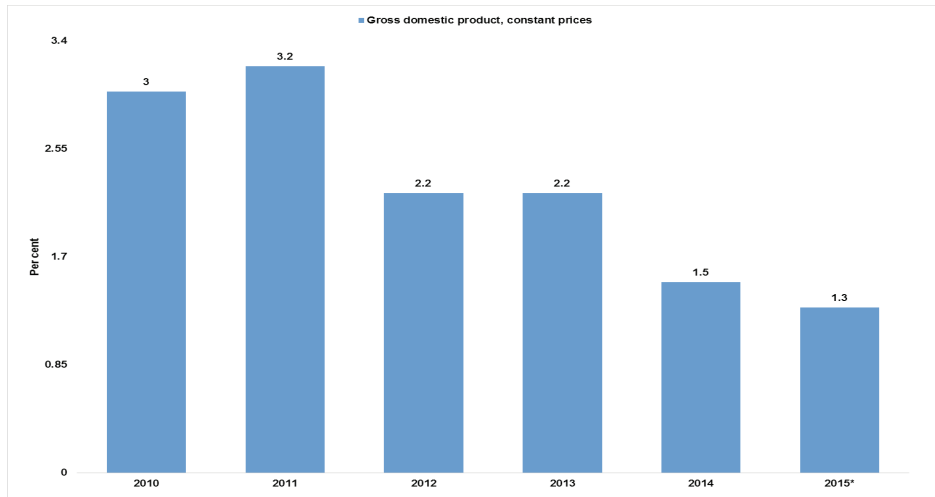
⁸ IMF, 2015. World Economic Outlook –Uneven Growth short and long term factors

⁹ <http://www.worldbank.org/en/country/southafrica/overview>

¹⁰ IMF Country report. South Africa. 2013

¹¹ <http://www.worldbank.org/en/country/southafrica/overview>

Figure 1.5: South Africa Real Gross Domestic Product



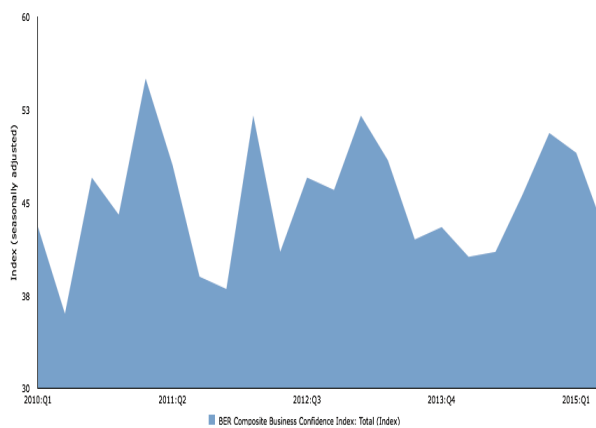
Source: Statistics South Africa, 2015, note * indicates estimate

Figure 1.5 shows real GDP growth rate for South Africa. From the figure, the real GDP growth for the country seems to be fluctuating. In 2010, real GDP grew by 3%, this increased slightly and in 2011 was recorded at 3.2%. A real GDP growth rate of 2.2% was recorded in 2012, this shows a decrease of 1 percentage point from the rate recorded in 2011. This remained steady and the same amount was recorded in 2013. The slow growth in GDP during this period can be attributed to labour disputes that occurred, especially in the mining sector, and that resulted in months of non-productivity and a decrease of about 2 percentage points in mining exports¹². In 2014, the GDP growth declined to 1.5%, mainly due to the slowing down of activity in the mining and electricity sectors as a result of protracted industrial action,¹³ and will decline further in 2015 with a real GDP growth of 1.3% anticipated for the year.

1.3.2. Business Confidence

Business confidence¹⁴ in the country declined significantly in 2015, mainly due to labour unrest, combined with the electricity supply constraints. Furthermore, as outlined above, weaker economic prospects externally and internally place significant pressure on the viability of a significant number of businesses, in particular, small businesses.

Figure 1.6: Business Confidence



Source: Bureau of Economic Research, 2015

¹² IMF Country report. South Africa. 2013

¹³ www.africaneconomicoutlook.co.za

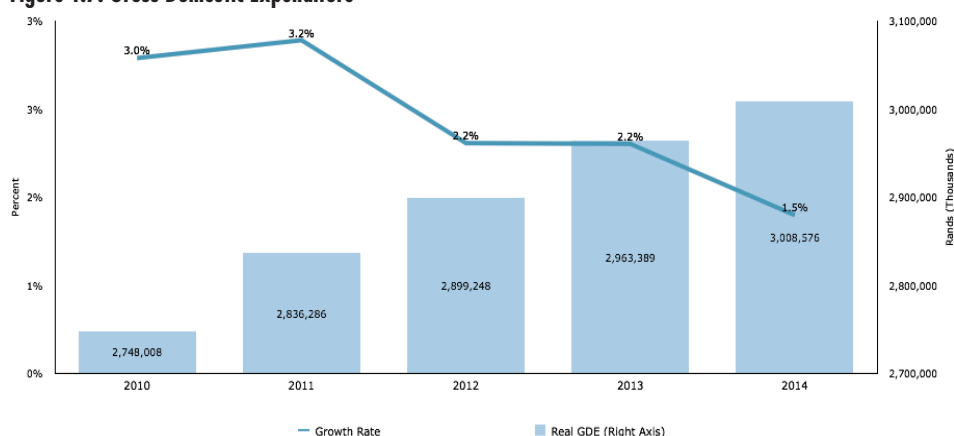
¹⁴ An economic indicator that measures the amount of optimism or pessimism that business managers feel about the prospects of their companies/ organisations. It also provides an overview of the state of the economy

Figure 1.6 shows that business confidence has remained steady at levels of between 35 and 55 index points over the period under review. In the first quarter of 2011, business confidence was at its highest at 55 index points, but dropped to its lowest level being recorded at 38 index points in the fourth quarter of the same year. The fluctuations in the business confidence, especially during the first two quarters of 2015, can be attributed to the decrease in new vehicle sales, and the petrol price increasing thus dropping retailers' confidence¹⁵. There has also been a decline in the demand for locally produced goods during 2015, thus contributing to the decrease in confidence. Electricity constraints have further created uncertainty for businesses as they have a significant effect on production. Levels of above 50 index points indicate expansion in the economy.

1.3.3 Gross Domestic Expenditure

High debt levels of individuals in the country and stringent lending criteria continue to put strain on Gross Domestic Expenditure (GDE), while high levels of inflation continue to erode disposable income by offsetting the effects of any increases, hindering further the ability to spend¹⁶. The ability and willingness of households to spend will further be constrained by high levels of unemployment and the slowing growth in government spending on wages and social transfers¹⁷.

Figure 1.7: Gross Domestic Expenditure



Source: South African Reserve Bank, 2015

Figure 1.7 shows the real GDE and the applicable growth rate for the period 2010 until 2014. Although real GDE has been increasing in rand terms over the period under review, it has been doing so at a decreasing rate. Real GDE amounted to R2, 748 billion in 2010, this increased by R260, 568 million to reach R3, 008 billion in 2014. On average, real GDE has been increasing by 2.29% annually over the period under review. The growth rate in real GDE has been slowing from 2011, with the only increase of 0.2% evident between 2010 and 2011. In 2011, the growth rate in real GDE was recorded at 3.2%, this slowed to 2.2% in 2012 and 2013, and slowed further to 1.5% in 2014. A slower pace in the increase of consumption expenditure by households and general government can be seen as the cause for the slower growth in GDE over this period¹⁸.

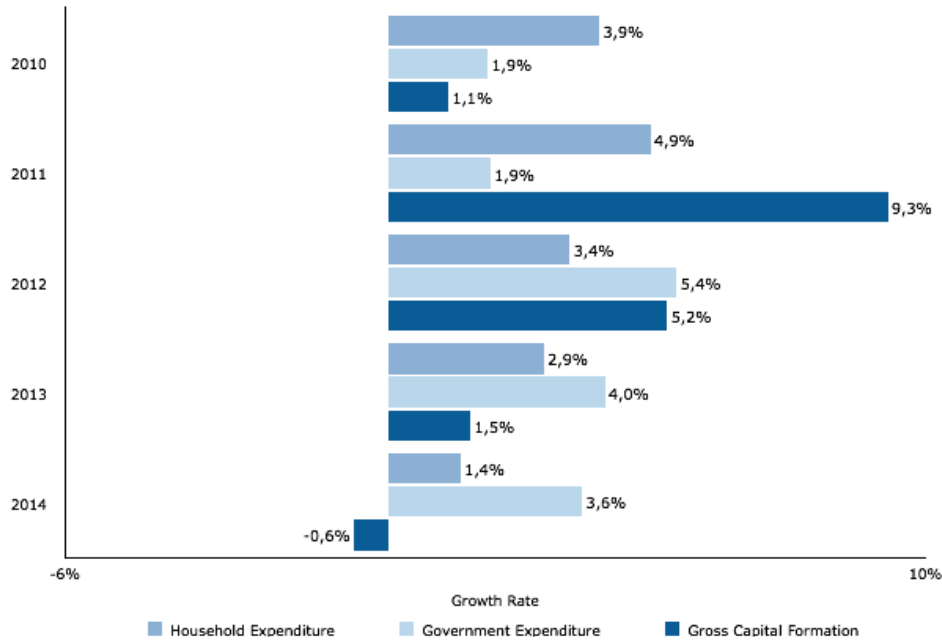
¹⁵ <http://www.ber.ac.za/bci/2141.aspx>

¹⁶ <http://www.sanews.gov.za/south-africa/real-gross-domestic-expenditure-increases-sarb>

¹⁷ S. Nxedlana and A. Smith, 2013. Outlook 2014-2015: Underperformance & Rebalancing (<https://blog.fnb.co.za/wp-content/uploads/2014/01/Economics-Analyst-Jan2014.pdf>)

¹⁸ S. Nxedlana and A. Smith, 2013. Outlook 2014-2015: Underperformance & Rebalancing (<https://blog.fnb.co.za/wp-content/uploads/2014/01/Economics-Analyst-Jan2014.pdf>)

Figure 1.8: Gross Domestic Expenditure Growth by Aggregate



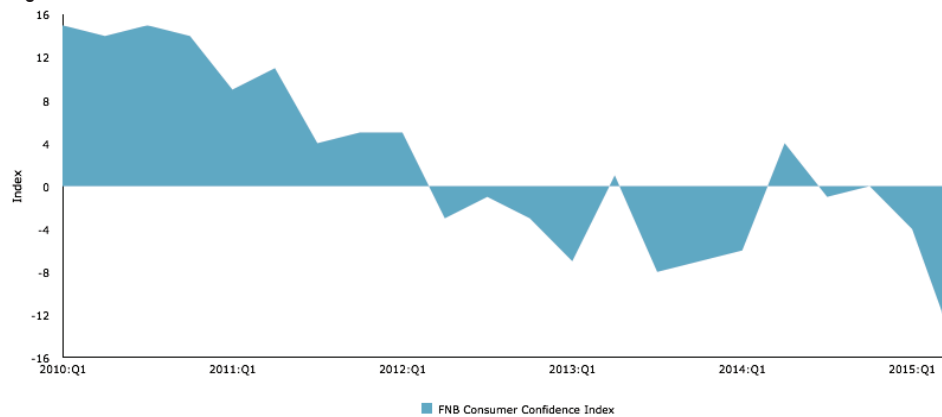
Source: South African Reserve Bank, 2015

Figure 1.8 shows the GDE growth aggregate for South Africa from 2010 to 2014. Household expenditure over the review period has been declining from 3.9% in 2010, to 1.4% in 2014. As mentioned earlier, the decrease is as a result of a decline in the real income of households due to high levels of inflation. Government expenditure has been showing signs of fluctuation over the review period with 1.9% recorded in 2010. This remained stagnant at the same levels in 2011, while it increased to 5.4% in 2012. In 2013, government expenditure slowed to 4.6% and in 2014, it decreased further to reach 3.6%.

Gross capital formation, which is expenditure on investment, increased between 2010 and 2011, with levels of 1.1% recorded in 2010 and 9.3% in 2011. The sudden surge in capital formation during this period can be attributed to the infrastructure projects by Eskom. In 2011, gross capital formation was recorded at 5.2%, this decreased to 1.5% in 2013.

In 2014, there were hardly any new capital projects being undertaken, resulting in a negative 0.6% level of capital formation. According to Sizwe Nxedlana, chief economist of First National Bank (FNB), the increased levels of load shedding, increases in tax levels, a further depreciation of the rand when compared to other currencies, and the low levels of government expenditure are some of the factors affecting consumer sentiment in the country and have resulted in a downward movement in the levels of consumer confidence.

Figure 1.9: Consumer Confidence



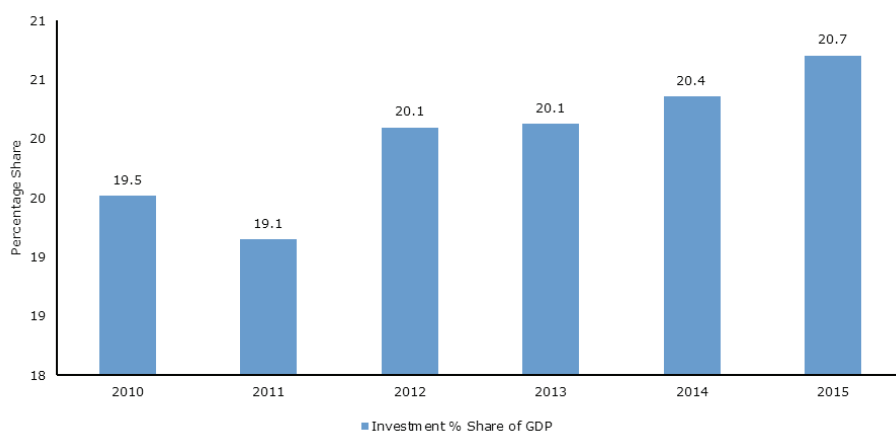
Source: Bureau of Economic Research, 2015

Figure 1.9 shows that consumer confidence¹⁹ has been decreasing since 2010 before hitting negative levels during the second quarter of 2012. In the first quarter of 2013 consumer confidence was recorded at negative 7 index points, and during the same period in 2014 it was recorded at negative 6 index points. In the second quarter of 2015, consumer confidence reached its lowest levels in years dropping to negative 15 index points. This was considerably lower than the levels that were seen during the 2008/09 financial crisis and recession. It is also the lowest recorded level since the 1994 democratic elections where the index was set at negative 12. The low consumer sentiment can be attributed to the frequent power outages, the high levels of unemployment in the country, and interest rate hikes; these are just a few of the factors that contributed to putting drastic pressure on the levels of consumer confidence²⁰.

1.3.4 Investment

Given the current economic conditions, there has been a lot of pressure on investments, locally and from international investors seeking to invest in South Africa. Cabinet approved the introduction of a revised Promotion and Protection of Investment Bill, 2015. The Bill will ultimately replace the bilateral investment treaties that SA has concluded with several countries and it provides a uniform framework for foreign and local investment. The Bill provides adequate security and protection to all investors and preserves the sovereign right of the South African government to pursue developmental and transformational public policy objectives²¹.

Figure 1.10: Investment as Share of GDP, 2010-2015



Source: SARB & IMF Data Base, 2015. Note * estimates

Figure 1.10, shows the investment in South Africa as a share of GDP from 2010 to 2014 with estimates for 2015. Investment as a share of GDP has been increasing over the period under review and this can be attributed to the fact that South Africa is a very attractive country for Foreign Direct Investment (FDI)²². GDP was 19.5% in 2010 and this increased to 20.4% in 2014. In 2011, there was a slight dip in investment in proportion to GDP as it decreased to 19.1%. This may have been as a result of the increased level of economic activity in the country, as GDP growth was recorded at 3.2%, 0.2% higher than that of 2010. It is estimated that investment will increase to 20.7% in 2015. The estimated improvement in investment can be attributed to the positive effect of the revised Promotion and Protection of Investment Bill, 2015; which is likely to encourage both local and external investments in the country.

1.3.5. Trade

Weak global demand for domestically produced goods and the recession, which is currently affecting the Eurozone, have resulted in the weak trade balances that have been recorded in the country²³. In order to improve the competitiveness of South Africa exports internationally, the Department of Trade and Industry (DTI) is motivating for the extension of the Manufacturing Competitiveness Enhancement Programme (MCEP) beyond the 2017/18 financial year. According to DTI, this programme will prioritise projects that will promote the unlocking of capacity to exploit existing market opportunities, both domestically and globally²⁴. Furthermore,

¹⁹ An economic indicator which measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation

²⁰ FNB/BER Consumer Confidence Index Issued by FNB, 2015

²¹ <http://www.bdlive.co.za/business/2015/06/25/cabinet-approves-revised-investment-bill>

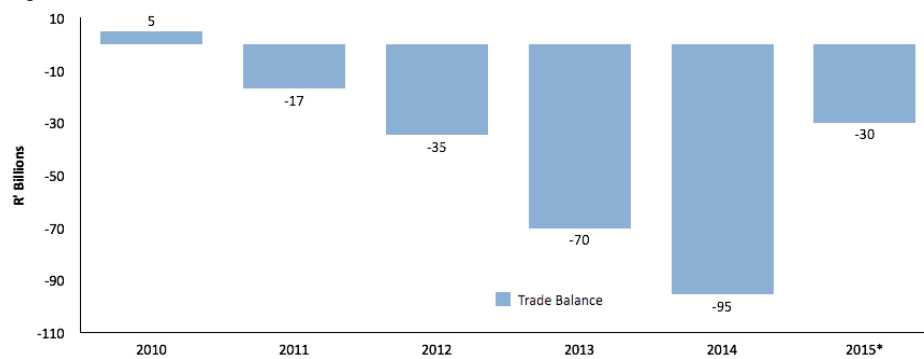
²² <http://www.idc.co.za/home/media-room/articles/709-sa-is-africa%E2%80%99s-top-investment-destination.html>

²³ <http://www.bdlive.co.za/economy/2013/10/01/trade-deficit-shock-raises-alarm-over-sas-exports>

²⁴ <http://www.engineeringnews.co.za/article/dti-motivating-for-an-extension-of-mcep-incentive-beyond-2017-2015-06-25>

the programme aims to expand employment and real income growth over the long term.

Figure 1.11: Trade Balance



Source: South African Revenue Service, 2015

Figure 1.11 shows the trade balance for South Africa from 2010, with projections for 2015. From the graph, it is clear that the trade balance for South Africa has been decreasing over the review period. In 2010, the trade balance was recorded at a surplus of R5 billion and in 2014, it was recorded at its lowest level, showing a trade deficit of R95 billion. The high deficit levels can be attributed to the weakening rand and also low demand for goods produced in the country. It is forecasted that the trade balance will recover slightly from 2014 levels in 2015, and will record a negative R30 billion.

1.4. Gauteng Economic Review and Outlook

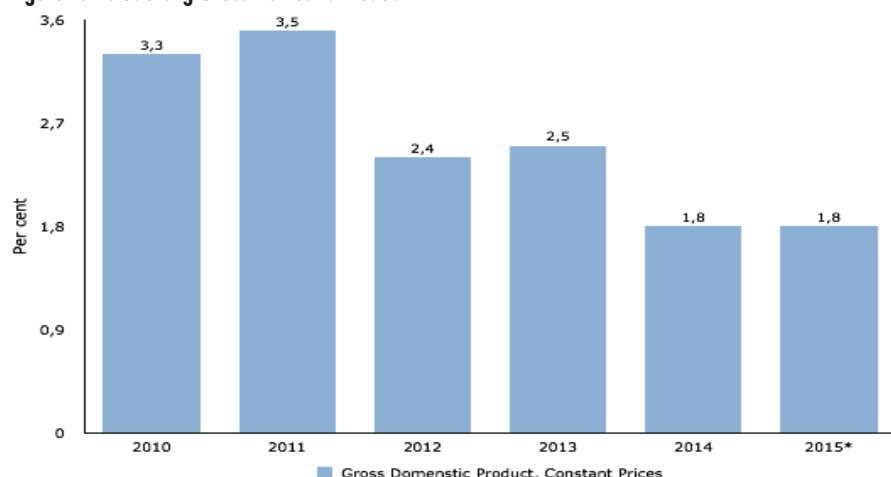
The Gauteng province contributes the biggest share to the country’s GDP and is known as the economic hub of the country. Radical economic transformation is one of the pillars of Gauteng’s radical transformation. The provincial government has identified key sectors that have the potential to address the twin policy imperatives of creating decent employment and greater economic inclusion. The identified sectors include, amongst others, finance, Information, Communication and Technology (ICT), and manufacturing.

1.4.1. Gauteng Gross Domestic Product

The Gauteng province, the economic hub of the country, is the province which contributes the most to the country’s GDP. In 2014 Gauteng contributed 35.1%²⁵ to national GDP, this is an improvement from the 34.8% recorded in 2010. The province is home to three of the eight metropolitan municipalities in the country; City of Johannesburg (CoJ), City of Tshwane (CoT) and City of Ekurhuleni (CoE). In Gauteng the tertiary sector contributes the most to the economy of the province.

²⁵ Statistics South Africa (2014)

Figure 1.12: Gauteng Gross Domestic Product



Source: IHS Global Insight, 2015

Figure 1.12 shows the growth rate in gross domestic product for Gauteng from 2010 to 2014, with estimates for 2015. In 2010, Gauteng GDP growth was recorded at 3.3%, this improved to 3.5% in 2011. There was a significantly slower growth in GDP for Gauteng in 2012, with growth recorded at 2.4% showing a 0.9% decrease when compared to that of the previous year. In 2014, there was a further decline in the province’s growth rate with GDP levels recorded at 1.8%, and it is estimated that economic growth for the province will remain at these levels for 2015.

1.4.2. Sectoral distribution

The tertiary sector contributes the most to the economy of Gauteng, with its contribution having remained above 72% from 2010 to 2014. In 2015, it is estimated to make a contribution of 74.4%. The finance and community services industries make the greatest contribution towards this sector followed by trade and transport.

Table 1.1: Sectoral Distribution, 2010-2015

Sector	2010	2011	2012	2013	2014	2015*
Primary	4.6%	4.7%	4.6%	4.5%	4.0%	3.7%
Agriculture	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%
Mining	4.1%	4.3%	4.1%	4.0%	3.6%	3.3%
Secondary	22.9%	21.9%	22.3%	22.0%	22.2%	21.8%
Manufacturing	16.7%	15.3%	15.1%	15.1%	15.2%	14.9%
Electricity	2.5%	2.8%	3.2%	3.3%	3.2%	3.1%
Construction	3.7%	3.8%	4.0%	3.6%	3.7%	3.7%
Tertiary	72.6%	73.4%	73.1%	73.5%	73.8%	74.4%
Trade	13.4%	13.4%	13.4%	12.9%	12.9%	12.9%
Transport	9.8%	10.0%	10.4%	10.4%	10.3%	10.3%
Finance	25.4%	25.8%	25.0%	25.5%	25.9%	26.5%
Community services	24.0%	24.2%	24.3%	24.7%	24.7%	24.8%

Source: IHS Global Insight, 2015. Note* Estimated

Table 1.1, shows the sectoral distribution in Gauteng for 2010 to 2014, with estimations for 2015. The tertiary sector, is the sector that contributes the most to the GDP and it is made up of the trade, transport, finance and community services industries. The finance and community services industries contribute the most to this sector with contributions of 25.4% and 24% in 2010, respectively. Growth in both these sectors is expected to continue and it is estimated that in 2015, the finance sector will increase its contribution to 26.5%, whilst that of the community services sector will increase to 24.8%. Trade industry contributed 13.4% to the Gauteng economy in 2010; however, this is anticipated to slow down by 0.5% to 12.9% in 2015. It is anticipated that in 2015, the transport industry will contribute 10.3% showing an increase of 0.5% from the contribution of 9.8% recorded in 2010.

The secondary sector is composed of the manufacturing, electricity and construction industries. The contribution of the manufacturing sector has been declining since 2010. In 2010, a contribution of 16.7% was made by this industry; this decreased to 15.2% in 2014 and is estimated to decline further to 14.9% in 2015. The decline in the contribution of this sector is largely affected by the increasing labour and production costs²⁶. The depreciation of the rand over the past months may assist this sector, as it will make locally produced goods more attractive to both local and international consumers as imports become more expensive and exports become cheaper. The contribution of the electricity industry has been relatively increasing over the period under review, whilst that of the construction sector has remained relatively stable with 3.7% in both 2010 and in 2014.

The primary sector contributes the least to the province's economy, with contributions of below 5% over the period under review. The mining industry has been decelerating, in 2010, there was a 4.1% contribution and this declined to 3.6% in 2014. It is estimated that in 2015, the contribution of this sector will further slow down to 3.6%. The mining industry has been largely affected by labour unrest over the past years and increasing wage demands, thus the slowing growth. The agriculture industry contributes less than 1% to this sector. In 2010, the industry contributed 0.5 % and has remained at these levels with a slight slowing in 2012 and 2013 where it was recorded at 0.4%.

1.4.3. Labour market trends

The financial, trade and community services industries employ the largest number of people in the province. Further, Gauteng accounts for the largest population in the country, resulting in the province having the greatest share of economically active individuals.

Table 1.2. Labour Force Profile for SA and Gauteng, 2015Q1 and 2015Q2

'000	South Africa		Gauteng		% Share Gauteng	
	2015 Q1	2015Q2	2015Q1	2015Q2		
Working age population (15-64)	35,799	35,955	9,469	9,524	26.45%	26.49%
Labour Force	20,994	20,887	6,857	6,788	32.66%	32.50%
Employed	15,459	15,657	4,911	4,969	31.77%	31.74%
Unemployed	5,535	5,230	1,945	1,819	35.15%	34.77%
Not economically active	14,805	15,068	2,613	2,736	17.65%	18.16%
Discouraged work-seekers	2,397	2,434	330	356	13.75%	14.62%
Other	12,408	12,633	2,283	2,381	18.40%	18.84%

Source: Stats SA, 2015

Table 1.2 shows the labour force profile for South Africa and Gauteng in the first two quarters of 2015. South Africa's number of working age population in the first quarter of 2015 was recorded at 35.799 million, this increased by approximately 150.000 people to reach 35.955 million in the second quarter of 2015. The labour force in the first quarter of the same year amounted to 20.994 million and decreased slightly to 20.887 million in the second quarter. During the same period, the number of the working age population for Gauteng amounted to 9.469 million people in the first quarter and this increased in the second quarter to 9.524 million people. In the first quarter of 2015, Gauteng accounted for 26.45% of the country's working age population, while in the second quarter of the same year it accounted for 26.49%, showing an increase of 0.04%. The labour force for Gauteng follows the same trend as that of the country, with 6.857 million people in the first quarter and a slight decrease being experienced in the second quarter with 6.788 million.

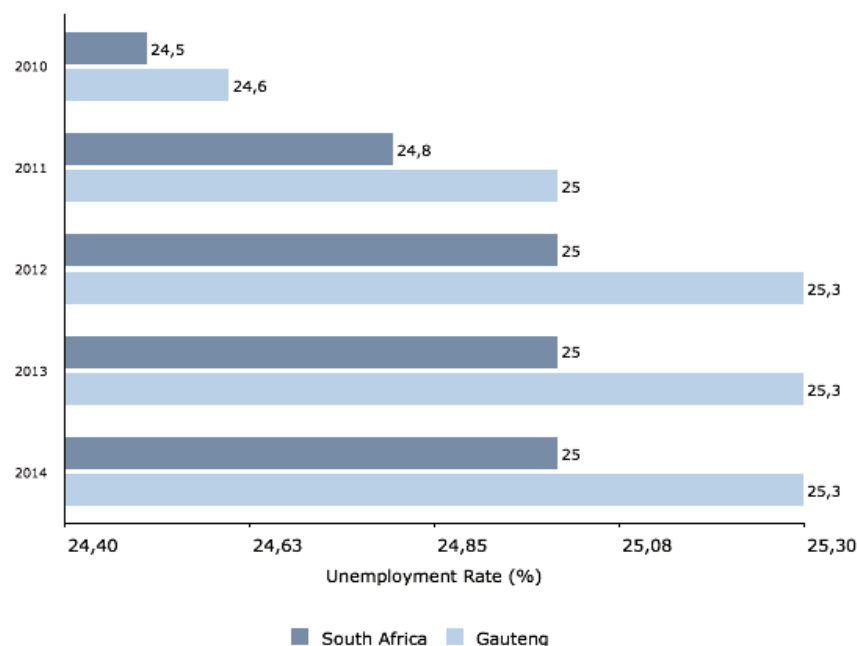
The employed population was recorded at 15.459 million in the first quarter for South Africa, while the unemployed were 5.535 million for the same period. In Gauteng, there were 4.911 million people employed, while 1.945 million people were unemployed in the same period. The number of unemployed people decreased slightly for both South Africa and the province in the second quarter and was recorded at 5.230 million and 1.819 million, respectively.

²⁶ Small Enterprise Development Industry. 2012. Research on the performance of the manufacturing sector

The not economically active population for Gauteng was 17.65% against that of SA for the first quarter of 2015 and this increased to 18.16% in the second quarter. Discouraged work seekers for Gauteng in the first and the second quarters were 13.75% and 14.62% respectively, against that of South Africa.

Traditionally employment-absorbing sectors, such as manufacturing and finance & other business services experienced job declines in the second quarter of 2015. The mining sector is showing signs of employment recovery. However, a difficult economic environment, including lower commodity prices, and subdued global demand are likely to halt this recovery in both the manufacturing and the mining sectors.

Figure 1.13: Employment by sub-sector, 2014Q2-2015Q2



Source: IHS Global Insight, 2015

Figure 1.13, shows that Community and Social Services; Trade and; Finance and other business services sub sectors employ the greatest number of people in Gauteng with 3.548 million, 3.119 million and 2.164 billion people employed in these sub sectors respectively in the Q2 of 2015. The number of people employed in the mining and construction sectors has been showing steady growth over the period under review. In 2014 Q1 419 000 people were employed in the mining sub sector. By the end of Q2 2015, this had increased to 446 000 people, showing an increase of 27 000 people. The Construction sub sector employed 1.183 million people in the Q1 of 2014, this increased by 218 000 people making the total number of people employed in this sub sector in 2015 Q2 1.401 million. The utilities sub sector employs the least amount of people in the province with a mere 136 000 people employed in 2015 Q2.

1.5. Gauteng Socio Economic Review and Outlook

Gauteng is the most densely populated province in South Africa, this is largely due to the in-migration of people in search of better life and job prospects. In 2015, Statistics South Africa (Stats SA)²⁷ estimates that Gauteng province had 24% of the total national population, followed by Kwazulu Natal (KZN) with 19,9% of total national population. The Gauteng share of national population has increased from 23.6% in 2010. In 2015, Gauteng and KZN were followed by the Western Cape which accounted for 11.3% of national population, and Limpopo with 10.4% of national population. The Northern Cape had the smallest population in the same period, with 2.2% of national population.

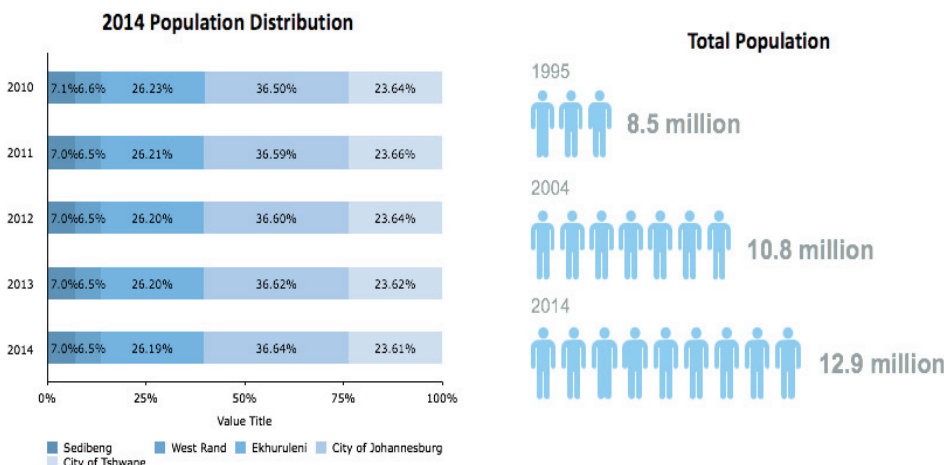
²⁷ Statistics South Africa. (2015) Mid-Year Population Estimates.

Besides the three metropolitan municipalities of CoJ, CoT and CoE; the province hosts two district municipalities, Sedibeng and the West Rand. The large population in the province leads to more resources that need to be committed especially in health care and education. There are a number of programmes that government has put in place to encourage learning including the Early Childhood Development (ECD) programme and the School nutrition programme.

1.5.1. Population

According to Stats SA mid-year population estimates for 2015, the total population in the country is estimated at 54.9 million people, of which the Gauteng province accounts for 13.2 million people, 24% of the total population. The high population growth in the province puts pressure on, amongst others, service delivery, as it demands that government constantly commits funds in order to cater for the increasing needs of the people who call this province home.

Figure 1.14: Population distribution by metros and districts from 2010 to 2014



Source: IHS Global Insight, 2015

Figure 1.14 shows the Gauteng province population distribution by metros and districts from 2010 to 2014. Over the period under review, the West Rand District Municipality had the smallest population share in the Gauteng province. In 2010, it had a population share of 6.6% which decreased slightly by 0.1% and remained stable at 6.5% from 2011 until 2014. In 2010, the Sedibeng District Municipality had a population share of 7.1% that decreased by 0.1% and remained steady at 7% from 2011 until 2014. The CoT, which is home to all the National Government Departments and is the administrative capital of South Africa, had a population share of 23.64% in 2010. This decreased slightly by 0.03% to reach 23.61% in 2014.

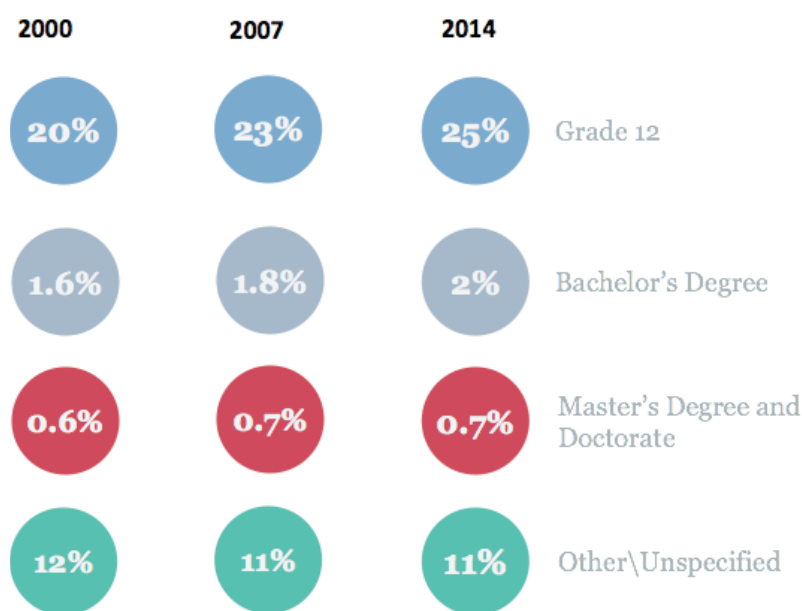
The CoE, which is home to the Oliver Reginald (OR) Tambo International Airport, had a population share of 26.23% in 2010, this decreased by 0.04% over the period under review to reach 26.19% in 2014. In 2010 the CoJ, which is the largest city in Gauteng, recorded a population share of 36.5%, this increased by 0.14% between 2010 and 2014 to reach a population share of 36.64% in 2014. This is the only municipality which experienced an increase in population over the review period, and this can be attributed to the in-migration of people to the city looking for a better future. In South Africa, the census takes place every 10 years and in 1995, the population was recorded at 8.5 million people, this increased by 2.3 million to reach 10.8 million in 2004. In 2014, the total population in Gauteng amounted to 12.9 million, showing an increase of 2.1 million when compared to the previous year.

1.5.2. Education

Educational attainment is crucial as it contributes to the well-being of an individual. The higher the level of education completed, the greater the level of skills possessed. This allows for better employment opportunities and thus higher wages and income. Higher levels of education create a buffer against unemployment, as they qualify an individual for a broader range of job opportunities²⁸.

²⁸ <http://www.childtrends.org/?indicators=educational-attainment>

Figure 1.15: Education Attainment for 2000, 2007 and 2014



Source: IHS Global Insight, 2015

Figure 1.15 shows Gauteng Province Education Attainment²⁹ for the years 2000, 2007 and 2014. In the year 2000, the number of people in the province with a grade 12 was recorded at 20%; this improved to 23% in 2007, and reached 25% in 2014. This was an increase of 5% in the number of people with grade 12 between 2000 and 2014. In 2000, only 1.6% of the people in the province had obtained bachelors degrees. This figure improved to 1.8% in 2007 and reached 2% in 2014, showing an increase of 0.4% between the years 2000 and 2014. In the year 2000, 0.6% of the people in Gauteng had obtained masters or doctoral degrees. This increased by 0.1% and remained stable at 0.7% in 2007 and 2014. The percentage of people in the province with other unspecified qualifications³⁰ was 12% in 2000. This decreased by 1% and was recorded at 11% in both 2007 and 2014. Overall, there has been an improvement in educational attainment in the province. This can be attributed to the programmes that the Gauteng Department of Education (GDoE) has put in place to encourage learning and improve the quality of learning.

1.5.3. Health

Health care is a service that no one can be denied. The delivery of health care services has improved in the province, mainly due to the large government interventions in this sector, such as addressing turnaround times in hospitals, improving equipment and the general conditions of hospitals.

1.5.3.1. Life Expectancy and Mortality

In terms of goal 4 of the Millennium Development Goals (MDG), South Africa’s target requires an under-5 year’s mortality of 20 deaths per thousand live births, or lower and the Infant Mortality Rate (IMR) goal of 18 per 1000 live births by 2015³¹. Even though great strides have been made towards addressing child mortality, there is still a lot that needs to be done to ensure that the targets are achieved.

According to the Minister of Health, Dr Pakishe Aaron Motsoaledi, the main causes of death in South African children under the age of five are Human Immune Virus (HIV) related infections, new born conditions, such as prematurity, asphyxia, and infection, pneumonia and diarrhoea, and tuberculosis³². According to the MDG country report 2013, infant and child mortality rates have a great effect on life expectancy, as the more people who die in the early years, the greater number of years which are lost, thus resulting in a lower life expectancy.

²⁹ Education attainment is a term used to define the highest level of education which an individual has completed.

³⁰ This includes those who have attained grade 1 to 11 and those with no schooling.

³¹ MDG Goals Report, country report 2013 (the SA I know, the home I understand).

³² <https://pmg.org.za/committee-meeting/15489/>

Figure 1.16: Mortality and Life Expectancy



Source: Actuarial Society of South Africa, 2014

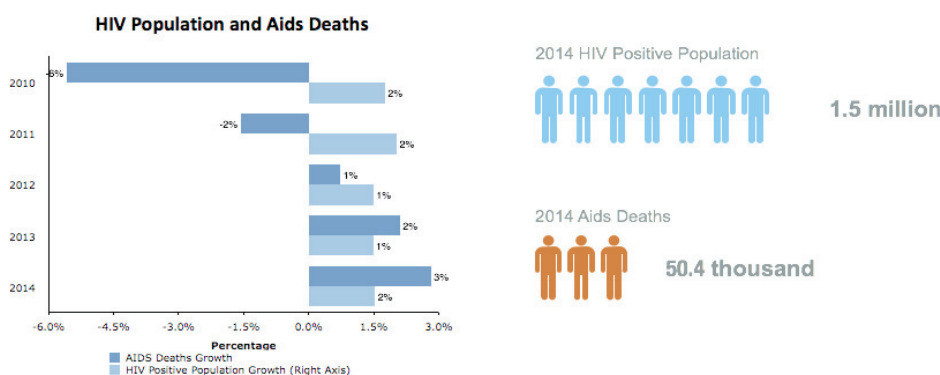
Note: # indicates estimates and * indicates forecasts

Figure 1.16 shows the Gauteng mortality and life expectancy rate for 2011 until 2015. In 2011, IMR per 1000 live births in Gauteng was 24.7. This improved to 24.3 in 2012 and reached 23.8 in 2013. The 2014 child mortality rate was recorded at 23.4 per 1000 live births and it is forecasted that in 2015 this will improve to 22.9. The improvements in the IMR can be attributed to better health care services being delivered to communities. The adult mortality rate per 1000 live births was recorded at 39.4, this improved by 0.2 to reach 39.3 per 1000 live births. Even though there seemed to be a slight improvement in the adult mortality rate, the estimates for 2014 show a slight decline, taking the rate to 39.3 per 1000 live births. In 2015, it is forecasted that the adult mortality rate will increase to 39.4 per 1000 live births going back to the rate that was recorded in 2011.

Males have a lower life expectancy rate in the province when compared to that of females. In 2011, the male life expectancy rate was recorded at 57.6 years; this showed a steady increase and reached 58.0 years in 2013. The estimated life expectancy rate for males in 2014 was recorded at 58.1 years, showing a 0.1 year increase and it is forecasted that in 2015, the life expectancy rate for males will improve to 58.3 years. The female life expectancy rate was recorded at 63.5 years in 2011. This remained steady in 2012 at the same rate and decreased by 0.1 years in 2013 to 63.4 years. In 2014, the estimated life expectancy rate for females was 63.6, showing a further decline when compared to the rate recorded in 2013. In 2015, it is forecasted that the life expectancy rate for females will be 63.2 years.

The total life expectancy rate was recorded at 60.5 years in 2011, 60.6 years in 2012 and in 2013, it reached 60.7 years. The estimated life expectancy rate for 2014 was 60.7 and it is forecasted to remain unchanged in 2015. According to the Rapid Mortality Surveillance Report 2013 by the South African Medical Research Council (SAMRC), improvements in the total life expectancy rate can be attributed to the country’s vigorous response to the HIV/Acquired Immune Deficiency Syndrome (AIDS) pandemic³³. Over the period under review, the male life expectancy rate is showing a steady increase, while that of females is showing a decrease.

Figure 1.17: HIV Positive Population and AIDS Deaths



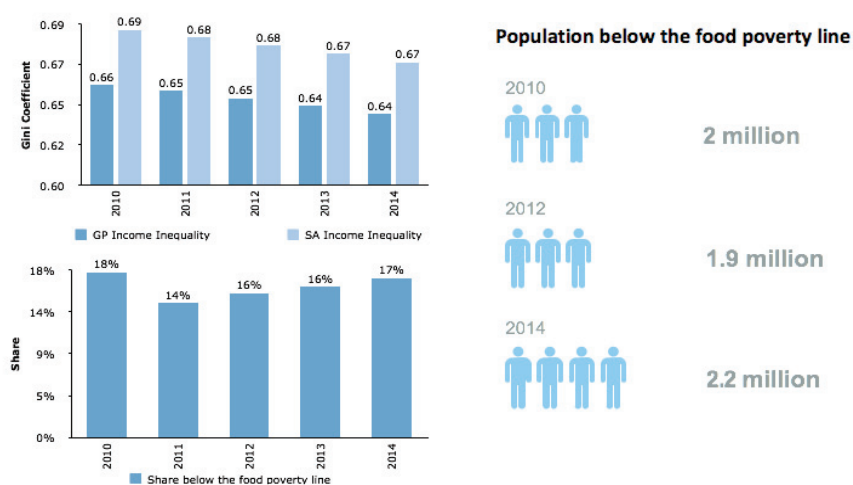
Source: IHS Global Insight, 2015

Figure 1.17 shows the growth in the HIV positive population and AIDS related deaths in Gauteng from 2010 to 2014. The percentage growth in AIDS related deaths was recorded at negative 5% in 2010, and in 2011 it was recorded at negative 2%. This showed a slower decrease in the number of AIDS related deaths between the two years. In 2013, there was a growth of 1% in the number of AIDS related deaths; this increased to 2% in 2013 and to 3% in 2014. According to a report compiled by Nathea Nicolay; as the HIV epidemic progresses over time, the rate of new infections will peak and then decline until it reaches a stable level per annum, while the growth in AIDS deaths typically lags that of new infections and converges at the same stable level over time³⁴. The increase in the number of AIDS related deaths merely follows the natural progression of the epidemic and does not imply that the policies and strategies which have been put in place are ineffective towards addressing this epidemic. Between 2010 and 2011, the growth in the number of people living with HIV remained steady at 2%. In 2012, this number decreased to 1%, but subsequently increased to 2% in 2013, and to 3% in 2014.

1.5.4. Poverty and Income inequality

Inequality and poverty make up two of South Africa’s triple challenges with the other being unemployment. Since the advent of democracy, South Africa has developed numerous policies aimed at addressing poverty. Most of the policies which have been introduced are focused around housing, healthcare, social security and education, one of them being the expansion of the social grant to children and the disabled³⁵. Past policies of segregation and discrimination have left a legacy of inequality and poverty in South Africa. These policies also resulted in income inequality due to the majority of people in the country not being able to secure employment opportunities. Such income would enable them to move above the food poverty line³⁶.

Figure 1.18: Gauteng Province Poverty and Income Inequality



Source: IHS Global Insight, 2015

Figure 1.18 shows that there is a positive relationship between the income inequality of South Africa and that of Gauteng. Over the review period, both the income inequality of SA and that of Gauteng have been declining. In 2010, income inequality for South Africa was 0.69 and declined to 0.67 in 2014, similarly that of Gauteng was 0.66 in 2010 and declined to 0.64 in 2014. The reduction in inequality can be attributed to the effectiveness of a series of measures and policies put in place by government, ranging from job creation, and infrastructure investment to redistributive policies. These include direct social transfers (such as pensions), and other social services provision (such as education)³⁷. The figure further shows that in 2010, 18% of the people in Gauteng were living below the food poverty line and since 2014, the number of people living below the food poverty line³⁸ has been increasing with 14% recorded in 2011, and 17% recorded in 2014.

34 N. Nicolay (2008) Summary of Provincial HIV and AIDS Statistics for South Africa.

35 Triegaardt. JD PhD. (2006) Poverty and inequality in SA: Policy considerations in an emerging democracy.

36 Sets the rand value below which you can't purchase enough food to meet a minimum energy intake, about 2,100 kilo-calories a day.

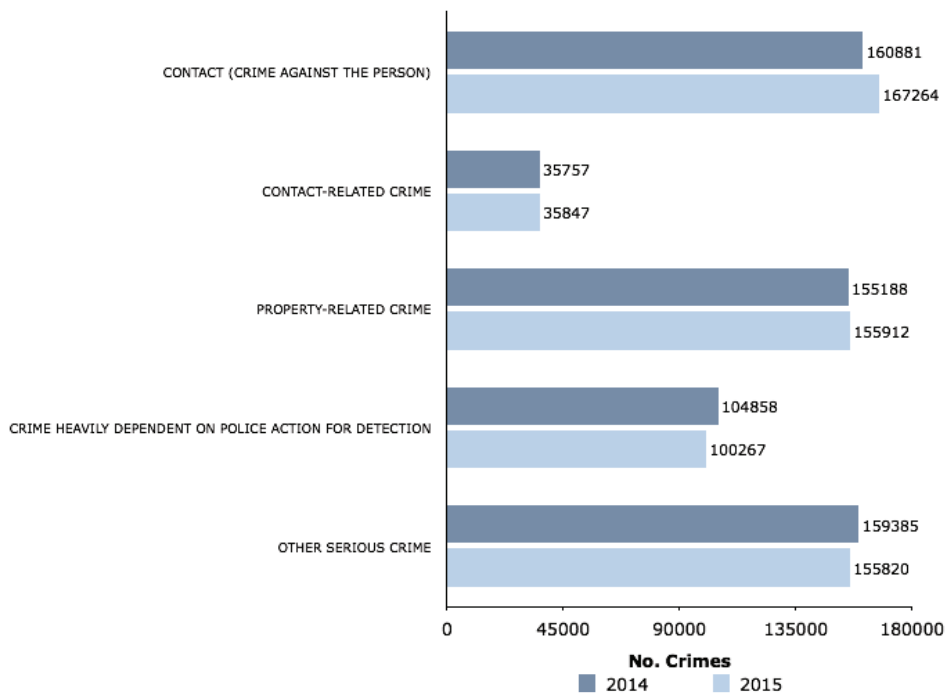
37 Leibbrandt, Wegner and Finn. (2011) The Policies for Reducing Income Inequality and Poverty in SA.

38 The minimum level of income that allows the household to obtain enough food to meet its energy requirements.

1.5.5. Crime

Most of the crimes committed in South Africa are classified as contact crimes³⁹. Socio-economic challenges such as unemployment and poverty have at times been seen to lead people to commit crimes. Crime further has an impact on economic sectors, such as tourism, as it causes a decrease in the number of tourists who are willing to choose South Africa as their holiday destination. Government aims to increase the contribution of the tourism industry in the economy to R499 billion by 2020⁴⁰ compared to its 2013 level of R103,6 billion,⁴¹ but with the current crime rates, this may be difficult to achieve.

Figure 1.19: Number of different crimes in Gauteng Province



Source: South African Police Service, 2015

Figure 1.19 shows that in 2014, the number of contact crimes recorded against persons was 160,881, this increased by 6,383 to 167,264 in 2015. The number of contact related crimes recorded in 2014 and 2015 amounted to 35,757 and 35,847, respectively. In 2014, there were 15,188 property related crimes, and by March 2015, there were 155,912 showing an increase of 724. Crimes heavily dependent on police action for detection amounted to 104,858 in 2014; this decreased to 100,267 in 2015, showing a decrease of 4,491 in this category of crime. The number of serious crimes in 2014 was recorded at 159,385 and this decreased to 155,820 in 2015. Over the period under review, all categories of crime, with the exception of other serious crimes and crimes heavily dependent on police action for detection categories, increased.

1.5.6. Human Development and Quality of life

The Human Development Index (HDI) is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge, and a decent standard of living⁴². According to the United Nations Development Programme (UNDP), the HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth single-handedly⁴³. It can be said that there is a positive relationship between the quality of life and human development because, as the quality of life improves, so the level of human development should consequently improve.

³⁹ Murder, attempted murder, rape, assault with intent to do serious bodily harm, common assault, indecent assault, aggravated robbery, street muggings, car hijackings, house break-ins, bank robberies, and common robbery

⁴⁰ <http://www.southafrica.info/business/economy/sectors/tourism-overview.htm>

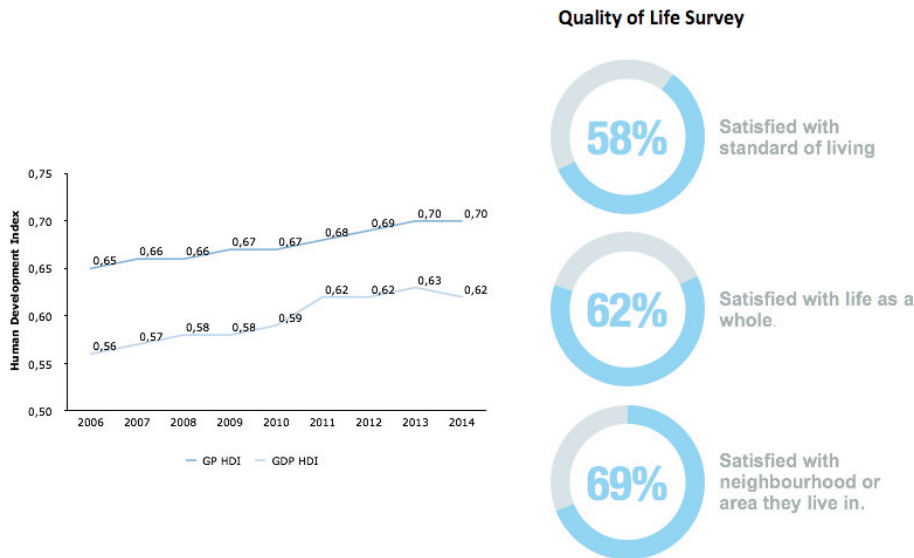
⁴¹ Tourism Satellite Account for South Africa, Final 2011 and Provisional 2012 and 2013; March 2015.

⁴² The health dimension is assessed by life expectancy at birth, the education component of the HDI is measured by mean of years of schooling for adults aged 25 years and expected years of schooling for children of school entering age and the standard of living dimension is measured by gross national income per capita.

⁴³ <http://hdr.undp.org/en/content/human-development-index-hdi>

In 2009, the Gauteng City Region Observatory (GCRO) commissioned its first 'Quality of Life' survey in order to analyse the quality of life perceptions of citizens, identify key areas and groups needing intervention and support, and provide a holistic assessment of life in the Gauteng City-Region (GCR). The results of this survey are discussed further on in this section.

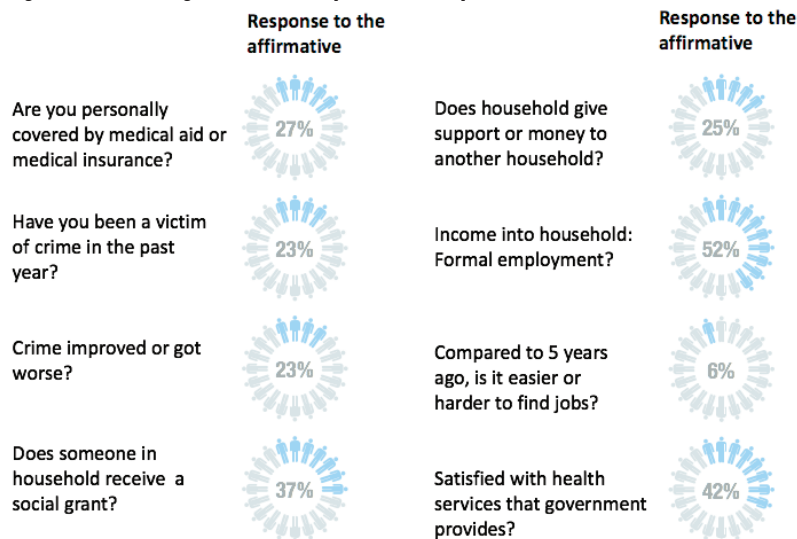
Figure 1.20: Gauteng Province Human Development Index



Source: IHS Global Insight, 2015 and Gauteng City Region Observatory, 2013

Figure 1.20 shows that from 1996 to 2002, the HDI was declining. In 1996, an HDI of 0.68 was recorded, this declined to 0.65 in 2004 showing a decrease of 0.03. The decrease during this period may have been caused by the average life expectancy in the province dropping due to the progression in HIV/AIDS. From 2006, the HDI has been on the rise going from 0.65 to 0.70 in 2014. This shows that there have been improvements through government initiatives to increase life expectancy through the roll out of Antiretrovirals (ARVs) and programmes to encourage citizens to know their status. Furthermore, the government has put programmes in place to increase the number of years a person spends in school, through the ECD programme, and the provision of financial assistance for those who qualify to enter higher learning institutions, but cannot afford to do so.

Figure 1.21: Gauteng Province Quality of Life Survey



Source: Gauteng City Region Observatory, 2013

Figure 1.21 shows the response to numerous questions from a sample of people taken to determine the quality of life in Gauteng. Although 27% of people are covered by medical aid, only 42% are satisfied with the health services that government provides. About 37% of people confirmed that someone in their household receives a social grant, which is one of government's interventions to address poverty and inequality in the province, while 52% of households receive income from formal employment. Only 23% of the people sampled in the province have been victims of crime. When asked whether their household gives support or money to another household, 25% responded yes.

1.6. Observations

- The global economic recovery is mainly driven by advanced economies which have been experiencing positive growth from 2013 and this is estimated to continue in 2015.
- Emerging markets, such as South Africa, are expected to continue to struggle to move forward, as key markets, such as China, slow down.
- South Africa has been able to expand international trade through numerous trade agreements including the Trade, Development and Co-operation Agreement (TDCA) with the European Union (EU), the Southern African Development Community (SADC) Free Trade Agreement, Southern African Customs Union (SACU) – European Free Trade Association (EFTA) Free Trade Agreement, and the USA Africa Growth and Opportunity Act⁴⁴ (AGOA).
- Fiscal consolidation efforts in line with the National Treasury will continue.
- Gauteng, as the centre of economic activity in South Africa, is not immune to global economic developments.
- Policies in the province should therefore continue to focus on stimulating economic activity in the form of infrastructure development.
- Gauteng remains the most densely populated province in the country with approximately 12.9 million people residing in the province in 2014. The continually increasing growth puts pressure on service delivery and government needs to put measures in place to ensure that the increasing needs are met timeously and without compromising service delivery quality.
- There have been noticeable improvements in the IMR and the adult mortality rate in Gauteng, which can be attributed to improvements in immunisation of infants and a decrease in the mother-to-child transmission of HIV. Government needs to continue to focus on improving mortality rates as this will also assist in improving the quality of life of citizens.
- The average life expectancy has been increasing in the province due to vigorous response programmes to the HIV pandemic.
- Between 2013 and 2014, there has been an increase in crimes which are dependent on police action for detection.

1.7 Conclusion

It has been observed that Global economic growth is on a decline, having a direct impact on global market demand levels for commodities such as oil and other raw materials, mainly affecting oil-exporting economies. This lead to some declining prices on crude oil, which benefited South Africa in some instances whilst our demand for our commodities by our major trading partners have seen a downward trend, on the other hand. As a national policy, the NDP provides a platform for provinces to come up with initiatives towards reducing rising poverty and inequality levels. One such initiative being explored in the province, is the Tshepo 500 000 extension of Expanded Public Works Programme (EPWP) as well as Township Economy Revitalisation (TER).

Gauteng has made some notable progress towards, improving primary health care, managing to reduce the child mortality rate which is expected to be at 22.9 per 1000 live births in 2015. Even though the MDG will not be met, the measures taken by government to reach this level are commendable. There has been a reduction in the levels of crime in the province and the HDI is improving, mainly due to community and visible policing and the increased life expectancy through the roll out of ARVs and programmes to encourage citizens to know their status.

44 AGOA offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. It was signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000.

CHAPTER 2: PROVINCIAL FISCAL ENVELOPE

2.1. Introduction

Chapter 1 presented an overview of the South African economy within the context of the sluggish growth and volatility trend observed in the world economy, with the International Monetary Fund (IMF) projecting downward revision of economic growth forecasts. As the economic hub of the country, Gauteng accounts to more than a third of the country's Gross Domestic Product (GDP). Thus the impact on the national economy by the country's major trading partners would invariably affect the provincial economy in a significant way. The economic challenges experienced by the country have impacted tax revenue estimate, this led National Treasury to reduce of national transfers (equitable share and conditional grants) thus maintaining expenditure ceiling. The chapter presents Gauteng Provincial Government (GPG) fiscal framework in response to the reduced national transfers with measures to ensure front line service are not compromised while rolling out the province capital investment programme.

2.2. National Transfers

South Africa as a sovereign state is constituted into the national, provincial and local spheres of government. These spheres are distinctive, interdependent and interrelated. Amongst other responsibilities, these spheres of aim at securing the well-being of the people of the Country. National government collects a high volume of revenue compared to the other two spheres. This emanates from sources such as Personal Income Tax, Company Tax and Value Added Tax (VAT), amongst others. Revenue collected is distributed vertically and horizontally to provincial and local governments, in accordance with section 214(1) of the Constitution of South Africa Act, 1996 (Act 108 of 1996) and the Intergovernmental Fiscal Relations Act, 1997 (Act 97 of 1997). Population growth and migration patterns, are some of the factors considered in the distribution of nationally raised revenue when the Division of Revenue Bill (DoRB) is enacted. The DoRB undergoes an extensive consultation process and later enacted through a parliamentary process for changes in the distribution of nationally raised revenue in line with section 214(1) of the Constitution, 1996.

Table 2.1: Division of Revenue to spheres of government, 2014/15-2018/19 financial year

Division of Revenue	Preliminary	Main Appropriation	2016 MTEF			Total MTEF	% Share of Allocations
			2014/15	2015/16	2016/17		
National allocations	491	523	554	586	615	1,755	47.96%
Provincial allocations	440	468	496	526	553	1,575	43.04%
Equitable share	360	383	405	429	450	1,285	35.10%
Conditional grants	80	86	91	98	102	291	7.95%
Local government allocations	89	100	104	110	116	329	9.00%
Total allocations	1,020	1,091	1,154	1,223	1,284	3,660	100.00%

Source: National Treasury Budget Review, 2015

Table 2.1 shows the divisions of revenue amongst the three spheres of government from the 2014/15 to 2018/19 financial years. The preliminary outcome for the 2014/15 financial year was R1, 020 trillion; and in the 2018/19 financial year, an allocation of R1, 284 trillion is estimated for the three spheres of government. The nature of the allocations provides for the larger share being assigned to the national government at 47.96% and this is followed by provinces at 43.04%, while the remaining 9% is allocated to local government.

Provincial allocation is increasing from R468 billion during the 2015/16 financial year to R553 billion in the 2018/19 financial year. Consisting mainly of equitable share, the provincial allocation is increasing from R383 billion in the 2015/16 financial year to R450 billion in the 2018/19 financial year. The Provincial sphere of government is dependent on nationally raised revenue as revenue generated in the provinces is limited. The conditional grant allocation increased from R80 billion in the 2015/16 financial year to R102 billion in the

2018/19 financial year. The allocation to the local sphere of government is minimal, as the sphere is self-sustainable with revenue sources such as rates and taxes. The sphere is allocated R100 billion in the 2015/16 financial year and this increases to R116 billion in the 2018/19 financial year.

The Provincial Equitable Share (PES) is expected to grow at slightly above inflation (4.6%) over the Medium Term Expenditure Framework (MTEF) period, although conditional grants are projected to grow at a marginally faster pace. This trend is consistent with historical patterns that have seen conditional grants grow consistently faster than any other provincial receipts. Provinces are expected to prioritise appropriately so that key service delivery areas continue to expand. This should ensure in the long-term, sustainability of the Intergovernmental Fiscal System, while also allowing provinces to carry out their functions as mandated.

2.2.1. Equitable Share

Section 227(1) (a) of the Constitution makes provision for equitable sharing of revenue raised nationally for all spheres. National Treasury allocates equitable share as an unconditional grant to provinces and this is to execute their mandates taking into account the function assigned under the Constitution, 1996. The systematic transfer of funds is mainly aimed at, amongst others, promoting predictability and certainty in respect of all allocations to provinces and municipalities⁴⁵. The equitable share constitutes the main source of revenue for resourcing the provincial mandate.

2.2.1.1. Equitable Share Formula

PES formula consists of six components, namely; education, health, basic share, poverty, economic activity and institutional. The Components capture the relative demand for the provinces’ services taking into account specific provincial circumstances. The PES formula is annually reviewed and updated with new data. The impact of the data updates on the formula is phased in over every MTEF, resulting in shifts in the equitable share allocations.

The PES formula has since been updated with new data from the 2014 October mid-year estimates. This included 2014 data on school enrolment, and the 2013 data from the October Household Survey, as a result of the medical aid coverage and health sector data being used for indicators comprising the health component. The update enhances the credibility and reliability of the PES mechanism. The phasing in of changes to provincial allocations as a result of the 2011 census will continue beyond the 2015/16 financial year to buffer provinces that were at risk of experiencing a real decline in their budgets.

Table 2.2: Percentage share of the equitable share component

	Education	Health	Basic share	Poverty	Economic activity	Institutional	Weighted Average
	48%	27%	16%	3%	1%	5%	100%
Eastern Cape	15,1%	13,5%	12,6%	16,2%	7,5%	11,1%	14,00%
Free State	5,3%	5,4%	5,2%	5,3%	5,2%	11,1%	5,6%
Gauteng	17,7%	21,4%	23,9%	17,1%	34,7%	11,1%	19,5%
KwaZulu-Natal	22,5%	21,8%	19,8%	22,2%	15,8%	11,1%	21,3%
Limpopo	13,1%	10,4%	10,4%	13,6%	7,1%	11,1%	11,8%
Mpumalanga	8,5%	7,3%	7,8%	9,2%	7,1%	11,1%	8,2%
Northern Cape	2,3%	2,1%	2,2%	2,2%	2,2%	11,1%	2,7%
North West	6,5%	6,7%	6,8%	8,1%	6,4%	11,1%	6,9%
Western Cape	9,00%	11,3%	11,3%	6,1%	14,00%	11,1%	10,1%
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Source: Explanatory memorandum to the division of revenue, Annexure W1: 2016

Table 2.2 illustrates the six components taken into account when determining the equitable share allocations to provinces. These components reflect the relative demand of services in provinces based on the historical allocations. The education component is based on the size of the school-going population at age five to 17 years and the number of learners enrolled in ordinary public schools for all grades.

⁴⁵ Division of Revenue Act, 2015.

KwaZulu-Natal (KZN) gained the most in the education component at 22.5%, followed by Gauteng at 17.7% and Eastern Cape at 15.1%. This means that the three provinces have over the previous calendar years acquired more children of schooling age and/or more learners were enrolled in Grades R to 12. The provinces with a decline have experienced a decrease in the number of the population at school-going age and/or enrolment.

KZN gained the most at 21.8%, followed by Gauteng with 21.4% in the health component. Gauteng recorded 23.9% in the basic share component. The Component is derived from the share of the national population of each province thus implying that the three provinces with the highest share have experienced higher population proportions. The poverty component is based on the income data and thus looks at the population in the province that falls in the lowest 40% of the household income. Gauteng with 17.10% weighting follows KZN with 22.10%,

The economic activity component is based on Gross Domestic Product per Region (GDP-R) thus acts as a proxy for the tax incidence and expenditure requirements of the province. Gauteng recorded the highest amongst all provinces with 34.7% weighting, as it contributes the largest to the South African economy, at 35% GDP. The institutional component is shared equally amongst the provinces with each province receiving 11.10% weighting. This Component is not responsive to the size of the province, but how the province runs.

2.3. Gauteng Provincial Government receipts

Equitable share, conditional grant and provincially generated revenue constitute provincial receipts. Provincial own revenue constitutes at most 5% of GPG total receipts, while the equitable share and conditional grant constitute at least 95% of the province's total receipts; the major revenue receivable by GPG.

Table 2.3: Summary of provincial receipts, 2012/13-2018/19 financial year

R'billion	Outcome			Main Appropriation	2016 MTEF		
	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18
Transfer receipts from nation	70.8	79.3	85.1	91.5	97.2	104.1	105.4
Equitable Share	55.2	63.8	68.2	73.5	78.3	83.7	83.8
Conditional grants	15.6	15.5	16.9	18	18.9	20.4	21.6
Provincial own receipts	4.0	4.3	4.6	4.6	5	5.4	5.7
Total provincial receipts	74.8	83.6	89.7	96.1	102.2	109.5	111.1

Source: GPG Consolidated EPRE, 2016/17

Table 2.3 shows the summary of provincial receipts from the 2012/13 to 2018/19 financial years. Transfer receipts from national government increased by R14, 3 billion, from R70, 8 trillion to R85, 1 billion from 2012/13 to 2014/15 financial years showing an annual growth rate of 9.51%. In the 2012/13 financial year, the province collected R4 billion and this increased to R4,6 billion in the 2014/15 financial year, showing an increase of R600 million. Over the 2016 MTEF, total own revenue will increase from R5 billion to R5, 7 billion with an annual growth rate of 6.77%. Provincial receipts will increase from R102, 2 billion to R111,1 billion over the 2016 MTEF, showing an annual growth rate of 4.26%.

2.3.1 Provincial Equitable share

Division of Revenue Act (DoRA) 2015 showed that the systematic transfer of funds is mainly aimed at, amongst others, promoting predictability and certainty in respect of all allocations to provinces and municipalities. This is done to allow provinces and municipalities to carry out budget planning over a multi-year period, therefore, promoting better coordination between policies, planning and budgeting.

Table 2.4: Equitable Share Allocation for GPG, 2012/13 – 2018/19 financial year

R'billion	Outcome			Main Appropriation	2016 MTEF		
	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18
Equitable Share	55.2	63.8	68.2	73.5	78.3	83.7	83.8

Source: GPG Consolidated EPRE, 2016/17

Table 2.4 shows the equitable share allocation to the Province from 2012/13 to 2018/19 financial years. From the 2012/13 to 2015/16 financial years, equitable share increased by R18.3 billion showing an annual average growth rate of 10.1%. In the 2016/17 financial year; R78, 3 billion is estimated and an increase to R83.8 billion is estimated in the 2018/19 financial year, showing an increase of R5, 5 billion or 6.56%.

2.3.2 Conditional grants

A conditional allocation is an allocation to a province or municipality from the national government’s share of revenue raised nationally as envisaged in section 214(1c) of the Constitution, 1996. The conditions attached to the Grant require that the receiving department should use the funds exclusively for which the purposes which the grant is intended. These conditions refer to functions such as; school nutrition, Extended Public Works Programmes (EPWP), Provincial Roads Maintenance, Poverty Relief through Agricultural Projects, the fighting of Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS), the promotion of life skills, and technical schools recapitalisation.

In previous financial years, spending on conditional grants has not been on target and the National Treasury is currently working with provinces and municipalities to improve the performance of conditional grants⁴⁶. By improving the ability to spend the grants, National Treasury will collectively together with the provinces and municipalities improve the level of service delivery in the country.

Table 2.5: Conditional Grants Allocation for GPG, 2012/13 – 2018/19 financial year

R'billion	Outcome			Main Appropriation	2016 MTEF		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Conditional Grant	15.6	15.5	16.9	18	18.9	20.4	21.6

Source: GPG Consolidated EPRE, 2016/17

Table 2.5 shows the conditional grants allocations to GPG departments from the 2012/13 to 2018/19 financial years. From 2012/13 to 2014/15, the value of these grants increased from R15.6 billion to R16.9 billion. In the 2015/16 financial year, the value was R18 billion. Over the 2016 MTEF, conditional grants will increase from R18.9 billion in 2015/16 to R21.6 billion, with an annual growth rate of 6.90%.

2.3.3 Provincial Own Revenue

Provincial own revenue, although limited, supplements equitable share and thus the fiscus in its entirety. All money received by the provincial government should be deposited into the Provincial Revenue Fund (PRF) and this includes the equitable share. The management of revenue is provided for in the Treasury Regulation, which requires that the accounting officer of an institution should manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, safeguarding, recording and reconciliation of information on revenue. Revenue is collected mainly from Motor Vehicle Licences (MVL), casino gambling taxes, patient fees and interest earned on short term investments on surplus funds.

Table 2.6: Own Revenue Collection and Estimates per Department, 2012/13-2018/19

Departments	Outcome			Main Appropriation	2016 MTRF		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
R'000							
Office of the Premier	277	533	427	452	476	500	529
Economic Development	721.855	763.922	820.464	806.405	1,010.975	1,071.609	1,135.900
Health	506.939	527.710	524.049	555.727	585.100	614.355	649.987
Education	48.612	47.367	36.039	29.560	30.299	31.056	31.971
Social Development	5.941	4.691	4.818	2.924	3.070	3.222	3.409
Cooperative Governance and Traditional Affairs	441	455	20.430	481	506	532	563
Human Settlements	12.701	3.660	4.960	4.429	4.664	4.897	5.181
Roads and Transport	2,466.851	2,707.443	3,005.238	3,056.936	3,215.889	3,376.610	3,572.454
Community Safety	20.612	29.852	42.754	15.087	19.857	24.821	31.027
Agriculture and Rural Developme	2.106	1.030	2.098	1.854	14.813	15.591	16.386
Sports, Arts, Culture and Recrea	184	313	433	309	320	329	348
Finance	2.355	1.410	2.150	914	781	828	876
Gauteng Provincial Treasury	187.811	247.893	482.266	88.617	150.699	200.731	250.774
Infrastructure Development	15.055	17.755	18.627	21.000	23.000	24.150	25.550
Total	3,991,740	4,354,034	4,964,753	4,584,695	5,060,448	5,369,231	5,724,955

Source: GPG Consolidation EPRE 2016/17

⁴⁶ National Treasury Budget Review, 2015

Table 2.6 shows own revenue collection and estimates per department over seven financial years. GPG own revenue is generated largely from the Gauteng Department of Roads and Transport (GDRT), Gauteng Department of Economic Development (GDED), Gauteng Department of Health (GDoH) and Gauteng Provincial Treasury (GPT). In the 2012/13 financial year, total own revenue collection was R3, 991 billion and this increased to R4, 964 billion in the 2014/15 financial year, showing an average annual growth rate of 11.53%. This represent a higher than expected annual average growth rate of 6.36% over the 2016 Medium Term Revenue Framework (MTRF). Revenue estimated for the 2015/16 financial year amounts to R4, 584 billion. Total provincial own revenue is projected at R5, 060 billion in the 2016/17 financial year, R5, 369 billion in 2017/18 and R5, 724 billion in the 2018/19 financial year.

2.4 Payments and Estimates

The 2015/16 financial year saw GPG gradually resourcing the implementation of the Transformation, Modernisation and Re-industrialisation (TMR) programme of the Gauteng City-Region (GCR). The TMR programme is a basis upon which a Ten-Pillar Programme (TPP) of action of the province, is aimed at making Gauteng an integrated city-region characterised by social cohesion and economic inclusion.

2.4.1 Departmental Payments and Estimates

Given the current weaker than expected economic growth and a downward projection of tax revenue coupled with growing population numbers, it is crucial that the limited resources should be managed in a fiscally sustainable way whilst striving to provide for quality services. Having considered this policy stance, this calls for GPG departments to take cognisance of cost containment measures, reprioritising resources away from non-core to core services as well as maximising revenue collection to augment a tight fiscal space.

Table 2.7: Summary of Payments and Estimates per department, 2012/13 – 2018/19 financial year

R'thousands	Outcome			Main Appropriation	2016 MTEF		
	2012/13	2013/14	2014/15		2015/16	2016/17	2017/18
Department							
Office Of The Premier	290,566	461,791	355,001	425,455	449,420	472,723	500,141
Legislature	472,005	473,919	497,845	600,473	641,673	673,757	713,231
Economic Development	873,371	926,787	1,060,655	1,305,610	1,239,298	1,299,291	1,374,650
Health	26,834,347	27,415,801	31,005,213	34,175,179	36,659,304	39,080,494	41,347,163
Education	26,732,123	29,209,407	31,636,276	36,043,909	37,819,913	39,802,054	42,110,574
Social Development	2,524,726	2,899,683	3,408,805	3,963,972	4,177,254	4,386,117	4,640,512
Cooperative Governance And Traditional Affairs	208,770	273,657	283,461	406,972	416,763	437,601	462,982
Human Settlements	4,421,597	4,546,443	5,005,096	5,939,014	6,187,622	6,414,301	6,786,331
Roads And Transport	5,564,906	5,366,174	5,872,084	6,605,952	7,143,770	7,535,881	7,972,962
Community Safety	414,662	493,481	629,606	622,152	639,954	671,951	710,925
Agriculture And Rural Development	515,888	543,698	615,022	707,387	701,265	740,326	783,265
Sports, Arts, Culture And Recreation	434,025	519,602	642,606	788,034	661,636	682,753	722,352
Finance	1,118,628	1,024,284	1,215,019	1,171,505	1,133,914	1,175,274	1,243,440
Gauteng Provincial Treasury	346,475	429,905	567,698	584,362	596,933	628,757	665,225
Infrastructure Development	1,408,343	1,529,491	1,826,575	2,050,698	2,186,171	2,295,480	2,428,618
Total	73,568,775	77,643,614	86,447,537	97,441,372	102,841,060	106,296,761	112,462,370

Source: GPG Consolidated EPRE, 2016/17

Table 2.7 shows the summary of the actual and budgeted payments for GPG departments from the 2012/13 financial year to the 2018/19 financial year. From the 2012/13 financial year, there was an increase of R12, 878 billion or 8.40% annual growth rate from R73, 568 billion to R86, 447 billion in the 2014/15 financial year. The growth is mainly as a result of additional funding allocated to all provincial departments, to fund new departmental projects.

Over the 2016 MTEF, Gauteng Department of Education (GDoE) and GDoH received approximately 78% of the overall provincial budget as a result of the government's commitment to deliver quality education and health services thus improving the social well-being of Gauteng's citizens. The 2015/16 financial year budget for these departments is currently at R70, 218 billion. The GDoE received R36, 063 billion in the current financial year and this is projected to increase to R37, 819 billion in the 2016/17 financial year. This is mainly to make provision for the increased investment in infrastructure for schools, smart schools as well as supplementing the funding for the school nutrition programme.

Funds have been earmarked in the 2015/16 financial year for the universalisation of Grade R, the introduction of the e-education solution, and the improvement of quality learning strategies. GDoH receives R34, 131 billion in the current financial year to carry through costs of goods and services from the adjustment budget and the additional funding of R150 million to improve service delivery. Provision has also been made to replace ageing emergency vehicles and to enhance tertiary services. GDRT receives R6, 605 billion in the current financial year and this is estimated to increase at R7, 972 billion in the 2018/19 financial year. This is mainly due to additional funding received from the province for infrastructure delivery.

2.4.2 2015/16 Financial Year Infrastructure Funding

Finance and Fiscal Commission (FFC) recommended that government through its different spheres should create better conditions for inclusive growth. FFC, also known as the Commission, advised that ensuring greater impact and good use of public money is one way to reconcile the fiscal space, by way of stimulating economic growth, to encourage participation in the economy and improve equity. The Commission further argued that creating a strong economy requires three basic investments: in people (basic education, health and food security), infrastructure (municipal infrastructure, transport, electricity and housing), and innovation (new ideas and technologies). Observation by the FFC confirms that South Africa already spends significant amounts of money on health, education and other human capital investment, which it is acknowledged has improved access dramatically, but maintains that more effort is still required to improve quality even further.

The FFC also asserts that despite substantial resources directed successfully at infrastructure, poor infrastructure planning and implementation, increasing costs, supply-chain management fraud and inefficiency, and inadequate maintenance have meant that infrastructure outcomes have often fallen short of what the country needs.

2.4.2.1 Infrastructure Payments

National Development Plan (NDP) targets expenditure on infrastructure to be 10% of GDP by 2030. This will be financed through tariffs, Public Private Partnerships (PPP), taxes, and loans, and focussed on transport, energy and water. Current infrastructure spending is at approximately 7% of GDP and estimated at the same growth over the medium term. National government has, through the National Infrastructure Programme (NIP), committed to expand infrastructure provision and this includes a 20 year project pipeline consolidated into 18 Strategic Infrastructure Projects (SIP's) to the total potential value of R3, 6 trillion.

National entities responsible for providing the bulk of national infrastructure source finance from borrowing against their balance sheet or from internal reserves. The exception to this, is the Passenger Rail Agency of South Africa (PRASA) that relies solely on national transfers. Provinces are heavily dependent, receiving only 95% of their budgets from national transfers and only 5% from own sources. Gauteng municipalities fund 42% of their capital funding from grants, 27% from own funds, 26% from borrowing and 3% from public contributions. However, this is not across the municipalities, the metros provide more of their own funding compared to the district and local municipalities. FFC welcomed progress made with respect to the implementation of the performance based allocation framework for provincial infrastructure conditional grants⁴⁷.

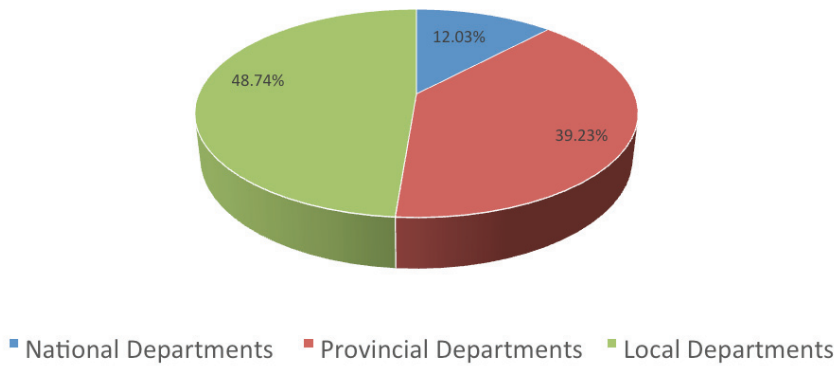
There is currently no consolidated estimate of capital funding needed across infrastructure sectors and government spheres. However, work undertaken at national government and local government indicates that capital requirements exceeds available funding in most cases, particularly local government⁴⁸. In addition, much of the state-allocated capital funding for the future is for new capital works and 'large scale projects'; capital funding for asset replacement and rehabilitation is often inadequate. Studies have indicated a shortage of capital for local government, and underspending on repairs and maintenance leading to accelerated deterioration of assets⁴⁹.

⁴⁷ FFC recommendation on the DoRB, 2014

⁴⁸ DBSA 2010

⁴⁹ Infrastructure and Utility Risk Management available on : <http://www.iatconsulting.co.za/publications/Infrastructure%20Risk%20Mngmt%20L%20Boshoff.pdf>

Figure 2.1: Infrastructure Payment Contribution per three spheres of Government



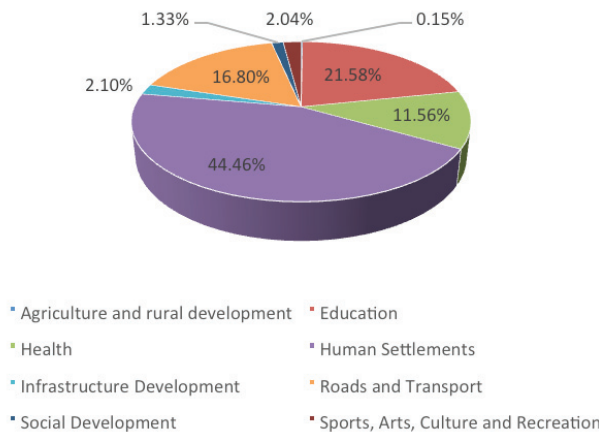
Source: National Treasury Budget Review, 2015

Figure 2.1 shows infrastructure allocation across the three spheres of government. National government constitutes 69%, provincial government 11% and local government 20% of the infrastructure budget. The figure also shows that in the allocation of the infrastructure budget for GPG, Gauteng Department of Human Settlement (GDHS) accounts for 41% of the budget, with GDRT accounting for 18%, GDoH for 16%, GDoE for 15% and other Departments for the 10% remaining. The bulk of the budget is allocated to GDHS and this indicates the intensity of infrastructure projects in the province. This also shows the urgency the 2014-2019 administration is placing on the delivery of infrastructure, especially, human settlement development.

2.4.2.2 Infrastructure Initiatives in the Province

National government and its public entities and enterprises have committed R847 billion to infrastructure spending over the 2015 MTEF; 63% of the R847 billion is dedicated to the Energy and Transport and Logistics sectors. The share of the national departments and entities expenditure in Gauteng was estimated at approximately R68 billion in the 2014/15 financial year. Budgeted provincial capital expenditure for 2014/15 financial year was R10, 6 billion, 41% of which was for human settlements, 18% for roads and transport, 16% for health and 15% for education. The remaining R19, 5 billion of the capital budget was allocated to Gauteng municipalities (metros, locals and districts).

Figure 2.2: Infrastructure Payment Contribution per GPG department



Source: 2015/16 GPG consolidated infrastructure database

Figure 2.2 shows infrastructure payment contribution per GPG department. Infrastructure projects are funded through conditional grants and PES. Over the 2015 MTEF, a total of R23, 2 billion is funded from conditional grants, of which R15, 7 billion is for Human Settlements. A budget of R20, 6 million is allocated to drive the job creation initiatives through the EPWP. GDHS was allocated 44,46%, GDoE received 21, 58%, GDRT 16,80%, GDoH 11,56%, Gauteng Department of Infrastructure Development (GDID) 2,10%, Gauteng Department of Sports, Arts, Culture and Recreation (GDSACR) 2,04%, Gauteng Department of Social Development (GDSD) 1,33% and Gauteng Department of Agriculture and Rural Development (GDARD) received 0,15%.

2.5 Budgetary Limitations and Mitigations

The 2008 Global Financial Crisis has influenced the manner in which government has been budgeting and spending its limited resources. Although there are signs that growth will begin to accelerate over the medium term, the risks abound and the world economic outlook remains restrained⁵⁰. This is considering the fact that most governments (globally) are faced with the challenge of competing priorities with a limited amount of resources and the South African government is not exempt from this challenge. Since the 2012/13 financial year, the South African government has focused its resources mainly on critical frontline services.

2.5.1 Cost containment

Managing public sector expenditure involves balancing a range of competing priorities. A better mix between personnel, capital and goods and services spending is needed, and also requires a conscientious effort to ensure that all expenditure categories are properly costed, and to improve the link between planning and budgeting. The prevailing economic conditions outlined earlier on and the importance of protecting the provision of essential services and boosting infrastructure spending, make it incumbent upon GPG to revisit the composition of the provincial budget.

In keeping with the spirit of cost-containment, particularly with regard to non-core items, GPT has drafted a Cost Containment Circular to all GPG departments (based on a similar National Treasury Instruction), outlining in detail the areas in which expenditure is to be curtailed, and that the necessary control measures are instituted that ensure that all expenditure incurred is necessary, appropriate, paid promptly and subsequently reported upon by respective Accounting Officers. Furthermore, departments must be forced to adhere to spending plans since budget over-runs are a result of the absence of controlled spending and failure to take responsibility for over-commitments.

Cost-containment can be enhanced by accurate contract management to ensure that, there is no procurement above contract value or beyond contract expiry date. The following cost containment enablers were adopted for implementation by Treasury collectively with GPG departments:

- Systems in strengthening the existing capacity in terms of data management based on current systems, i.e. Personnel and Salary Information System (PERSAL), Basic Accounting System (BAS) and In Year Monitoring (IYM);
- Support to GPG departments and entities to ensure that resources are spend in accordance with their intended purpose to eliminate wasteful expenditure;
- Site Visits to monitor proper implementation and resolve bottlenecks to expedite service delivery; and
- Quarterly bilaterals that focus on expenditure and non-financial performance, as well as to discuss findings made due to site visits.

Pillar 1: Action Plan

Action	Targeted Period	Owner
Departments to capture all contracts above a threshold of R5million on System Application Process (SAP)	Before end of 2015/16 financial year	Treasury
Assessment of the total GPG exposure to contractual obligations		
Consultation with departments on the extent to which these potential savings can be realised		
Tabling at Chief Financial Officers (CFOs) Forum		
Endorsement by Head of Department (HoD) Forum		

Source: GPG Own Revenue Generation Strategy and Cost-Containment Framework, 2015

Pillar 2: Action Plan

Action	Target Date	Owner
PERSAL re-alignment to ensure that all people are paid under the correct responsibilities, and implementation of online payroll certification	End of 2015/16 financial year	All GPG departments

⁵⁰ National Treasury (2012) Consolidated Financial Information

Source: GPG Own Revenue Generation Strategy and Cost-Containment Framework, 2015

The proposed framework on cost containment and value for money intends to inform the strategy that will encompass all the interventions. It is important to note that, cost containment does not mean decreasing the fiscal space, but rather, ensures prudence with every Rand budgeted and spent.

Table 2.8: Target for Potential Savings under Administrative 'Goods and Services', 2016/17– 2018/19

R '000	2016/17	2017/18	2018/19
Operating payments	37,783	60,114	63,120
Travel and subsistence	30,726	48,482	50,906
Communication (G&S)	26,408	41,445	43,518
Consumable: Stationery, printing and office supplies	28,094	44,480	46,704
Advertising	13,406	21,279	22,343
Venues and facilities	12,183	19,594	20,573
Catering: Departmental activities	7,458	11,541	12,118
Administrative fees	1,365	2,160	2,268
Entertainment	179	303	318
TOTAL	157,602	249,400	261,870

Source: GPG Own Revenue Generation Strategy and Cost-Containment Framework, 2015

It is envisaged that containing costs under these line items by at least 10% for the 2016/17 financial year will lead to a realisation of R158 million, while reduction by 15% in 2017/18 and 15% in 2018/19 allocations will yield nearly R250 million and R262 million respectively. This will be reviewed during the budgeting process (Medium-Term Expenditure Committee) and, endorsed at the Premier Budget Committee (PBC) thus releasing up the following amounts.

Under the category of general and administrative line items, cost will be cut from advertising, catering, consultants for business and advisory services, travel and subsistence, Venues and Facilities.

Within the communications line item, mobile and fixed telephone have been targeted by the National Treasury as transversal contract for national and provincial departments is underway. This will be implemented in phases, for the 2015/16 financial year, GDoH and GDoE is prioritised for participation in this contract for travel and subsistence costs. A policy is in the process of being drafted and this will act as a framework for national and provincial departments to craft their individual transversal contracts with travel management companies for domestic and international air travel, car hire and hotel accommodation.

2.5.2 Containing the wage bill

The 2015/16 financial year wage bill of R52, 3 billion makes up 55% of the overall R95, 4 billion of the GPG budget. This requires a 'Back-to-Basics' approach to Human Resource Management and Administration as it is apparent that organisational structures are not being adhered to. Staffing norms and standards are being disregarded and the result is a trend to the creation of new 'critical posts' as opposed to the filling of permanent vacancies.

The revision of GPG departmental organisational structures will be recommended and/or not-recommended by GPT to provide for involvement and input on financial implications. Approved structures and implementation thereof will be centrally maintained, preferably by GPT and/or Office of the Premier (OoP). Subsequent changes will be effected once the financial implications have been clearly quantified. Investigating the feasibility and viability of a standing committee to verify post existence and affordability prior to posts being advertised will be established and this will consist of Treasury and/or OoP. Potential savings from astute Human Resource Management and Administration could see the wage bill remain at under 60% of the overall GPG budget.

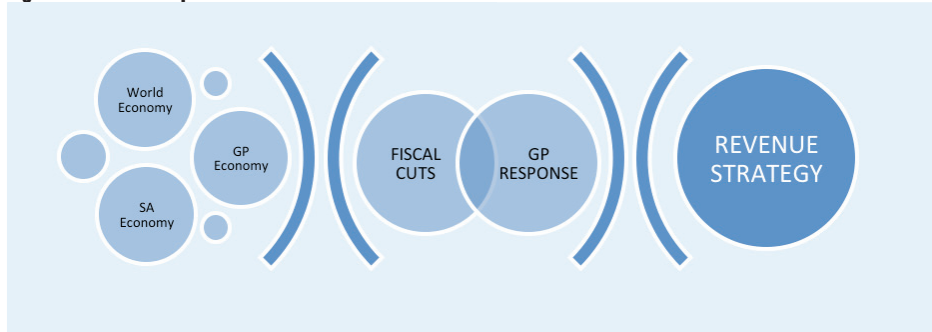
2.5.3 GPG Own Revenue Enhancement Strategy

The development of the Own Revenue Enhancement Strategy has been put in place as a viable option to respond to the weak fiscal outlook. The purpose of the Strategy is to identify potential to generate more revenue within existing revenue sources while exploring new sources of revenue to increase the provincial own revenue base.

The Strategy furthermore outlines existing institutional measures put in place for effective revenue management within the province.

The purpose of the Strategy is to identify potential to generate more revenue within existing revenue sources while exploring new sources of revenue to increase the provincial own revenue base. The Strategy outlines two Own Revenue Pillars, namely; maximizing current revenue streams and exploring new sources of revenue that will be explored. The pillars are being explored whilst taking cognizance that revenue enhancements for efficient and effective revenue collection within the province such as an upgrade of Information Communication and Technology (ICT) systems are being rolled out.

Figure 2.3: GPG response to the weak fiscal framework



Source: Gauteng Provincial Government Own Revenue Enhancement Strategy, 2015

Figure 2.3 shows GPG’s response to the weak fiscal framework. The weak economic growth in South Africa led to the downward reduction of tax revenue resulting in the reduction of national transfers (equitable share and conditional grants) to provinces over the 2015 MTEF. The above situation has created an environment where our fiscal space has narrowed drastically. Despite this, the country and province in particular, is still faced with the three main challenges of high level of unemployment; inequality and high levels of poverty. GPG Executive Committee (EXCO) is resolute to find a lasting solution to deal with these challenges. The Strategy was approved by EXCO on the 22nd July 2015 and is thus still in its inception phase with regard to the implementation plan.

2.5.3.1 Core Outcomes

The strategy will furthermore outline existing institutional measures put in place for effective revenue management within the province. It is based on the three enduring core outcomes that will serve as the foundation for this strategy. The three core outcomes are as follows:

- Inminate loopholes in our collection mechanism; and
- Increase cost effectincrease GPG own revenue;
- Eliveness, internal efficiency and operational efficiency.

All three outcomes are interdependent and mutually reinforcing, as the pursuit of one outcome frequently enables the achieving of another outcome. The overall goal of the strategy is to optimise these three outcomes with each reinforcing the other so that the overall impact is greater than their individual sum. Increasing cost effectiveness, internal efficiency and operational efficiency builds trust and confidence, which results in increased compliance and ultimately leads to greater revenue collection. Similarly, reducing loopholes in our collection system will increase own revenue collection.

2.5.3.2 Own Revenue Targets

Approximately 98% of the current revenue comes from the four main revenue sources namely; MVL, Casino Taxes, Health Patient Fees, and Interest Revenue. For this reason, it is prudent to channel all effort to ensure that these revenue streams are optimized. The Strategy places more emphasis on ensuring that the four revenue sources are looked at as they have a potential for yielding greater results. Each of the revenue streams are subjected to the three core outcomes of the strategy.

Table 2.9: GPG Summary Own Revenue Targets

Item (R'000 million)	2014/15	2015/16	2016/17	2017/18	2018/19	Total
MVL Fees	205.8	179.2	188.6	198	205.1	976.7
Casino tax	143.7	134.2	116	105.7	97.6	597.4
Patient Fees	0	226	243	261.1	280.8	1.010.9
Interest	401.5	200	200	200	200	1.201.5
Total Collection	751	739.4	747.6	764.8	783.5	3,786.50

Source: Departmental Consultations, 2015

Targets to be achieved are in line with the Strategic Outcomes which will be mapped against the streams of the four revenue sources over the five year term starting from 2014/15 to 2018/19. The implementation of identified activities associated with each revenue source will ensure that we increase own Revenue baseline by R3, 7 billion over the five-year term of current administration. The attainment of the set target is dependent upon prudent management of identified risks by Treasury in collaboration with departments where identified revenue sources reside. MVL revenue target, administered by GDRT is R0, 976 billion, whilst Patient Fee revenue target of R1 billion will be realised by GDoH. Casino Gambling Tax revenue, under GDED, is estimated at R597 million while interest earned on provincial reserves under Treasury is estimating a target of R1, 2 billion over the 2014/15 to 2018/19, financial five-year period. The Strategy was approved by EXCO on the 22nd July 2015 and thus is still in its inception phase with regard to the implementation plan. It should be noted that R751 million was collected during the 2014/15 financial year and it is anticipated that R739 million will be collected during the current financial year.

2.5.3.3. Incentive Scheme

After a consultation process with the revenue collecting departments, an own revenue incentive scheme policy has been developed. Amongst other legislative prescripts, the development of the strategy is in accordance with section 18(2a) of the Public Financial Management Act (Act 29 of 1999 as amended), which makes provision that provincial treasury may issue an instruction in accordance with this Act. The objective of the Scheme is to:

- Institutionalise own revenue incentive for GPG departments;
- Invest in own revenue collection processes and systems;
- Set criteria required to qualify for own revenue incentive; and
- Provide for a framework within which implementation of the Incentive Scheme will be monitored, evaluated, reports and management.

2.6 Observations

- The provincial budget increase from R95, 4 billion to R106, 3 billion over the 2016 MTEF period and this represents 11.4 % average growth with the social sector receiving the largest share.
- In line with the direction taken by national government, the provincial government is encouraged to reprioritise and gradually shift spending from none-core to core services so as to free-up much needed resources to channel towards funding provincial priorities;
- Greater strides needs to be taken to minimise loopholes in the procurement processes to limit wasteful expenditure and stretch the provincial purse.
- Departments should adhere to spending plans as budget over-runs shows the absence of controlled spending and failure to take responsibility for over-commitments.

2.7 Conclusion

The chapter analysed in the main, the national fiscal framework and that of the province with a specific focus on national transfers, own revenue as well as the provincial spending patterns. Resources allocated towards infrastructure investments are expected to surge over the medium term, which would enhance re-industrialisation through investment in key social as well as economic infrastructure, to improve the deteriorating infrastructure portfolio, crucial for service delivery and economic performance.

CHAPTER 3 – THE TRANSFORMATION OF GAUTENG PROVINCE

3.1. Introduction

Chapter 2 presented and analysed the Provincial Fiscal Framework. In his State of the Province Address (SOPA), Premier David Makhura announced a Ten-Pillar Programme programme of radical Transformation, Modernisation and Re-industrialisation (TMR), as a program of action for the province. South Africa has come a long way since the injustices of the past administration, and as such has tried very hard to remedy the effects of past inequalities through the introduction of numerous legislative prescripts, policies, strategies and programmes. Amongst others, the legislation introduced is aimed at transforming the country's economy. Since the start of the fifth administration, the Gauteng Provincial Government (GPG) has been working towards addressing all matters crucial to the people and the economy of the province.

The National Development Plan (NDP), vision 2030 in the Gauteng City-Region (GCR) is committed to be implemented through the Ten-Pillar Programme (TPP), which is aimed at, amongst others, a growing economy underpinned by social cohesion and economic inclusion. The TMR programme consists of the following ten pillars:

- Radical economic transformation
- Decisive spatial transformation
- Accelerated social transformation
- Transformation of the state and governance
- Modernisation of the public service
- Modernisation of the economy
- Modernisation of human settlements and urban development
- Modernisation of public transport infrastructure
- Re-industrialisation of Gauteng province
- Taking the lead in Africa's new industrial revolution

This chapter focuses on the Transformation dimension of the TMR programme. It deals with the first four pillars listed above, that is Radical economic transformation, Decisive spatial transformation, Accelerated social transformation, and Transformation of state and governance. These will be discussed with regard to the progress made at the end of the 2014/15 financial year and the plans for the remaining term of the current administration term.

3.2. National Development Plan

The overall objectives of the NDP are to eliminate poverty and reduce inequality in South Africa by 2030⁵¹. The achievement of these objectives⁵² require progress in many avenues; however the following three priorities stand out:

- Raising employment through faster economic growth,
- Improving the quality of education, skills development and innovation, and
- Building the capability of the state to play a developmental and transformative role⁵³.

Embedded in the NDP are the concepts of building a capable state, uniting the nation, and expanding infrastructure networks. To make meaningful progress in eliminating poverty and reducing inequality, Government needs to improve the quality of education, to ensure that more people are working, and to take advantage of the skills, goodwill and resources to be found in the citizens. This will stimulate development that expands opportunities, build capabilities and raises living standards. The following are the targets of the NDP:

- Increase employment and raise per capita income; the strict unemployment rate to fall from 25% to 14% in

⁵¹ Information obtained from: <http://www.cogta.gov.za/index.php/news/566-what-is-the-national-development-plan>

⁵² The proportion of the population with income below the poverty measure of R418 per month (in 2009 Rands) falls from 39 percent in 2009 to zero in 2030. The level of inequality will fall from 0.7 in 2010 to 0.6 by 2030. The share of income going to the bottom 40 percent of income earners rises from 6 percent to 10 percent.

⁵³ National Development Plan 2030: Executive Summary.

2020, and to 6% by 2030;

- Increase the share of national income of the bottom 40% of income earners from 6% to 10%;
- Increase the quality of education so that all children have at least two years of preschool education;
- Provide affordable access to quality health care while promoting health and well-being;
- Establish effective, safe and affordable public transport;
- Ensure that all South Africans have access to clean running water in their homes;
- Ensure household food and nutrition security;
- Entrench a social security system covering all working people, with social protection for the poor and other groups in need, such as children and people with disabilities;
- Ensure that all people live safely, with an independent and fair criminal justice system, and
- Broaden social cohesion and unity while redressing the inequities of the past.

TPP is based on the principles of the NDP and seeks to achieve the objectives of the Plan by making Gauteng an integrated city-region characterised by social cohesion and economic inclusion; a leading economy on the continent underpinned by smart and green industrial and socio-economic development. This will require that the three challenges of inequality, poverty and unemployment are addressed.

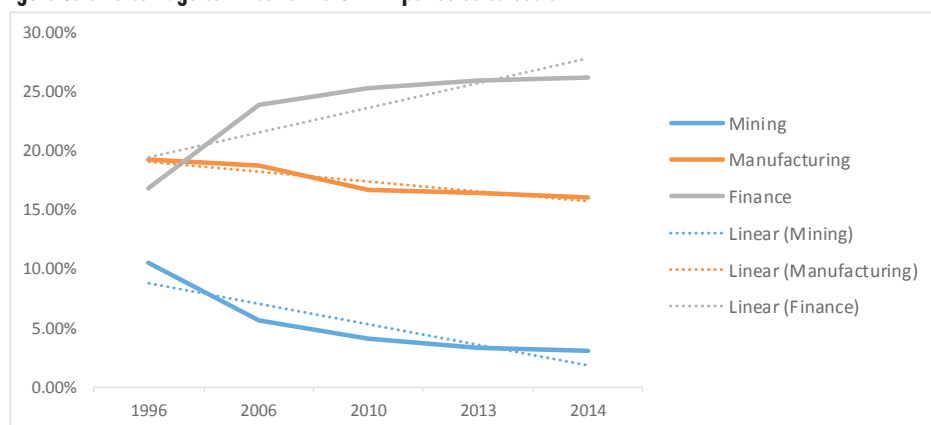
3.3. Radical Economic Transformation

Many developing countries have increasingly focused on economic transformation towards greater productivity and higher value activities⁵⁴. GPG is pursuing a similar direction having adopted TPP to address the three challenges of inequality, poverty and unemployment facing the province. Transforming the Gauteng province is crucial in this regard and forms part of TPP. Transformation as part of the TMR comprises of the four pillars of Radical economic transformation, Decisive spatial transformation, Accelerated social transformation, and Transformation of the state and governance. The following section looks at the economic challenges that are inherent in the City-region.

3.3.1. Structural disparities in the province

Gauteng province was one of the world’s most important gold-mining areas that contributed to the growth of the province. However, the structure of the economy in the country and the province has changed drastically over the years. The mining sector has seen a decline and thus contributes less to the Gross Value-Added by Region (GVA-R). However, the sector remains economically important for exports as the manufacturing exports remain a challenge. Other sectors, such as the manufacturing sector, have been growing steadily; however, the contribution to the total GVA-R has been decreasing. Although the finance and service sector has seen a dramatic increase in the contribution to the total GVA-R, the sector does not contribute much in terms of exports compared to the mining and manufacturing sectors.

Figure 3.1: Percentage contribution to GVA-R per selected sector



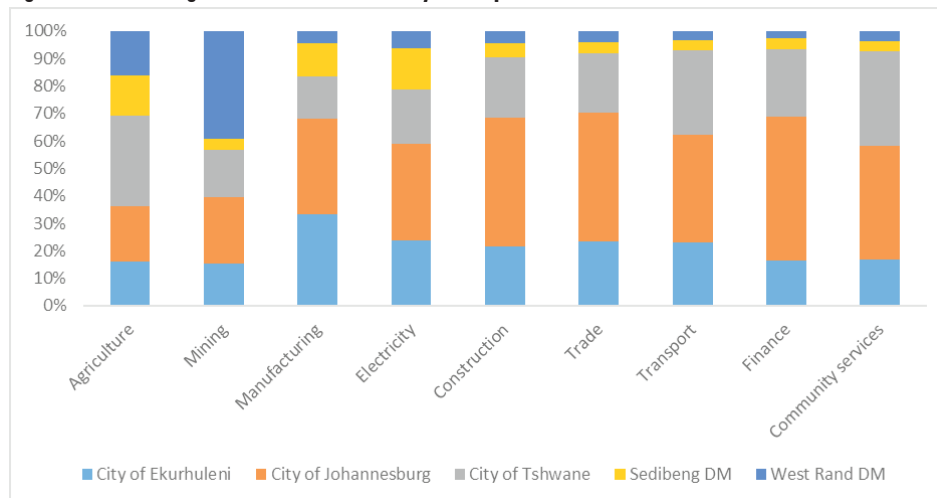
Source: IHS Global Insight 2015

⁵⁴ Information available from: <http://www.odi.org/comment/8084-economic-transformation-heading-post-2015>

Figure 3.1 demonstrates the contribution to the GVA-R per selected sectors in Gauteng. Contribution from the mining sector has declined from 10.51% in the year 1996 to 3.1% in 2014; and in same period, the manufacturing sector also declined from 19.26% to 16.1%. However, the contribution from the financial sector increased from 16.89% to 26.25% in 1999 and 2014, respectively. This illustrates that Gauteng has been experiencing a rapid process of de-industrialisation due to a decrease in the industrial sector, whereas the financial sector has been resilient and experiencing sustained levels of growth.

Post 1994, the change in the economic structure brought about some diversification in the economy with the country slowly becoming less dependent on primary commodities. South Africa developed a comparative advantage in various manufactured products, albeit the resource-based production is much more deeply embedded. This diversification is more concentrated within Gauteng in the three metropolitan municipalities the City of Johannesburg (CoJ), City of Tshwane (CoT) and City of Ekurhuleni (CoE)⁵⁵.

Figure 3.2: Percentage contribution to GVA-R by municipalities



Source: IHS Global Insight 2015

Figure 3.2 demonstrates the contribution of each of the Gauteng municipalities to the GVA-R across various industrial sectors. It also illustrates the comparative advantage each municipality has in the various industrial sectors, i.e. CoJ in finance & construction, CoE in manufacturing, CoT in agriculture and the West Rand in agriculture, etc.

3.3.2. Capital-intensive activities

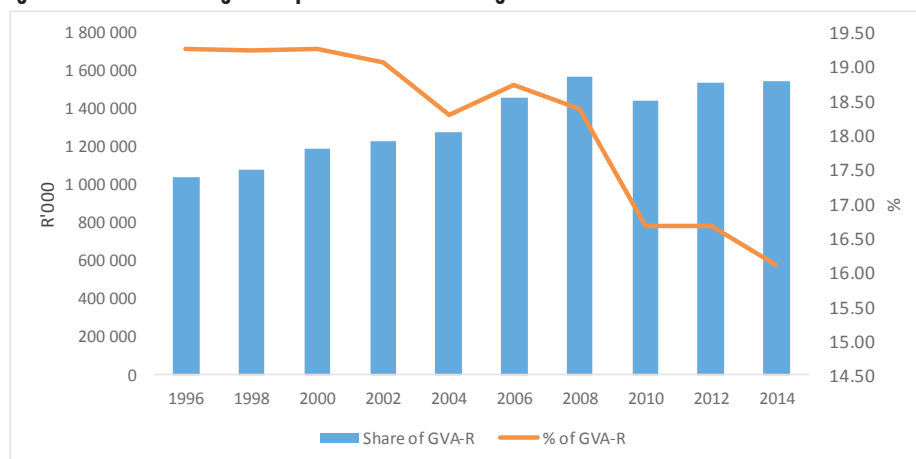
Capital-intensive activities are increasingly being hosted in and around large metropolitan areas in Gauteng and this consequently shrinks employment absorption in these areas. This would ideally yield greater job creation figures and boost employment in the less developed municipalities where more labour-intensive processes can be employed. Similar to diversification, Gauteng’s economic activity has also become concentrated in the three metropolitans resulting in the other municipalities not being sufficiently diversified to allow for greater economic activity.

The manufacturing sector has the largest backward linkages in the Gauteng economy, thus the potential for greater multiplier effects. Manufacturing has been referred to as the centre of growth generation within the Gauteng economy as it has the potential to boost exports and absorb unskilled workers from agriculture and social services. Manufacturing has the potential to absorb the labour supply in the province while providing income for semi-skilled and unskilled workers given the current technological level. Consequently, this sector can become an equity-promoting tool for the unemployed thus providing sustainable incomes⁵⁶.

⁵⁵ OECD. 2011. OECD Territorial Reviews: Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.1787/9789264122840-en>

⁵⁶ OECD. 2011. OECD Territorial Reviews: The Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.1787/9789264122840-en>

Figure 3.3: Manufacturing sector performance in Gauteng between 1996 and 2014



Source: IHS Global Insight 2015

Figure 3.3 illustrates the performance of the manufacturing sector in Gauteng between the years 1996 to 2014. The figure demonstrates the rapid decline of the sector’s contribution to the GVA-R from 19.5% to 16%. In numerical terms, however, the sector’s contribution has increased from R100 million to R180 million in the same period. The decrease in the contribution by the sector is as a result of the sector’s share of the GVA-R increasing, but at a decreasing rate, and also that there are other sectors such as finance that are growing significantly.

3.3.3. Initiatives to radically transform the Gauteng economy

GPG will undertake several initiatives to radically transform the economy and contribute towards changing the province into a city-region. These initiatives include supporting Small, Medium and Micro Enterprises (SMMEs), revitalisation of the township economy as well as youth development through the Tshepo 500k initiative.

• New Small, Medium and Micro Enterprises and township enterprises

SMMEs are becoming increasingly important in the South African economic landscape contributing significantly to the Gross Domestic Product (GDP), and taking a leading role in creating employment and alleviating poverty⁵⁷. Over the years, government has prioritised entrepreneurship and SMME’s as the catalyst to achieve economic growth and development in the country⁵⁸. These sentiments have been echoed in the macro-economic policies of the country, including the NDP.

It has been observed that SMME activities contribute about 50% to the Gauteng GDP that makes up 36% of the national output. Moreover, South Africa’s overall SMME activities contribute about 40% of the total output. This is considered low when compared to other countries, such as China and Japan, where SMME activities contribute about 60% to the economic activities⁵⁹.

In the 2015 SOPA, GPG reiterated its commitment to place the revitalisation of the township economy at the centre of the government’s programme for radical economic transformation. GPG has therefore emphasised its perspective that townships can no longer merely be sites for the reproduction of cheap labour and for the trading of goods and services that township communities do not produce.

For this reason, the creation of SMME’s continues to be critical on the agenda of the Gauteng government, coupled with the creation of township enterprises that have been identified as key in the transformation and modernising of the economy. It has been noted that township enterprises have the capacity to produce food, such as bread for school nutrition and hospitals, to make school and police uniforms, to manufacture furniture for government offices as well as other products and services. Transforming the economy will require government and the private sector to tap into this capacity by bringing millions of township residents across all municipalities into the mainstream economy⁶⁰.

⁵⁷ SABS. 2015. SMME’S overview. Available from: <https://www.sabs.co.za/sectors-and-services/services/smme/index.asp>

⁵⁸ The DTI. 2014. SMME Development. Available from: http://www.dti.gov.za/sme_development/sme_development.jsp

⁵⁹ Kolver, L. Gauteng SMME activity not sufficient to achieve economic goals. Available from: <http://www.engineeringnews.co.za/article/gauteng-smme-activity-not-sufficient-to-achieve-economic-goals-2014-03-25>

⁶⁰ Gauteng Pillars of Radical Transformation.

• **Targeted industries for SMME’s and township enterprises**

Low innovation capacity remains the main obstacle to creating SMMEs and township enterprises that are the key to transforming the province towards a more inclusive and advanced knowledge-based economy. However, this can be addressed by aiding developing innovative activities through providing funding, providing a conducive market environment where new enterprises can compete with established enterprises, by rooting out the perception that the costs of innovation are too high, and increasing the rate of establishing start-up businesses⁶¹.

It is thus important to determine which sectors SMME’s and township enterprises in the province should focus on. GPG has identified finance, the automotive industry, manufacturing, Information and Communication Technology (ICT), tourism, pharmaceuticals, creative industries, construction and real estate⁶² as key sectors that have the potential to address the twin policy imperatives of creating decent employment and greater economic inclusion. These sectors are critical because they have the highest linkages to other industries as well as being employment multipliers⁶³.

Table 3.1: Prioritised local industries

Industry/subsector	Minimum Threshold for local Content
Buses (Bus Body)	80%
Textile, leather, clothing & Footwear	100%
Steel Power Pylons	100%
Canned/Processed Vegetables	80%
Pharmaceutical Products	
OSD Tender	70% (Volumes)
Family Planning Tender	50% (Volumes)
Rolling Stock	65%
Set Top Boxes	30%
Furniture Products	
Office Furniture	85%
School Furniture	100%
Base & Mattress	90%
Solar Water Heater Components	70%
Electrical & Telecom Cables	90%
Valves Products & Actuators	70%
Residential Electricity Meter	
Prepaid Electricity Meters	70%
Post Paid Electricity Meters	90%
Smart Meters	70%
Working Vessels/Boats	60%
Components	10% -100%

Source: GDED Insight Issue 3, 2014

Table 3.1 shows the different local industries that the Department of Trade and Industry (DTI) has identified as being the key industries to be prioritised by government in its procurement processes, to boost township enterprises and drive industrialisation in those areas.

The diversification of sectors, specialisation and employment should also be spread across all regions if Gauteng is to be effectively integrated with social cohesion and economic inclusion as its key characteristics. Despite its constrained growth over the past years, the manufacturing sectors, amongst others, still remains as a clear opportunity for boosting employment and exports in the region since it is connected upstream to suppliers in other sectors with potential for greater multiplier effects.

⁶¹ OECD. 2011. OECD Territorial Reviews: The Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.1787/9789264122840-en>

⁶² Radical Transformation.

⁶³ Gauteng Department of Economic Development. 2010. Gauteng SMME Policy Framework (2010-2014). Available from: <file:///C:/Users/26604931/Desktop/2015%20MTBPS%20research/GEGDS.pdf>

• **Township Business Renewal Programme**

Through the Gauteng Enterprise Propeller (GEP), the Gauteng Department of Economic Development (GDED) continues to provide resources to township-based emerging businesses, via the Community Fund and the Township Business Renewal Programme, respectively. In 2014/15, a total of 250 township businesses were granted funding, through payment to their Suppliers, using the Community Fund, while 355 businesses benefited from funding granted through the Township Business Renewal Programme. This is in line with the Radical Economic Transformation Pillar to ensure Township Economy Revitalization (TER). Furthermore, in the 2015/2016 financial year, 345 businesses will be funded through the Community Fund, while 250 businesses will benefit from the Township Business Renewal Programme.

The Invoice Discounting project was conceptualised in the 2014/15 financial year, with a view to alleviate the problems associated with working capital and cash flow faced by small and emerging businesses. The project entails the provision of short-term borrowing to small businesses against their sales invoices that are still to be paid by their customers. The project will be rolled-out in 2015/16 and is intended to benefit 50 small and emerging businesses.

As expressed by the Township Enterprise Renewal strategy that contributes to the Radical Economic Transformation Pillar of the Ten-Pillar Programme, supplier development is integral to increasing the competitiveness of township-based emerging businesses and propelling their participation into the mainstream economy. GEP entered into a partnership with the United Nations Development Programme (UNDP) for the enrolment of emerging businesses through its Supplier Development Programme (SDP). In this regard, GEP has facilitated the enrolment of 25 businesses through the Programme, which will be extended to 20 businesses in 2015/16.

Exhibitions, amongst other Business Development Support (BDP) interventions, continue to be the platform provided to SMME's and cooperatives, to enable them to access markets for their products. In this regard, GEP supported 47 township-based cooperatives to market their products through exhibitions. In 2015/16, 100 township-based cooperatives will be supported through these exhibitions.

GEP contributes to the accelerated development of SMMEs, by linking them for mentorship with established businesses in similar industries. About 165 SMME's were enrolled for the GEP Mentorship programme in the 2014/15 financial year. In the upcoming financial year, 180 SMMEs will be mentored through the programme. The Masingita city, an integrated commercial and industrial hub, is a R3 billion private investment that will create 15, 500 jobs during the construction stage and approximately 10, 000 jobs during its full operation. It will also contribute to the township economy revitalisation by supporting township enterprises and SMMEs in Soweto, Lenasia and Bekkersdal/Randfontein.

GEP Incubation programmes continue to contribute to the accelerated development of SMMEs and Cooperatives to ensure their financial viability and sustainability. In the 2014/15 financial year, GEP incubated 366 township-based Cooperatives. In the upcoming financial year, to support the revival of township economies, in line with the TER Strategy and the Re-industrialization Pillar of the GPG Ten-Pillar Programme, financial and non-financial support will be provided to 75 small and emerging businesses based at the Township Industrial Parks. To promote the spirit of entrepreneurship, especially amongst the youth, GEP will establish a Business Ideas Bank, a platform with sector-specific business ideas that aspiring entrepreneurs can access to form businesses.

GPG has already committed more than R160 million to the township economy, and in the current financial year, 2015/16, has allocated more than R300 million to support township enterprises and cooperatives. The effort to revitalise the township economy is also underpinned by strategic interventions by various GPG municipalities⁶⁴.

GPG is advocating for a "Township Economy Partnership Fund" involving the private sector, township enterprises, as well as government to promote investment in the township economy and the development of township enterprises and cooperatives. In addition, the GPG also aims at working with the Cooperatives Bank Development Agency (CBDA) to facilitate the establishment of cooperatives banks that are owned by communities (including burial societies and stokvels) as part of creating financial inclusion as well as broadening access to financing by township enterprises and communities.

⁶⁴ 2015 State of The Province Address

GPG currently spends at least 5% of its procurement budget for goods and services on township enterprises. The GPG has committed to set aside 30% of the public procurement budget for township enterprises over the next five years⁶⁵. Through the revitalisation of the township economy, the GPG seeks to:

- Encourage local businesses to produce goods they sell;
- Mobilise township buying power to improve incomes and investment in productive activities; and
- Organise and co-operate for the township economy.

GPG is therefore taking a decisive and radical step to change the landscape of Gauteng’s townships. This will assist in allowing township residents to create employment and produce goods and services that can be used in townships and be sold outside those townships.

• Promoting youth employment

In addition to the range of programmes being pursued to transform Gauteng into a city region, the GPG through the Gauteng City Region Academy (GCRA) will focus on skills development specifically to promote youth employment. As part of the Master Skills Plan, Gauteng Department of Education (GDoE) in collaboration with the GDED will introduce a range of skills development programmes and training opportunities, internship and learnership programmes that can give the youth the edge in accessing opportunities to higher education, pursuing entrepreneurship and in entering the job market. The next section talks to the objective of GPG to reconfigure structural patterns in the province.

GPG is also championing youth employment through the Tshepo 500 000 programme, which is an employment creation and entrepreneurship development programme aimed at training, skilling and mentoring 500 000 young people through a set of projects aimed at empowering Youth, Women and people with disabilities giving them hope, employability and entrepreneurial skills over the next 5 years (2014-2019)⁶⁶.

It is envisaged that this programme will achieve the following objectives:⁶⁷

- Creating meaningful income generating opportunities;
- Placing young people into meaningful jobs;
- Providing youth with mentoring;
- Providing opportunities for career growth; and
- Restoring the pride and dignity to unemployed youth.

The programme seeks to achieve these objectives through, leveraging of existing programmes to ensure greater scope of meeting objectives, partnering with all spheres of government, private parties and organisations. It is envisaged that over the next 5 years the programme will yield the following employment results:

Envisaged Employment outcome of Tshepo 500 000 Programme

Year	Jobs
2014/15	2000
2015/16	50 000
2016/17	250 000
2017/18	150 000
2018/19	40 000
2019/20	8000

Source: Tshepo 500: Value Proposition Process

This initiative is part of the government’s Extended Public Works Programme (EPWP), and forms part of GPG’s broader vision of improving the material conditions of the lives of young people in the province.

⁶⁵ 2015 State of The Province Address

⁶⁶ <http://www.tshepo500000.co.za>

⁶⁷ <http://www.tshepo500000.co.za>

3.4. Decisive Spatial Transformation

In line with the vision to radically transform the social and economic landscape of Gauteng, the GPG has adopted a plan to transform the spatial patterns of the province. This vision is also informed by the critical need to re-structure the spatial design of the province to allow communities settled on the periphery of the city access to social as well as economic benefits. At present, the province is divided into three parts; the wealthier northern part of the city-region, the poorer southern part of the city-region where townships such as Soweto and large informal settlements, such as Orange Farm are located; and the CoE where old coal mining areas have limited spatial reintegration⁶⁸. This division has exacerbated unemployment, poverty and inequality with the dire contribution of in-ward migration having worsened the situation over the years.

3.4.1. Spatial Re-configuration of Gauteng

Spatial reconfiguration mainly refers to GPG's efforts to build human settlements that are closer to and integrated with economic and social activities, and also to undo the spatial patterns of the previous regime. In the 2015 SOPA, GPG proclaimed that one of the goals of the current administration is the transformation of the economy as well as human settlement patterns to integrate economic opportunities, transport corridors and human settlements. As such, undoing the spatial imbalances of the past is high on the agenda of the GPG.

This effort is partly underpinned by a progressive transport system (for example the Rea Vaya in Johannesburg) that seeks to reduce the cost of travelling from townships to urban areas thus connecting the old townships with the opportunities that are available in the urban setting.

The development of key industries across the various corridors of the province also plays a role in the provincial government's efforts to reconfigure human settlement patterns, by constructing new settlements next to key industries to foster economic integration, by allowing inhabitants to live closer to economic activities. Integrating the development of key industries with spatial reconfiguration allows for a more systematic approach to human settlement, one that is focused on empowering inhabitants to access economic opportunities without much strain. This assists in the reduction of many of the social ills related to the current spatial patterns.

3.4.1.1. Redefining spatial patterns

The effort to redefine the spatial patterns of Gauteng province will be undertaken through the following corridors, namely the central, western, eastern and southern corridors⁶⁹.

• The Central Corridor

In order to reconfigure human settlements in the Central Corridor, the GPG will build over 140 000 houses over the next five years of administration in areas such as Lion Park, Diepsloot east, Fluerhof, Cosmo City, Malibongwe Ridge and Goud Rand. GPG is also working with the private sector and the CoJ on initiatives to change the spatial landscape of the Central Corridor through housing developments in Masingita City, Rietfontein, Waterfall City, Modderfontein City (Midrand area) and Steyn City (Fourways area to help transform Diepsloot). All these developments will have major socio-economic benefits in connection with decent employment and economic inclusion.

The Masingita City project is an integrated commercial and industrial hub with R3 billion private investments that will create 15,500 jobs during the construction stage and approximately 10,000 jobs during its full operation. The Rietfontein project is a complete mixed-use node with more than 8,000 proposed residential units, commercial property, distribution and warehousing, retail and education facilities. With an investment estimated at R20 billion, the Rietfontein project has the potential to create 17,000 jobs during the construction phase and beyond. Waterfall City is the largest city to be built in post-apartheid South Africa. The estimated investment during construction is R 71 billion with the creation of an estimated 100,000 jobs. As part of propelling spatial transformation, the CoJ will also expand the existing Reya Vaya, Bus Rapid Transit (BRT) System to cover more areas in the city.

• The Eastern Corridor

Approximately 100,000 housing units will be delivered over the next 5 years in areas such as Chief Albert Luthuli, John Dube extension 22, Tsakane extension 22, Germiston South, Leeuwoort, Rietfontein and Clayville extension 45. To further change the spatial geography of this Corridor, the CoE is currently rolling out the BRT System that will be operational by 2016.

⁶⁸ OECD. 2011. OECD Territorial Reviews: The Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.1787/9789264122840-en>

⁶⁹ 2015 State of the Province Address.

Over the next five years, further investments will be made on the BRT system. This is based on the realisation that the public transport infrastructure has the potential to transform CoE's spatial landscape and integrate the towns, cities and human settlements due the fact that many townships in this region are far from economic opportunities and transport networks. The cumulative effect and combined impact of all these initiatives will create a new spatial landscape in the region and generate massive employment and opportunities for economic inclusion.

• **The Northern Corridor**

Approximately, 160,000 houses will be constructed in Hammanskraal, Winterveldt, Stinkwater, Lady Selborne, Soutpan Phases 1 to 7, Lotus Gardens, Fortwest, Capital Park, Vermuelen, Olievenhoutbosch, Nellmapius, Zithobeni, Kirkney and Danville.

• **The Western Corridor**

Units estimated at 160,000; will be built in Syferfontein, Chief Mogale, Kagiso Extension 13, Leratong, Westonaria Borwa, Thusang, Waagsterskop, Kokosi extensions 6 and 7, Droogeheuwel, Mohlakeng extension 11, Khutsong South extensions 1-3 and Vaarkenslaagte.

• **The Southern Corridor**

Approximately, 120,000 houses will be built in Sedibeng, Boiketlong; Golden Highway; Evaton; Vereeniging, Savanah City, Ratanda and the R 59 Corridor.

3.5. Accelerated Social Transformation

Social Transformation is aimed at raising the standard of living and the quality of life for the people of Gauteng. These goals can be attained through the improvement of education, health care, social protection and the provision of decent housing. Each GPG department plays an important role in implementing this priority outcome to achieve the required goals.

3.5.1. Transformation of Education in Gauteng

GDoE is key to the development of the GCR through the provision of a skilful and knowledgeable workforce. The development of skills at an early stage up to higher education is essential. Accelerated Social Transformation uses quality education as a lever to accelerate social transformation. The modernisation of classroom practice is critical to achieve quality education in the classroom. The Department is focusing on bringing education into the 21st century by ensuring all teachers and learners have progressive access to broadband, smart learning and teaching tools. GDoE, Gauteng Department of Social Development (GDSD), Department of Health (GDoH), Department of Infrastructure Development (GDID), Department of Sport Arts and Culture and Recreation (GDSACR) and GDED will work closely together to achieve the delivery of quality education in the Province. Priority programmes for the medium- term is Quality of Education; Inclusive Education; Infrastructure development and the Reorganisation of Schools Strategy.

3.5.1.1. Quality of Education

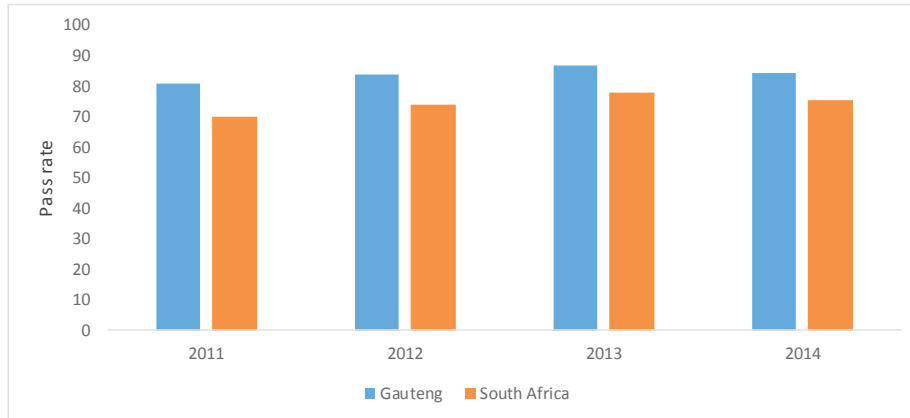
Changing the curriculum has proven to be a challenging undertaking and curriculum reform has seen a number of alterations over the past 20 years. Following 2005/06 financial year; Outcome Based Education (OBE), National Curriculum Statements (NCS) and the Revised NCS and the more recent Curriculum and Assessment Policy Statements (CAPS), curriculum reform has been targeted towards providing quality education for all South Africans. The introduction of CAPS represents a phased approach towards enabling a fully integrated curriculum. The introduction of CAPS required that teachers be retrained and Learner Teacher Support Materials (LTSM) aligned to CAPS be acquired. Both of these weigh heavily on the budget of the Department. In addition to, the staffing of schools, the normal curriculum maintenance such as teacher support and support for curriculum management must be ongoing to ensure that change in practice takes place.

The provision of quality education requires the Department to provide a conducive environment for teaching and learning, requiring the Department to meet constant demands for additional classrooms and furniture as well as infrastructure maintenance. The 2014 Grade 12 learners represented the first candidates to write the Grade 12 examination based on the new curriculum.

The Grade 12 National examination is currently the only school-leaving examination that evaluates how learners have performed over the 12 years of schooling. It is also used to evaluate the quality of education being provided to all learners in the country in line with what the National government promised in 1994. Over the last five years, the Annual National Assessment (ANA) has been introduced to complement the Grade 12 examination and to

provide a more objective account of learner performance across various levels of the system. The examination initially focussed on Grades 3 and 6, however, over the years, this has been expanded to other grades to the point where from 2014, and Grade 1 through to 9 were examined in the ANA.

Figure 3.4: Grade 12 pass rate in Gauteng, 2011 - 2014



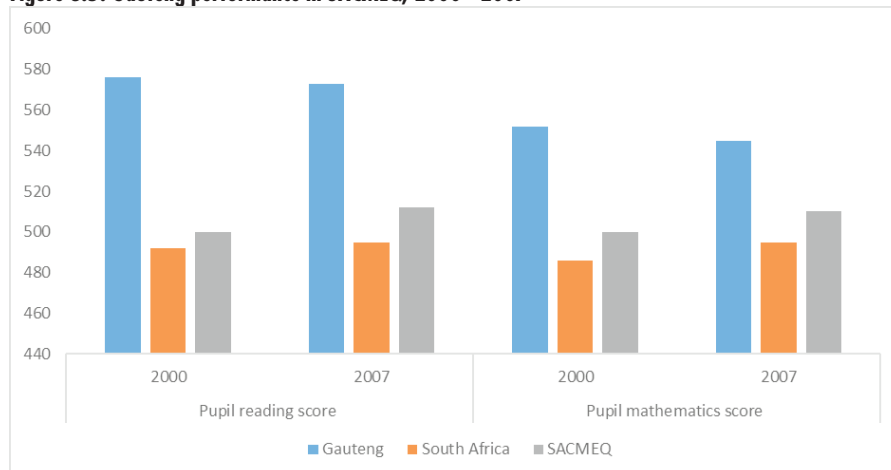
Source: 2014 National Senior Certificate Examination: Technical Report

Figure 3.4 shows Grade 12 matric pass rates in Gauteng in comparison with national pass rates from 2011 to 2014. The pass rates for Gauteng increased from 81.1% in 2011 to 84.7 in 2014. However, the pass rate for 2013 of 87% decreased by 2.3% to 84.7%. The national pass rate also increased during the period under review, from 70.2% in 2011 to 75.8% in 2014. However, the rate for 2013 of 78.2% decreased by 2.4% to 75.8%.

Since 1994, the province has been performing above the national average. Though the trend has generally been upward, curriculum changes partly account for the decline in pass rates in 2014. The focus has now shifted towards quality in addition to passes.

Gauteng has over the years performed well on standardised international tests of learner performance. Research conducted on learner performance in international tests revealed that from 2007, Gauteng in particular, has made big strides in improving access to education and in redressing the ills of the past. The Trends in International Mathematics and Science Study (TIMSS) represents a global assessment of the attainment of mathematics and science knowledge among school level learners. South Africa participated fully in the 2002 and 2011 versions of the TIMSS. Overall, SA showed a substantial improvement in the average scores for both subjects in the 2011 tests. (See figure 3.6 below). South Africa also participated in the Regional assessment consortium tests (SACMEQ) in 2000 and 2007. Over the period, the performance of the Gauteng province declined only marginally with a one-percentage point drop in performance.

Figure 3.5: Gauteng performance in SACMEQ, 2000 - 2007

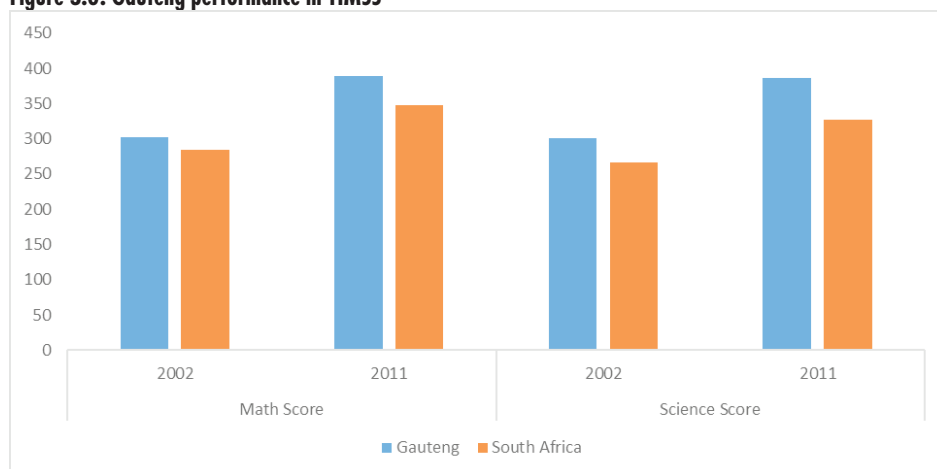


Source: SACMEQ Policy Brief Number 1 (June 2011)

Figure 3.5 shows the Gauteng performance in SACMEQ undertaken in 2000 and 2007. This performance is shown against the performance of the country as a whole and also against SACMEQ standards.

Gauteng obtained a pupil reading score of 576 in 2000 and of 573 in 2007, which are both higher than the national scores of 492 and 495 in 2000 and 2007, respectively. With regard to the pupil mathematics scores, Gauteng obtained scores of 552 in 2000 that went down to 545 in 2007. The national pupil scores in mathematics was 486 in 2000 and increased to 495 in 2011.

Figure 3.6: Gauteng performance in TIMSS



Source: HSRC: Highlights from TIMSS 2011, The South African perspective

Figure 3.6 shows Gauteng performance in TIMSS in 2002 and 2011. The scores are compared to those of the nation as a whole. There was an improvement of 63 points from 285 to 348 for Mathematics and an increase of 60 points from 267 points to an average score of 327 in Science. Gauteng featured as one of the top three performing provinces in both Mathematics and Science in the 2011 version of TIMSS. Based on routine analysis of learner performance data, areas of underperformance and weakness are identified and intervention programmes are put in place in schools with a view to improving underperformance, while at the same time sustaining good performance.

3.5.1.2. Inclusive Education

Prior to 1994, children with disabilities were excluded from mainstream schooling and sent to special schools that were often far away from their homes. Since the democratisation of South Africa, there has been a radical overhaul of government policy from an apartheid framework with the aim to provide schooling to all South Africans on an equitable basis. The provision of education for learners with disabilities has been part of that process.

Transforming public schooling by addressing barriers to access, equity and redress is one of the central goals of the sector. GDoE is mandated to provide public education in special schools in line with the South African Schools Act and White Paper 6 on inclusive education. The National Policy on Screening, Identification, Assessment and Support (SIAS) focusses mainly on how to identify, assess and provide for learners that require additional support. An Inclusion Strategy for Early Identification and Support Provisioning for learners experiencing barriers to learning and development was implemented from 2012, and focuses on four core pillars, namely:

- Pillar 1 – Early identification and appropriate support provisioning
- Pillar 2 – Teacher and support staff development
- Pillar 3 – School Management and Governance development
- Pillar 4 – Stakeholder participation

Since 1995, the department has increased the number of special schools from 106 to 138, including schools of focussed learning. In 2014, a comprehensive audit of Special Schools and Full Service Schools was undertaken that assessed the challenges facing the sector in providing inclusive education and recommended possible solutions for these. The audit sought to identify the gaps, flaws and blind spots that are causing hindrances in the Special Schools sector. To improve the quality of education in Learner with Special Education Needs (LSEN) schools the Department will introduce additional training programmes to develop and skill educators, practitioners, support staff and the school management teams in the LSEN sector. The 2016/17 financial year

will be the second year in which the Department will roll out the introduction of class assistants to assist learners with extreme disabilities including Autism.

3.5.1.3. Infrastructure Development

In response to the new norms and standards, GDoE embarked on a large-scale data collection process to determine the backlogs against the target periods highlighted in the Regulations. The most significant backlogs that required attention encompassed the following: classrooms, electricity, water, sanitation, electronic connectivity and perimeter security.

Over the medium term, the Department will ensure that all schools have access to clean water supply provided by a municipal reticulation network or other sources. Specific focus will be provided to sanitation which includes the provision of waterborne sanitation, small-bore sewer reticulation, septic or conservancy tank situations, ventilated improved pit latrines and composting toilets.

The Department will ensure that all school have an acceptable form of electricity supply and schools built from an in-appropriate building material will be replaced with an appropriately sized school in full compliance with norms and standards for school infrastructure. The backlogs could also be categorised into three key areas, namely, school maintenance, school rehabilitation and general refurbishment.

School infrastructure development, however, is not solely characterised by the backlogs being experienced by the GDoE. This provincial problem is exacerbated by the large-scale inward migration by learners from other provinces and the associated problem of overcrowding. One consequence of this strain on fairly limited resources is the impact on the general health of learners given the serious shortfalls in the provision of functional and clean ablution facilities. For example in 2014, 51 schools in Tembisa were identified for the immediate upgrade of the sanitation facilities. The conditions prevalent in the Tembisa schools are replicated in many schools throughout this province.

Despite the fact that different hypothetical assumptions could result in different outcomes, it is clear that the department is faced with an enormous challenge in connection with the implementation of the Regulations Relating to the Minimum Norms and Standards for Public School infrastructure. Furthermore, efficient infrastructure will ensure effective implementation of public schooling. It is imperative to ensure that all supporting structures are well coordinated so that the core business, which is curriculum delivery, yields the desired result that is quality education. All schools will be e-learning enabled and redesigned to address the challenges relating to safety and security to ensure a conducive teaching and learning environment.

3.5.1.4. Reorganisation of Schools

Gauteng is the top performer in education across provinces in South Africa, with the highest matric results (84.7% in 2014). However, there is still a gap between today's reality and Gauteng's five-year aspiration for a socially cohesive education system. The aim is for a system that provides holistic education, and creates proud, diverse, and socio-economically engaged citizens of South Africa; a system that delivers a greater number of academically successful learners, and learners with higher quality passes, along with larger enrolment in key subjects such as Mathematics, Physical Sciences, and Accounting. It is evident that despite outperforming regional peers, Gauteng's learners are not yet competitive on a global scale.

While much progress has been made within the Gauteng education sector, there are still problems at the physical school level, such as the lack of adequate school infrastructure and resources that leads to overcrowding and high learner to educator ratios, the lack of social cohesion based on low levels of integration, and low levels of interaction between learners from different schools and cultural and socio-economic backgrounds. These differences often manifest along the lines of colour, language and socio-economic circumstances, and are further evidenced by differences in levels of educator commitment and skill, school management capacity and learner performance.

To illustrate the above, a total of 514 public schools in Gauteng perform below average on infrastructure utilisation, cost-effectiveness, and learner outcomes. These include 22 small schools, with fewer than 200 learners, 303 under-subscribed schools with more than 300 free seats available, and a further 189 hybrid schools that do not conform to the Grade split for primary and secondary schools (for example, covering Grades 4 to 8). Some 73% of small schools are located in townships, while 15% of the under-subscribed schools are Afrikaans medium, with a further 48% located in townships. The vast majority, or 92%, of the hybrid schools are located in townships. Further, hybrid schools perform, on average, 11% poorer in ANA and matric than other

public schools. The Strategy is underpinned by 5 strategic Levers:

Lever 1: Public schooling

The initiatives aim at improving the quality of education delivery through the roll out of ICT in all Gauteng public schools through performance improvement initiatives that will create state-of-the-art public schools across the province.

Lever 2: Promoting Social Cohesion through Twinning

This lever will create structured and methodical partnerships between schools of varying socioeconomic or spatial backgrounds, thereby creating an environment for cultural exchange in which to share best practices and resources across schools.

Lever 3: Schools of Specialisation

Schools of Specialisation will assist in addressing critical skills shortages in South Africa, and accelerate the improvement of existing Dinaledi, Technical, and Magnet schools in Gauteng. It will respond to the economic needs of the GPG five development corridors.

Lever 4: Optimal and effective use of resources

This lever will optimise the allocation and distribution of resources to schools that are most in need, and enhance the ability of the system to utilise these resources effectively.

Lever 5: Head office and district support

In line with the GDE’s aspiration to provide world class public schooling to all its learners, this lever aims to strengthen the quality of support provided by GDE provincial and district officials in order to deliver large-scale system improvements in public schooling.

3.5.2. Transformation of Health Services in Gauteng

Health is aligned to pillar 3, which is accelerated social transformation. To accelerate social transformation, the GDoH has committed to the following priorities for the period 2015 to 2020. Strengthening health systems and National Health Insurance (NHI) roll-out; prevention and reduction of the burden of disease, addressing social determinants of health, and transforming the health economy.

The outcome includes increasing life expectancy, decreasing maternal, infant and child mortality, combating Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV and AIDS), decreasing the burden of disease from Tuberculosis (TB), and improving health system effectiveness. Increasing life expectancy can be achieved through eradication of extreme poverty and hunger, reduction in child mortality, improving maternal health and combating HIV and AIDS. Improving health system effectiveness can be achieved through improved health facility planning and infrastructure delivery, improved human resources for health, and improved health management and leadership.

3.5.2.1. Strengthening the health system and NHI roll-out

The Department will continue to implement the NHI in all five districts to ensure universal access to health services through the implementation of the ‘Ideal Clinic Project’ in all the Public Health Care (PHC) facilities; quality assurance programmes, health infrastructure programmes and re-engineering of PHC services.

Table 3.2: Status of Ideal clinics in the province

Ideal Clinic Project	
District	Number of PHC clinics enrolled
COJ	57
CoE	50
CoT	37
Sedibeng	11
West Rand	22
Total	177

Source: GDoH input for the 2015 MTBPS

Table 3.2 shows the status of Ideal clinics in the province as per the different municipalities. The number of PHC clinics enrolled for the Ideal Clinic Project in CoJ amounts to 57, making it the highest per municipality. CoE has 50 clinics enrolled while the CoT has 37. The West Rand has the second lowest number of PHC clinics enrolled at 22, while the Sedibeng municipality has the lowest number with 11.

3.5.2.2. Quality Assurance

In 2014/15, the Quality Assurance Directorate, through the Provincial Inspectorate Unit, continued with the coordination of the National Core Standards (NCS) to improve compliance in all health establishments. The May 2013 version and methodology of the NCS were used to conduct self-assessments in 2014/15 to address ongoing quality improvements. In particular, some major initiatives related to risk measures that are non-negotiable and the six ministerial priority areas that are an integral part of the NCS. The highlights of current self-assessments results indicate the average overall performance scores.

Table 3.3: Performance of the Central, Tertiary and District hospitals

Hospitals	2013/14	2014/15
Central	72%	76%
Tertiary	68%	69%
Regional	69%	69%
District	71%	72%

Source: GDoH input for the 2015 MTBPS

Table 3.3 shows the performance of the Central, Tertiary and District hospitals. There is a slight improvement (ranging between 1% and 4%) in the overall performance of the Central, Tertiary and District hospitals. The performance of Central hospitals improved by only 4% from 72% in 2013/14 to 76% in 2014/14. The performance of Tertiary hospitals also improved but only by a one percentage point from 68% to 69%. The regional hospitals did not improve, but remained constant over the two years. District hospitals also performed a bit better improving by only one percentage point from 71% to 72%.

Table 3.4: Improvement in the availability of medicines, cleanliness and infection prevention and control

Six Priority Areas	2013/14	2014/15
Availability of medicines	74%	77%
Cleanliness	61%	64%
Patient safety	70%	70%
Infection prevention and control	67%	69%
Positive and caring attitude	73%	73%
Waiting times	75%	76%

Source: GDoH First Draft Submission for the 2015 MTBPS

Table 3.4 shows improvement in the availability of medicines, cleanliness and infection prevention and control. There has also been some improvement (ranging between 1% and 3%) in the availability of medicines, cleanliness and infection prevention and control. The availability of medicines improved slightly by 3% from 74% in 2013/14 to 77% in 2014/15.

Cleanliness also improved by 3% over the two years from 61% to 64%. Patient safety has remained the same at 70%, while infection prevention and control improved from 67% to 69%, improving by 2%. There was no improvement with regard to positive and caring attitude, but waiting times did improve slightly from 75% to 76% over the two years.

3.5.2.3. Health infrastructure programme

To help accelerate construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in health, including health technology, organisational design systems and quality assurance, the Hospital Facility Revitalisation Grant (HFRG) was used to supplement expenditure on health infrastructure delivered through Public Private Partnerships (PPPs); and enhance capacity to deliver health infrastructure.

3.5.2.4. Expansion of Primary health Care

The Department has committed to accelerate the implementation of PHC services through the PHC re-engineering's three streams, aimed at enhancing community transformation using the community-based model; and integration of Ward Based HealthCare, Clinics, Community Health Centres and District Hospitals. The plan is to increase the ward-based outreach teams, including district mental health specialist teams to 508 to provide preventative care and collect information. The Integrated School Health Services is planned at being implemented for grades R, 1, 4 and 8 pupils, whilst the functional District Clinical Specialist Teams (DCST) aims at contributing to the reduction of maternal, infant and child mortality in all districts. Furthermore, the Department will also establish mental health specialist teams at district level. GDoH will also implement a centralised chronic medicine dispensing and distribution programme to chronic patients who are stable.

3.5.2.5. Improved quality of health care

The Department continues to implement quality of care programmes in all hospitals and PHC facilities. All hospitals and clinics will implement the Lean Management Project to reduce waiting times. Self-assessment will be conducted at all hospitals and clinics and as a result, the quality improvement plans will be developed to improve the quality of care. All hospitals and clinics facilities will ensure compliance with the NCS aimed to improve the high level of patient experience of care.

3.5.2.6. Decreasing infant, child and maternal mortality

The Department will continue to implement the Campaign on Accelerated Reduction of Maternal and Child Mortality in Africa (CARMMA), with the aim of reducing maternal mortality to below 100 per 100 000 live births by 2020. This will be achieved through the implementation of early initiation of antenatal care, provision of dedicated obstetric ambulances to ensure prompt transfer of women in labour and mothers, child and neonatal emergencies in all Maternity and Obstetric Units (MOUs) and district hospitals. The Essential Steps in Managing Obstetric Emergencies (ESMOE) will continue, through training of doctors, nurses, midwives and paramedics. In addition, Maternal Homes for antenatal care for mothers as per the Cuban Model will be established over this term.

There will be improved use of the programme and post-delivery monitoring; cervical cancer screening amongst women including Grade 4 girls receiving their first dose of Human Papilloma Virus (HPV) vaccine. Immunization coverage for children below one year of age will remain above 90 per cent. In addition, family planning and the quality of contraceptives will improve in all health facilities.

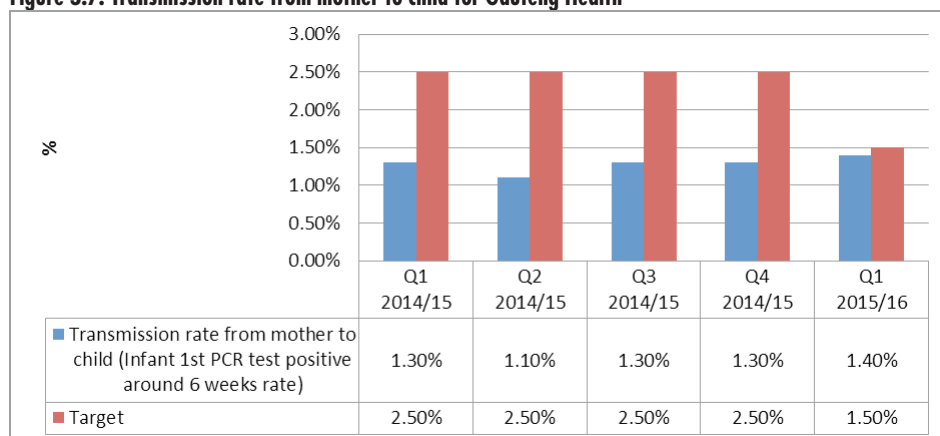
Immunisation against vaccine-preventable diseases is another critical intervention to increase child survival by eliminating deaths from preventable causes. Immunisation services are provided daily by all clinics and some hospitals in Gauteng and immunisation coverage of children under five years has consistently been above the national target of 90% of all children in the age group.

3.5.2.7. Reduced burden of disease

HIV and AIDS prevention of infection and treatment remains a key priority programme within the department. New HIV infections will be reduced through intensifying mother to child HIV transmission prevention; expansion of the Medical Male Circumcision (MMC) programme; and strengthening of the multisectoral response programme. HIV Counselling and Testing (HCT) expansion will target vulnerable and high-risk groups. Clients tested for HIV will increase, whilst clients remaining on Antiretroviral Therapy (ART) will also increase.

The Department aims at maximizing TB patient testing and screening to improve TB client treatment success rate to more than 90% with a decreased defaulter rate in the 2015/16 financial year. The effectiveness and efficiency of the Multi Drug-Resistant Tuberculosis (MDR-TB) control programme will be strengthened through implementing a co-ordinated decentralised Drug-Resistant Tuberculosis (DR-TB) management. The social and structural drivers of HIV and TB will be reduced through peer education.

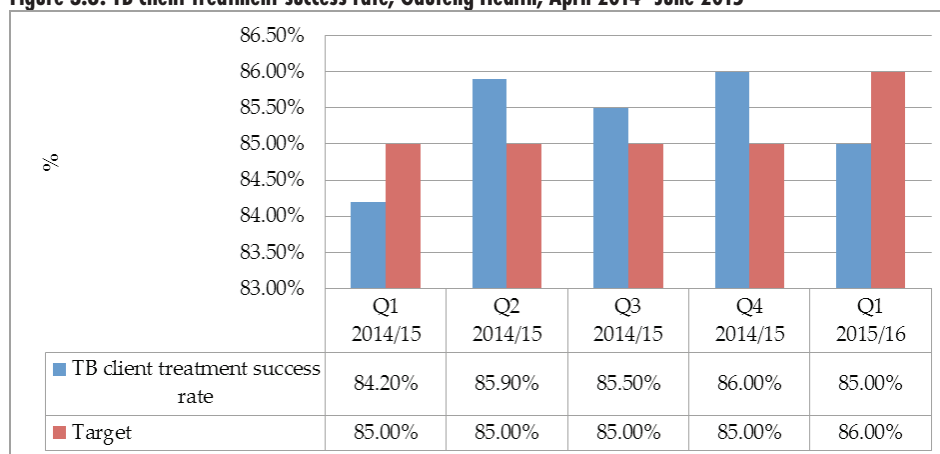
Figure 3.7: Transmission rate from mother to child for Gauteng Health



Source: GDoH First Draft Submission for the 2015 MTBPS

Figure 3.7 shows transmission rate from mother to child in between April 2014 and June 2015. Overall transmission rate from mother to child has consistently remained low in the previous financial year and Q1 quarter of the current financial year. The transmission rate increased from 1.30% in Q1 of 2015/15 to 1.40% in Q1 of 2015/16. However, the transmission rates are lower than the targeted rates of 2.50% in Q1 of 2014/15 and 1.50% for 2015/16.

Figure 3.8: TB client treatment success rate, Gauteng Health, April 2014- June 2015



Source: GDoH First Draft Submission for the 2015 MTBPS

Figure 3.8 shows TB client treatment success rate in Gauteng Health between April 2014 and June 2015. Overall, TB client treatment success rate improved from 84.2% during Q1 quarter of 2014/15 financial year to 85% during the Q1 quarter of 2015/16 financial year. However, these rates are lower than the targeted rates of 85% in Q1 of 2014/15 and 86% in 2015/16.

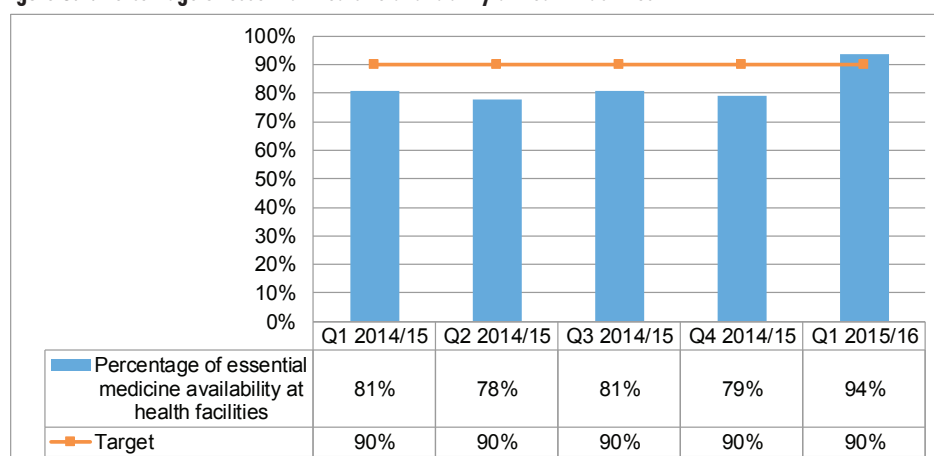
3.5.2.8. Medical male circumcisions performed

The Department is struggling to reach the target of the number of MMCs performed. MMC is seasonal and in order to address these seasonal variations in performance, the department will be inviting a tender for private medical providers to support with MMC.

3.5.2.9. Health sector management

The implementation of functional business units in hospitals will be implemented at hospitals. The improved bi-directional referral systems will be implemented within the four clusters. The department will enhance improved systems for logistics and stock management, and for equipment procurement and maintenance. The department will ensure full availability of the Essential and Non-Essential Drug List (EDL) through implementation of direct deliveries from suppliers at all facilities, in order to achieve good quality and effective patient care. The department will continue to ensure that all essential medical equipment is purchased in all hospitals.

Figure 3.9: Percentage of essential medicine availability at health facilities



Source: GDoH First Draft Submission for the 2015 MTBPS.

Figure 3.9 shows the percentage of essential medicine availability at health facilities between April 2014/5 and June 2015/16. Percentage of essential medicine availability at health facilities increased from 81% in Q1 of 2014/15 to 94% in Q1 of 2015/16. Q1 2014/15 actual percentage was lower than the target of 90%; lower by 8%. However, this improved in 2015/16 with the actual percentage surpassing the target of 90% by 4%.

EMS response times will be at 99 per cent for P1 urban calls within 15 minutes as a result of an integrated computer-aided call taking and dispatch system; bed bureau management system, paging and messaging system; and live monitoring of all vehicles. A provincialized EMS service will be established in two health districts, and will be staffed by fully qualified paramedics. The ambulance fleet will increase, and continue repairing and maintaining the fleet through township hubs in Winterveld; Katlehong; Soweto; and Kagiso, that commenced in 2015/16.

• **Improved Human Resources for health**

GDoH will implement the PHC Normative Guide informed by the Workload Indicators of Staffing Needs (WISN) in all PHC facilities to provide appropriate staffing levels and distribution of health professionals in all PHC facilities. As a result, a human resources plan for health will be implemented in the department in the 2016/17 financial year.

The Department will continue the training of clinical engineers that commenced in 2015/16, and award bursaries to first year nursing students. GDoH will continue to address staff shortages, especially in obstetrics and gynaecology, accident and emergency, PHC, Intensive Care Unit (ICU) and advanced midwifery.

3.5.2.10. Health Infrastructure

GDoH will continue to invest in health infrastructure through improved health infrastructure design, delivery and maintenance and strengthened support in all health facilities. The department is committed in implementing the green agenda through the introduction of tri-generation, retro-fitting gas boilers, roof-top solar panels and green building design over the next five years, in partnership with GDID. Maintenance of health facilities will be improved through efficient implementation of e-maintenance in all institutions.

The Department will continue with the implementation of Tri-generation Technology programme in 11 health facilities; and 32 hospitals will utilize dual fire boilers (gas/diesel) in 2016/17. GDoH will commence the building of 10 new clinics and Community Health Centres (CHCs) towards completion in 2017/18 to address population growth in areas of need. Rangate Clinic will be completed this financial year. The department’s focus will also be on the major re-building or refurbishment of facilities, including Jubilee, Sebokeng, Oliver Reginald (OR) Tambo Memorial, Kalafong and Dr Yusuf Dadoo and Khayalami Hospitals. The construction will take place in 2016/17 with expected completion in 2017/18. In addition, three new hospitals (Lilian Ngoyi, Diepsloot and Daveyton Hospitals) and 10 clinics and CHCs will be under construction in 2016/17 and be completed in 2017/18.

PPPs will continue to be implemented at Chris Hani Baragwanath and Dr George Mukhari Hospitals, including maternity and neonatal lift replacements at various facilities. The department will ensure the functionality of the five provincial laundries established in 2015/16.

3.5.2.11. Addressing social determinants of health

GDoH will continue with the implementation of learnt best practices. In collaboration with municipalities, GDoE, and GDSACR, the department will roll out a comprehensive healthy lifestyle programme to address the problems associated with diet, alcohol, smoking, drug abuse, exercise and practice of safer sex.

The Programme will focus on gyms in parks, cycle lanes, peer education, disease prevention and healthy lifestyle activities in schools and clinics, and the promotion of a healthy and clean environment. In addition, through interdepartmental healthy lifestyle campaigns, and mental health and substance abuse services at health facilities, the province will strengthen interventions to prevent motor vehicle accidents, crime, and substance abuse. The department will continue with prevention of non-communicable diseases related to lifestyle such as hypertension, diabetes and other non-communicable diseases.

3.5.3. Transformation of Social Development in Gauteng

GSDS has a mandate to transform Gauteng by enabling citizens to become aware and capable through the provision of integrated social development services. The Department advances the TMR programme by offering the following initiatives.

3.5.3.1. Social protection

GSDS will continue to contribute towards addressing the challenges of unemployment, poverty and inequality in a response towards achieving its mandate on social protection.

• Early Childhood Development

Early Childhood Development (ECD) remains one of the most important preventative intervention programmes implemented to mitigate the risks of children becoming vulnerable in their development. Considerable progress has been made in phasing in Grade R in public schools in the province, but much still needs to be done to redress the imbalances in ECD provision and to ensure that the 1, 1 million children who are not enrolled in any programme prior to Grade R receive the necessary support. It is clear that investment in ECD is not only a means of giving children a head-start in life, but it is also a way of developing their families and contributing to the improvement of the socio-economic conditions in the province.

The lack of appropriate infrastructure in communities calls for a radical transformation in how new settlements are built to include social infrastructure such as ECD centres. In line with the urban development plan, the Gauteng Department of Human Settlements (GDHS) is tasked with designing a strategy for human settlement that is child responsive and child friendly. Currently, GSDS is closing the gap by building ECD prototypes in the poorest communities, providing non-centre based ECD through mobile ECD units, Toy Libraries and Play Groups.

GDoE trains ECD practitioners and does curriculum development, while the GDoH provides for health certificates and relevant immunisation programmes. The Gauteng Department of Community Safety (GDCCS) conducts training with children from an early age on road safety matters as well as sensitisation sessions on drug and substance abuse. GDSACR is tasked with addressing the issue of indigenous games and child friendly sporting activities. This basket of services offered by the province will help to produce children with sound cognitive, physical, and emotional development.

GPG is also expanding ECD services working in partnership with local government structures, the National Development Agency (NDA) and through corporate social investment programmes in poor communities and priority wards. Furthermore, it will focus on building capacity and incubation programmes in identified and prioritised ECD programmes to ensure compliance with the minimum norms and standards. Also prioritised will be the provision of standardised nutritious meals that are essential during children's developmental stages.

Education and awareness sessions on the importance of operating legal ECD centres will be increased. These measures will help the province to identify illegal ECD centres that pose a danger to the safety, growth and development of children.

• **Support for HIV/AIDS affected people**

In the 2016/17 financial year, the Department has planned to fund 245 Non Profit Organisations (NPOs) who deliver HIV and AIDS social protection programmes; reach out to 72,435 orphans and vulnerable children who receive psychosocial support services, 34,000 vulnerable households receiving psychosocial support services, 75,992 beneficiaries receiving food parcels from HCBC organizations, and 89,897 beneficiaries receiving daily meals at drop-in centres.

• **Integrated substance abuse prevention, treatment and rehabilitation**

The Department will continue providing prevention messages to children and youth about the dangers of drug abuse through the implementation of the Ke Moja Drug Prevention Programme. In the 2016/17 financial year, the Department plans to fund 52 substance abuse treatment centres and community based services to be managed by both government and NPOs to reach out to 22,052 service users accessing treatment centres. Furthermore, to provide deterrence messages to a total of 357,162 children and youth through Ke Moja drug prevention programme. A total of 9,701 beneficiaries of aftercare programmes will receive treatment for substance abuse.

• **Integrated care and services to older persons**

In the 2016/17 financial year, the department plans to fund 312 community based care and support facilities (inclusive of service centres, luncheon clubs and home-based care facilities) for older persons. These facilities will provide access to 29 149 older persons. The Active Ageing Programme (AAP) is a programme that ensures that the elderly live a healthy life and participate in various activities. It is planned that 23 314 older persons will participate in the AAP of the Government and NPOs.

• **Integrated services to persons with disabilities**

In the 2016/17 financial year, the department plans to support 70 companies owned by persons with disabilities participating in preferential procurement spend and support 117 NPOs providing services for persons with disabilities. In addition, 4 672 persons with disabilities will access services in funded protective workshops managed by NPOs.

• **Crime prevention and support services for children in conflict with the law**

In the 2016/17 financial year, the department will strengthen the implementation of the Social Crime Prevention Strategy, which aims to reduce the incidences and impact of social crimes. This will be done through the expansion of social crime awareness and prevention programmes reaching 147 247 beneficiaries (children included). The assessment of 2 572 children in conflict with the law will also be at the centre of the strategy implementation. In addition, 1 390 children will be provided with access to secure care centres. The department will also ensure the participation of children in conflict with the law in diversion programmes. In the 2016/17 financial year, a total of 3 102 children in conflict with the law will participate in diversion programmes. The department will establish a unit at the new secure care centre in Soshanguve dedicated to render programmes for children with conduct disorders.

• **Access to Child and Youth Care Centres**

The department will fund a total of 106 Child and Youth Care Centres (CYCCs). These include children's homes, shelters, places of safety and schools of industry managed by both government and NPOs. These centres will provide access for a total 5 158 children in the 2016/17 financial year.

• **Foster Care**

In the 2016/17 financial year, the department will ensure that a total of 3 871 children will be placed in foster care and 50 140 children in foster care will receive social work services. The NPO sector will be capacitated by employing child and youth care workers trained through the Isibindi programme targeting Child-Headed Households and Orphan and Vulnerable Children.

• **Integrated victim empowerment services for victims of domestic violence**

In strengthening prevention programmes, the department will continue to reduce the risk of sexual and physical violence against women and children by ensuring participation of men and boys through education on gender-based violence. In the 2016/17 financial year, the department will increase its funding to 25 service sites for victims of crime and violence managed by funded NPOs. A total of 2 107 victims of crime and violence managed by funded NPOs will have access to these service sites or shelters. A further 26 208 victims of crime will access Integrated victim empowerment (VEP) services via NPOs funded by the department.

3.5.3.2. Sustainable employment creation

Since the 2008/09 recession, government has been the largest employer, adding 700 000 jobs in the country, while the manufacturing sector shed jobs and employment levels in agriculture and mining sectors have been stagnant⁷⁰. GPG has put in place a number of initiatives to create employment in the province.

• Expanded Public Works Programme

EPWP provides an important contribution towards the Millennium Development Goals (MDGs) of halving unemployment by 2014. EPWP is one of government's arrays of programmes aimed at providing poverty and income relief through temporary work for the unemployed⁷¹. In the 2016/17 financial year, the department will provide work opportunities created through EPWP to 6 710 beneficiaries.

• Gauteng Youth Placement Programme

In its endeavour to improve the socio-economic conditions of youth in Gauteng, GDED plans to address the training and skills needs of young people. The Department will reach a total of 34,500 youth participating in skills development programmes. A total of 6,800 youth will participate in the entrepreneurship programme, 91,000 youth will participate in social change programmes. A total of 276 young people will participate in the internship programmes. In addition, the department will expand the number of youth participating in learnership programmes to 211. Furthermore, the department will provide external bursaries to at least 25 unemployed young people in the province.

• Empowerment of Women

In the 2016/17 financial year, the GDED will ensure that 1,065 women who receive the child support grant will be linked to economic opportunities and 8,109 women will participate in income-generating programmes.

• Support to Cooperatives

Social cooperatives are organs of civil society that are intended to bring in the element of social cohesion and local economic development synergy amongst organised communities. In the 2016/17 financial year, the department will continue to empower a total of 490 cooperatives to provide goods and services to the department and other service users.

• Preferential Procurement

In addition to targeted interventions to improve the lives of youth, the department will continue with mainstreaming the needs of women and people with disabilities in all outcome areas. In the 2016/17 financial year, the department has planned to increase preferential procurement participation of youth activities by 10%, of women by 30%, and of people with disabilities by 5%.

3.5.3.3. Facilitation of community development services through sustainable livelihoods strategies

GDSD in partnership with Civil Society will assist in setting up community advice centres. Young people will continue to be trained as advice agents to serve the community by giving people easier access to social services. The Department will reach 11,500 people through community mobilization programmes in the 2016/17 financial year.

• War on Poverty

War on Poverty (WoP) continues to be an area of focus and the programme is implemented in partnership with the Department of Local Government as well as youth volunteers. These benefits range from employment opportunities, social relief of distress, and access to a variety of government services including grants and identity document applications, school enrolments, participation in learnership programmes and accessing health services. Through the food banks, the department continues to make steady progress in our battle to end hunger among households in Gauteng. In the 2016/17 financial year, the department will increase the number of beneficiaries of food relief from food banks by 147 840. A total of 29 712 households will access food through GDSD food security programmes. The department will also refer 165 000 households to sector departments for appropriate support and interventions.

• School Uniform Project

The Department's interventions in the implementation of the Bana Pele programme focused on the provision of school uniforms to children in schools located in previously disadvantaged communities. Each school uniform

⁷⁰ Information available from: <http://www.gov.za/issues/government-priority-creating-decent-jobs>

⁷¹ Information available from: <http://www.gov.za/about-government/government-programmes/expanded-public-works-programme>

package consists of a pair of shoes, one shirt, one jersey, one trouser/tunic/skirt and one pair of socks. In the 2016/17 financial year, the department plans to expand the provision of school uniform packs to a total of 136,500 deserving learners.

• Dignity Packs

The provision of dignity packs helped to keep many girls in school and to provide an income for two of the cooperatives packaging them. A dignity pack comprises of body lotion, deodorant, petroleum jelly, toothpaste, soap and sanitary pads. In the 2016/17 financial year, the department will increase the beneficitation to 251,849 children. As a result of this initiative:

- Children attend school more regularly, perform better and actively participate in class and extramural activities;
- Parents experience reduced financial pressure as they are able to finance other necessities, such as groceries, school fees and transport; and
- Unemployed women have the opportunity to develop their sewing skills, and earn a living through cooperatives.

3.5.4. Social Transformation through Sport, Arts, Culture and Recreation

Social transformation is at the centre of raising the living standards and quality of life of all the people of Gauteng and underpins economic transformation. It is for this reason that the GDSACR found it should contribute to the implementation of a coherent, sustainable and accelerated programme of social transformation, which is parallel to the radical economic programme. The Department will use the power of sports, arts, culture and recreation to reach the goals of social transformation in the province⁷².

3.5.4.1. Improved Quality Basic Education School Sport

GDSACR will implement the School Sport Mass Participation Programme (SSMP) in partnership with the GDoE. Training programmes for sport assistants and educators will be conducted to improve the standard of school sport, while at the same time working to ensure continuity of the programme at schools. Other events will include winter games, LSEN sports programmes and summer games. The Department will continue to implement the Learn to Swim Programme (LSP).

3.5.4.2. Gauteng Schools Carnival

The Gauteng Schools Carnival will be implemented in partnership with GDoE. 6000 Learners from 140 schools will be identified and trained to prepare for, and participate in, the Schools Carnival.

3.5.4.3. Bidding and Hosting of Major events

The Department will continue to host the Gauteng Carnival which is an annual event. To ensure radical economic transformation and accelerated social transformation SACR will support the development of township enterprises through the procurement of goods and services from cooperatives and SMME's (sport equipment and attire, fashion industry) when hosting major events which in turn revitalise and build township economies.

The Department will continue to host creative industries' arts and culture signature events which include: Feather Awards, Mbokodo Women's Awards, Go West, Soweto Jazz Festival, Moretele heroes concert, etc.; and Sport events such as Soweto and Gauteng Marathon, Champion of champions, Gauteng Sport Awards.

3.5.4.4. Arts in School

The Arts in Schools Strategy will be implemented in partnership with GDoE and the national Department of Arts and Culture, with an emphasis on art focused schools. The department will coordinate and facilitate the implementation of arts (performing and/or visual) and culture programmes in schools. Arts and culture programmes (drama, dance visual arts and music) will be introduced to more schools.

3.5.4.5. Siyadlala Recreational Hub Programme

This mass participation programme will be implemented in 27 decentralised hubs within Gauteng communities to provide an opportunity for community members to embrace a healthy and active lifestyle. The programmes include Volleyball, Indigenous Games, Gymnaestrada, aerobics, Fun Run/Walks and Sport for all campaigns. AAP will be introduced to more old age homes in the province in support of long and healthy life styles, in partnership with the GDSD and the GDoH.

⁷² GDSACR 2015-2020 Strategic Plan.

3.5.4.6. Theatre and Dance Programmes

The Department will continue to host auditions for theatre and dance where talent can be identified with the aim of developing it further. This will also encourage communities to live active healthy lifestyles.

3.5.4.7. Creative Arts Programme

The Creative Arts Programme will implement various arts and culture mass participation programmes across the province, including dance, theatre, poetry and music.

3.5.4.8. National/significant days commemorative events

The Department will work closely with strategic partners to continue to host, or co-host events to commemorate national/significant days, in a bid to strengthen nation building in the province. The department will also commemorate the heroes and heroines of the liberation struggle, and this will include the Mandela Remembrance walk on an annual basis.

3.5.4.9. Heritage resources

GDSACR will identify, research, grade and declare provincial heritage resources in partnership with strategic role-players including national and local government, the South African Heritage Resources Agency (SAHRA) and the Provincial Heritage Resource Agency of Gauteng (PHRA-G); and ensure preservation, protection, and promotion of heritage resources.

3.5.4.10. Youth Camps

One provincial youth camp is hosted annually, in partnership with other role-players to provide youth at risk with valuable life skills to contribute to creating safer and more secure communities.

3.5.4.11. DSACR infrastructure Projects

To contribute to the accelerated social transformation, the department will continue to prioritise the upgrading of existing libraries; and construction of new libraries of which six will be constructed in 2016/17. The construction of Provincial Archives centre is underway in Kagiso X6 in Mogale City; and will be completed and operationalised in 2016/17 financial year. Operation Mabaleng is a multipurpose sporting facilities which will be constructed in deprived Gauteng communities. It aims to address the shortage of sporting facilities in communities, thereby encouraging and increasing participation in sports, and completion of Women's living monument, construction of Fort Wonderboom and well as Convention for a Democratic South Africa (CODESA) monuments.

3.5.5 Transformation of Gauteng through agriculture

Agriculture provides the basis of subsistence for people by production of food and raw materials⁷³. The availability of sufficient and affordable food is critical for the progress of any society. It is important to note the effects of lack of food on children's development. Poor nutrition coupled with poor health are regarded as key pathways through which poverty is translated into poor educational outcomes. Therefore, the promotion of food security remains high on the policy agenda of government. Gauteng is not a primary agriculturally intense province, but the products of agro-processing are key to the economy of the province as most of these products are sold at markets in the province.

3.5.5.1. Promotion of food security

Given the problem of food insecurity, especially in the 50 poorest wards in the 26 prioritised townships, the department will continue to support vulnerable households and communities, schools, churches and community centres with the means to produce their own food. Previously funded projects will also be provided with inputs and agricultural advice to bring them back into production.

Food production and agricultural productivity to mitigate against food insecurity are dependent on good land use practices, water management and climate. To minimise risks to these, GDARD will focus on, for example, managing the risk of veld fires and assisting landowners to recover after fires or other disasters that may have occurred. It will draw on the province's Agricultural Disaster and Risk Mitigation/Management Plan, and will evaluate its impact and success. Other actions will include:

- Promoting food security to lessen dependence on food imports,
- Introducing Food for All programmes by procuring and distributing basic foods at affordable prices to poor households and communities,
- Improving food logistics such as transportation, warehousing, procurement for distribution and outsourcing in order to reduce food prices in the long term,

⁷³ Information available from: <http://www.professor-frithjof-kuhnen.de/publications/agricultural-colleges/1.htm>

- Expanding access to food production schemes and resources in rural and peri-urban areas to enable people to grow their own food, and
- Ensuring emergency food relief programmes, with food assistance projects to the poorest households and communities through partnerships with religious and other community organizations.

GDARD will continue to work with the four existing rural nodes of Kwa-Sokhulumi, Hekpoort, Bantu Bonke/Mamello and Devon, and the four new rural nodes, to ensure that they have functional stakeholders. This will assist local people to participate in and monitor their own development. The Comprehensive Rural Development Programme (CRDP) will be expanded by declaring an additional four rural nodes in 2015/16. The declaration of a node puts the area in the spotlight and attracts stakeholders to provide services. It is expected that 10 GPG departments will provide services to the rural nodes in line with their mandates. Rural learners will receive career guidance to ensure that they are well informed about subject and career choices.

The Department will continue to assist the following signatories of the Gauteng Rural Social Compact Plan: National African Farmers Union (NAFU), African Farmers Association of South Africa (AFASA), AGRI-GAUTENG, Food and Allied Workers Union (FAWU), Women in Agriculture and Rural Development (WARD) and Youth in Agriculture and Rural Development (YARD) with implementing their social cohesion projects. Some of the projects will expand previous support, such as the Goat Kraal project for YARD in Kwa-Sokhulumi.

3.5.6. Social Transformation through community safety

Ensuring a safety and security of citizens is also critical in socially transforming the Gauteng province. When people feel unsafe, it becomes harder for them to pursue personal goals, and to take part in social and economic activity. NDP states that when communities do not feel safe and live in fear, the country's economic development and the people's wellbeing are affected, hindering their ability to achieve their potential⁷⁴. GDCS conducted research reports on different aspects of crime prevalence and prevention with the purpose of contributing towards socially transforming the province.

One of the objectives of the Departments is to reduce crimes against women and children (which often manifest in sexual offences against woman and children). GDCS conducted an analysis of the performance of sexual offences court-ready dockets in courts. The study suggest that statistics of sexual offences often committed against the vulnerable groups in society, such as women, children, the elderly and people with disabilities are very high in South Africa. However, the conviction rate of cases such as rape and compelled rape remain very low despite the high number of incidents reported. The study also suggest that the low conviction rate, which may be attributed to high attrition of case dockets on sexual offences, is also linked to cases that are being withdrawn, thrown out of court due to poor investigation as well as those that are closed as undetected. The research revealed that the performance of court-ready dockets of sexual offences is not satisfactory as is evident in the percentage of convictions in sexual offences cases. It is established that although these dockets are declared as court-ready, they are often not really ready to be placed on trial.

Another critical objective of the GDCS is to professionalise the police service through police oversight. This is done through monitoring police conduct and overseeing the effectiveness and efficiency of the police service. The department conducted an investigation into reasons why some stations in the province perform poorly. The Study established the causes of specific crimes in the areas under study, which include poor station management, unsound community-police relations, dysfunctional community safety structures and characteristics of areas. The Study also gathered that inability of the police to combat crime is because of lack of resources as well as failure to manage resources at the disposal.

Poor infrastructure, lack of access to informal settlements also makes policing in those areas very difficult. In addition, corruption in the Criminal Justice System fuels crime in most of the areas. Recommendations made by the study include:

- Improving communication between the police and communities and awareness
- Victim-Oriented Campaigns
- Perpetrator-Oriented Campaigns
- Police performance monitoring and evaluation
- Develop and Implement strategies to deal with gang related crimes
- Strengthening community safety structures

⁷⁴ Gauteng Department of Community Safety: Annual Report for the financial year 2013/2014.

- Creation of a special unit in the South Africa Police Service (SAPS) and collaboration with Traffic Officers to attend to road accidents
- Revisit criterion for poor performing stations.

3.6. Observations

- The structure of Gauteng economy, and that of the country, is increasingly changing with core sectors such as; mining and manufacturing decreasing, while the finance and service sectors are growing rapidly. This is an indication that the economy is slowly becoming diversified and less dependent on primary commodities. However, this diversification has at the same time become more concentrated in three municipalities within Gauteng.
- The manufacturing sector has the largest backward linkages in the Gauteng economy thus the potential for greater multiplier effects.
- Transforming the economy will require government and the private sector to tap into this capability through bringing millions of township residents across all municipalities into the mainstream of the economy.
- GPG should focus on developing new and key economic sectors that have the potential to address the twin policy imperatives of creating decent employment and greater economic inclusion.
- The education system has to be of such a quality that it produces skills that match the demand for skilled labour given the current growth targets. GPG should ensure access to quality basic education which will require that, ECD programmes be advanced to all areas of the province.
- GDoE-commissioned 20 year review publication revealed that, the broad shift within the Department has been a focus away from merely getting learners into class (which Gauteng and the rest of the country have concentrated on) to focussing on the quality of what learners are actually learning in the classroom.
- The Publication showed that the country has subscribed to a variety of different methods of measuring education performance from sample based methods (through systematic evaluations), population public examinations (ANA and Grade 12) and cross national assessments (SACMEQ, TIMMS, PIRLS). The evaluation concluded that though noticeable improvements are seen in the level of performance, the performance is still low when compared to performance of similar countries at an international level.
- Notwithstanding this fact, the provincial performance in the Grade 12 school-leaving matric exams revealed that overall Gauteng shows superior performance compared to other provinces on.
- When issues of progression and retention are taken into account, Gauteng's overall performance on education efficiency remains high. More important, a stable performance trend stretching over the last 10 years is in evidence.
- Social transformation is at the centre of raising the living standards and quality of life of all the people of Gauteng and underpins economic transformation.
- The availability of sufficient and affordable food is critical for the progress of any society. Although, Gauteng is not a primary agriculturally intense province, the products of agro-processing are key to the economy as most of these products are sold at markets in the province.

3.7. Conclusion

The chapter presented GPG's plans to transform the Gauteng economy. GPG is working on revitalising and mainstreaming the township economy by supporting the development of township enterprises, cooperatives and SMMEs. Additionally, Furthermore, GPG is implementing initiatives to radically transform the spaces people live in and connecting and integrating places of work and human settlements. The provision of ECD services and the improvement of, and access to, quality education are crucial in ensuring that the skills needed to transform the Gauteng economy are developed and that there is social transformation. In order to transform the state and governance, GPG will focus on building the capacity of the state through sensitising public servants about the real problems that citizens in the province experience rather than focusing only on instilling theory and academic knowledge through education.

CHAPTER 4: MODERNISATION OF GAUTENG PROVINCE

4.1. Introduction

The previous chapter focused on transformation of the Gauteng province whilst this chapter would the modernisation aspect of a Transformation, Modernisation and Re-industrialisation (TMR) program. A key element to modernisation is investment in the creation of efficient modern infrastructure crucial for service delivery as well as enhancing economic activity to create job opportunities. The Gauteng Provincial Government (GPG) has thus identified modernisation as one of the key elements in its broader TMR programme that will play a role in moving the Gauteng province towards being a smart, integrated City-Region. The GPG's modernisation efforts are mainly rooted in programmes geared towards investment in Information and Communication Technology (ICT) and broadband infrastructure, in the education and Small, Medium, Micro Enterprise (SMME) sectors, in addition to modernising the state and governance.

In the Ten-Pillar programme (TMR), modernisation is segmented into four pillars: the Modernisation of the public service of the economy, human settlements and urban development, and public transport infrastructure. This chapter focuses on the modernisation of the Gauteng province and its associated pillars. The chapter also focuses on the projects (as per each pillar) that will be undertaken to modernise the Gauteng province. The first pillar is modernising the Gauteng economy with investment in ICT and broadband infrastructure as projects. The second pillar will be modernising the public transport infrastructure, with the expansion of the Gauteng integrated transport infrastructure discussed as the initiative. The third pillar relates to modernising human settlements and urban development, with particular focus on Finance-linked Individual Subsidy Programme (FLISP), the Rental Housing Strategy, Inclusionary Housing Bill, 2007 and Gauteng Sustainable Human Settlement Strategy. The fourth pillar is modernising the public service with emphasis on the smart policing initiative, e-governance, and e-health.

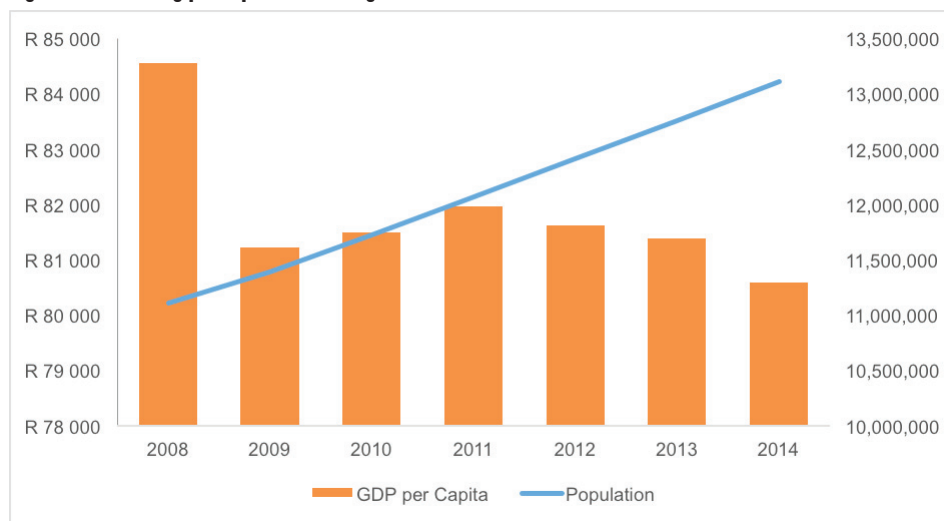
4.2. Modernisation of the economy

The economic sector is a critical sector where modernisation takes place. Thus, modernising the economy involves changing the way in which the economy operates to be more effective and efficient. Gauteng is regarded as South Africa's economic powerhouse and contains the highest population numbers within the smallest land mass in the country. Gauteng contributes over one third of national Gross Domestic Product (GDP) and half of national exports. As a result, the province has become a magnet for domestic and international migrants. Moreover, Gauteng's population is about 13 million, or 24%, of the country's total population. There are also indications of high levels of unemployment, poverty and inequality in the province⁷⁵. To address the above challenges, it is critical for the province to promote inclusive, broad-based and sustainable economic growth⁷⁶.

⁷⁵ OECD. 2011. OECD Territorial Reviews: The Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.11787/9789264122840-en>

⁷⁶ OECD. 2013. Russia: Modernising the Economy. Available from: <http://www.oecd.org/russia/Russia-Modernising-the-Economy-EN.pdf>

Figure 4.1: Gauteng per capita economic growth between 2008 and 2014



Source: IHS Global Insight, 2015

Figure 4.1 shows per capita⁷⁷ economic growth of Gauteng between 2008 and 2014. Per capita GDP decreased from R84, 539 in 2008 to R80, 576 in 2014. The population size increased from 11,109 million in 2008 to 13,114 million in 2014. Per capita GDP fell significantly between 2008 and 2009 as a result of the recession, although it recovered slightly from 2009 to 2011 because of the economic recovery, but it then decreased until 2014. The decrease can be attributed to the increase in the size of the population in the province that does not match the rate of economic growth. The population has been increasing throughout the period under review and this reduces the contribution by each person to the economy of Gauteng.

Rapid technological advances have changed the conventional ways in which information is processed, communications conducted, and the way in which services are provided. Business operations have changed and this has affected the manner in which people communicate⁷⁸. GPG has recognised the investment in ICT as a critical initiative to modernise the Gauteng economy. This initiative will be undertaken in different spheres across the province.

4.2.1. Information and Communication Technology

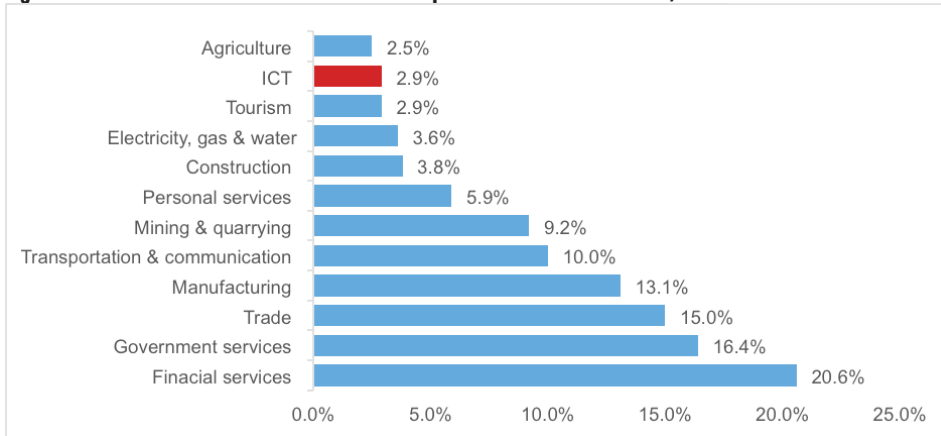
ICT as a sector has the capacity to improve productivity and efficiency in all other sectors. Harnessing the potential of this sector will have a multiplier effect on the other sectors⁷⁹. Investment in ICT will underpin the development of a dynamic and connected information society and a vibrant knowledge economy that is inclusive and prosperous. The sector has been identified among the priority sectors that have the highest growth and investment potential in South Africa. In 2012, the direct contribution of the ICT sector to the GDP was R94, 7 billion (or 2.9% of the total GDP).

⁷⁷ GDP per capita is gross domestic product divided by population.

⁷⁸ Osterwalder, A. 2003. ICT in developing countries: A cross-sectoral snapshot. HEC: University of Lausanne.

⁷⁹ Gauteng ICT Development Strategy Draft.

Figure 4.2: ICT contribution to National GVA compared with other industries, 2012



Source: Statistics South Africa, 2015

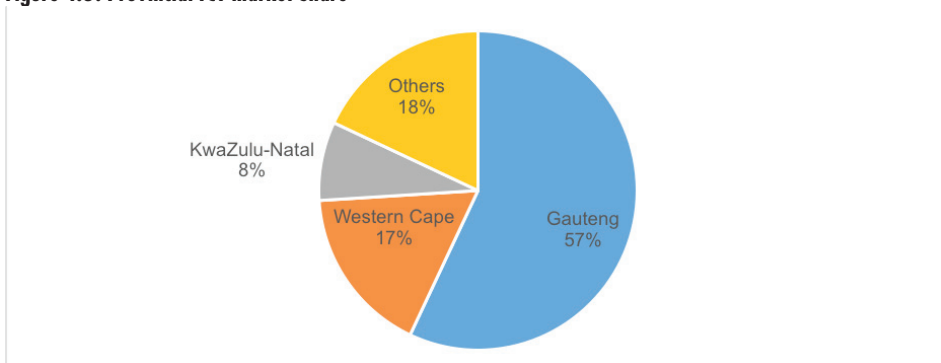
Figure 4.2 shows the ICT contribution to Gross Value Added (GVA) compared with other industries in the country. The ICT sector contributed 2.9% to the GVA of the country that is 0.4% more than the agriculture sector, which contributed 2.5%. The contribution is also approximately equal to the contribution of the tourism sector. This is an indication of how this sector is becoming increasingly important in contributing to the economic growth of the country. It is therefore important for government to make substantial investment in the sector in order to maximise the benefits from it to support performances of other sectors.

4.2.1.1. Investment in ICT in the province

The province will continue to invest in ICT infrastructure, especially in e-government services in the quest to become a smart province. The importance of ICT is also emphasised in the Gauteng Employment, Growth and Development Strategy (GEGDS), Gauteng Industrial Policy Framework (GIPF) and Gauteng SMME Policy Framework (GSPF) hence the need for the development of the Gauteng ICT strategy. The ICT strategy sets out three goals:

- Goal 1 Productivity: To create a heightened environment for ICT-enabled economic activity amongst large firms and Small and Medium-sized Enterprises (SMEs), for electronic government services to citizens and businesses, and for support measures for ICT Research and Development (R&D).
- Goal 2 Connectivity Networks: To foster the diffusion of ICT fixed and mobile broadband infrastructure and the connectedness of SMMEs schools and households in ways that contribute to reducing the cost of communication and therefore of economic participation.
- Goal 3 ICT Skills Capacity: To address the demand for skills in the broad ICT infrastructure and ICT services sectors, as well as in society at large, and to provide for online learning in every primary and secondary school classroom, as a means of increasing South Africa’s future competitiveness and laying the foundation for ICT innovation and sector development.

Figure 4.3: Provincial ICT market share



Source: Gauteng ICT Development Strategy Draft, 2012/13

Figure 4.3 shows provincial ICT market share. Gauteng province has the greatest ICT market share in the country with a market share of about 57%. This is followed by the Western Cape, which has a share of 17%, and KwaZulu-Natal (KZN) with a share of 8%. The other provinces have a combined market share of 18%. This indicates that the ICT sector in Gauteng dominates across the country and also that it is increasingly becoming the backbone of the economy of the province.

• **ICT and Small, Medium and Micro Enterprises**

The Gauteng SMMEs policy framework states that ICT is a critical enabler of economic growth and development and its widespread availability can assist SMMEs to achieve certain efficiencies. SMMEs continue to emerge in the ICT industry, leading to job creation and more productivity in the province. It is estimated that there are more than a million registered and unregistered SMMEs in the province, ICT can reduce their cost of participation in the economy by reducing the cost of communication and access to information. This will be done through investing in provincial ICT infrastructure, reducing barriers to information, increasing knowledge of, and access to, business information.

GSPF sets three goals in connection with ICT. The first is economic productivity, which seeks to create an environment for ICT focused economic development through broadband mobilisation to SMMEs. The second goal is the provision of economic networks that relate to fostering the diffusion of ICT fixed and mobile broadband⁸⁰ infrastructure and the connectedness of SMMEs. The third is economic capacities that relate to addressing the demand for skills in the broad ICT infrastructure and ICT services sectors, as a means to increasing competitiveness and laying the foundation for ICT innovation and sector development.

• **ICT in education**

In the current global context, education is expected to solve the problems of knowledge-based economic growth, unemployment, reduction of poverty and to reduce inequality⁸¹. It is therefore critical for government to invest in ICT in education so as to maximise the benefits of both the education and ICT sectors. GPG will be extending ICT connectivity to public schools to facilitate e-learning⁸².

The Gauteng Department of Education (GDoE) will strengthen its efforts to harness ICT in schools and in education as a whole. This is consistent with the province's vision of building a smart, knowledge-based and innovation-driven Gauteng economy⁸³. GDoE has launched multiple projects to introduce technology at schools. The Department is upgrading its ICT capacity in order to improve curriculum delivery in classrooms, School Administration and Management System (SA-SAMS), build teacher capacity to use ICT, improve digital literacy and embed a strong and integrated ICT system.

The Department is rolling out a Tech-Enabled Learning model that is based on systematic use of smart boards and digital exercises and lessons. Teachers will continue to lead the learning, but will use a smart board to deliver static and dynamic content. Learners will use hand-held devices, such as Tablets⁸⁴ to assist in completing exercises, research and on-the-spot assignments that show the teacher how well learners understood the content. This model will be rolled out to the majority of schools by 2019. The benefits of Tech-Enabled Learning are aligned to the GDoE's objectives of delivering quality education that is equitable.

GDoE's long-term aspiration is to create a Blended Learning classroom. This model builds on Tech-Enabled Learning by employing more multimedia in lesson delivery thus creating a more learner-paced educational environment where the teacher manages multiple groups of learners working on different tasks. The additional benefit of Blended Learning is that it allows learners to move at different paces while employing techniques and supporting technology to make material with different learning speeds and styles accessible to learners. The Department's investment in e-learning is estimated at over R2 billion per annum over the Medium Term Expenditure Framework (MTEF). This is aimed at creating smart classrooms fully equipped with Local-Area Networks (LANs), infrastructure, equipment and devices including Light-Emitting diode (LED) smart boards, and laptops.

⁸⁰ Broadband refers to the capacity to deliver high-speed Internet access. Service providers can use an array of technologies to offer broadband services — cable modems, digital subscriber telephone lines (DSL), wireless, satellite, fibre-optic cable to the home — and all share the capability to deliver large amounts of data.

⁸¹ Ottersten, E.K. and Jennett, N. 2004. What Role for International Financial Institutions in Human Capital Formation? *European Journal of Education*, Vol. 39(2): 139-150.

⁸² State of the Province Address by Gauteng Premier Honourable David Makhura. Gauteng Provincial Legislature. 23rd February 2015.

⁸³ Gauteng Department of Education First Draft Submission for the 2015 MTBPS. 24 July 2015.

⁸⁴ A tablet is a wireless, portable personal computer with a touch screen interface.

Phase 2 of the ICT roll out was initiated 2015 and entails the conversion of Grade 12 classrooms in 375 schools, covering the following pillars: connectivity, devices, e-learning content, training and development (teachers and learners), support, security and maintenance, refurbishment and renovation. Preparations have been underway for the further rollout of ICT in secondary schools as follows: Grade 11 schools from 2016/17 financial year, Grade 10, 9 and 8 in the subsequent years. The plan is to complete up to Grade 7 rollout, the final year of primary schooling, by the end of the current political term.

GDoE will have to train 59,000 teachers and deliver infrastructure, devices and connectivity in up to 2000 schools; over the 2016 MTEF. This is a mega programme. Schools, districts and GDoE will need to operate differently to manage the scale and complexity of this programme. Governance and resourcing will have to adapt, and a change management plan is required. The delivery teams will need a large number of permanent and temporary professionals skilled in project management, ICT, content creation and management, teacher training and professional development, strategy and operations support to ensure that the programme is delivered on time, on budget and at the desired quality.

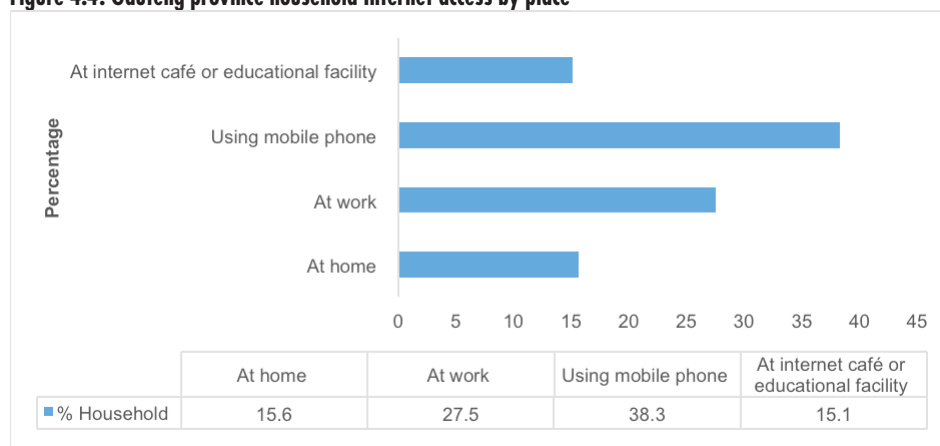
4.2.2. Creation of broadband infrastructure

As technology evolves and bandwidth⁸⁵ increases, the scope for broadband to act as an enabler for the transformation of the economy has developed and this affects a larger number of sectors and activities. Direct effects result from investments in the technology and rolling out of the infrastructure. Indirect effects are from the impact of broadband on factors driving growth, such as innovation, firm efficiency, competition and globalisation. Broadband facilitates the development of new inventions, new and improved goods and services, new processes, and new business models that increase competitiveness and flexibility in the economy⁸⁶.

- **Gauteng Broadband Network:** The Gauteng Department of e-government is tasked with building the Gauteng Broadband Network (GBN) core and access network across the province and connecting GPG sites (i.e. clinics & hospitals) to the network. This will include building core sites that will act as a backbone to the network. Moreover, the construction of the GBN includes connecting urban renewal and economic zones to the network, as well as priority townships.

- **Household Internet access:** The General Household Survey report, 2013 found that 40.9% of South African households have at least one member who either uses the Internet at home, or has access to it elsewhere. However, the report also found only 10% of households had Internet access at home. The implication of this is that the people who go online do it either at work, school/university or at an Internet cafe. Access to the Internet at home in Gauteng amounts to 15.7% of those who have access. Furthermore, most Gauteng households use cell phones to access the Internet⁸⁷.

Figure 4.4: Gauteng province household Internet access by place



Source: General Household Survey report, 2013

⁸⁵ Bandwidth describes the maximum data transfer rate of a network or Internet connection. It measures how much data can be sent over a specific connection in a given amount of time.

⁸⁶ OECD. 2008. Broadband and the economy. Available from <http://www.oecd.org/sti/40781696.pdf>

⁸⁷ StatsSA. 2014. General household survey, 2013. <http://beta2.statssa.gov.za/publications/P0318/P03182013.pdf>

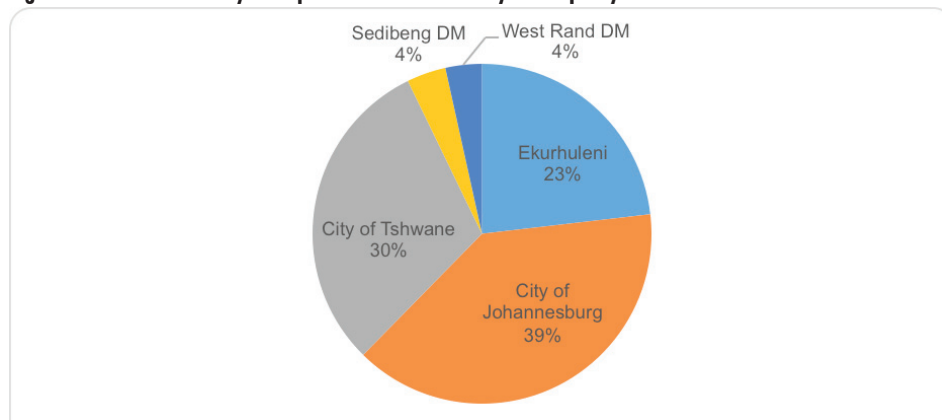
Figure 4.4 shows Gauteng province household Internet access by place. About 38.2% of households in Gauteng use mobile phones to access the Internet. This is followed by 27.5% of people accessing the Internet at their workplace. About 15.6% of households access the Internet at home, while 15.1% access the Internet at Internet cafés and educational institutions.

4.3. Modernisation of Public Transport Infrastructure

Public transport infrastructure is a critical element of the economic infrastructure of any nation. The National Development Plan (NDP) has noted that South Africa needs reliable, economical and smooth-flowing corridors linking its various modes of transport (road, rail, air, seaports and pipelines). Transportation is regarded as the backbone of a strong and prosperous economy, and investments in public transportation generate significant economic benefits. Public transportation not only helps to maintain and create jobs, it also moves people to and from their respective destinations.

Research has shown that the use of public transport lowers household expenses and frees income, which can be used for other needs, as private car expenses can be high. Real estate in residential and commercial areas where there is public transport is valued more highly by the public than similar properties that do not have public transport. Public transport is also said to have an impact on the carbon footprint, by reducing carbon emissions and improving air quality, making it the responsible and sustainable environmental choice⁸⁸.

Figure 4.5: Contribution by transport sector to GVA-R by municipality

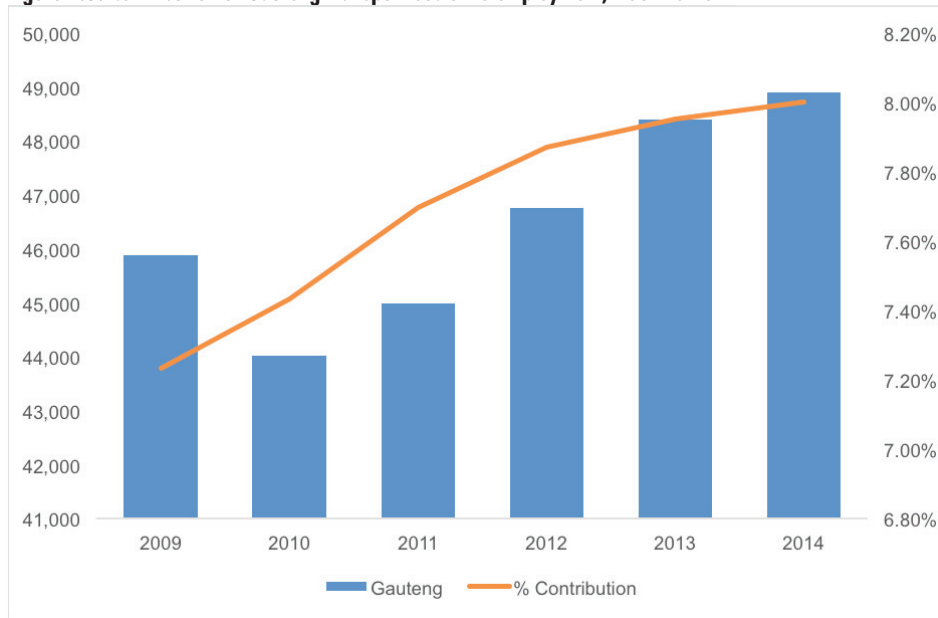


Source: IHS Global Insight, 2015

Figure 4.5 is the contribution by the transport sector to Gross Value Added by Region (GVA-R) in Gauteng by municipality. In 2014, the transport sector contributed about 8.93% to total Gross Domestic Product by region (GDP-R) in the province. The City of Johannesburg (CoJ) contributed 39% to the total GDP-R and this is followed by City of Tshwane (CoT) with 30% and City of Ekurhuleni (CoE) with 23%. The Sedibeng and West Rand District Municipalities contribute about 4% each. There is a concentration of transport activities in the three metros due to the economic activities and the associated sizes of the populations within these areas.

⁸⁸ American Public Transportation Association. (2010). Public Transportation: Moving America Forward. Information available from: http://www.apta.com/resources/reportsandpublications/Documents/APTABrochure_v28%20FINAL.pdf

Figure 4.6: Contribution of Gauteng transport sector to employment, 2009 to 2014



Source: IHS Global Insight, 2015

Figure 4.6 shows employment in the transport industry between 2009 and 2014. Employment in the transport sector in Gauteng increased from 45,490 in 2009 to 48,893 in 2014. The only decrease in employment figures was experienced in 2010. This can be attributed to the effects of the recession of 2010. From that period on, employment figures have been increasing. It is important to note that the contribution of employment in the transport sector towards total employment in the province also increased, from 7.23% in 2009 to 8% in 2014. This shows the significance of the sector in the economy of the province.

4.3.1. Initiatives to modernise public transport infrastructure

GPG has a vision to create a modern integrated, efficient, sustainable transport and road infrastructure system through the Gauteng Department of Roads and Transport (GDRT). The aim is for the department to facilitate and provide an integrated transport system that is reliable, accessible, safe and affordable. That provides seamless mobility, is environmentally sustainable, and supports industrialization and radical socio-economic transformation. The Department will focus on several projects that will change the nature of transport infrastructure in the province. These will include the Aerotropolis around Oliver Reginald (OR) Tambo International Airport, the extension of the Gautrain rail system, the freight and logistics hub known as the Tambo-Springs Inland Port, the roll-out of the Bus Rapid Transit (BRT) in several municipalities, such as CoJ Rea Vaya; CoT A re Yeng, and CoE Harambi, as well as the recapitalisation of Metrorail.

Roads and public transport link and integrate whole communities and facilitate the seamless movement of people, goods and services. This will be important to reconfigure spatially the Gauteng City-Region (GCR) along the five development corridors identified by government. GDRT also reiterated that roads and public transport infrastructure is the backbone of the TMR agenda for GPG.

4.3.2. Integrated Public Transport System in Gauteng

South Africa's integrated public transport system is known as the BRT. It is the road-based component of the BRT Public Transport Strategy that was approved by Cabinet in March 2007. It is designed to move large numbers of people to all parts of a city quickly and safely. The aim of the BRT system is to link different parts of a city into a network. The aim by GPG is to ensure that by 2020, most city residents are no more than 500m away from a BRT station.

The commitment towards an integrated public transport network in South Africa is signified in the National Land Transport Act, (Act 5 of 2009). The Act requires that all metropolitan municipalities prepare a Comprehensive Integrated Transport Plan (CITP). The Act gives the municipalities the responsibility for the planning, implementation and management of modally-integrated public transport networks and travel corridors for transport within the municipal area and liaising in that regard with neighbouring municipalities.

BRT systems combine the best features of rail with the flexibility and cost advantages of road-based transport, and have the added advantage of being easier and faster to build than a light rail transport system. Fares are administered by a smartcard system to ensure that they are affordable for commuters.

In Gauteng, rapid urbanisation has created increased urban sprawl and the associated environmental impact. Household transportation costs rise in areas where there is sprawl and few transportation services. In Gauteng, public transport systems are the Gautrain, bus services, trains and taxis⁸⁹. It is argued that transport deficiencies are a major obstacle to the efficient functioning of the labour market, leading to high unemployment, high search costs for employment and reservation wages. Low-income neighbourhoods stand to gain not only through limited strategies aimed at isolated townships, but from the creation of inter-form linkages throughout Gauteng with the introduction of the extended Gautrain service and the BRT programmes of Tshwane and Johannesburg⁹⁰.

4.3.2.1. Expansions of Bus Rapid Transit systems

Johannesburg has a history of under investment in public transport and is suffering the consequences of the historic emphasis on transport planning for private cars. Its success is based on the BRT system that is able to move public transport users comfortably and quickly around Johannesburg using specific designated routes. The enclosed bus stations along the routes allow for rapid boarding and alighting, and a high tech control centre⁹¹. Rea Vaya is one of the key solutions for Johannesburg's congested roads and transport problems as it has all the benefits of a full train service with the flexibility and cost advantages of road transport.

With the completion of the first two phases (1A and 1B), which ran between 2009 and 2014, Rea Vaya's focus has shifted to Phase 1C. This phase will run from Parktown to Alexandra, then from Alexandra to Sandton, with complementary services between the Central Business District (CBD) and Ivory Park, and from the CBD to Sunninghill on Oxford/Rivonia roads. Future plans also include extending the Phase 1C route from Sandton to Randburg by 2018, and possibly extending the trunk route from the Soweto Highway to Dobsonville, enabling feeders to service areas such as Braamfisherville. The Rea Vaya trunk routes from the CBD to Sunninghill via Oxford Road and Ivory Park to Sunninghill will be prioritised after 2018. The three interchanges will be at Sandton, Alexandra and Westgate, where a number of station modules will be clustered and integrated with other modes of transport, including walking and cycling⁹².

A Re Yeng, the Tshwane Rapid Transit (TRT) system is a high quality, safe and convenient public bus service. It delivers fast, affordable comfortable and cost-effective urban mobility through the provision of segregated right-of-way infrastructure, rapid and frequent operations, and excellent marketing and customer services. CoT recognises that traffic congestion has become a major problem for drivers, particularly during peak hours. At the same time, residents of poor areas depend on public transport to get to work or school. By implementing a cost-effective and efficient public transport system, road safety will be improved and congestion reduced, while residents' mobility will increase. The City also expects road accidents to decrease, as people will be less likely to rely on private vehicles for transportation.

4.4. Modernisation of Human Settlements and Urban Development

Since the advent of democracy, Government has sought to respond systematically to entrenched spatial patterns across all geographic scales that exacerbate social inequality and economic inefficiency. The right of access to adequate housing is enshrined in Section 26 of the Constitution of the Republic of South Africa Act, (Act 108 of 1996). This was reiterated in the NDP where it is recognised that it matters where people live and work. Furthermore, it is stated that apartheid planning consigned the majority of South Africans to places far away from work, where services could not be sustained, and where it was difficult to access the benefits of society and to participate in the economy. It is also noted that there are no quick fixes for transforming the functioning of human settlements and the workings of the spatial economy, hence bold measures should be taken over a sustained period to change the trajectories of spatial development that could mean considerable gains for ordinary citizens and for the national economy⁹³.

⁸⁹ Information available from <http://www.gauteng.net/guide/transport/>

⁹⁰ OECD. 2011. OECD Territorial Reviews: Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.1787/9789264122840-en>

⁹¹ Information obtained from: <http://www.reavaya.org.za/component/content/article?id=475:rea-vaya-comprehensive-project-update>

⁹² Information obtained from: <http://www.reavaya.org.za/construction-149>

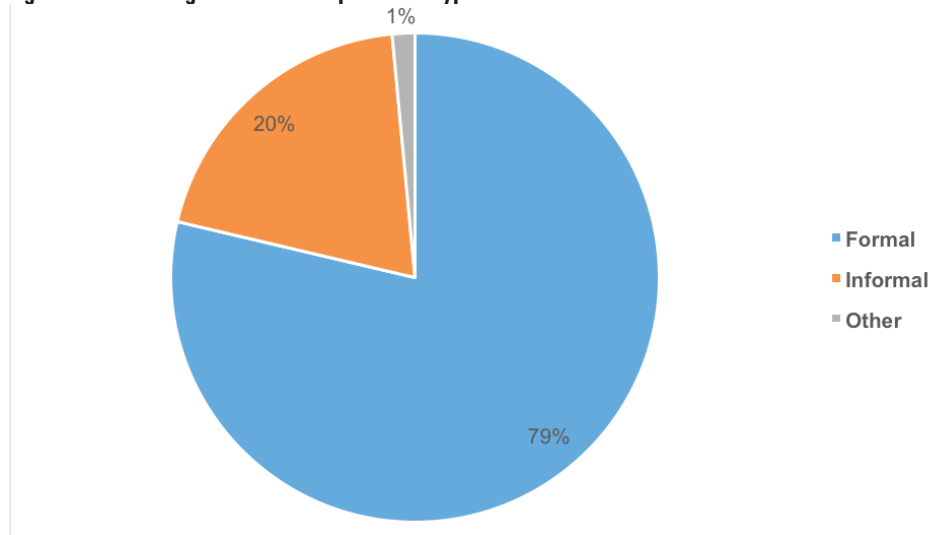
⁹³ National Development Plan Vision 2030.

The right to adequate housing is intrinsically linked to several other moral and legal rights. These include the rights to public participation, equality, human dignity, just administrative action, access to information and access to justice. A range of other socio-economic goods and services are also included, such as access to land, water, sanitation, electricity, livelihoods, transport, clinics and hospitals, schools, universities and cultural and recreational facilities such as libraries, public spaces, sports fields, religious centres, etc⁹⁴. Bringing the acquisition of these rights together with socio-economic goods and services can assist to alleviate poverty, reduce inequality and improve the quality of life for people⁹⁵.

4.4.1. Challenges facing human settlements and urban development

The central dilemma in Gauteng in connection with human settlements is how to provide an affordable stock of housing for the ever-increasing population in order to bridge the service delivery gaps inherited from the apartheid regime. In spite of the improved and consistent levels of the delivery of housing, a persistent housing backlog continues to amplify inequality and spatial disparities⁹⁶. The full extent of housing demand in Gauteng is not fully understood and this is due to the unreliable Demand Database that remains high. This is likely to weaken Government planning and resource allocation. Moreover, it affects the efficiency and effectiveness of housing delivery and the monitoring and oversight of the work of Government in the sector⁹⁷.

Figure 4.7: Percentage of households per tenure type



Source: General household survey report, 2013

Figure 4.7 shows the percentage of households per tenure type in Gauteng. About 78.60% of Gauteng households live in formal dwellings (owned and/or rented). Households living in informal dwellings make up about 19.80%, while those living in other forms of tenure are at about 1.50%. GPG has programmes in place to formalise human settlement in the province.

⁹⁴ Gauteng Provincial Government. Medium Term Budget Policy Statement 2014.

⁹⁵ Kate Tissington. 2011. A Resource Guide to Housing in South Africa 1994-2010. Legislation, Policy, Programmes and Practice. SERI.

⁹⁶ OECD. 2011. OECD Territorial Reviews: The Gauteng City-Region, South Africa 2011. OECD Publishing. Available from: <http://dx.doi.org/10.1787/9789264122840-en>.

⁹⁷ Kate Tissington. 2011. A Resource Guide to Housing in South Africa 1994-2010. Legislation, Policy, Programmes and Practice. SERI.

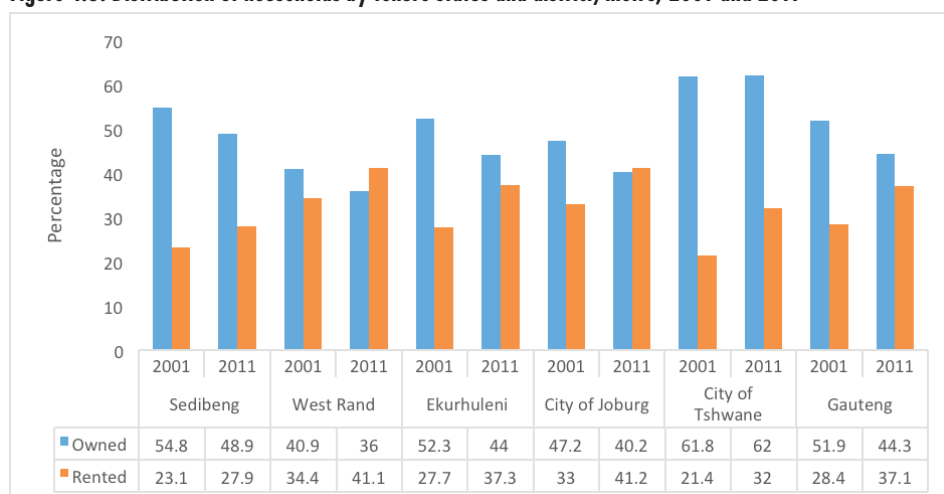
Table 4.1: Provincial progress on formalisation of settlements per region

Region	Number of informal settlements	Formalised settlements to date	Number in the process of formalization	Number targeted for relocation
City of Johannesburg	124	40	20	85
Ekurhuleni	103	16	21	87
City of Tshwane	71	32	12	2
West Rand	77	0	0	77
Sedibeng	33	1	3	32
TOTAL	405	89	56	283

Source: GDHS Annual Performance Plan, 2014/15

Table 4.1 shows provincial progress on formalisation of settlements per region. There are about 405 informal settlement in the province, with 89 having been formalised, while 56 are in the process of being formalised, and 283 have been targeted for relocation. CoJ has the highest number of informal settlements and has managed to formalise 40, with 20 in the process of formalisation and 85 targeted for relocation. CoE follows with about 103 informal settlements and about 16 that have been formalised. Only about 21 of the informal settlements have been formalised, and 87 are targeted for relocation. The region with the fewest informal settlements is Sedibeng with 33 and only one that has been formalised and three that are in the process of formalisation. There are 32 informal settlements targeted for relocation. It is important to understand the dynamics in terms of formal housing dwellings.

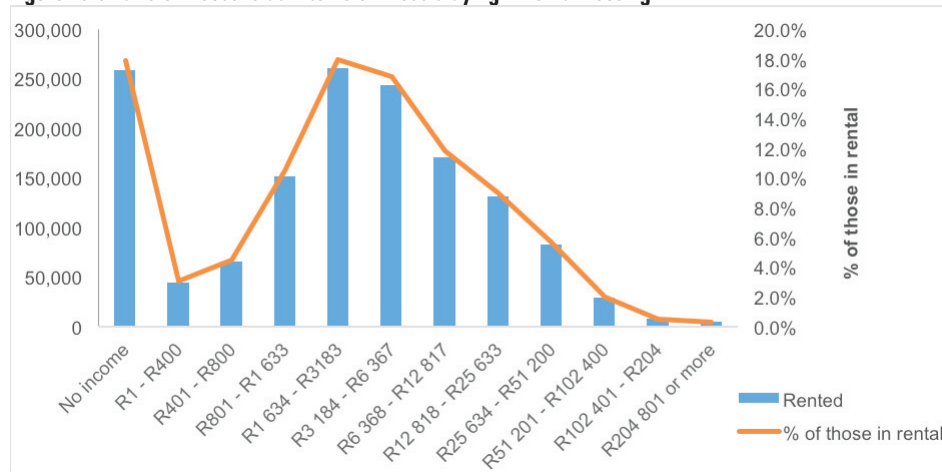
Figure 4.8: Distribution of households by tenure status and district/metro, 2001 and 2011



Source: Stats SA: Census 2011 Municipal Report, Gauteng Report 03-01-52

Figure 4.8 shows the distribution of households by tenure status and district/metro between 2001 and 2011 in Gauteng. It is clear from the picture that renting of properties is increasing significantly compared to the ownership of properties/houses. Ownership of dwellings has increased in municipalities (excluding the CoT) with those owning increasing from 61.8% in 2001 to 62% in 2011. Overall, the figure shows a decline in the proportion of households that own dwellings and an increase in the proportion of households whose dwellings are rented. A more detailed analysis conducted by the Department reveals that the total number of households that use or require rental accommodation is growing at a phenomenal rate.

Figure 4.9: Ratio of Households income of those staying in rental housing



Source: 2013 Households Survey, StatsSA

Figure 4.9 above shows the percentage ratio of those households living in rental housing by class of income. Affordability is a major challenge, as 17.9% (258, 658) households with no income live in rental housing. In terms of the 2013 Annual Household Survey, those with an income of below R6, 400 constitute just fewer than 71% (over 1 million households) of those in rental housing, creating housing opportunities in the gap market.

4.4.2. Initiatives to modernise human settlements

The GPG, through the Gauteng Department of Human Settlements (GDHS) has implemented a number of projects, or programmes, in order to address the housing provision gap. In 1994, government implemented an extensive national housing subsidy programme with the understanding that most of the population could not afford housing and there was a housing backlog⁹⁸. While this has assisted in addressing housing challenges in the sector, it led to a new housing affordability crisis, commonly known as the gap market⁹⁹. In order to address the gap market, government implemented the FLISP.

4.4.2.1. Finance-linked Individual Subsidy Programme

The FLISP was introduced in 2005 as an intervention that would respond to the gap market through championing access to sustainable housing opportunities. Although the programme has been made available for this market, there has not been a huge uptake. The Department conducted a study with the aim of understanding the major inhibiting factors towards the implementation of FLISP in the province. The Study was conducted because, despite numerous interventions and policy adjustments to the programme over the years, the uptake was still very low, compared to the perceived demand in the market. The possible reasons identified for the slow uptake were that insufficient housing developments qualified, large numbers of targeted households did not qualify (due to the lack of credit worthiness of the applicants as enforced by the National Credit Act, (Act 34 of 2005) and the FLISP product was not marketed extensively.

The National Department of Human Settlements (NDHS) published a revised FLISP Policy in September 2014, where the R300k cap on property allowed under the programme was removed and subsidies adjusted. Stakeholder engagements on the findings were undertaken, after which a Working Group was formed that would look into strategies to fast-track delivery of the FLISP. An agreement was reached between banks, National Housing Finance Corporation (NHFC), the Department and housing developers (South African Affordable Residential Developers Association affiliated and others) to identify a workable solution. This intervention would assist in unblocking blocked applications and increasing the uptake of the programme.

⁹⁸ United Nations Centre for Human Settlements (Habitat). (2001). *Cities in a Globalizing World. Global Report on Human Settlements*. Nairobi: Earthscan Publications Ltd.

⁹⁹ The gap market constitutes those individuals who fall outside of the government's full housing subsidy bracket (RDP), but at the same time do not qualify for access to the mortgage products available from commercial banks.

4.4.2.2. Gauteng Rental Housing Strategy

The purpose of the Gauteng Rental Housing Strategy is to improve the performance of the built environment of human settlements in Gauteng and to ensure greater racial integration, economic efficiencies, and inclusion of the poor through interventions in the rental housing sector. The public sector is increasingly recognising the importance of rental housing and various funding instruments are being introduced in the market. In addition, the affordable market will be tackled in a more determined fashion with particular emphasis on a constructive engagement with the private sector to improve delivery.

4.4.2.3. Inclusionary Housing Bill, 2007

The Inclusionary Housing Policy (IHP) is one of the critical instruments required to address the shortfall of low income housing units, to eradicate poverty, to optimise the use of well-located land and to create more integrated communities. The Policy ensures that all private sector developments include a certain percentage of housing targeting the low,¹⁰⁰ middle, and high income markets. Through the policy, the various income brackets will be able to access housing finance and qualify for FLISP from government as appropriate to their needs.

4.4.2.4. Gauteng Sustainable Human Settlement Strategy

Gauteng Sustainable Human Settlement Strategy centres around three themes. The first is the need to integrate settlement transforming activities and investments for common settlement goals and mutual economic gain. The second theme is an economic development and job creation focus that is grounded in the process, products and outcomes of housing delivery as the main settlement transforming investment led by public resources. The last theme is the inevitable need for a 'government partnership' – a partnership between government departments and spheres – to reinvigorate the social contract that the government has with its social partners in the Gauteng province¹⁰¹.

4.5. Modernisation of the Public Service

GPG contributes to the modernisation of the public service through the following: the establishment of a proper electronic record management system, introduction of an electronic performance management and evaluation system, improvement of the existing complaints management system in order to enhance its capabilities, provision of support to the establishment of the fully integrated command centre and an on-board Electronic National Administration Traffic information system (eNatis) in all the traffic management vehicles. Gauteng Department of Community Safety (GDCS) also plans to implement the Smart policing initiative to strengthen policing in the province.

4.5.1. Smart policing initiative

Smart policing employs the use of mobile cameras to strengthen policing while improving police accountability and enhancing police relations with society. Smart policing is already underway and has been piloted in Cape Town in partnership with the Western Cape Provincial Government. It is referred to as a third umpire for policing. The use of open source solutions offers a cost effective alternative to closed private technologies. However, there are also many challenges in the rolling out of body-worn cameras, the costs of managing and storing data and wider questions about the role of recorded footage in investigations and criminal cases¹⁰². Smart policing provides opportunities for technology to play a role in strengthening police-community relations (by creating oversight) and strengthening police operations (by generating crime and operational data)¹⁰³. GDCS will be conducting a study with the purpose of exploring the smart policing initiatives currently adopted by Law Enforcement Agencies (LEA) and the effect on crime prevention and crime control in the Gauteng province.

4.5.2. E-governance

E-governance aims at improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent, accessible and effective through the use of ICT. The introduction of e-governance has changed the way in which government departments communicate with stakeholders¹⁰⁴.

¹⁰⁰ Low-income housing refers to a product that is of good quality and is affordable to people within the lower middle income bracket i.e. R3 500 to R 15 000.

¹⁰¹ Submission by the Gauteng Department of Human Settlements.

¹⁰² Information available at: <http://www.enca.com/south-africa/sa-and-brazil-try-smart-policing>.

¹⁰³ Bruce, D. and Tait, S. A 'Third Umpire' for Policing in South Africa: Applying Body Cameras in the Western Cape. Strategic Paper 14. Igarapé Institute.

¹⁰⁴ Mphidi, H. Digital divide and e-governance in South Africa. Research, Innovation and Partnerships: Tshwane University of Technology.

The issue of e-governance in South Africa and consequently in the province is part of the country's historical and social context, thus e-government initiatives in the country have to deal with numbers of challenges. It has been observed that economically disadvantaged people have the lowest level of access to e-governance. Ensuring accessibility to all members of the society is essential so that individuals with disabilities are included and are able to use e-government websites. Creating awareness of the advantages of e-governance and persuading people to become users of the system is the biggest challenge¹⁰⁵.

The greatest advantage of e-governance for society lies in its efficiency. Other advantages include: reducing costs in rendering services, reducing delays in delivery of service, improving communication between government and citizens, improving quality of service delivery, improving the access of citizens to public sector information, and enhancing transparency and accountability.

4.5.2.1. Gauteng City Region E-Government and ICT Summit

On the 2nd of November 2015 Gauteng hosted the Gauteng City Region E-Government and ICT Summit, which direct follow-up on our Inaugural Gauteng Infrastructure Investment Conference held in July this year. Some of the issues highlighted in the summit include placing a high premium on access to broadband connectivity and bridging the digital divide as a key goal of sustainable development. It was also noted that the world is operating in an increasingly Digital Economy and Information Age in which equitable access to broadband is a basic human freedom which must be guaranteed to every member of our democratic society in the same way as access to education, healthcare, water, energy, shelter, sanitation and safety. Connectivity is now a utility with which to measure the quality of life, human progress and economic development.

The summit also noted that there are many innovations in ICT-enabled delivery of public services that have to be given impetus and momentum to bring about the necessary Transformation and Modernisation of government and governance. The Department of Public Service and Administration established the Centre for Public Service Innovation and the State Information Technology Agency (SITA) to stimulate the necessary innovations, transformation and modernisation of the government sector. The invention of RIMS is important to acknowledge as one of the critical ICT innovations for the improvement of the delivery of public services.

4.5.2.2. Revenue Information Management System

GDRT contributed to the modernisation of the public service by rolling out the Revenue Information Management System (RIMS). RIMS is regarded as the first of its kind in South Africa, and has allowed GDRT to successfully continually rollout the motor vehicle, licensing and testing renewal service points. The success of RIMS was duly noted tenth instalment of GovTech, 2015; the ICT Public services Awards 2015 hosted by SITA as the system received 1st place. The awards are seen as being a premium ICT platform for the leading principles and their associated innovations in the ongoing quest to find practical and progressive solutions to a developing nation using ICT tools. The aim of GovTech 2015 is at reflecting on the journey thus far travelled by South Africans both in the public and private sector spaces as they worked together through this and other fora to transform the enigma that was once ICT and make it responsive to societal challenges.

GPG also plans to digitise back office services, such as the e-recruitment system which will simplify access to government employment opportunities by providing job applicants with job opportunities (for example the GPG job centre at the Maponya Mall Thusanong service centre). Furthermore, there are plans to build an efficient technological capacity for handling of departmental information, that is, files and thus provide speedy services as an addition to migrating GPG files to cloud services for the storage of information.

4.5.3. E-health

E-health is the cost-effective and secure use of ICT in support of health and related fields, such as; health-care services, health surveillance, record keeping, education, knowledge and research. In order to deliver quality and efficient health-care services, sophisticated ICT telematics infrastructure is required to be geared towards the specific needs of this unique sector¹⁰⁶.

Gauteng Department of Health (GDoH) has a mandate to provide health services in the province and has plans to provide such services through the development and implementation of e-health strategies thus creating a paperless environment. GDoH will develop an integrated GPG Health Information System (HIS), as part of an e-health records system, which includes scanning and indexing of patient records at central, tertiary and regional hospitals, thus reducing waiting times and loss of records. The development of mobile health solutions

¹⁰⁵ Mphidi, H. Digital divide and e-governance in South Africa. Research, Innovation and Partnerships: Tshwane University of Technology.

¹⁰⁶ World Health Organisation. 2015. e-health: Resolutions and Decisions. Available at: http://apps.who.int/iris/bitstream/10665/20378/1/WHA58_28-en.pdf?ua=1.

for the use of community health workers and patients, and unified communication solutions, such as voice and video-conferencing will be implemented. In addition, the Department will implement the Picture Archiving and Communication System (PACS) in all institutions across all four clusters, and interface with the National Health Information System (NHIS) and the National Health Laboratory Services (NHLS). Upgrading of ICT infrastructure will enable the connection of all clinics and hospitals to the internet broadband network.

4.5.3.1. Technical Equipment and LAN

The Department completed cabling in 5 hospitals and switching in 5 hospitals. Cabling is completed in Medical Supply Depot. LAN tender approved (switching, cabling, telephony) for all institutions and will commence with 10 hospitals in the 2015/16 financial year. Currently three is LAN infrastructure upgrade at Jubilee hospital and 12 EMS sites.

New MEDICOM system is installed at Bheki Mlangeni District Hospital and upgraded at Thelle Mogoerane regional Hospital. Commenced with MEDICOM upgrade at Chris Hani Baragwanath hospital and all remaining MEDICOM sites (6) will be completed by January 2016. Upgrade of ICT backend infrastructure is underway. Oracle system is being implemented as replacement of MEDSAS and RDM .The project is to be completed by end of January 2016 (due to customisations of the system).

4.5.3.2. Mainstreaming Information Management and Accountability

The Department has commenced implementation of e-Health Technology Plan with focus on PACS.PACS storage application has been implemented to archive X-Rays centrally in a vend or neutral archive (awaiting interface development with AGFA).Terms of reference for the implementation of PACS with integration into the E-Health programme is underway. Scanning of patient's records into electronic records management system has been completed at Thelle Mogoerane Regional hospital. Province wide rollout is expected to commence after re-tendering.

4.6. Observations

- Gauteng transport sector contributes significantly to the GVA and employment in the province.
- There is an increase in the number of households renting in the province, while the number of those who own houses is decreasing.
- ICT can have a dramatic impact on achieving specific social and economic development goals.
- ICT has the capacity to improve productivity and efficiency in sectors such as; banking, manufacturing, agriculture, tourism, construction, amongst others. Thus, harnessing the potential of this sector through investment will have a multiplier effect on the other sectors.
- Investing in provincial ICT and broadband infrastructure, reducing barriers to information, increasing knowledge of and access to business information will assist in the emergence of new SMMEs in the ICT sector and other sectors.
- Rolling-out of ICT in schools and education is consistent with the province's vision of building a smart, knowledge-based and innovation-driven Gauteng economy.
- Transportation can be regarded as the backbone of any strong and prosperous economy, and investment in public transportation generates significant economic benefits. Public transportation helps to maintain and create jobs while also moving people to and from their jobs.
- The expansions of the BRT network will continue to connect isolated townships to areas of economic activity and also to create inter-form linkages throughout Gauteng.
- The entrenched spatial disparities in the province continue to exacerbate social inequality and economic inefficiency.
- The provision of human settlements in the province requires effective policies to ensure that they are modernised. GDHS will expedite interventions and policy adjustments to the FLISP programme to ensure that the uptake is fast tracked.
- GPG should introduce measures to strengthen the integrity of public institutions and public processes so that fraud and corruption are prevented and detected early in the value chain to prevent losses.
- Smart policing initiatives which employ the use of mobile cameras to strengthen policing, will play a crucial role in improving police accountability and enhancing police relations with society.

4.7. Conclusion

The chapter presented initiatives planned by the GPG to modernise Gauteng as part of the objective of the TPP towards building Gauteng into an integrated city-region. Investment in ICT and broadband infrastructure will play a crucial role in modernising the provincial economy and will have a multiplier effect on other sectors and thus improve productivity and efficiency. The expansion of the integrated transport system will play a crucial role in the bid to modernise the public transport infrastructure in the province. E-governance will assist with the provision of efficient service delivery and other benefits, such as reducing costs and delays in rendering services; improving communication between government and citizens; improving quality of service delivery; improving citizen's access to information; and enhancing transparency and accountability. E-health is a cost-effective and secure use of ICT and thus supports health and fields, such as health-care services; health surveillance; health literature; and health education, knowledge and research. The provision of e-governance, e-health and smart policing are important initiatives for modernising the public service.

CHAPTER 5 – RE-INDUSTRIALISATION OF GAUTENG PROVINCE

5.1. Introduction

Chapter 4 outlined modernisation of Gauteng Province as one of the radical Transformation, Modernisation and Re-industrialisation (TMR) dimensions of the Ten-Pillar Programme (TPP). Similar to modernisation; re-industrialisation is intended to reindustrialise Gauteng's economy through strategic infrastructure development; taking the lead in Africa's new industrial revolution. Re-industrialisation as an intervention is intended to create job opportunities to reduce alarming levels of the triple challenges of unemployment, poverty and inequality.

The reindustrialisation of the province is being planned to be implemented through the development of strategic infrastructure rollout throughout the five envisaged corridors¹⁰⁷. This will include amongst others, the development of massive public transport infrastructure across the Province, mainly through Bus Rapid Transit (BRT) System, funded through Public Transport Operations Grant; the revitalisation of old industries and townships; and coordinated investments in key strategic industries. These initiatives will have major socio-economic benefits to address challenges relating to decent employment and inclusive economy, as some of the key challenges identified in the National Development Plan (NDP).

5.2 Massive Infrastructure Investments

A universally recognised macro-economic intervention that a government can undertake to stimulate economic growth, alleviate poverty, eradicate the scourge of unemployment, and close the gap on inequality; is the investment in economic and social infrastructure. As part of the investment programme in infrastructure, Gauteng Provincial Government (GPG) has adopted the Gauteng Integrated Infrastructure Master Plan (GIIMP). The Plan seeks to transform the Province into a re-industrialised, seamlessly integrated, socially cohesive, and economically inclusive City-Region.

Coupled with the adoption of the five development corridors as the drivers of re-industrialisation, among other pillars, the second major lever to change the economy and space for the Gauteng City-Region (GCR) will be through a well-coordinated Infrastructure Investment Programme.

The province infrastructure investment programme focused on:

- Public Transport;
- The energy Mix;
- Information Communication Technology (ICT) and broadband; and
- Water and sanitation.

5.2.1 Gauteng Integrated Infrastructure Master Plan

GIIMP is an inter-governmental and inter-sectoral planning tool aimed at realising the goals of the NDP and TMR program. The development of the Plan was the first of three intended phases of GIIMP, with Phase two aimed at consolidating and analysing the existing master plans against the GIIMP while Phase three involving the compilation of the sectoral and geographic Infrastructure Master Plan. Therefore, GIIMP will provide a road map to coordinate infrastructure planning by addressing the following:

- **What do we have?** – a status quo assessment;
- **What are we trying to do?** – align infrastructure with the long-term vision and outcomes of the TPP, NDP and key governmental objectives and outcomes;
- **What are the key drivers of infrastructure demands?**- A growing population, and the need to drive re-industrialisation;

¹⁰⁷ Central, southern, northern, western and eastern development corridors

- **What do we need?**- Coordinated investment in infrastructure development;
- **How do we do it?** – Identifying the technology options, and moving to greener options;
- **Where do we do it?** – aligning infrastructure provision with strategic spatial priorities;
- **Who must do what?** – setting out an institutional map that clearly defines roles and responsibilities;
- **How much will it cost?** – providing a high-level cost estimate of the overall infrastructure requirements;
- **How will we pay for it?** – exploring all the options to match the infrastructure requirements to available resources;
- **What are the risks involved?** – highlighting, quantifying and mitigating the major risks;
- **How do we prioritise projects?** – setting high level criteria to guide strategic decision making; and
- **What are the next steps?** - providing a guide to institutionalising the Framework and outlining the link between the Framework and successive phases of the GIIMP.

The Framework sets the overall planning parameters for infrastructure planning that is to be undertaken in the Gauteng province. The intention is that, infrastructure planning undertaken by institutions mandated with infrastructure development should be aligned with the strategic guidance provided in the Framework. Additionally, set a criteria for the evaluation of city-region scale infrastructure in order to prioritise projects at the provincial level. This prioritisation of projects will then form the GIIMP, to be undertaken in proposed phases two and three.

5.2.1.1. Integrated Transport Master Plan

GPG has adopted the 25 year Integrated Transport Master Plan (ITMP) that seeks to provide an efficient and integrated transport system in Gauteng. This will assist in promoting sustainable economic growth, skills development and job creation, fosters quality of life and socially includes all communities and preserves the environment¹⁰⁸. GPG is also exploring plans of expanding the Gautrain rapid rail system with expansion undertaken in all three Gauteng metros. In addition, Passenger Rail Agency of South Africa's (PRASA) new rolling stock of passenger coaches will revitalise and modernise the public transport infrastructure as well as create a stimulus for re-industrialisation and local production.

GPG is also investing in energy through diversifying the province's energy sector and this will provide bedrock to the re- industrialisation of the province pillar element. GPG has adopted a six step intervention in this regard, namely:

- Installing rooftop solar panels for all government buildings;
- Retrofitting coal boilers with gas;
- Introducing the tri-generation programme in six hospitals;
- Initiating a waste to energy programme; and
- Continue energy efficiency programme.

Keeping in line with the GPGs objective of being a smart province, GPG will continue to invest in ICT infrastructure. Investment in ICT infrastructure also includes GPG's commitment to enter into public-private partnerships to realise the goal of 100% connectivity in the province. GPG has also undertaken to invest in water infrastructure to ensure water security, which also include addressing the challenge of Acid Mine Drainage.

The infrastructure development and investment programme will be coordinated through the recently established Gauteng Infrastructure Coordination Commission (GICC) chaired by the Premier, and comprising all mayors to ensure authority and swift decision-making that supports the new spatial development perspective of five development corridors.

The powers and functions for infrastructure are split between the national, provincial and national spheres of government (three spheres of government) and therefore the institutionalisation of the GIIMP requires a high level of collaboration. In order to implement the GIIMP Framework there should be a widespread support by all affected stakeholders in the province, e.g. Presidential Infrastructure Coordinating Committee (PICC) and the GICC.

¹⁰⁸ Integrated Transport Master Plan 25

Table 5.1 GIIMP Framework Allocations: 2015/16-2017/18

R billion.	Medium-term estimates			Total
	2015/16	2016/17	2017/18	
Health	1, 395, 720	1, 885, 618	2, 088, 372	5, 339, 710
Education	2, 606, 399	2, 599, 522	2, 819, 498	8, 025, 419
Social Development	160, 250	186, 125	195, 431	541,806
Human Settlement	5, 370, 034	5, 587, 280	5, 783, 942	16, 741, 256
Roads & Transport	2, 028, 675	2, 153, 100	2, 271, 176	6, 452, 951
Agriculture & Rural Development	18, 512	17, 655	18, 538	5, 705
Sports, Arts, Culture & Recreation	245, 830	15, 600		261, 430
Infrastructure Development	253, 291	251, 300	263, 865	768, 456
Total infrastructure by vote	12, 078, 711	12, 696, 200	13, 440, 821	38, 215, 731

Source: GPG 2015 MTEF Budget Fact Sheet

Table 5.1 illustrates the GIIMP Framework allocations for the 2015/16-2017/18 financial year in line with the GPG's Re-industrialisation efforts as derived from the TMR strategy. The total amount to be spent on infrastructure over the Medium Term Expenditure Framework (MTEF) is R38 billion. Gauteng Departments of Health (GDoH), Education (GDoE), Human Settlement (GDHS), Roads and Transport (GDRT), and Infrastructure Development (GDID) are projected to receive a large share of the allocations in line with the massive infrastructure needs of these respective departments.

Over the 2015 MTEF the department of health is projected to receive a total sum over R5, 3 billion, with the department of education receiving R2, 6 Billion in the 2015/16 financial year and R8 billion over the MTEF. GDHS is projected to receive R5 billion in the 2015/16 financial year and R16, 7 billion over the MTEF under review.

GDRT as the custodian of all roads related infrastructure projects is projected to receive R2 billion in the 2015/16 financial year and R6, 4 billion over the 2015 MTEF. The department of Infrastructure development as the department that is mandated with driving infrastructures projects in the province is projected to receive R253 million in the 2015/16 financial year and R768 million over the period under review.

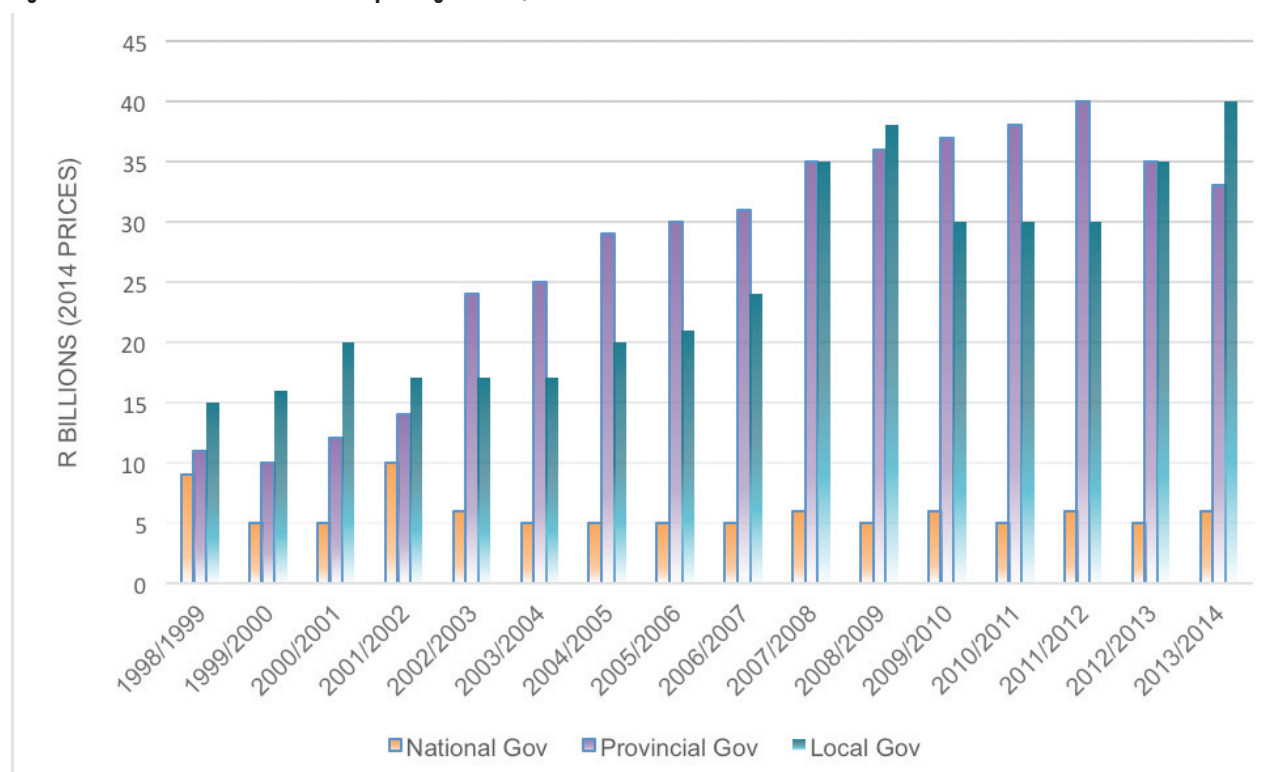
5.2.2 Public Infrastructure Agents & funding

The majority of infrastructure spending is undertaken by the public sector in collaboration with the private sector through Public Private Partnerships (PPP). NDP targets expenditure on infrastructure by 2030 to reach 10% of Gross Domestic Product (GDP), which will be financed through tariffs, public-private partnerships, taxes and loans, with a specific focus on transport, energy and water.

There is currently no consolidated estimate of capital funding needs across infrastructure sectors and three spheres of government in the Province, however, research undertaken at a national and local sphere of government indicates that capital requirement exceeds available funding in most cases, particularly in local government. In addition, much of the state-allocated capital funding for the future is for new capital works and 'large scale projects', and capital funding for asset replacement and rehabilitation is often inadequate. Studies have indicated a shortage of capital for local government, as well as an under-spending on repairs and maintenance, which leads to accelerated deterioration of assets¹⁰⁹.

¹⁰⁹ DBSA 2010

Figure 5.1: South Africa’s Infrastructure Spending Patterns, 1998-2014



Source: National Treasury 2015 Budget Review

Figure 5.1 illustrates the infrastructure spending patterns for three spheres of government from 1998/1999 to 2013/2014 financial years. The spending patterns on a national level have remained fairly on the same levels with only a few exceptions, whilst spending on a provincial and local spheres of government has recorded a consistent rise.

On a national level, infrastructure spending have decreased from R9 billion in the 1998/99 financial year to R6 billion in the 2013/14 financial year. This can be attributed to provincial and local government undertaking a bulk of infrastructure programmes in the period under review. During the same period, infrastructure spending undertaken by provincial government rapidly rose from R10 billion to R33 billion. This exponential rise can be attributed to provincial governments undertaking a number of infrastructure related projects.

Local government recorded rapid growth in infrastructure related in the same period under review, with spending rising from R15 billion in 1998/99 financial year to R40 billion in 2013/14 financial year. This can be attributed in part to the growing need for infrastructure and the fact that local government is the frontline to service delivery.

5.2.3 Infrastructure Financing Sources

Infrastructure investment is at the heart of national and provincial government objectives to provide employment, reduce poverty and inequality, and grow the economy. However, the availability of state funding for infrastructure depends itself on economic growth for tax revenue. Pessimistic economic projections and the recent downgrades in the credit ratings of the national government departments and entities poses challenges around future financing options for infrastructure investment in Gauteng.

National entities, responsible for providing the bulk of national infrastructure, largely source finance from borrowing against their balance sheet or from internal reserves. The exception to this is PRASA, which relies solely on national transfers. Considering the constraints associated with financing infrastructure, Gauteng Infrastructure Financing Agency (GIFA); amongst others institutions, has been

established to foster partnerships and facilitate innovative infrastructure financing solutions.

- Research undertaken on the infrastructure needs of the province concluded that:¹¹⁰
- Gauteng requires R105 billion per annum in infrastructure investment from both the public and private sectors;
- Energy, transport and water make up 74% of the investment required;
- Asset renewal represents 56% of capital needed;
- Infrastructure backlogs will require 6% of total funding;
- Resource constraints will require new technology;
- Demand management, loss reduction and waste management is urgently required to ensure sustained economic growth; and
- Skills shortages and institutional misalignment should be urgently addressed.

State-owned enterprises such as PRASA, Transnet and Airports Company South Africa (ACSA) will spend more than R200 billion in energy, water, transport and logistics infrastructure in Gauteng over a 20-year period. GPG has set aside R300 million for ICT infrastructure which will be driven by the newly established Department of e-Government.

5.3 Development Corridors

GPG will jointly with municipalities and private sector partners under the development of five corridors which are focused on spatial reconfiguration, township economy revitalisation and massive infrastructure investments. Central Development Corridor is anchored around the City of Johannesburg (CoJ) as it is the hub of finance, services, ICT and pharmaceutical industries while the Eastern Development Corridor is anchored around the economy of the City of Ekurhuleni (CoE) as this is the hub of manufacturing, logistics and transport industries. The Northern Development Corridor is centred on City of Tshwane (CoT) as this is the country's administrative capital city and the hub of the automotive sector, research, development, innovation and the knowledge-based economy. The Western and Southern Development Corridor encompasses the economy of the current West Rand and Sedibeng District, respectively; informing the creation of new industries, new economic nodes and new cities¹¹¹.

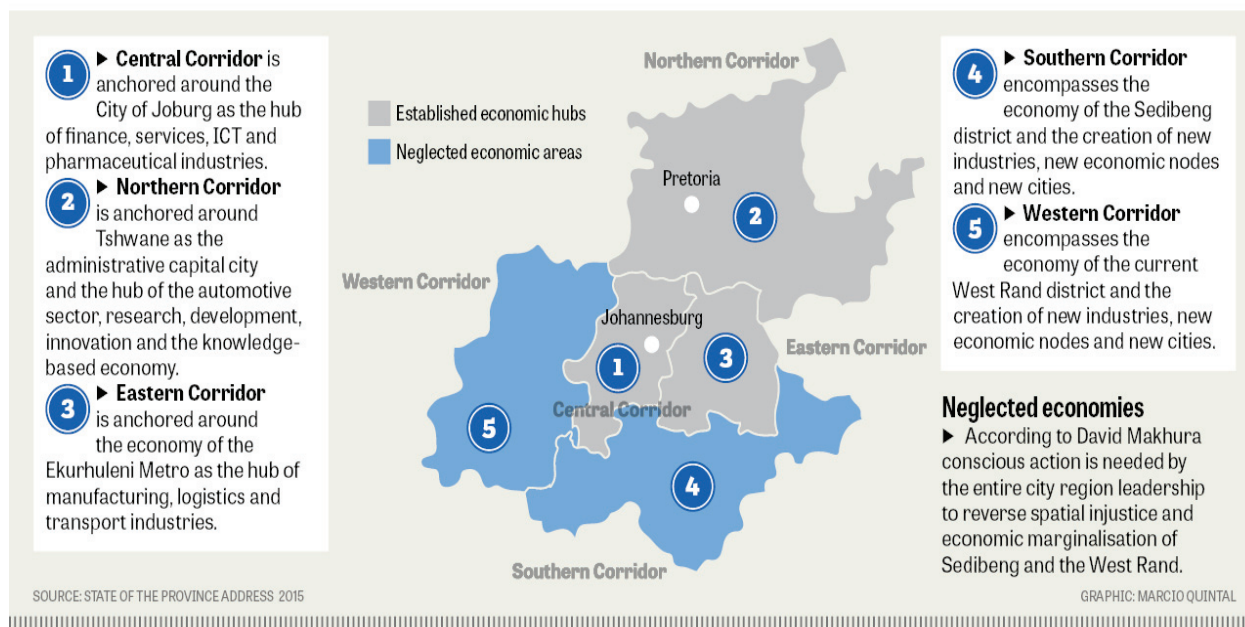
GPG also plans to work with national government and CoJ to ensure that the Johannesburg Central Business District (CBD) becomes the home of the Brazil, Russia, India, China and South Africa (BRICS) regional development bank. Additionally, GPG plans to revitalise townships of Kliptown and Alexandra in collaboration with national government.

¹¹⁰ www.gov.za/speeches-david-makhura-inaugural-infrastructure-investment-conference-16-jul-2015

¹¹¹ <http://www.sanews.gov.za/south-africa/premier-announces-interventions-unlock-gauteng%E2%80%99s-economy> – accessed 9 July 2015

Figure 5.2 Gauteng Development Corridors

Gauteng's development corridors



Source: 2015 Gauteng SOPA

Figure 5.2 illustrates the development corridors in Gauteng as envisaged by GPG and their respective comparative industries which will be the main areas of focus in the province’s Re-industrialisation Programme. The different industries in each corridor are structured according to the comparative advantage of each region, complementing the existing industries and also striving to also to develop new industries in these regions.

Table 5.2: Re-industrialisation projects in the Five Development Corridors

No.	Corridor	Projects
1	Central Corridor (Financial sector, ICT and pharmaceutical industries)	Gauteng Nasrec ICT and Media Special Economic Zone (SEZ) –implement the roll- out of ICT and media centre, in line with the SEZ objectives of promote economic growth and creating incentives for private sector Science Park - link the Science Park with Nasrec ICT and Media SEZ, the project will be funded by Chinese CornHill - Refurbishment and conversion
2	East Corridor (manufacturing, Logistics and transport industries)	Jewellery Manufacturing Precinct – Implement the Gauteng Industrial Development Zone (IDZ) and building the Jewellery
3	Northern Corridor (automotive sector, innovation hub)	Innovation Hub- EB 2 – Expanding the innovation hub for modernisation and innovation Innovation Hub- EB 3 - Expanding the innovation hub for modernisation and innovation
4	Southern Corridor (Blue and green economy)	Vaal Logistics Hub - Building the logistics hub that will stimulate the South Corridor economy
5	Western Corridor (Blue and green economy, tourism etc.)	West Rand Logistics Hub - Building the logistics hub that will stimulate the Western Economy

Source: GDED MTBPS 2015 Submission

5.3.1 Central Corridor (Financial sector, ICT and pharmaceutical industries)

The main projects to be undertaken in central corridor are mainly in the financial sector, the ICT sector through the NASREC Information Communication and Technology SEZ amongst other projects, and refurbishment and conversion of Constitutional Hill.

5.3.1.1 Financial sector

Gauteng's economy has recorded consistently, high growth rates thus a net creator of employment with all the large banks, a number of the large insurance companies and investment firms located in Johannesburg. Apart from financial and ICT sectors, the legal, accounting, market research, architectural, engineering and real estate business activities are also well placed for continued contribution to the City's economy. Over the next five years, GPG will mobilise more than R10 billion in public and private investments in the regeneration of the Johannesburg CBD. Following consultation with the private sector leaders, there is confidence that there is an appetite and passion to invest in the revitalisation of the City's CBD¹¹².

5.3.1.2 NASREC Information Communication and Technology SEZ

NASREC Special Economic Zone is a "city within a city" development aimed at linking the south of Johannesburg to the Johannesburg city¹¹³. NASREC will use meaningful incentive packages from national treasury, Department of Trade and Industry (DTI), Department of Telecoms & Postal Services, South Africa Revenue Service (SARS), municipalities and other relevant institutions. NASREC Special Economic Zone is a development of multiple knowledge-economy driven and ICT manufacturing businesses to be established within the NASREC Precinct. As a mixed-use multi-disciplinary development catalysed by the ICT cluster; NASREC Special Economic Zone also consists of commercial, industrial, retail, residential and lifestyle developments. This initiatives will be built in alignment to International green standards and technologies.

The NASREC Special Economic Zone aims to provide world class economic infrastructure and facilities to investors by offering competitive incentive packages to attract and retain investments; developing and providing required ICT skills to investor businesses; shortening the processes of business registration, permitting and settling of investors. Information Communication and Technology SEZ is an instrument available for GPG to attract Foreign Direct Investment (FDI) and Direct Domestic Investment (DDI) to a dedicated industrial park.

5.3.2 Constitutional Hill

The aim of the Constitutional Hill project is to develop the site with a Justice Precinct that will include various offices such as the Chief Justice, Chapter 9 Institutions, Judicial Institute, Court Management Agency (CMA) and other related institutions. Possible partners in the project are the National Treasury, the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA), the Public Investment Corporation (PIC), the National Department of Arts & Culture, the CoJ, Johannesburg Development Agency (JDA), as well as the Chief Justice office¹¹⁴. The development is proposed to be approximately 105 000 square metres in area and it will ensure development in the inner CoJ. This development will become a national monument and is directly related to the location of the Constitutional Court. Potential number of jobs to be created are estimated at 250 and these are construction related. Initial spatial planning of the site has already been completed.

5.3.2.1 East Corridor (manufacturing, Logistics and transport industries)

Collectively with CoE and national government, GPG is now undertaking 29 industrial initiatives under the banner of the Aerotropolis to revitalise manufacturing, aviation, transport and logistics industries linked to Oliver Reginald (OR) Tambo International Airport. Freight and logistics, Transnet's investment in the inland ports of Tambo Springs and Sentrarrand will have a major impact in revitalising the economy of the City. Tambo Springs inland port development will have an estimated R7, 5 billion investment over five years, creating a total of 110 000 jobs over 15 years. CoE is therefore well situated for manufacturing businesses, such as jewellery and avionics, with a depot for logistics.

5.3.2.2 Jewellery Manufacturing Precinct

The OR Tambo International Airport Industrial Development Zone (ORTIA-IDZ) is a GPG initiative aimed at realising the objectives of implementing its economic development goals. It is aligned to the priorities set out by both national and provincial government, which among others include; leading, facilitating and managing sustainable job creation and inclusive economic growth in the province. The types of programmes in this initiative relate to beneficiation of precious minerals while multi-site development will consist of several industry-specific precincts developed in phases over a determined period.

¹¹² 2015 Gauteng SOPA

¹¹³ GGDA

¹¹⁴ 8 Gauteng Department of Economic Development 2014/2015 APP

The first phase of the IDZ development shall be the Jewellery Manufacturing Precinct (JMP). The Precinct has been identified as one of the industrial sectors of the ORTIA –IDZ due to its commercial viability and that ACSA made available, a 6, 1 hectares site by the logistics gate of OR Tambo International Airport. JMP is identified as a catalyst to the development of the broader IDZ hence the province views the precinct as unlocking the province’s jewellery beneficiation potential. The building of the Precinct will be designed in consultation with the industry players and the feasibility study has been completed in this regard. Deliberations with industries have begun, to develop a unique integration of downstream processes linked to mining of gold, diamond, platinum and other minerals.

Opportunities are being researched to formalise partnerships with key stakeholders and explore synergies that will give impetus and efficiency to the development. Manufacturing of integrated circuits; Computer hardware (chips, pc boards and storage devices); General Electronics; Telecommunications Equipment; and Avionics & Defence Equipment for the ORTIA-IDZ should have distinct focus which differentiates it from the other IDZ’s in South Africa. As a Precious Metal

Beneficiation branded IDZ, ORTIA-IDZ will focus on industries in areas such a jewellery making. The next step will entail identifying available land for IDZ expansion around the ORTIA precinct. This allows ORTIA-IDZ more room to look for cheaper land, for the extension of the IDZ along the R21 corridor which is between the airport and Pretoria. South African gems and jewellery industry is increasingly building its ability to produce a full range of sizes and qualities of stones, utilizing not only the low-cost and abundant workforce; but advanced technologies. The industry has been seeking further growth through processing of larger size stones and manufacture of diamond jewellery.

GPG and, the gems and jewellery industry have recognized the use of Information Technology (IT) in diamond clusters; to enable seamless flow of information between the functional areas, right from job contractors to small / mid-sized firms, to large and integrated units. IT interface will also provide the necessary platform for firms to scale up their operations. While several such measures have been taken at company-level, industry-level, and government-level; there is still a need to strengthen the position of South Africa in the global market place through a concerted strategy, addressing the challenges of raw material sourcing, technological infusion at processing stage, adoption of dynamism in design and product development, and sustainable market entry approach.

The current South African gold production is approximately 200t per annum and declining. The local jewellery manufacturing is 3t per annum therefore, focus will be on the production of jewellery for the local market. JMP will comprise mainly of international manufacturers producing their jewellery locally, using local labour and outsourcing some of their manufacturing to local businesses exclusively for export purposes¹¹⁵.

5.3.3 Northern Corridor (automotive sector, innovation hub)

CoT will invest R525 million to establish a Business Outsourcing Park in Hammanskraal, which will offer on-site training, technical support, incubators and Small Medium Micro Enterprises (SSMEs). This Project is expected to create 1 000 jobs during construction and over 1 000 indirect jobs. Working with the private sector, the City is also rolling out free Wi-Fi and to date, R150 million has been invested in this.

Gauteng Department of Economic Development (GDED) is the leading department in ensuring the implementation of this corridor. The automotive industry remains a major contributor to GDP with a contribution of approximately, 7%. It is one of the most important manufacturing sectors in Gauteng and a primary exporter of manufactured goods, contributing around 8%. It is also a major contributor to jobs, skills and socio-economic development. In terms of national industrial development goals and objectives, DTI wants to grow the automotive sector over the next 10 to 20 years to double its output although, recent economic projections indicate that such aspirations may be over optimistic.

In line with the five development corridors, GDED have identified and will roll-out the economic infrastructure projects. These Projects were introduced to ensure funding for the infrastructure projects

¹¹⁵ GGDA, Gauteng Packed with Economic Opportunities

including bulk infrastructure, ensuring private sector participation and meeting projects deadlines. The projects will bring benefits to each corridors, promote large scale investment, and radically transform the spatial configuration while serving as an enabler for connecting the province with other provinces through logistics.

5.3.3.1 AIDC's role in the Development of the Northern Corridors

The Alternative Information and Development Centre (AIDC), is a subsidiary of the Gauteng Development and Growth Agency (GGDA), is located in Rosslyn north of Tshwane. Due to the concentration of the automotive component suppliers, the developmental focus of the AIDC is primarily focused on the Northern Corridor. AIDC will nevertheless continue with its collective efficiency improvement programme that addresses the needs across approximately, 100 companies over the next five years. A concerted effort will have to be made to keep on improving the component manufacturing base's international competitiveness. South Africa not only faces Brazil, India and China as the biggest international threats in the auto sector, but several African countries such as Nigeria, amongst others, are aspiring to establish automotive manufacturing capabilities.

The provincial strategy for the development of the automotive sector remains a key requirement to guide and inform investment opportunities and further development-related decisions for this sector. AIDC's focus, therefore, remains on the automotive and allied sector with a particular bias to provide facilitation and assistance to the various Original Equipment Manufacturers (OEMs) and Tier one, two and three suppliers.

AIDC's focus will be expanded over the next five years to include allied auto sector activities with regard to further growth anticipated in the local production of, for example; busses, heavy and medium commercial vehicles, utility vehicles for local government use and, construction and mining machinery and equipment.

Further investments into the automotive industry are directly promoted by DTI through the new Automotive Production Development Programme (APDP) which succeeded the Motor Industry Development Programme (MIDP) in January 2012. The Programme uses an Automotive Investment Scheme (AIS) rebate system to attract further investments resulting in the phase out of the Productive Asset Allowance (PAA) claims which ceased on the 31st March 2015.

- **AIDC's developmental contribution to key automotive focus projects**

Efficiency improvement which will be aimed at specific interventions within the Tier one and two automotive supply chain to improve global competitiveness, which in turn should improve prospects of higher returns. Approximately 22 individual companies will be assisted during 2015/16 financial year with the aim of achieving a 10% improvement. The lack of funding (About R 5 million per annum required, for manpower and supporting costs) makes the impact across the various auto manufacturers rather negligible. Funding will be secured from institutions such as the United Nations Industrial Development Organization (UNIDO) through the DTI and to also look at how to assist supporting sectors such as transport with Transnet in developing their supplier base further. AIDC also developed collaborative support structure with Japanese Government by providing expert advisors to the AIDC free of charge and provide subsidised training for automotive component manufacturers in Japan. For growth in the automotive component, manufacturing base looks promising given the expansion of OEM activities and exports that will directly benefit from the weaker Rand versus the other major currencies for the next couple of years.

- **AIDC Automotive Incubation Centre**

AIDC Automotive Incubation Centre is situated at Ford, Silverton. This facility had been developing six Black Economic Empowerment SMMEs, four in production of components for Ford, one attending to logistics and one canteen operator. The first of the six incubates are ready to be graduated out of the facility and will be replaced with a new entrant. Amongst these six incubates, some 200 jobs had initially been created and maintained. Training of operators at this facility is an ongoing process while challenges such as finding suitable work after graduation and finding the black entrepreneurs has proven also to be a challenge.

There is a lack of people with the ability to handle the technical production side of the business,

maintain good relationships with all customers, stakeholders and also pursue additional business in an entrepreneurial way. The management of poor performance and perceptions/expectations was another challenge experienced. The business of the incubations centre is highly dependent on the off-take demands of Tier one suppliers and the respective OEMs. Market influences are highly unpredictable, especially as the auto sector is operating on a global basis. Weak economic local growth prospects hamper business expansion however the establishment of a pipeline of suitable black entrepreneurs and proper/better/stricter contracting with incubates can make significant to the economic growth.

- **Gauteng Automotive Learnings Centre**

Gauteng Automotive Learnings Centre had been developed through GDED Jobs Funds Match Funding in support of Nissan South Africa, to secure the local manufacturing of the new Navarra pick-up range. The Learning Centre has developed a curriculum that is aligned with the auto sector skills needs; accredited by Manufacturing, Engineering and Related industries Skills Education Training Authority (merSETA). The Learning Centre utilises various facilities of the AIDC for on-the-job training, such as the Simulator at Ford and the Winterveld auto body repair facility. A target of 1595 students had been set for 2015/16 financial year with an anticipated job placement of 239. Challenges such as lack of resources and funding, caused by the moratorium on recruitment prevents the appointment of qualified teachers/trainers/moderators for the Learning Centre. As the AIDC is not a levy contributor to merSETA, it cannot claim any funding for skills development. Job placements in a declining local economy is another challenge but there are prospects of increased exports due to the weaker Rand. OEMs are being targeted to make use of the Learning Centre instead of other training facilities, utilising their skills levies from merSETA. Increased marketing of the facility is also explored to address some of the challenges. The decline (about 30% per annum over the past 3 years) in the allocation of MTEF funding for training projects is 'forcing' a more focused commercialisation, to make the Learning Centre financially independent over time thus making some profits that can be ploughed back into the auto sector which can be used to develop scarce and critical skills.

- **Nissan Investment Support Programme**

Part of the Nissan Investment Support Programme, is the building of another incubation centre that will host up to eight Black Broad Base Economic Empowerment (BBBEE) SMME to produce parts for Nissan. The incubation facility will be finished by 2016 and ready for operations by 2017.

- **Rosslyn Automotive Supplier Park**

The development of the Rosslyn Automotive Supplier Park (ASP) is being undertaken to create additional factory capacity to attract more component manufacturers into the park. One specific development, funded by the GDED, is an additional mini factory that will provide an additional floor space of around 6,000sqm. Phase one (3,000sqm) was completed end of March 2015 and the building is currently being prepared for tenant up-take. The second factory will be finished in 2016, pending budget confirmation of another R15 million for 2016/17. The lack of adequate funding makes it impossible to finish a readily rentable space. About 3800sqm are finished however, another 4200sqm is to be built. Approximately R15 million over and above the confirmed funding of R13, 4 million is required to finish the complete building. The prospects of finishing infrastructure projects like this increases the opportunities of attracting manufacturing companies to the ASP thus Gauteng faces a strong peripheral competition from the coastal provinces.

Due to the strategic nature and importance of the ASP, it inevitably remains another key focus area in the development of the automotive sector in the northern corridor. However, due to a lack of funding support to further develop the ASP, it cannot be optimally developed to cater for future demand as a result of growth in the automotive sector. ASP remains largely reactive to requests for expansion by the industry. A value proposition initiative was launched in 2013 followed by the development of potential investors. A total investment of between R1, 5 billion and R2 billion is needed for further development of the ASP's for the creation of a commercially viable entity that could be fully privatised in the next five to 10 years.

Further development of townships (under the TMR programme) had been initiated towards the end of 2014 and by the end of March 2015, AIDC completed two concepts that could be considered

for rolling out in certain townships. The first concept entails the dismantling, re-use and recycling of body parts and components from vehicles that had reach the end of their useful life. The second concept entails disposal of second hand tyre to extend its use.

Other concepts such as maintenance, repair shops and auto body repair hubs are being considered. A number of feasibility and concept studies will be undertaken during the course of the 2015/16 financial year. The lack of human resources and, budget constraints makes the delivery of this project unattainable.

- **Tshwane Auto City**

Another mega project the AIDC had launch some time ago, relates to the establishment of a R50 billion Tshwane Auto City (TAC). TAC will cover areas from Rosslyn to Hammanskraal and to Silverton, this would consist of the 'conversion/upgrading' of the Wonderboom airport as a logistics port. Funding is provided by the CoT and this is to run the Programme Management Office (PMO) with the detail feasibility studies and initial planning. An international benchmarking visit was undertaken to countries such as Spain, Morocco, Germany and Japan.

- **The Innovation Hub**

The Innovation Hub is Southern Africa's first internationally accredited Science and Technology Park (STP) and a full member of the International Association of Science Parks (IASP). Strategically located in Tshwane, East of Pretoria, Gauteng - South Africa's executive capital and 'smart' province, The Innovation Hub has become a regional centre of innovation and knowledge creation, linked to the fast moving world of global interconnectivity.

- **Innovation Hub Management Company**

TIHMC's (Innovation Hub Management Company) scope falls within the Northern Development corridor which is anchored around Tshwane as the nation's administrative capital and the hub of automotive sector, research, development, innovation and the knowledge based economy. In this regard TIHMC will promote and improve innovation through the following mechanisms:

- Fulfil TIHMCS role as an STP by fostering innovation and collaboration as well as enhance the growth and competitiveness of knowledge-based businesses. In this respect TIHMC through its incubation programme supports the development of technology start-up companies in the sectors of Smart industries, Green economy and Biosciences;
- Commercialising university based Resource and Development (R&D). In this respect TIHMC has initiated programmes with local universities to commercialise research emanating from local universities as well as supporting spin offs from this;
- Promoting the use of R&D tax incentive by companies;
- Providing Innovation Training to University students;
- Sector innovation forums to identify industry needs and constraints; and
- Convening an Innovation Advisory Panel that will propose new interventions to increase innovation within Gauteng.

TIHMC was identified as the implementing agency for the Gauteng Innovation and Knowledge Economy Strategy ("GIKES"), approved by the Executive Council (EXCO) in February 2012. GIKES seeks to accelerate innovation in all forms, in order to bolster and support the broader strategic objectives of employment creation, and sustainable social and economic development. TIHMC is identified as the key implementer of GIKES in a 'recapitalised' role that strengthens collaboration between R&D intensive institutions and industry, strengthens entrepreneurial activity, develops innovation-enabling skills, supports the growth of companies through provision of Value added Services, provides seed funding to bridge the market-entry gap, improves government service delivery, and leads to 'full development' of the Innovation Hub. TIHMC will establish new and continue to implement specific programmes identified in GIKES.

TIHMC programmes are aligned to the Radical Economic Transformation and Modernisation of the Economy, that is, two pillars of the TPP. The enterprise development programmes are instrumental in supporting these pillars as they offer incubation programmes to entrepreneurs by introducing new technologies in the market. TIHMC incubation programmes are aligned to targeted sectors of

technology such as Climate Innovation Centre for Green Economy, Maximum Incubation programme for ICT, amongst others. The Open Innovation Solutions exchange programme and Innovation Forums Innovation Advisory Panel intend to inform and promote research and development initiatives within the northern corridor.

TIHMC launched the eKasiLabs programmes in 2015/2016 financial year in Soweto and Garankuwa as part of the Township Economy Revitalisations (TER). eKasiLabs is a new programme initiated by TIHMC in collaboration with various municipalities and private sector partners in response to the need for inclusive innovation and in particular, township economy revitalisation.

TIHMC intends to setup township based innovation centres that will fast-track the establishment of sustainable and innovative enterprises to stimulate growth and the competitiveness in township economy thus contribute to job creation. These township innovation centres will serve as a platform for the township communities, especially the youth, with opportunities to have a meaningful participation in the conceptualisation and development of solutions that can contribute in transforming the townships economic landscape of the province. In particular, the focus will be on building a culture of innovation driven entrepreneurship in the township, and development of innovations and technology. These are vital for modernising the economy into a knowledge based economy whilst enhancing sustainability of township based innovation businesses through:

- State of the art facility, with appropriate innovation and entrepreneurship development tools accessible to the township communities;
- Specific programmes suitable to promote the culture of innovation and entrepreneurship in these communities;
- Identifying and supporting relevant and near-market innovation projects targeted at Local Economic Development (LED), social and service delivery challenges; and
- Forge strong linkages with township based industrial hubs, to bring life to these parks and revitalise manufacturing capability of entrepreneurs through exposure to industrial innovation, advanced technology training and market facilitation in medium to long term.

- **Winterveld Enterprise Hub**

Winterveld Enterprise Hub had been developed with co-funding from CoT and GDED. The Facility is a state of the art body repair shop that provides opportunities to the informal sector body repairers to be trained by professional master artisans with body repairs (panel beating) and spray painting. About five informal sector repairers make use of the facility, currently. Vehicle throughput is however problematic due to, the contracting model applied by g-Fleet for the repair of their vehicles. The idea is to get the Hub on a fully commercially viable operating basis and then hand it over to the Winterveld Community for continued operations. Challenges encountered relate to the lack of funding that makes the maintaining of operations extremely difficult as a result, the facility is coming to an almost standstill. Vehicle throughput is extremely poor and this makes financial/commercial viability extremely problematic and impossible to attain. The manner in which Government owned vehicles are contracted for repair, makes it impossible for the Hub's informal sector body repairers to be considered as they have no tax certificates nor any accreditation. CoT, South Africa Police Station (SAPS), Emergency Medical Services (EMS) and g-Fleet had been engaged to determine how the Hub could be used thus expand the business. Proviso commitments from the CoT, SAPS and EMS, and possibly g-Fleet can be honoured; the Hub can become commercially viable and financially sound.

5.3.4 Southern Corridor (Blue and green economy)

The economy of the Southern development corridor relies mainly on the steel industry. GPG's goal is to shift the economy of this corridor away from steel industry and diversify, to include tourism and entertainment and, agro-processing and logistics. The development of the new Vaal River City hydro polis aims to unlock the potential of the waterfront developments in the Emfuleni and Midvaal areas. The Vaal River City hydro polis is estimated to be worth, between R7 billion and R11 billion creating about 7 500 jobs in the construction phase. The second area of focus is to unlock the agricultural potential of Sedibeng will be unlocked as the food basket of GCR thus position the region as an agro polis.

5.3.4.1 Sedibeng Regional Sanitation Scheme

The Sedibeng Regional Sanitation Scheme (SRSS) is one of the catalytic Game changers projects. The Scheme is driven by the Department of Water and Sanitation, collectively with the Office of the Premier

and GPG at its entirety. SRSS will serve the Midvaal and Emfuleni Local Municipalities within the Sedibeng District Municipality, as well as the southern parts of Johannesburg. A three tier governance structure has been established to oversee progress at the political, technical, and implementation levels; and all the municipalities in the area are involved. The revised Phase 2 feasibility study is expected to be completed during 2015/16 financial year. Sebokeng Waste Water Treatment Works (WWTW) and Meyerton WWTW will be upgraded by 100 million litres per day (Ml/d) and 15 Ml/d respectively. Rand Water has been appointed as the Implementing Agent.

5.3.5 Western Corridor (Blue and green economy, tourism etc.)

The economy of the western corridor would focus on green and blue economic initiatives, tourism, agro processing and logistics. Lanseria airport and Maropeng world heritage site will be the main anchors of the new city and new economy of the West Rand. The corridor would be positioned as a hub of agriculture and agro processing, and a public private partnership would see the development of aquaculture projects such as prawn farming facility.

5.3.5.1 Energy

GPG is leading by example to implement solar Photo Voltaic (PV) roof-top on government buildings across all the corridors. This could stimulate local manufacturing of all or some of the components, leading to skills development of installers which will be useful when the embedded generation's regulations are approved by National Energy Regulator South Africa (NERSA). There are proposed solar farms in the West Rand however this will be online in more than 18 months as due diligence in this regard is not complete. For both the Western and Southern corridors, waste-to-energy feasibility studies are almost complete. The results of these studies, if positive, could lead to economic activity in the waste-to-energy sector thus ensuring energy security and job creation.

GPG has invested in the Randfontein milling facility as part of the transformation of the agricultural sector, this will ensure food security and stimulate economic activity in the Corridor. Furthermore, GPG is partnering with the University of Johannesburg (UJ) and other partners to invest in light manufacturing industries, deployment of solar technologies and solar manufacturing plants or solar farms as an area earmarked for renewable energy industrial development.

5.3.5.2 Tourism

In 2014, the number of international tourist arrivals reached 1,133 million, a 4.3% growth over the previous year. This result consolidates the fifth consecutive year of robust growth in international tourist arrivals following the 2009 global economic crisis. Data for the first months of 2015 confirm this trend, with international tourist arrivals growing by 4% between January and April, according to the June 2015 issue of the World Tourism Organization (UNWTO) World Tourism Barometer. It remains one of the fastest growing economic sectors in the world, and as communications' technology and air travel have compressed the world into an increasingly accessible global village, so has the competition for a slice of the travel market heated up.

Tourism is an unusual economic sector and challenges conventional conceptions of how production and consumption take place. It is an export sector, but the consumption takes place in the travel destination (as the consumers travel to the country of 'production'). It is a service sector, with most parts of the tourism value chain comprising an experience, not the purchase of a physical product or item.

Africa's international tourist numbers grew by an estimated 3% in 2014 to reach 56 million, while receipts increased by 3% to a total of US\$ 36 billion despite the impact of the Ebola outbreak in the region. However, a significant slowdown, with international tourist arrivals estimated to have declined by 6% between January and April 2015. For 2015, UNWTO forecasts international tourist arrivals to grow between 3% and 4% in line with the foreseen global economic growth of 3.3% as estimated by the International Monetary Fund (IMF). By region, growth is expected to be stronger in Asia and the Pacific (+4% to +5%) and the Americas (+4% to +5%), followed by Europe (+3% to +4%). Arrivals are expected to grow by 3% to 5% in Africa and by 2% to 5% in the Middle East. The UNWTO projects an inbound travel into Africa of just under 130 million visitors by 2030; which requires infrastructure investment so that the continent is poised to take full advantage of these future developments.

Tourism is an incredibly important sector in South Africa. Tourism contributed R103, 6 billion to the

GDP, or 2.9%. 655 509 people (4% of total employment) were directly engaged in producing goods and services consumed by visitors. The number of persons employed in the tourism industry increased 1.5%. Domestic visitors contributed 57% (R124, 7 billion) of total tourism spend in 2013, while international visitors contributed 43% (R94, 2 billion). Total tourism spend in 2013 was R218, 9 billion, a growth of 9, 7% on R199, 4 billion in 2012. Outbound tourism expenditure was R62, 6 billion, leaving tourism with a positive trade balance of R31, 6 billion to the benefit of the economy and foreign exchange earnings.

In spite of the steadily declining Gauteng's market share due to changing market conditions, the Province remains by far the leading provincial destination accounting for as much as 40% of all foreign arrivals. Gauteng represents 32% of the direct tourism labour market. Gauteng's tourism receipts contribute an average of R30 billion per annum to the provincial and national GDP.

5.4 Taking the Lead in Africa's New Industrial Revolution

As the most advanced economy on the African continent, South Africa is generally viewed as the gate way to Africa, for those seeking to invest on the continent. This viewpoint puts Gauteng (South Africa's number one economic hub) in a position to take advantage of the industrial revolution on the continent. Gauteng has undertaken an approach of exploiting its comparative advantage on the continent to further advance its economic objectives through strategic relations with other regions in other countries, by means of bi-lateral and regional blocks relations.

5.4.1. Strategic agreements and/or partnerships with other African countries

GPG strategic engagement with counter-part regions in Southern Africa and Africa have been centred on the strategic understanding and imperative that sustainable growth for the province and the country, is linked to continent's development and integration agenda. Engagements in the continent has been through regional projects initiatives such as the New Partnerships for Africa's Development (NEPAD).

Memoranda of Understanding (MoU) were developed and implemented with Democratic Republic of Congo and the Katanga Region, particularly in the area of transport infrastructure, gender and youth empowerment programmes, amongst others. Gauteng Africa International strategy has identified areas of strategic partnerships in West Africa, Southern Africa, East Africa and North Africa. The approach was adopted to take advantage of regional competitiveness opportunities in terms of trade, FDI and opportunities to create socio-cultural integration through skills transfer and a network of skills capacity within both the private sector and communities.

The engagement with continental economies and identified provinces constitutes the thrust of the Gauteng Strategy in covering regions, various corridors and growth poles such as Nampula, Maputo City and Manica province in Mozambique; key regions in Angola, Kenya, Ethiopia and Nigeria

5.4.2. SADC

Gauteng Africa International Relations Strategy considers Southern Africa and Southern African Development Community (SADC) as its strategic back-rock for regional integration. Southern Africa is the key focus of the gateway proposition thus most of South Africa's FDI is concentrated in Southern Africa, and most of the country African exports are destined for this region. Gauteng is repositioned for the movement of goods, people and capital mutually promoted through Southern Africa's developmental opportunities.

The strategic advantage for Gauteng to promote Africa's Industrial Revolution is considered within services infrastructure, logistics and tourism infrastructure advantages. Most of the key countries identified by GPG for partnerships in the continent are in Southern Africa; this consist of Mozambique, Zambia, Zimbabwe, Angola, and Tanzania. The competitive and complementary strengths for partnerships are canvassed and assessed on the basis of economic opportunities and demand for goods, existing trade agreements and opportunities in Gauteng; markets access and existing opportunities through regional and continental projects.

5.4.3. BRICS

Gauteng partnership with BRICS is within the promotion of trade and investments opportunities, social partnerships, skills transfer and development with key regions in China (Beijing, Chongqing and Shanghai), India (Hyderabad- Telangana), Brazil (Sao-Palo and Rio de ja negro) and Russia (St Petersburg). BRICS does not only constitute a global political power-block within the global political economy dominated by traditional markets in Europe and North America. Brazil, Russia, India, and China are economic powerhouses and represent the alignment of these outside.

5.5 Observations

- The progressive concept of innovation hubs which has seen the consolidation of knowledge based and innovation driven enterprises should be extended to townships to encourage the establishment of enterprises in this sector thus catering to challenges experienced within township areas.
- Tighter and stricter mechanism should be explored and put in place to ensure funds earmarked for infrastructure projects are spent in line with the three principle of economic, efficiency and effectiveness (the three Es).
- GPG should explore more strategic means of strengthening its partnership with stakeholders in the private sectors (i.e. funding agents such as pension and investment funds) to broaden the sources of funds that can channelled towards strategic infrastructure projects.
- Gauteng ought to take centre stage in the development corridors with established counter-part regions in southern Africa to strengthen trade and economic relations between countries in the SADC region.

5.6 Conclusion

- Re-industrialisation of the Gauteng economy is intended at boosting employment and economic inclusion through a coordinated effort between GPG and municipalities focusing on strategic infrastructure development. The Programme is key to revitalising the province's gradually de-industrialising economy thus building infrastructure networks that will allow for a generally conducive environment for individuals and industries alike to flourish. Driven in part by the GIIMP, the re-industrialisation of the province serves as a road map for all infrastructure related projects and seeks to construct key economic and social infrastructure that will address the province's infrastructure needs. Achievement of the re-industrialisation programme will find effect in various projects across the five development corridors, which through their various comparative advantages, will foster seamless integration of the province.

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