

**BUDGET ADDRESS BY HIS WORSHIP THE EXECUTIVE MAYOR OF THE CITY OF  
TSHWANE, COUNCILLOR KGOSIENTSO RAMOKGOPA, 22 MAY 2015, SAMMY  
MARKS COUNCIL CHAMBER, TSHWANE**

---

**Investing our shared wealth – building the People’s Capital**

Madam Speaker of Council;

Representatives of Chapter 9 Institutions;

Chief Whip of Council;

Leader of Council Business;

Members of the Mayoral Committee;

House of Traditional Leaders – *Magoshi le bashomishane mmogo ba bona*;

Your Excellencies, Ambassadors and High Commissioners;

Leaders of Faith-based Organisations;

Fellow Councillors;

Leaders of the Business Community and Civil Society;

Distinguished Leadership of our Academic Centres of Excellence;

City Manager and Senior Managers;

Members of the Media;

Comrades and Friends;

Fellow Citizens

Madam Speaker,

We are taking another step as we wander into our long journey towards 2055, when generations after ours will celebrate the centenary of the Freedom Charter and look back into what we did and did not achieve and ask us if indeed our actions, policies and programmes were about what our forefathers envisaged when they proclaimed in 1955 that “the People shall share in the Country’s wealth”.

Madam Speaker,

It is this profound call by the gathering of our people in Kliptown that inspired us to make the decisions we have made in determining the resources we put into investing our people's wealth, thereby radically transforming our economic pace and building a People's Capital. We are convinced that our people themselves can create a poverty-free world and all we have to do is to free them from their chains and shackles, which have rendered them powerless to gain access to the resources they need to feed and fend for themselves.

*The global and local macroeconomic context*

Madam Speaker,

It is prudent for us to ensure that the 2015/16 Medium-term Revenue and Expenditure Framework is, in part, shaped by the ever-changing global and local macroeconomic environment that the City finds itself in.

Since the recent economic crisis, the global economy has been on a slow road towards recovery. It is more evident than ever that the role of emerging economies should not be underestimated; despite the slowdown in growth of emerging and developing economies, they accounted for approximately three-quarters of global growth in 2014. Economic growth is forecast to be stronger in 2015 for advanced economies, with emerging economies expected to experience continued subdued growth, while nevertheless continuing to remain relevant.

Madam Speaker,

Headline inflation declined in advanced economies as a result of the decline in oil prices and lower prices for other commodities. A decline in inflation was also experienced across emerging economies as a result of the indirect effect that lower global oil prices had on the economy. However, given the complex nature of the global economy and the slow recovery of the oil price, which has since been rising again, it is crucial that we take cognisance of the potential that such effects could exert on the disposable income of ordinary households.

Within the South African context, inflation is currently within the inflation target range and is likely to remain within this range in the near future, as expectations place inflation at 5.5 percent for 2015 and 5.2 percent in 2016. The effects of lower oil prices in the domestic economy are evident with lower inflation trends being observed, which will assist citizens in the short term, but the benefits from the decrease in oil prices are not expected to persist, as a result of increased monetary pressures placed on citizens through a significant increase in fuel levies, the volatility of the rand, upward adjustments in personal income tax and likely policy adjustments as a result of international market pressures.

In the development of our MTREF, we remain acutely aware of the pressure that such global and local developments place on the residents of Tshwane. On average, since 2008 real disposable income has grown by only 3 percent per year, and given the compounding effect of price increases on disposable income levels, the net effect of price increases has forced residents to change their behaviour. This is further corroborated by the fact that the buying

power of residents has been declining at approximately 1.6 percent per annum in 2012 and 2013.

Considering the geographical size and spread of the land area covered under the jurisdiction and service delivery footprint of Tshwane, transport costs are a key consideration for residents and with the effective reversal of the decrease in the fuel price and the depreciation of the rand, it is likely that residents will face increased private transportation costs, placing further strain on the disposable income of our residents, particularly poor households.

Madam Speaker,

The South African economy is expected to grow at a subdued rate of 2 percent in 2015, with a growth projection of 3 percent by 2017. This is largely a result of the hamstrung energy supply and the direct effect this has on economic activity. Nationally this constraint is being addressed by stepping up maintenance, renewing existing and establishing new co-generation agreements, expediting the completion of new power stations, inviting independent power producers to provide electricity and exploring alternative renewable energy sources at the national and local levels. As pronounced in the State of the Capital Address, we are committed to addressing this national constraint through our concerted effort towards renewable energy alternatives as well as the refurbishment and the injection of operational efficiency measures pertaining to the City's power stations.

Madam Speaker,

Twenty four percent of our country's population reside within the borders of Gauteng, the smallest province in the country, accounting for just over 1 percent of our country's land mass, thus making it the most densely populated province in the country with, on average, 698 people per square kilometre. As a result, Gauteng remains a key economic hub for the country and the largest contributor to the country's GDP with a contribution of over 35 percent playing a key role with respect to international trade as it accounts for more than 50 percent of the country's international import orders and 60 percent of South Africa's export orders.

The role of Gauteng as a job creator is of the greatest significance at the national level. There are over 6 million economically active citizens in the province, which accounts for approximately 32 percent of the national economically active population. Gauteng has on average five times more buying power than any other province in the country and has the highest GDP per capita across provinces. Furthermore, the province accounts for 35 percent of national total annual disposable income and has the highest annual per capita income. Despite this, and the declining unemployment rate since 2010, the province still faces a stubbornly high unemployment rate of 25.1 percent.

Globally, given the changing city narrative and the emergence of the city state, it has become undeniable that the role of cities is crucial for the development of national economies. This is no different for South Africa, as metros accounted for 54 percent of national employment and 60 percent of national GDP.

In the South African studies, over the past twenty years, Tshwane features as growing very strongly, particularly when compared with other metropolitan cities, growing at an average of 4.3 percent per annum between 1996 and 2013. While benefitting from being a centre of national government and administration, where our economic growth has been cushioned from recessionary effects, Tshwane's industrial base has also performed quite well. Analysis undertaken by Turok and Borel-Saladin clearly demonstrates the consistent growth of the city over the past 20 years. Furthermore, Tshwane has the second highest per capita GDP across all metros and the third largest annual total disposable income. Tshwane accounts for approximately 28 percent of provincial GDP and 10 percent of national GDP. However, socioeconomic challenges remain with vast disparities continuing to affect our potential levels of social cohesion as a city.

Interestingly, although Tshwane has performed well, some argue that despite the high contribution to national GDP and GDP growth by Gauteng, the province is in fact underperforming in terms of its GDP growth per capita. Employment and participation in Tshwane's economy have improved significantly since 1996, with Tshwane having one of the lowest unemployment rates in the country, currently at 21.5 percent, with employment in Tshwane increasing by 61 percent since 1996. While the rate of unemployment seems favourable within a national context, it is still stubbornly alarming when viewed from a global perspective and potentially undermines our GDP per capita potential as a nation.

Significant progress has been made over the last 21 years. However, despite these successes, challenges remain, the most significant being that of poverty and inequality. Tshwane is characterised by large disparities, both across income and access dimensions, reflecting that of South Africa, and the City is actively working towards mitigating these challenges through various employment and business opportunities such as Tshepo 10 000, the EPWP and preferential procurement policies to address historical legacies of the past. Due to the complexity of the problem, there is no quick solution, though. One cannot ignore the racial inequality across space, which has not changed significantly since 1994. Of course spatial racial inequalities compound income disparities when one considers the travel times taken for workers to access economic opportunities.

Central to the eradication of our socio-economic challenges is the modernisation of our nation's economy, institutions and society, as these are a core component of the transformation process and inextricably exert fundamental impacts on human life from a sociological perspective.

The country has been investing a significant amount of resources towards employment creation; the target as asserted within the NDP is to reduce the unemployment rate from 24.9 percent in June 2012 to 14 percent by 2020, and finally to 6 percent by 2030. In order to improve the living standards of the citizens of South Africa, the NDP highlights the need to increase the incomes of the bottom 40 percent earners from the current 6 percent to 10 percent by 2030. This can be achieved through increasing the regulated minimum wage while opening up new employment opportunities.

The main stance as per the NDP involves a chain of developments leading to a sustainable economic scenario with a cycle that feeds from within itself. Poverty alleviation is expected to be a consequence of improved living standards accompanied by growth and increased job creation opportunities. An effective government that is people centred is bound to perpetuate an active citizenry, which will in turn lead to increased opportunities and thus better living standards.

Tshwane Vision 2055 defines the City's chosen development path aimed at fostering economic transformation and spatial justice. The City's development efforts can be monitored with the progress achieved thus far towards fulfilling our vision. Vision 2055 is aligned with the NDP and is also supplemented by short-term and medium-term strategic plans, whose implementation is meant to culminate in the manifestation of our long-term future.

The City is near the finalisation of its Sustainable Inclusive Growth Implementation Strategy, which has quantified the city's contribution to the nation's NDP targets, and clear interventions have been defined over the short, medium and long-term. Without accounting for Tshwane having to grow faster than the nation, just in order to meet the NDP targets, Tshwane's GDP will need to increase to 5.4 percent and GDP per capita will need to increase by 2.2 percent. This implies that the city's economy will need to more than double by 2030 and almost one million new jobs will need to be created. This is three times the number of jobs that have been created over the last fifteen years, thereby providing a snapshot of the work ahead of us all. These initiatives will only bear fruit if we all come together.

Madam Speaker,

In the delivery of the Capital City's MTREF, we will focus on outlining our investment interventions aimed at contributing towards the eventual reversal of this situation through the creation of enhanced access to shared wealth. Our resolve to continue working towards enhancing the welfare of our citizens will become increasingly evident.

The 2015/16 IDP marks the last year of the 2011–2016 Council term and we are thus ensuring that we conclude on promised deliverables of the five-year IDP. The City has continued to strengthen the involvement of its citizens in planning and budgeting processes on an annual basis, the culmination of which is based on the needs of our communities. The financial allocations outlined today are essentially informed by City-led developmental programmes and priorities to ensure that our current commitments are met, if not exceeded. This includes: the provision of basic services, urban management, the formalisation of informal settlements, the conclusion of social services and recreational facilities, economic development initiatives, the acceleration of free Wi-Fi, the expedition of A Re Yeng and sustainability and alternative energy. Over the current five-year period, the City has made an investment of approximately R20 billion on its capital infrastructure and we have consistently spent in excess of 93 percent of our capital budget.

Madam Speaker,

Vision 2055, whose outcomes are anchored on the principles of the Freedom Charter, is our point of departure for the 2015/16 MTREF, while simultaneously ensuring that the City is fiscally sustainable into the future. The prudent management of public finances, which represent our shared wealth, is central to the City's operations. In order to achieve this, we have previously announced that the City has embarked upon its balance sheet restructuring and optimisation programme, which seeks to identify alternative sources of revenue, improve operational efficiencies, restructure our asset portfolio and explore alternative funding models in support of exponentially growing infrastructure demands.

As a result, we reviewed our current levels of spending within prudent financial limits, thereby necessitating the rebasing of our budget. The City is budgeting for a surplus of R584.9 million in the 2015/16 financial year, thereby representing our commitment towards ensuring fiscal sustainability. Furthermore, over the last MTREF, our total revenue, excluding capital transfers, was R65.4 billion and within the next three-year cycle, we expect the City's revenue to grow to R83.9 billion, constituting an increase of 28.3 percent as compared to the past three years. This is even within the context of collection levels projected to reduce over the medium term, as we need to be realistic with respect to our future to ensure prudent financial management.

In terms of total expenditure, we have spent R66.5 billion over the past three years, and in the next MTREF, the City's operating expenditure is projected at R81.8 billion. The upcoming year presents an expenditure plan of approximately R29 billion, which includes an operational budget of R25.1 billion, against operating revenue of R25.7 billion. The capital budget of the 2015/16 financial year is R3.9 billion and approximately R12.1 billion over the MTREF, which includes grant funding, borrowings and our own funding. This represents an increase of 4.9 percent on operating revenue as well as a 4.7 percent increase on operating expenditure in comparison with the 2014/15 adjustments budget.

### *Investing in radical economic transformation*

#### *(i) Connectivity and inclusive growth*

Madam Speaker,

Aligned to our recent commitment made in the State of the Capital Address to treat Wi-Fi as a basic and free service, we have allocated R300 million towards the free Wi-Fi project over the current MTREF cycle, with R100 million for the 2015/16 financial year. We will, by the end of 2016, roll out Wi-Fi in a manner that ensures that each and every Tshwane resident is connected within a one kilometre radius from their place of residence!

Madam Speaker,

In our endeavour to create a world-class knowledge and technology hub to advance knowledge transfer, the City is investing R74 million in a high-profile Interactive Digital Centre, which is a facility that utilises visual reality to educate, train and support the local industry while creating entrepreneurial opportunities.

This digital centre will enable the transfer of knowledge twelve times faster than in a normal classroom set-up by creating three-dimensional computer models. For instance, the training centre will be able to create a model of a water pipe that needs to be fixed in a classroom and learners will be able to work on the model while being taught how to fix the pipe without being on ground, thereby enabling practical experience. This initiative will create educational value and new jobs within Tshwane.

*(ii) Decent employment*

Madam Speaker,

Generally, the middle class accounts for 50 per cent of wealth within a nation and the remaining 50 percent is divided between the rich and poor. South Africa is a severe outlier in this regard, as the top ten per cent of South Africans earn 35 times more than the bottom ten per cent. Compared to inequality levels within the US, South Africa is ten times worse off; and compared to the global average, twelve times worse off. However, it is important to mention that while the Gini co-efficient within South Africa is at an unacceptably and astronomically high level, this is a global phenomenon.

Social transformation seems to be the most obvious response to the persistence of poverty. Poverty is a structural problem inseparable from power relations that have defined the making and remaking of the political economy and society over the last four centuries – and magnified during the past one. Our socio-economic systems are the result of the evolution of patterns forged, inter alia, by the industrial, democratic and information revolutions. These systems have produced an unprecedented quantity of resources and a high standard of living for a minute portion of the world's population, while continuing to keep the vast majority poor.

Within the current financial year, the City has a target of creating 40 000 EPWP work opportunities; a target which we are confident that we will meet with the last financial year's target being significantly exceeded. Aligned to our commitment of contributing towards the reduction of unemployment within Tshwane, the EPWP has been allocated a total budget of approximately R415 million over the MTREF period, which includes R164.8 million in the 2015/16 financial year.

Madam Speaker,

*(iii) Cooperatives and SMMEs*

Madam Speaker,

During the State of the Capital Address, we highlighted clear progress on the Tshepo 10 000 project, wherein R273 million would have been contracted to Tshepo 10 000 cooperatives by the end of May 2015. In addition to these contractual agreements, in the 2015/16 financial year an amount of R20 million has been allocated to the training of 177 Tshepo 10 000 cooperatives. Over and above these allocations, we will also invest an amount of R27.9 million towards the implementation of various local economic development programmes in all Tshwane regions, which include cross-sectoral SMME and cooperative mentorship programmes.

*(v) Investing in the informal sector and the revitalisation of township economies*

Madam Speaker,

In the State of the Capital Address, we strongly affirmed our commitment towards the informal sector, including R100 million towards infrastructure development over the next five years, which includes the development of stalls in Pretoria North and Cullinan in the 2015/16 financial year, at a cost of R5 million.

Madam Speaker,

In order to accelerate the revitalisation of township economies, we have outlined core projects aimed at supporting the current trajectory of these important economic hubs. Within the current financial year and the 2015/16 financial year, we have allocated the following amounts to these projects in respect of which the City will enter into off-take agreements with the businesses concerned:

- Our commitment towards our continued support of the success of the Eco-Furniture Factory in Ga-Rankuwa, which includes Tshepo 10,000 beneficiaries, is demonstrated by an allocation of R1.5 million for the payment of rent and utility services;
- The youth-owned township bakery facility in Soshanguve will be implemented in the current financial year at a cost of R3.8 million;
- The first car wash facility will be implemented this financial year at a cost of R6.6 million;
- The brickmaking facility in Mamelodi has been allocated an amount of R4.9 million;
- The paper towel manufacturing facility has been allocated R3 million for the construction of the factory; and
- The fresh produce facility will receive an amount of R13.5 million from the City's capital budget over the next three years, which includes an allocation of R3 million in the 15/16 financial year for its construction in Marabastad.

Fellow Citizens, it must be noted that this is the first of many such initiatives still to come!

*(vi) Promoting trade and investment*

Madam Speaker,

An amount of R233.3 million has been committed over the next three years to the development of the BPO Park in Hammanskraal, which will also contribute towards the development of SMMEs. This includes an amount of R54.1 million in the 15/16 financial year, which will firmly work towards the commencement of construction of this state-of-the-art facility.

In order to contribute towards the creation of an investor-friendly environment, the City of Tshwane's Incentives Policy seeks to attract investors who will bring the expertise, funds and capacity to develop new structures and industries. This initiative was born out of the realisation that the City of Tshwane will not achieve its desired growth and development without cultivating the right environment, efficient processes, proactive but sustainable policies and funding strategies of its own. However, in order for the City to make use of rates as a form of incentive to potential developers, it is necessary that our property rates policy

prescribes the granting of such a rebate through the utilisation of the Municipal Property Rates Act.

The Draft 2015/16 Rates Policy has been amended to add additional categories of ownership. The first category concerns land alienated by the City after January 2015. Through this category, the City aims to offer various property rate rebates on land alienated by Council to a transferee after being developed and lawfully occupied. It also makes provision for previously disenfranchised owners of small and medium businesses, targeting investments between R5 million and R50 million in the city. The second category targets the owners of catalytic investment properties, and offers a rebate of 50 percent over a maximum period of five years for investments greater than R400 million. In this regard, investors and developers will be eligible to apply to the City for rate rebates.

The policy aims to facilitate increased investment and development within Tshwane and requires collaboration between the private and public sector to guide development in line with Tshwane Vision 2055 in an endeavour to foster transparent and accountable working relationships among all stakeholders involved.

Madam Speaker,

The Tshwane Economic Development Agency, TEDA, our implementation agent for core City programmes, is central to many of these initiatives and a grand allocation of R54.1 million has been allocated in the 2015/16 financial year.

*(vii) The Tshwane Fresh Produce Market and the Tshwane Agropolitan City*

Madam Speaker,

As pronounced in the State of the Capital Address, the Fresh Produce Market has grown by 13 percent from a revenue perspective over the 2013/14 financial year, producing a favourable surplus. The total budget of the market for the 15/16 financial year is R118 million, which includes a financial allocation for the market trading system and the upgrading of facilities to begin an exercise to comply with export regulatory requirements.

It is estimated that the market will require an investment of R450 million for infrastructure development and enhancement for it to be able to handle the projected volumes required to maintain its current market share by 2025. Given competing service delivery needs, the City has applied to National Treasury through the Department of Agriculture, Forestry and Fisheries for funding, which is currently being processed. In this regard, a decision is expected by the end of the current financial year.

Madam Speaker,

Aligned to our conscious decision to transition to a low-carbon, resource-efficient and climate-resilient city, the Tshwane Food and Energy Centre in Rethabiseng, known as the

Tshwane Agropolitan City, has been allocated R20 million towards this development that will optimise the entire food production value chain, and contribute towards the development of SMMEs as well as renewable energy generation. Implementation will be phased over three years, and an allocation of R60 million over the MTREF has been dedicated for this purpose. Turnover is estimated at R7 million in the first year and R21 million and R84 million is the two subsequent years, that is, 2016 and 2017.

*Investing our shared wealth towards enhanced spatial justice*

*(i) Towards a new spatial landscape through catalytic investment*

Madam Speaker,

In line with the Honourable Premier's assertion of the importance of the Northern Corridor as a development anchor for the Gauteng City Region, we have outlined catalytic developments that will transform Tshwane's spatial landscape. These include: (i) the R6.1 billion African Gateway development in Centurion, (ii) the Government Boulevard development, (iii) the West Capital, (iii) the R4 to R6 billion East Capital development, and (iv) the R100 million Caledonian Inner City Park development. These projects were initiated by the City and their implementation will be effected through public-private partnerships as well as private sector led investments, with the exception of the Caledonian Inner City Park.

*(ii) Infrastructure services to our people – our real wealth*

Madam Speaker,

We are proud of the commitment we have maintained with respect to prioritising infrastructure provision within previously disadvantaged areas of Tshwane aimed at the continued advancement of the physical and economic mobility of our residents.

We committed to the development of two new cemeteries which will alleviate the burial challenges experienced by communities in the north of Tshwane; in this regard, we will be investing an amount of R62 million over the MTREF period.

Madam Speaker,

During the State of the Capital Address, we spoke at length about the restoration of dignity to all Tshwane residents by providing housing, security and comfort. Our flagship *Re aga* Tshwane programme, which will formalise various informal settlements across Tshwane, includes the installation and upgrading of services, such as water, sanitation, electricity and roads. In addition, the programme will provide street signage, which will include township tourism and leisure establishment signage as well as street names and directional signage, utilising Tshepo 10 000. The *Re aga Tshwane* programme has been allocated a budget of R913 million over the MTREF, which includes an amount of R264 million for the 2015/16 financial year.

In addition, our housing mega projects, which will deliver over 180 000 housing units over the next five years, will require a budget of R36.9 billion, as communicated in the State of the Capital Address. A total of R200 million in the 2015/16 financial year will be spent from the Urban Settlements Development Grant (USDG) to deliver on the commitment of 5 000 serviced stands. In addition, various funding sources to implement the remaining mega projects have been explored and these include: the USDG, the Human Settlement Development Grant, the Restructuring Capital Grant and partnerships with the private sector to accelerate service delivery.

Madam Speaker,

We have also previously outlined a bold commitment towards the development of affordable rental units across Tshwane, which will generate a total of 5 355 units over the next three years. In this regard, within the 2015/16 financial year, Housing Company Tshwane has committed R4.9 million to commence with the installation of services for the 900 units to be developed in Townlands and a further R4.2 million to finalise detailed planning for the 320-unit Timberland development. In addition, the 720-unit development in Chantelle Extension 39, to be developed over three years, requires a total of R30 million for the installation of services within the 2015/16 financial year. An amount of R10 million will be utilised from the USDG with the remaining amount leveraged from the private sector. Furthermore, Housing Company Tshwane will receive a grant allocation of R8 million from the City within the 2015/16 financial year.

Madam Speaker,

We reiterate that access to electricity and lighting contributes towards the reduction of crime and, ultimately, the creation of a safer city, and true to that belief, we have accelerated the public lighting infrastructure programme and have installed a total of 2 731 street lights and 58 high-mast lights in the 2013/14 financial year. In this regard, a budget of R70 million has been allocated towards the expansion of public lighting in the 2015/2016 financial year within a total budget of R210 million over the MTREF. Through the effective utilisation of this budget, a total of 2 500 new streetlights and 35 new high-mast lights will be installed across Tshwane.

Accordingly, the Services Infrastructure Department has been allocated a total of R802.5 million for infrastructure projects to be executed in the 2015/2016 financial year. From the allocated budget, R447.5 million will be invested within energy and electricity, and water and sanitation will receive an amount of R355 million.

Madam Speaker,

A budget of R100 million has been earmarked for new bulk infrastructure for the construction of new substations and upgrading of the capacity of the existing substations to cater for the development and growth in electricity demand. In this regard, new substations will be constructed in Soshanguve Block JJ, Monavoni and Hatherley. Furthermore, to ensure that our infrastructure can stand the test of time, substations in the Bronkhorstspuit, Mamelodi, Kentron in the Highveld area, and Eldoraigine will be upgraded.

Madam Speaker,

Decent access to shelter must be accompanied by access to energy for all citizens of Tshwane. As a result, the Electricity-for-All programme has been allocated a budget of R157 million in the 2015/2016 financial year and R620 million over the MTREF period. This budget will enable the realisation of the electrification of 7 000 new households. The programme is currently focusing on electrifying formal and informal areas under the formalisation programme by the *Re a ga Tshwane* team. The Electricity-for-All programme is being accelerated in the current year and will be continuing in future financial years. The following areas will benefit from the 2015/2016 electrification programme:

- Mahube Valley Extension 15
- Olievenhoutbosch Extension 27
- Pienaarspoort
- Kameeldrift
- Soshanguve Extension 19
- Fort West Fort Extension 5
- Zithobeni Extension 9

In addition, Eskom will electrify the following areas:

- Dewagendrift
- Chris Hani (Kudube Unit 3 in Hammanskraal)
- Winterveld
- Slovoville

Madam Speaker,

The investments that the City of Tshwane has been making in the provision of electricity have yielded a positive result over the years. The Statistician General in the 2011 Census states that electricity access in Tshwane is 88.6%. However, with the dawn of democracy and the election of new leadership by popular vote, we have inherited a city with aging electricity infrastructure and obstinate backlogs. In order to address all the backlogs of electricity provision, the City would have to allocate over R350 million of its resources towards that outcome.

Madam Speaker,

Electricity distribution losses were 14.25 percent in the 2013/14 financial year, projected to fall to 10 percent in the 2015/16 financial year. Among the causes of electricity distribution losses are illegal connections, by-passing electrical wires and aging infrastructure.

Through programmes such as *Re a ga Tshwane*, we are providing informal settlements with legal connections to electricity, thus reducing illegal connections and minimising distribution losses. The programme is complemented by the war room programme of *Operation Kuka Maoto*, which removed 393 illegal connections within a two-month period; this is set to continue. The losses that occur as a result of ageing infrastructure are, however, more complex. The City would have to make an investment of over R4.1 billion to eradicate the refurbishment backlogs and address electricity demand, excluding investments that are required for infrastructural upgrades of regional distribution networks.

Madam Speaker,

The City in its endeavour to provide basic water and sanitation services to its residents will spend over R350 million in the new financial year. Among other projects, we will spend R90 million on the replacement and upgrade of waste water treatment works; R 90 million on the refurbishment of networks and backlogs; R59.5 million on bulk pipe replacements; R57.5 million on reservoir extensions; R80 million on the lengthening of networks and pipelines; and R18 million on the replacement of worn-out pipes. In addition, 3 500 water connections will be installed at a cost of R19 million and 350 households will be provided with sanitation services at a cost of R20.5 million.

As part of our programme to eliminate water losses, we will deploy the Tshepo 10 000 brigade to implement our War on Leaks programme, and for the first time employ their services to support the construction of 10 mega litres at the Klipgat Hospital reservoir and the installation of associated pipework. The total budget devoted towards this programme is R12 million in the new financial year.

The Sandspruit Works Association, our municipal entity, will receive a grant allocation of R172.9 million to continue to complement water supply to our communities in the far north of Tshwane.

Madam Speaker,

According to Census 2011, 89.2 percent of the population of Tshwane have access to potable water within their households, while 7.4 percent access water through communal standpipes. In spite of these strides, Tshwane is located in one of the most water-stressed geographical areas in the world, where national water losses are estimated at 36 percent of the total water resources of the country. Of the 36 percent, 25.5 percent is made up of real losses. Within the context of Tshwane's vast geographic expanse and intricate web of bulk services, the main causes of real losses are undetectable leaks, burst pipes as a result of ageing infrastructure and illegal connections. The City currently experiences, on average, approximately 50 000 leaks per annum. In order to curb these leakages, the City would have to invest upwards of R2 billion to completely overhaul infrastructure that has long exceeded its life cycle. It is obvious from the figures provided that the City's fiscus will not be able to cover these needs.

Madam Speaker,

In the recent State of the Capital Address, we announced our plans to turn around the manner in which we optimise the potential of waste in Tshwane. The plans announced are long-term interventions and require collaboration from each and every citizen within Tshwane. For example, our sustainability interventions will only work if all residents begin to separate waste at source. To this end, we will invest R5 million for the provision of receptacles for recyclable waste and to embark upon awareness campaigns in targeted communities where waste collection services and infrastructure support the collection of separated waste, for instance buy-back centres and waste recovery facilities.

Our projected revenue for the waste management service is R994 million within the 2014/15 financial year, and it is expected that our revenue will increase to R1.14 billion in the 2015/16 financial year. However, the programme of standardising service levels across Tshwane has a long way to go. There is still a need to provide 200 000 240-litre bins in the eastern and northern areas of Tshwane, and an amount of R10 million has been budgeted for this programme, which will continue in subsequent outer years.

*(iii) Sustainable mobility and integrated public transport*

Madam Speaker,

As we commit to bring our people closer to work and work closer to the people, we need our infrastructure to be of the highest quality, in addition to being safe and sustainable. Our roads are the arteries and veins in which the life blood of our economy moves. Without this, we cannot inject energy and vigour into our economic hubs. We allocated R672m for the 15/16 year for the roads and transport budget, which will focus on the eradication of road and storm water backlogs and addressing areas that are prone to flooding. The main focus in the 2015/16 financial year regarding the provision of roads and storm water systems will be the Soshanguve, Mabopane and Winterveld areas with an allocation of R347 million, and the Mamelodi area, where an amount of R50 million has been budgeted for this purpose. The upgrading of the Mabopane Station modal interchange will continue to improve facilities and integrate public transport within Mabopane and surrounding areas. An amount of R55 million has been allocated for this purpose.

Aligned to our commitment to create a resilient and resource-efficient Capital City, we remain proponents of an environment that is conducive to various forms of non-motorised transport (NMT) with a total of approximately R40 million being spent within the 2015/16 financial year to improve non-motorised transport facilities towards the development of various station precincts in the Sunnyside area.

Park Street will be upgraded to include a dedicated cycle lane that will link Sunnyside with the University of Pretoria as part of the planned NMT upgrades. Further to the NMT facilities that will be provided under the *A Re Yeng* project, our transport team will continue with the Shova Kalula (Pedal Easy) project to provide cycling facilities in line with the City's NMT Master Plan. An amount of R10 million has been allocated for this purpose, and to ensure that our roads and roadsides are cycling and pedestrian friendly and safe, we have allocated a further amount of R63.4 million towards our proactive maintenance plan, which will be utilised in terms of the City's pavement management system.

Madam Speaker,

To this effect, we can announce the following additional investments in our *A Re Yeng*:

The construction of a public transport hub in Wonderboom (Rainbow Junction) will allow for the seamless integration between rail, the *A Re Yeng*, mini-bus taxis, non-motorised transport and park-and-ride facilities, and will commence within the 2015/16 financial year.

The total cost of this public transport hub is R260 million over the next two financial years, with R100 million being allocated in the 2015/16 financial year.

We committed to the completion of the A Re Yeng line from Wonderboom to the CBD by November 2015 in the State of the Capital Address. In this regard, a total amount of R25 million is committed to the completion of the Wonderboom to CBD line as well as associated stations in the new financial year.

Aimed at easing access to mobility for our communities within the near east, the extension of the service to Menlyn and ultimately Mahube Valley in the east of Tshwane will see the commencement of construction along Lynnwood and Atterbury Road respectively. Our total investment in this regard amounts to R420 million over the next two financial years, with R70 million allocated in the 2015/16 financial year.

Madam Speaker,

As previously pronounced, the City has procured 84 buses for the next phase of the A Re Yeng through the Bus Operating Company at a total cost of R243 million. This includes 40 compressed natural gas (CNG) buses at a total of R116 million, all arriving by December 2015 and further demonstrating our commitment towards sustainable mobility.

In addition, construction will commence on the Belle Ombre Bus Depot, which will allow for the refuelling, parking and maintenance of the TRT bus fleet comprising buses that are fuelled by both compressed natural gas (CNG) and diesel. The total investment in the depot is R160 million, with R110 million committed towards this development in the new financial year.

Madam Speaker,

Many of these initiatives outlined will be funded primarily by the public transport infrastructure grant (PTIG) and the public transport network operating grant (PTNOG), which have allocations of just under R3 billion over the MTREF. We have invested R2.2 billion in the *A Re Yeng* and we are planning to spend another R2.3 billion over the MTREF period.

Aligned to our commitment to expand access to public transport and develop an integrated public transport network, with Tshwane Bus Services already having procured 120 new buses, an operational budget of R271.8 million has been allocated for the 2015/16 financial year as a part of our turnaround strategy. A total of R 42.8 million has been budgeted to ensure that our fleet, new and old, is always roadworthy and safe to carry passengers, and a further R57.4 million has been budgeted to service the maintenance lease contract for the 120 new buses already procured. In addition, an amount of R2.28 million makes provision for the fleet and fuel management system, which is a key element of the turnaround strategy.

Madam Speaker,

We have made some exciting announcements with respect to the expansion of Wonderboom Airport's service offering. The operating budget for Wonderboom Airport amounts to R79.15 million. This amount is made up of expenditure of approximately R111 million and operating revenue of around R32 million. Accordingly, we remain committed to our previous pronouncements in the recent State of the Capital Address with respect to the process of re-engineering the business and operating model of Wonderboom Airport.

We have announced that our remaking of the Capital City will not only be representative of substantive change in our lives, but should introduce a new look and feel of our Capital. Our ambition for going back into the future through the introduction of a light rail tram mode of transport is promising. During the 2015/16 financial year the department will further develop a bankable feasibility study, following the completion of a pre-feasibility study, with the aim to explore a public-private partnership procurement process and prepare funding applications.

*(iv) A sustainable city is possible – investing in a sustainable future for all*

Madam Speaker,

As mentioned in the State of the Capital Address, we have initiated a number of sustainability interventions to respond to the continuing challenges of climate change and environmental degradation. As the City of Tshwane aims to drive investment in sustainable development, an important aspect will be to define the role of external private capital, as public finances alone will not be sufficient to close the funding gap.

As a result, the City is not planning to spend vast amounts of funds on the implementation of these projects, but will allow access to our facilities and thus craft innovative revenue-sharing arrangements with implementers to diversify our revenue streams. We will continue to mobilise substantially increased investment in key areas including renewable energy, low-carbon transport, energy-efficient buildings, clean technologies, improved waste management, improved water provision and sustainable agriculture.

In the 2015/16 financial year, to further demonstrate our commitment to sustainability, we have allocated a total amount of R70 million for our street light programme, which will be achieved through the installation of light-emitting diode (LED) lights throughout Tshwane. These lights will not only ensure that the city is well illuminated, but will enable the realisation of significant energy savings. For example, a LED light bulb consumes up to 8 watts of electricity as opposed to the 60 watts consumed by a conventional light bulb. These savings will also enable us to cover a much wider geographical area.

*Investing in our society through equitable access*

*(i) The creation of a liveable and caring city*

Madam Speaker,

As an NHI pilot city, we are pleased to confirm that clinics upgraded in the current financial year now comply with the norms and standards for the implementation of the NHI programme. In order to expand this exercise, the City is allocating a further R43 million towards the completion of three clinics in the next three years, namely the Gazankulu, Soshanguve and Zithobeni clinics; a further R2 million will go towards the upgrading of clinic dispensaries.

As a part of our NHI pilot, 12 000 households and 40 000 members of the respective households were registered on the programme and an amount R20 million is allocated to continue with the implementation of the programme during the 2015/16 financial year.

The City received grant funding amounting to R33 million towards the construction of the Hammanskraal, Winterveld and Mabopane social development centres to enable our communities, including women, youths, the elderly and children, to have access to a suite of social development services under one roof closer to their areas of residence.

Early childhood development support is critical to the development of our young citizens and, as a result, we have made a further allocation of R7 million towards the continued support of NGO-managed ECD centres for the 2015/16 financial year.

In addition to the Gauteng Provincial Government allocation of R11.5 million towards the implementation of HIV and AIDS programmes in Tshwane, we have allocated R1.3 million to address the structural, social, economic and behavioural factors that drive HIV and TB. In addition, the City will invest R82.5 million on immunisation and HIV awareness programmes across all regions.

*(ii) Investing in our social capital – opening the doors of education and culture*

Madam Speaker,

Education remains central to the City's agenda and, ultimately, to the growth of Tshwane's economy. As a result, the Provincial Department has committed R42 million in the 2015/16 financial year and a further R63 million in the next year towards the construction of six new libraries within Tshwane.

*(iii) A well-resourced and formidable metro police service*

Madam Speaker,

To ensure our support towards the deployment of ten metro police officers per ward for the 2015/16 financial year, an amount of R33 million is allocated to continue with the payment of stipends for our TMPD trainees for a period of five months at R3 000 per student trainee. Once ranked as constables, their salaries will be catered for by means of an allocation of R240.6 million.

To date, we have invested R195 million towards the roll-out and maintenance of CCTV cameras as a core component of our business and community safety programmes. For the

continuous monitoring and maintenance of the current CCTV network infrastructure, an amount of R54.8 million has been allocated for the 2015/16 financial year.

*(iv) Investing our shared wealth to bring service delivery to the doorstep of our residents*

Madam Speaker,

During previous addresses, we asserted the implementation of the regionalisation model, which implied that City departments would only be responsible for capital projects, with regional offices being responsible for operational expenditure due to their latent potential to respond to community needs more expeditiously. A total of R1.5 billion alone will be diverted towards the maintenance of infrastructure within Tshwane regions, representing six percent of our total operating expenditure budget, one percentage point shy of the National Treasury benchmark of seven percent.

In this regard, from an infrastructure maintenance perspective, the following amounts have been allocated to the maintenance of energy, water, sanitation, transport, housing and urban management related activities:

- R126 million towards the maintenance of waste water treatment works;
- R152 million to ensure a less than 48 hour response time to water leaks;
- R303 million to ensure that 100 percent of planned electrical maintenance is conducted and reconnections effected within four hours;
- R119 million on the maintenance of housing schemes and flats;
- R219 million towards the reactive blading of gravel roads and the re-gravelling of roads according to a planned maintenance scheduled; and
- R416 million on the urban management function, which includes urban renewal projects, waste removal, the maintenance of cemeteries and parks and horticulture as well as by-law enforcement.

Aligned to the preservation of our rich heritage and culture as well and to accelerate access to learning, the City has allocated a total of approximately R75 million for this purpose.

Madam Speaker,

We have recently outlined our planned turnaround strategy for the delivery of licensing services to our citizens and we have accordingly allocated a budget of R4.5 million for this purpose to ensure that our residents are able to benefit from tangible changes during the 2015/16 financial year.

*Investing our shared wealth towards igniting excellence*

*(i) Towards the promotion of good governance*

Madam Speaker,

We remain resolute in our commitment to combat corruption and its remnants in whatever shape or form it may present itself. We have previously demonstrated our resolve in this regard and will continue to do so going forward. Our offensive against this scourge that continues to erode public resources that are meant to alleviate poverty among our people, will not only be consequence driven but will also be littered with a myriad of interventions that are meant to institute preventative control measures to discourage and curb the spread of corrupt activities.

In this regard, an amount of R30 million within the City's operational budget will go towards fighting fraud and corruption. The City will initiate proactive measures to prevent fraud and corruption and R5 million will be spent on these initiatives, which include fraud detection operations, observation and entrapment operations, as well as the fraud awareness campaign. In addition, R1 million will be utilised towards the Anti-Fraud and Corruption Hotline. Most of the funds will be utilised on high-profile forensic investigations focusing on the investigation of tender irregularities in the supply chain management area of the City. We have allocated a further amount of R30 million to the Finance Department to improve supply chain processes, including the automation of the procurement and document management processes, which has the added benefit of activating our e-Tshwane project. An amount of R15 million will be invested in our e-Tshwane services to ensure that more and more communities access their account information electronically.

Madam Speaker,

One of the key pillars of exceptional service delivery is good governance. This happens when we can proudly stand in front of our people and declare that in spite of the size of our budget, our financial management systems are in order. We believe that once again, the Auditor-General will confirm this assertion when his findings are made known in due course.

Madam Speaker,

As indicated in the recent State of the Capital Address, the City has received an unqualified audit opinion for the third consecutive year, thereby demonstrating the credibility of our annual financial statements. An unqualified audit opinion with no matters of emphasis implies that there are no findings on performance information and compliance with all legislation and prescripts; analogous to what is loosely termed a "clean audit". This remains the City's short-term goal, as it will provide further evidence of our commitment towards generating optimal levels of return on the investment of our collective wealth as well as our firm accountability to all citizens of Tshwane.

Madam Speaker,

In the 2014 Budget Address, we highlighted that based on findings of the Auditor-General, the current disparate approach to the manner in which the City deals with its entities is no longer sustainable and we are pleased to confirm that the Shareholder Unit within the Office of the Executive Mayor is now in full swing. The Shareholder Unit is tasked with reviewing, monitoring and overseeing the business affairs and practices of our municipal entities, an exercise that we are confident will yield the results expected from Housing Company

Tshwane, the Tshwane Economic Development Agency and the Sandspruit Works Association.

Madam Speaker,

We wish to reaffirm that the recent rating report of Moody's does not constitute a rating action and is merely a market update, which reflects the City's diversified economic base with a stable outlook for the future. The report places Tshwane in the middle of the range amongst South African municipalities.

*(ii) Modernising the Capital City's public service and administration*

Madam Speaker,

Our paperless solutions do not end with the obvious. In our endeavour to improve the quality of our health services and the achievement of cost efficiencies, the City has recently successfully completed a pilot project on an integrated electronic patient record system, including a biometric verification system, to be able to track patients and the dispensing of medication to prevent duplications, keeping an accurate record of medication stock levels and most notably to automate the manual filing system. An estimated amount of R7 million has been budgeted for the first roll-out to clinics to be able to serve with enhanced operational efficiencies. This is the first of its kind in Africa.

Madam Speaker,

We remain committed to the creation of a public service that maintains the highest grade of professionalism, people centricity and undoubted integrity at all times. As we strive to operate as a business, while not being wholly profit driven, we are committed to treating our residents as clients, whose business we require for our survival and theirs. The search for the best of the best among our public servants and the retention of political office-bearers of the highest community stature require that we invest in incentives for them and in their development throughout their productive employment in the City.

With respect to the remuneration of municipal employees and councillors, we are pleased to confirm that our remuneration expenditure currently totals 27.8 percent and we project that these levels will decrease to 26.2 percent by the 2017/18 financial year, which is well within National Treasury's accepted norms of between 25 and 30 percent.

*Tshwane tariffs for the 2015/16 financial year*

Madam Speaker,

Tshwane Vision 2055 captures the aspirations of Tshwane's residents, but most importantly, captures Tshwane as the Capital City of South Africa, whose citizens enjoy a high quality of life, have access to social, economic and enhanced political freedoms, and are partners in the development of the African Capital City of excellence. Tshwane Vision 2055 is about the

future Capital City that will be liveable, resilient and inclusive. It is also about ensuring that the future Capital City's financial sustainability remains stable and robust through:

- (i) Sustainable alternative revenue streams;
- (ii) Improved operational efficiencies;
- (iii) Improved and secured long-term liquidity status; and an
- (iv) Improved credit rating.

As previously mentioned, the City's balance sheet restructuring and optimisation process is beginning to bear fruit. This currently includes the following projects in progress, whose details were reported in the State of the Capital Address:

- (i) The refurbishment of the Pretoria West and Rooiwal power stations;
- (ii) The release of strategic land parcels, including the land auction project and those that will be issued through an RFP process;
- (iii) The optimisation of the city's real estate, including market-related leases and disposals;
- (iv) The business re-engineering of Wonderboom Airport;
- (v) Efficient supply chain management, including ensuring value for money in procurement;
- (vi) The reduction of leave as a liability on the City's balance sheet;
- (vii) The creation and implementation of a diversified funding strategy, eg the Tshwane House PPP and various private sector led sustainability initiatives and private sector financed City initiatives, such as the West Capital development;
- (viii) The exploration of borrowing from both commercial and development institutions, such as the DBSA, European Investment Bank, the French Development Agency and the Danish Development Agency.

Madam Speaker,

We remain committed to transitioning to a green economy, which will require the adoption of a new financing mechanism and a different approach to development, with a reconfiguration of the City of Tshwane's investments and a shift in the manner that the City operates. Due to the capital-intensive nature of most green economy projects, the City has to diversify its funding sources and consider financing the majority of these projects via PPPs, for example. We remain dedicated to the continued exploration of alternative funding mechanisms to enhance the City's developmental path.

Madam Speaker,

Efficient and effective revenue management is imperative towards ensuring our service delivery and economic priorities outlined today. In addition to our pronouncement made in the State of the Capital Address on the matter of the smart meters, a report will be tabled at Council containing the contract termination terms. We wish to emphasise that there will be no disruption to services, including to those who already have smart meters installed. As part of the modernisation of our service delivery offering, the City would like to reiterate the fact

that it remains convinced of the merits of the project based on its demand-side management capabilities, and as such we will commence with processes to continue with the roll-out of smart meters.

We remain cognisant of the financial position of our residents and therefore our tariffs for the new financial year are set within the dual context of an awareness of this fact as well as the need for us to collectively invest in the future we wish to create.

However, we remain committed to supporting indigent households within the Tshwane area and we will continue with this programme beyond the 2014/15 financial year. In the 2015/16 financial year, R511.00 has been committed to each indigent household per month, which equates to a total subsidy package of R737 million. Registered indigent households qualify for the following free basic services:

- (i) An exemption from the payment for refuse removal and property rates, irrespective of the value of the property; and
- (ii) A grant of 100 kWh of electricity and 12 kl of water.

In addition, pensioners and people with physical and mental disability qualify for rebates subject to the City's policy conditions.

Madam Speaker,

For property owners in general, the first R75 000 value of residential property is exempted from rates.

The proposed tariff increases for the 2015/16 are summarised as follows:

Main services	2015/16 average increase	proposed tariff
	%	
Sanitation	9,0	
Refuse removal	15,0	
Water	13,5	
Electricity	12,0	
Property rates	8,0	

Madam Speaker,

It is important to note that our tariffs are influenced by both internal and external factors, such as the expected increases of our bulk suppliers, namely Eskom and Rand Water. The City projects an increase from our bulk suppliers of 14.2 and 13.5 percent, respectively. We will now outline various scenarios to provide a real picture of what our tariff increases translate into from a monetary perspective.

#### Scenario 1:

If your property value is R300 000 and you are consuming on average electricity of 350 kWh per month and consuming 20 kℓ of water per month, your total average municipal bill is currently R1 120.77. With tariff increases, it will reach R1 220.12, which equates approximately to an average 8.9 percent increase.

#### Scenario 2:

If your property value is R700 000 and you are consuming on average electricity of 850 kWh per month and consuming 30 kℓ of water per month, your total average municipal bill is currently R2 345.94. With tariff increases, your bill will reach R2 570.30, representing a 9.6 percent increase (or R224.36).

#### Scenario 3:

If your property value is R1 million and you are consuming on average electricity of 1 500 kWh per month and 50 kℓ of water per month, your total average municipal bill is currently R3 923.95; with tariff increases it will reach R4 316.72, which is an average increase of 10 percent.

In all the scenarios outlined, waste removal will increase from R186.86 to R214.88, representative of a R28.02 increase.

Madam Speaker,

We have discovered that some electricity resellers have been intentionally and unethically overcharging our residents and businesses. The City approved a progressive tariff in the 2014/15 financial year that should be applied by all resellers, based on consumption levels, so low use of electricity would benefit from a lower tariff and high use of electricity would be charged at a higher rate. Instead of applying these tariffs as stipulated, some resellers have been charging residents and businesses in their areas at a substantially higher tariff, resulting in potential benefits not accruing to our residents and businesses.

In addition, we have discovered that some resellers have been charging residents and businesses an exorbitant "administration fee" of up to R500 or more. Madam Speaker, we recognise that this remains an unregulated area and as such, in the 2015/16 financial year, this "administration fee" will be capped at a maximum of R100, which implies that no reseller will be allowed to charge residents amounts higher than this upper limit. Residents and

businesses that are based in the supply areas of resellers will be promptly notified of the upper limit of the administration fee.

It is critical that we do not legitimise such behaviour and, in this regard, we are instituting an investigation on all resellers to ascertain the veracity of this scourge. Resellers found to have broken the law will not only be required to refund residents and businesses, but will also be found liable of contravening by-laws and NERSA regulations. A fine of R1 million will be imposed against the reseller, irrespective of the amount charged above allowed tariffs. We will secure the services of a reputable accounting firm to conduct these investigations.

### *Concluding remarks*

Madam Speaker,

We have outlined some of the socio-economic challenges, in part as a result of the continued structural economic inefficiencies, facing Tshwane residents in particular and South African residents in general. This dire situation is inextricably linked to high tariff increases witnessed in recent periods, which have placed an inordinate burden on our resident's ability to pay for services received, given that their disposable income levels are already highly pressurised.

Since the advent of the country's constitutional democracy, our governance system has continued to operate as a unitary state, although power has been devolved to subnational levels, where local government has administrative and political functions enshrined in law and policy. However, local government remains largely excluded from decisions pertaining to the division of revenue.

Nationally raised revenues are divided between the three spheres of government based on their expenditure responsibilities and other revenue sources available to them. However, the vertical distribution of revenue favours provincial governments due to their low revenue-generating capacity. Local government receives the lowest proportion of the equitable share because of its assumed high revenue-raising capacity. This assumption points to the lack of the devolution of powers and functions on financial matters and, thus, demonstrates the lack of an appreciation of the structural economic challenges and consumer constraints, all of which negatively impact on local government's capacity to raise revenue within the context of exponentially growing new infrastructure demands in metro areas, in part related to the growing trend of urbanisation.

Madam Speaker,

Local government being the "sphere closest to the people" is increasingly expected to assume greater responsibility in driving both social and economic development. The mandate of local government expanded from roughly 156 high-level responsibilities during the initial mandate period to roughly 226 in 2014, indicating an increase of about 66 (or 43 percent) high-level responsibilities within ten years.

The extension of these constitutional powers and functions have posed enormous operational, governance and policy-making implications for municipalities and cities, yet the fiscal muscle and resources flowing to this sphere are not concomitant to these mandates. For instance, local government is expected to be responsible for the maintenance of ageing infrastructure while being expected to deliver on major backlogs in social infrastructure, in addition to economic infrastructure required to recalibrate the compass and course of our developmental trajectory. At this moment in time, we require in excess of R20 billion just to formalise existing informal settlements within Tshwane. One can appreciate the gravity of this untenable situation when this figure is juxtaposed against a total current budget of R29 billion! Clearly, this calls for a special dispensation at the national level to address these matters.

Municipalities with relatively good revenue-raising capabilities are given proportionally less allocations within the formula than municipalities with poor revenue-raising capabilities. This approach fundamentally disadvantages metropolitan municipalities. The report on the State of Local Government, 2009 appropriately notes that cities such as Cape Town, eThekweni and the Gauteng complex (City of Johannesburg, City of Ekurhuleni and City of Tshwane) may require special legislation and functional planning authorities to maximise their role in building the national economy, while rural municipalities in former homeland areas, for example, need to be released from the complexities of compliance with an integrated development plan that far surpasses their capacity to implement.

Madam Speaker,

For us to ensure that things do not fall apart, we must, in the first instance, never allow the market to be the principal determinant of the nature of our society. Mere reliance on the market would never assist us in achieving our development outcomes; on the contrary, if we were to rely on the market to produce these results, the only product would be the exacerbation of poverty and inequality and a retreat from the realisation of the objective of nation-building.

Instead, we must place at the centre of our daily activities the pursuit of the goals of social cohesion, human solidarity and investment in our people. We have turned 21 years of age as a democracy and, once again, celebrated our freedom with the peoples of the world. We expressed and cemented that commitment with the adoption of the National Development Plan as an action-packed journey to the future we desire.

As we commit to work together, I wish to thank all residents, stakeholders and partners of the City of Tshwane for your on-going support as we strive to collectively shape the future we all envisage for generations to come.