

**BUDGET SPEECH BY HIS WORSHIP, THE EXECUTIVE MAYOR OF TSHWANE, COUNCILLOR KGOSIENTSO RAMOKGOPA, 26 MAY 2014, SAMMY MARKS COUNCIL CHAMBERS**

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Madam Speaker of Council;  
Chief Whip of Council;  
Leader of Council Business;  
Members of the Mayoral Committee;  
Fellow Councillors;  
Representatives of Chapter 9 Institutions;  
Leaders of the Business Community and Civil Society;  
Distinguished Guests ;  
City Manager and Senior Managers;  
Members of the Media;  
Comrades and Friends;

**2014/15 BUDGET SPEECH: FINANCING FOR DEVELOPMENT – TAKING OUR CAPITAL CITY FORWARD**

Madam Speaker

We present the 2014/15 Medium-term Revenue and Expenditure Framework hot on the heels of our fifth national elections, an event that will no doubt go down as the most exciting, intense, competitive, aggressive and yet smooth and peaceful electoral cycle in the annals of the short political history of our democracy.

This, I would like to faithfully believe, my fellow citizens, is an emblematic testimony to the enduring qualities of our young democracy; and what a delightful way of marking the 20<sup>th</sup> anniversary of our burgeoning democratic way of life!

For this we are eternally grateful to the multitudes of our people who not only demonstrated an abiding respect for the democratic ideals enshrined in our Constitution, but most importantly walked the talk by turning out in good numbers to swell the voting booths.

At the heart of the electoral cycle we have just closed and whose outcome we are witnessing today were a number of critical choices that our people had to make.

The choices were themselves dependent on their attitude to the central question of the meaning of the past twenty years of freedom and democracy for their social and material conditions of life.

On the one hand, the broader democratic movement rallied around the irrefutable condensation of the past twenty years as defined by massive improvements in the lives of the majority of our people – as summed up in the slogan “A good story to tell”, as coined by our state president in his 2014 State of the Nation Address.

On the other hand was an array of conservative forces, buttressed by an army of commentariat located in all forms of media platforms whose characteristic occupation was to ventilate a rather fictitious and misleading narrative in terms of which the conditions of existence of our people have gotten worse in the past twenty years.

This latter narrative had it that not only will the masses of our people stay away from the polls but, most crucially, the principal political organ of the people, the African National Congress (ANC), stood to experience a massive electoral decline consequent upon the record of the past twenty years.

Which of the two competing narratives was resonant and congruent with the lived experiences of the masses of our people would be proven by the outcome of the electoral contest as the only definitive barometer.

By remaining loyal to their patriotic and civic duties, our people have dealt a decisive blow to those amongst us who were cynical and doubtful about the quality of the polls. Their characteristic diagnosis of apathy and low voter turnout not only shows lack of faith in our people but, importantly, demonstrates lack of appreciation of the extent to which our people value their aspirations and desires.

The undeniable and compelling triumph of the democratic forces led by the ANC is an irretrievable testimony of our people's attitude to the meaning of the past twenty years of democratic governance under the leadership of the ANC government.

Our people have indisputably decided that only the ANC has the suitable stature, probity, technical dexterity and political will to lead them to the realisation of the ideal of a better life for all citizens.

The ANC emerged victorious from these electoral battles because our people felt we remained the vehicle best equipped to lead the process towards the realisation of their aspirations and desires.

They didn't just endorse our message and extended our mandate simply because they were power hungry or merely because they were fascinated by the idea of winning an election.

They did so because they remained convinced of the superiority of our programmatic agenda, the dexterity of our skills and the tenacity of our will to lead this process.

It is this that explains why they extended our mandate and entrusted us with the responsibility to continue the transformation and development of our society because they best understand the scale of the challenges ahead.

As we enter the third decade of freedom and democracy in our country, we do so with more fortitude to make sure that the refrain of "A good story to tell" sounds louder than in the second decade. We pledge to honour the wishes and desires of our people as expressed in these elections by ossifying a democratic culture that is accountable and responsive in its outlook; effective in the delivery of social services; efficient in driving economic development; and obdurate regarding the promotion of the self-expression and self-activity of the masses of our people.

It is against this backdrop that we stand here today to spell out measures to consolidate the gains made in the past twenty years and open up new frontiers to advance the course and plight of our people.

## **The global and local macroeconomic context to our framework**

Madam Speaker

Our 2014/15 Medium-term Revenue and Expenditure Framework is shaped by a dynamic global and local macroeconomic environment.

Acute risks within the global economy have decreased albeit not entirely eliminated. We are living in a time within which macroeconomic weaknesses are becoming increasingly costly, particularly with the speed and magnitude of these events affecting an increasingly large number of impoverished citizens across the globe.

Future growth forecasts within advanced economies, according to the IMF's April 2014 *World Economic Outlook*, are very negative and as such have implications for growth in emerging market economies while compounded by the absence of the required structural reforms in some emerging market economies.

Current global trends and processes, yet again, present the social question with dire urgency as a result of recurrent financial crises, protest movements across the globe, the increasing concentration of wealth and power and the increasing inequality. As we know, South Africa is a severe outlier in this regard, in part as a result of the many structural inefficiencies within the South African economy. The Nobel

Laureate, Stiglitz, asserts that “[w]hile there may be underlying economic forces at play, politics have shaped the market, and shaped it in ways that advantage the top at the expense of the rest”.

Structures, institutions and agents operating within existing systems interact to produce and sustain poverty at unacceptable levels. It cannot be conceived reasonable to expect changes within these systems; it must be ensured that programmes are implemented across various spheres of government and institutions at global and local levels to ensure that the loss of dignity of the billions of human beings within the globe is halted.

Arguably, poverty exists to maintain the existing patterns of accumulation and distribution of wealth and power. Therefore, poverty eradication could be an objective to attain without altering the ideological, material and institutional basis of current social systems as well as the global patterns of production, circulation and consumption.

Madam Speaker

Such situations are representative of a clear opportunity for cities located in emerging economies, particularly within the context of the changing city narrative, a point we have made and will continue to do make, underpinned by the emergence of the city state. Economic growth and urban growth are inextricably intertwined. The real challenge within the urban transition is for governments to enable an environment that will allow residents to make the most of living in cities.

The continued geopolitical trend of urbanisation is increasingly asserted as a positive force for inclusive growth leading to necessary social change and positive political outcomes. Recent research indicates a positive correlation between economic development and urbanisation in most African countries. Indeed, in Asia, urbanisation has played a major role in the reduction of poverty. The less urbanised regions remain Asia and Africa, who are expected to reach their respective tipping points in 2023 and 2030, respectively, at which stage their populations will be more urban than rural, hence constituting as important opportunity, which we can exploit today.

Madam Speaker

We need to shape the future we collectively envisage today. Business, labour, community and civil organisations, the employed and the to-be-employed among the many urban and rural individuals in South Africa are by no means excluded from the global challenges present today as well as those potentialities in the foreseeable future. It must be conceded that all of us, regardless of skin, colour or gender, are all confronted by similar uncertainties even though we are affected by these challenges in very different ways.

The financial allocations we will outline today have been informed by City-led developmental programmes in physical infrastructure investment, skills development, safety and security, research and innovation and inclusive growth, amongst other areas, aimed at mitigating the effects of high unemployment and inequality levels. These allocations will undeniably continue to make a significant contribution

towards raising the growth potential of Tshwane and, subsequently, the country through the diversification of economic opportunities.

The South African economy is expected to grow at 2,7 percent in 2014, according to revised National Treasury economic growth forecasts. This gradual improvement from 1,9 percent in 2013 is expected to be underpinned by rising public and private sector investment as well as potential export growth. Important for local government is that part of this growth is attributed to supplementary electricity generation as a result of burgeoning regional growth.

Public sector fixed capital formation is expected to grow at 9 percent over the next three years, as estimated by National Treasury. Significant in this regard is the growth anticipated from supplementary electricity generation, which signal important opportunities for the capital city within the context of its power plant refurbishment expected to begin in the 2015/16 financial year. The importance of these implications is compounded by the fact that urban hubs are the greatest contributors to South African GDP, with the eight metros accounting for about 60 percent in 2012.

Madam Speaker

Rising inflation has a significant impact on the broader South African economy, and Tshwane is no exception. The inflation rate has breached the upper band of its 6 percent target during the last two months. The increase in inflation has caused a sharp price increase in food and non-alcoholic products with the differential income impact of this affecting the poor in a more extreme and adverse manner.

Compounded by rising transport costs, considering the geographical size of Tshwane, this is an important contributing factor to the pressure faced by Tshwane's residents. With the appreciation of the rand/dollar exchange rate, there has been a marginal decrease in general fuel prices in the past two months, which should provide some alleviation to commuters. However, this trend can only be expected to perpetuate if the exchange rate stabilises, and with the turmoil in the manufacturing sector, this continues to be treated as a risk.

Madam Speaker

The Gauteng economy remained the single largest contributor to the country's GDP with a contribution of 35,6 percent last year, thereby reiterating its presence and importance as a core economic hub on the continent.

Tshwane, as the fastest growing economy on average between 1996 and 2012, has the second highest average household income in Gauteng and is well above the South African average, albeit representative of a figure that must be interpreted with caution. The Tshwane economy accounts for an estimated 27 percent of provincial GDP and almost 10 percent of national GDP.

The employment situation in Tshwane has improved significantly over the period 1996 – 2012. Today, Tshwane has one of the lowest unemployment rates in South Africa. As outlined in the State of the Capital Address, the number of employed people during the last decade has increased by 52 percent and Tshwane's level of youth

unemployment is some 17 percentage points lower than the national average, even though 65 percent of its population is under the age of 35.

Madam Speaker

We endeavour to steer Tshwane's economy, as market forces are insufficient to address the economy in its totality. Therefore, in the 2014/15 financial year, we will define concrete economic interventions for the capital city for the next ten to twenty years. We are not simply producing another policy document, but are instead focussed on an implementation plan and subsequent monitoring and evaluation. We will partner with business, the public and civil society in this regard to ensure that this is defined as an intervention for all concerned.

The City of Tshwane's growth, infrastructure, environmental and spatial targets will also be set against this backdrop, while taking into account the NDP 2030 and ascertaining our contribution to this important plan for South Africa. Cities, as drivers of inclusive growth, represent the level at which many of these policy interventions become tangible over time.

The City of Tshwane will intensify its focus on advancing tangible economic transformation. It must, however, be borne in mind, as indicated in the State of the Capital Address, that inclusive sustainable growth is not a static process, nor is it an immediate achievement.

Madam Speaker

Tshwane Vision 2055, anchored in the principles of the Freedom Charter, is therefore the strategic reference point for budgetary

allocations in the 2014/15 financial year. This process is underpinned by defined IDP interventions in line with the principles of justice, sustainability, resilience, quality and efficiency. In order to realise the gains of our interventions, we remain cognisant of the need to optimise the efficiency and effectiveness of the composition of our expenditure.

This will be achieved through the City's balance sheet restructuring and optimisation programme, which crucially seeks to identify alternative sources of revenue, improve operational efficiencies, maximise resource utilisation, restructure our asset portfolio and explore alternative funding models.

The 2014/15 Medium-term Revenue and Expenditure Framework remains focussed on ensuring the City's fiscal sustainability while simultaneously appreciating the ever-growing infrastructure and service delivery demands in the context of a local developmental government.

In the current Medium-term Revenue and Expenditure Framework, the City is budgeting for a surplus of about R1 billion. This is significant, given that it will transpose the City from budgeting for a zero surplus in the current 2013/14 financial year and a negative surplus in the 2012/13 financial year. This surplus will not only be utilised towards capital infrastructure in the years to come but will also ensure that the City will begin to develop fiscal buffers against potential economic adversities.

## **Financing development towards the achievement of Tshwane Vision 2055**

Madam Speaker

The City of Tshwane's 2013/14 "people-centred" budget speech delivered almost a year ago focussed on human development, infrastructure development and economic development.

As we table the 2014/15 budget for the City, we will also reflect on some advances that have been made on 2013/14 commitments.

In terms of total expenditure for the past three years we have spent R 60,1 billion; in the next MTREF, the City's operating expenditure is projected at R74,5 billion. The City's operating surplus was at R100 million and we are planning to grow our operating surplus by R3,4 billion. This clearly demonstrates our commitment to ensure a financially resilient city, capable of responding to ever-increasing service delivery demands.

The 2014/15 Medium-term Revenue and Expenditure Framework presents a spending plan of about R27,4 billion, consisting of R23,3 billion on the operating budget and R4,1 billion on the capital budget. However, the City's total capital investment amounts to R12,5 billion over the period under consideration, including grants, borrowings and own funding. I will now outline the key features of each area with details obtained from the IDP for 2014/15.

Madam Speaker

Over the past three years, the City's total revenue, excluding capital transfers, was R60,2 billion and we are growing our revenue for the next three years to R77,9 billion. This constitute a 29 percent increase in revenue as compared to the past three years

The City's proposed operating revenue (excluding capital grants and contributions) amounts to R24,3 billion and our total operating expenditure amounts to R23,2 billion, resulting in a surplus of about R1 billion for the 2014/15 financial year. This represents an increase of 13,6 percent on the revenue component and an increase of 8,5 percent on the expenditure component of the proposed budget as compared to the 2013/14 adjustments budget.

Madam Speaker

### **Remaking the spatial form of the capital city**

As we stated in the 2014 State of the Capital Address, we have embarked upon an urban regeneration programme which will result in visible changes to the development and management of the inner city. These projects include the Government Boulevard, an entertainment hub in the inner city; the West Capital; the African Gateway; the Symbio City development; and the East Capital.

These medium to long-term projects were initiated by the City but their implementation will be effected through public-private partnerships and

private investments. The City of Tshwane will continue to support and facilitate the implementation of these spatially transformative projects.

We have committed to a component of the R40 million City Support Programme grant to be utilised to undertake detailed studies for the East Capital project as announced in the State of the Capital address.

We have made a further allocation of R42,7 million towards the refurbishment of the City Hall. This iconic building, besides being a tourist destination within our inner city symbolises the journey taken in administrative governance in the Capital and the budget allocated will form a part of a multi-year restoration of our heritage assets.

The development of the West Capital will commence in this financial year. The Schubart Park development has been allocated an amount of R900 million in the medium term with the aim of ensuring that qualifying inner city residents are provided with shelter and their dignity is restored.

Madam Speaker

City Planning plays a key facilitator role and enabler for all public and private projects within Tshwane; as a result and aligned to the City's spatial development support needs, the total allocation towards the City Planning and Development Department amounts to R297 million; included in this amount is the Integrated City Development Grant of R44,7 million.

Madam Speaker

We reiterate from the State of the Capital Address that a liveable city is one in which it is convenient, safe and attractive to work, play and stay. A total budget of R467 million, inclusive of the R47,5 million Municipal Human Settlement Capacity Grant, has been allocated to the Housing and Human Settlements Department aimed at restoring the dignity of the majority of South Africans.

Within this allocation, R250 million will focus on the formalisation of informal settlements. The “Re aga Tshwane” programme is significant from the perspective that will contribute towards our spatial reconfiguration of Tshwane as outlined in the first decade on Vision 2055.

In the new financial year, “Re aga Tshwane” will accelerate the formalisation of townships as well as the installation of basic services in areas, such as Mamelodi, Zithobeni, Soshanguve and Hammanskraal amongst others.

Critical to the success of many of these programmes is the role of services infrastructure.

Aligned to the City’s endeavour to ensure continued and improved access to water and electricity, the Services Infrastructure Department, which is responsible for Energy, Electricity, Water and Sanitation, will receive a total budget of R10,7 billion. About R1,1 billion within this allocation will be invested in water and electricity infrastructure including projects such as reservoir extensions, new bulk infrastructure, replacement and upgrading of infrastructure and towards the Tshwane

Public Lighting Programme creating a safe and inclusive Tshwane for all.

Madam Speaker, residents, particularly in the Northern areas of Tshwane will attest to the remaking of the capital city – to date, we have spent R237 million on the construction of internal roads and our work will continue as the dusk of this financial year approaches. In this regard, the Transport Department's total budget amounts to R1,5 billion in the 2014/15 period.

An allocation of R634 million will contribute towards the repair and maintenance of storm water and roads infrastructure; allocations towards the Tshwane Bus Services Operations; R71,9 million towards roads and storm water within low cost housing developments as well as an amount of R731,5 million towards the Tshwane Rapid Transit system, "A Re Yeng". This allocation includes the Public Transport Network Operations Grant of R138 million. Other critical projects include: the doubling of Simon Vermooten Road at a cost of R136 million, Rainbow Junction at a cost of R10 million, internal roads in the Northern Areas amounting to R301 million and addressing flooding challenges to the tune of R139 million.

In order to enable social justice and create safe spaces for Tshwane citizens, an amount of R18 million has been committed to traffic calming, pedestrianisation safety and the improvement of traffic signals.

Upon approving the Menlyn Node Urban Development Framework, the City of Tshwane approached the Gauteng Department of Roads and

Transport (GDRT) regarding the need for improving the condition and capacity of Garsfontein Road.

The projected cost of this investment is estimated to be R87.3 million and the City has subsequently entered into a memorandum of agreement with the Department, who has committed a third of the total projected cost as well as the financing of an associated bridge.

Aligned to our aim of remaking the spatial form of the capital city, by the end of the next financial year, we will also conclude a feasibility study on the light rail tram system pronounced in the 2014 State of the Capital Address.

### **Resilience is core to remaking the capital city**

Madam Speaker, in the current financial year, nature has reminded us that global warming is a reality and we have sadly experienced loss of lives during flash floods incidents and damages from hailstorms. In February of this year, we declared Tshwane a disaster area due to the extensive hail damage around Soshanguve, Mamelodi and Temba/Hammanskraal.

To date, we have spent R154,6 million to reduce flooding backlogs through the construction of storm water infrastructure in areas around Garankuwa. However, even with these developments, it is clear that there is still more that needs to be done to make our human settlements safer and liveable.

The damage caused by vandalism in Regions 5 and 7 as well as various disasters experienced throughout Tshwane with the recent floods is estimated to be in excess of R200 million with some of these claims currently underway with insurance.

Towards ensuring a resilient city, the Emergency Services allocation amounts to R537,4 million, funding will predominantly be directed towards disaster management services, emergency medical services, improving fire safety in Tshwane and towards improving emergency response time. Included herein is the completion of the Fire House in Heuweloord at a total cost of R20 million.

In line with our commitment to reducing carbon emissions, during the course of 2015, as per our previous State of the Capital Address commitments, we are excited to welcome the delivery of 40 CNG (compressed natural gas) buses within the City of Tshwane's "A Re Yeng" fleet.

We have also allocated an amount of R14,2 million towards the refurbishment of our landfill sites, which will ensure that we abide by responsible waste management codes and practices.

We have recently concluded two groundbreaking sustainability financing agreements that are aimed at reducing our carbon emissions while creating jobs in Tshwane, one being the development of a multiple waste treatment and recycling facility at the Kwaggasrand landfill site. To date, the City of Tshwane has spent R100 million on the facility. This will witness the creation of more than 260 permanent jobs and a substantial saving associated with waste transportation and disposal.

In addition, our partnership with the national Department of Environmental Affairs will deliver two buyback centres in Mamelodi and Garankuwa, each of these centres will cost R7 million with 35 percent of this budget reserved for the creation of employment opportunities.

Madam Speaker

We have identified key sustainability and green economy projects that will be implemented through partnerships with the private sector and public sector organisations, such as Eskom as means by which to integrate efforts to remake the Capital.

In this regard, we have further initiated a Green Neighbourhood Project which will entail the creation of self-sufficient settlements in terms of food production, rainwater harvesting, energy generation, low carbon buildings, energy efficient lighting as well as waste treatment facilities and bio waste digesters. This has been identified for implementation in the Zithobeni area. In the 2014/15 financial year, we have committed R25 million towards this project; this includes the Greening of Rethabiseng in Region 7 of the City of Tshwane in the current financial year.

Madam Speaker, the carbon market remains a potential source of alternative revenue moving into the future, albeit uncertain at times. In this regard, we are also currently exploring the introduction of green municipal bonds in order to elevate the level of implementation in the sustainability sphere.

Aligned to our efforts towards creating a resilient City of Tshwane that is able to deliver innovative governance solutions, we have also entered into a memorandum of agreement with a leading international NGO, the Global Infrastructure Basel, aimed at jointly transforming the investment-ready status of sustainable infrastructure projects. The first projects that has gained traction under this agreement is the Solar Water Heater project and the Tshwane Food and Energy Center Project will follow.

In order to implement many of our key projects in the resilience sphere, Environmental Management receives a total budget of R 564.9 million; the programmes to be funded include amongst others, the rehabilitation of landfill sites, household refuse removal and also towards accelerating development at the Tshwane Fresh Produce Market. To date in the current financial year alone, twelve parks have been completely refurbished as part of the two parks per ward programme. A further R20 million will be spent towards the development of parks in Tshwane demonstrating our commitment towards creating more liveable human settlements.

Madam Speaker

### **Remaking the economy of the capital city**

It is concerning that after almost two decades since the democratic transition; South Africa remains one of the most socio-economically unequal societies in the world. Some researchers argue that poverty, unemployment and inequality levels have reached a state of crisis and if not addressed will threaten the social and economic stability of the country.

In response to the triple challenge of poverty, unemployment and inequality, the South African government, through NDP 2030, has recommitted efforts to the role SMMEs play as critical tools for achieving sustainable economic growth, creating employment opportunities and alleviating poverty.

Madam Speaker

The NDP sets a target of creating 11 million jobs by 2030, of which some 90 percent is expected to be created in small and expanding firms thus highlighting the growing role small and medium-sized firms will come to play in supporting the country's overall growth goals.

As a result, the Economic Development Department received an allocation of R246 million, part of which will go towards creating an enabling environment for SMMEs. In this regard, R20 million is targeted at SMMEs and cooperatives, particularly for our Tshepo 10 000 participants to ensure that they develop the requisite levels of skills as well as enable these participants to increase their client base beyond the public sector.

An amount of R14 million will be utilised towards additional local economic development initiatives, particularly those aimed at reviving the economically dormant townships.

Our target, as committed in the State of the Capital Address, is to spend 25 percent of our procurement budget on co-operatives and SMMEs, especially our Tshepo 10 000 beneficiaries.

Our EPWP and Operation Vat Alles programmes, which sees participants from indigent households visibly playing a role in the Remaking of the Capital through both our capital and operational projects has uplifted a number of households from dire poverty to a state where they can become active participants in our economy. EPWP has accordingly been allocated R71,3 million.

*Incentives to be offered to catalyse investment in the capital city*

Investment incentives are used as a tool by governments to attract and promote investment and to stimulate economic growth and employment creation within particular regions. Incentives are most commonly used to achieve pre-defined strategic objectives contained in government strategy and policy documents (such as IDPs). Local governments use incentives to achieve a strategic outcome which the market may not achieve on its own. Market failure is regarded as the primary justification for the use of investment incentives by local government. In doing so, government must ensure that the benefits exceed the costs.

The City of Tshwane has recognised the need to consider providing incentives to business within the context of catalysing investment in the vast space that is Tshwane, as the third largest metropolitan area and arguably the single largest jurisdictional area, globally. The City has amended its Rates Policy to facilitate the provision for incentives. In this regard, we have included “Special Ratings Areas”, which will allow us to offer rates bursaries to businesses that meet a specified criteria and development thresholds.

Within this framework, the potential investor is granted a period in which the site must be developed without having to pay rates; however, should the site not be developed within the specified period, rates for the period shall become payable. Incentive zones are also being considered whereby we will make provision for the approval of higher land use rights in priority development areas.

Madam Speaker

Work on defining these thresholds has begun in earnest and greater detail will be provided during the course of the next financial year. We are also implementing a number of measures, which can be thought of “soft-incentives”. These will, for example, include the expedition of land use and other development applications processes amongst others.

Madam Speaker

We further wish to reiterate the acknowledgement of the role of the informal sector in our economy. Although, by its very nature, this sector is not regulated we will continue to support it within reasonable means. The informal sector includes the taxi industry which ferries the majority of our citizens every day from their place of abode to economic and social opportunities. In the 2014/15 financial year, we have committed R18 million to develop a taxi rank in Mabopane, which is not only a depot for transportation but also offers the necessary economic infrastructure for informal traders in this hub of activity.

*Connectivity and growth*

Madam Speaker, as mentioned in the State of the Capital Address, Tshwane has made history by becoming the first metro to rollout free Wi-Fi.

Pursuant to the our connectivity and growth objectives, the Group Information and Communication Technology's allocation amounts to R553 million; of this amount an amount R150 million has been allocated towards the roll out of additional free Wi-Fi sites.

This unprecedented intervention will juxtapose Tshwane as an e-Capital of excellence and a driver of education in the country aligned to the creation of a smart city and a knowledge economy.

Madam Speaker

#### *Efficient resource utilisation*

The quest to better the lives of citizens through government expenditure has indeed resulted in much research, on the impact of government expenditure and fiscal policy on the economic development and long-term growth of a nation. Due to the scale of investment made by the City of Tshwane, it is imperative to ascertain the effectiveness and efficiency of our expenditure. Simply stated, we desire to scientifically ascertain the City's impact on enhancing the quality of life of Tshwane residents.

In this regard, we have begun a socioeconomic impact assessment of the City's capital expenditure for selected City-led projects, at this stage. This, in conjunction with the development of a capital productivity model, will serve as a useful tool to inform policy considerations on the

prioritisation of current and future capital expenditure and catalytic investments so as to ensure that our trajectory is optimally focussed on advancing our economic transformation agenda.

## **Remaking a liveable and safe capital city**

Madam Speaker

We stated our intentions with respect to transforming existing townships into vibrant hubs of activities where citizens are able to harness their potential.

To carry this mammoth task, we have partnered with national and provincial departments to address the housing challenge and in the 2014/15 financial year, the following key housing projects will be implemented:

1. Provision for water and sanitation to new housing developments of the City of Tshwane has been allocated R656,4 million;
2. Strategic land in support of the City's liveability initiatives will be acquired at the cost of R109,3 million in preparation for future housing development;
3. Through the regionalisation of service delivery, rudimentary water, sanitation and waste removal services will continue to be rolled out in all informal settlements. An amount of R19,8 million has been allocated to provide rudimentary water through water tankers in various settlements of Tshwane.

Madam Speaker

A total budget of R272,7 million has been allocated to the Health and Social Development Department; of which R20 million has been allocated to NHI commitments.

We have also allocated R5 million towards the awareness of drug and substance abuse and support those within the rehabilitation phases.

Part of the total Health and Social Development allocation will include a new clinic in Soshanguve at R10 million, the upgrading of the New Gazankulu Clinic at R10 million, the upgrading and the extension of Zithobeni Clinic also at R10 million and the upgrading of ECD and day care centres at R6 million.

Madam Speaker, as indicated in the State of the Capital Address, we have partnered with the Innovation Hub to explore the development and implementation of innovative solutions such as the healthcare solution previously pronounced as well as other initiatives that will assist the City in addressing some of the resounding challenges in areas such as water and electricity. To date, the City of Tshwane has spent about R600 000 towards rolling out the first pilot of an integrated biometric intervention solution that will prevent the duplication often associated with the dispensing of chronic medication.

Following this pilot, the roll-out to all Tshwane primary healthcare facilities will commence in the 2015/16 financial year. This will potentially provide the National Health Department with a cutting-edge solution ripe for implementation across the country. Our partnership with the Innovation Hub is but one example of the endeavours of a municipality that is consciously remaking its future.

Madam Speaker, the Sports and Recreation Department receives a total budget of R57 million; of this R8,7 million has been earmarked for the festive games.

An amount of R22 million will be spent on the greening of sports fields within Tshwane regions. The Sports and Recreation Department will further oversee the upgrading of the Refilwe and Zithobeni Sports Stadiums in Regions 5 and 7. A total amount of R100 million, for both stadiums, over the next two financial years has directly been allocated to the respective regions.

We are elated that the Giant Stadium in Soshanguve was opened a few weeks ago demonstrating our commitment towards service delivery and transformation. This colossal sports arena will not only facilitate sports development within the capital but will enable social development and cohesion.

Madam Speaker

Liveability is also about ensuring safety and providing a sense of security to the citizens as well as the creation of aesthetically pleasing environments in our human settlements. In line with this, walkways will be developed in Saulsville at a cost of R8 million with construction of two bridges in Hammanskraal and Atteridgeville, which have been allocated R37,3 million.

We have also made provisions to support the work undertaken by our dedicated women and men in the Metro Police service. As a Capital, we

condemn unruly behaviour on our roads and we are committed to reducing road carnage within our jurisdiction.

In the 2014/15 financial year, we have made an allocation of R70 million towards speed law enforcement and we will expand the CCTV camera rollout in crime hotspots of Tshwane by acquiring additional CCTV cameras at a cost of R27,9 million.

To ensure that we meet our Vision 2055 goals of creating a liveable city, efforts with respect to road policing, enforcement of by-laws and the prevention of crime will be greatly intensified; the Tshwane Metropolitan Police Department has received a total budget of R1,4 billion.

Madam Speaker

As we have outlined, key components of the substantial budget of the City of Tshwane, it is equally critical that we outline our pre-emptive and preventative response to fraud and corruption.

### **Remaking the capital city through innovative governance solutions**

The City of Tshwane has intensified its efforts to effectively eliminate fraud and corruption because of their negative impact on service delivery as well as our financial sustainability. To date, the Group Audit and Risk Department has completed over 150 investigations relating to fraud, corruption and theft that caused the City to suffer financial loss.

The nature of irregularities that have been investigated amongst others; are the irregular issuing of tenders, conflicts of interest, fuel syphoning,

fraudulent clearing of municipal accounts, illegal electricity connections, theft of electrical cabling, the splitting of invoices, the submission of fraudulent qualifications and the fraudulent issuing of certificates of occupancy.

Amongst other measures, supply chain management processes and procedures will come under increasing and intense scrutiny to effectively combat collusion and corruption. As part of the supply chain reforms all tenders exceeding R250 million will be subjected to an independent probity process before the tender is awarded.

The City has further implemented the CAATS, which is a state of the art system able to link various databases, eg home affairs with our payroll and vendor lists, thereby being able to identify City of Tshwane employees who are doing business with the City of Tshwane. We are taking a firm stand against this abuse of state resources.

Madam Speaker

The City has developed policies such as the Whistleblowing policy, and its fraud reporting hotline, and the Anti-Fraud and Corruption Policy to instil an ethical business culture.

The City has implemented operation “Motse ke wa mang” that aims to detect corruption in relation to the allocation of RDP housing in various areas within Tshwane. Through this operation, the City of Tshwane has managed to ensure that the rightful beneficiaries are occupying a home. These initiatives are critical in our endeavour towards the efficient and effective utilisation of government expenditure.

In the fight against fraud and corruption, the City of Tshwane has strengthened relations with law enforcement agencies such as the South African Police Services, Special Investigating Unit and the Office of the Public Protector. During the current financial year, over 20 arrests of officials involved in theft, fraud or corruption have been affected and criminal cases have been registered with the South African Police Service.

Madam Speaker

The City of Tshwane has evolved and strengthened its collection rates. Following the merger, one of the challenges was to ensure that the City has one integrated general valuation roll which was applicable on 1 July 2013. The City has succeeded in this mammoth task and is currently billing 99 percent against budget.

The opening of the Temba Call Centre allowed the City to open an outbound debt collection call centre for the first time, if your account is in arrears for just over 30 days you will get a call from our call centre agents. Some of the factors that continue to impede revenue collection continue to be related to illegal connections and the intimidation of municipal staff.

Madam Speaker

Remaking the capital city involves investment in information and communications technology for the benefit of both the City of Tshwane and its citizens. We are also moving forth with the digitisation of manual

processes to manage the various transactions that take place within the City of Tshwane. This requires integrated and well managed information technology system – R264 million is dedicated towards ensuring the achievement of this goal in the 2014/15 financial year.

Madam Speaker

### **An active citizenry to remake the capital city**

Promoting an active citizenry is one of the pillars of our long term strategy, Tshwane Vision 2055. Through the implementation of our regionalisation of services model we have a dedicated budget as outlined and the majority of human capital has now been allocated to the seven regions of Tshwane to bring services closer to our communities. A total allocation of R2,8 billion is distributed amongst the seven regions within Tshwane.

Part of this allocation will be used towards the Operation Reclaim project which is aimed at ensuring that the inner city is a clean and safe space to live, work and play.

In this regard, the City of Tshwane will be launching a “Cool, Clean Capital” campaign, which will be anchored on citizen mobilisation aimed at creating community ownership in the spaces which we reside within. To this end, the City will be spending about R10 million over the course of the next eighteen months.

We have heard the calls from Tshwane citizens and as a part of the process that we initiated in 2013/14 financial year, we have received a

submission of three priority issues from all wards in Tshwane, which include informal settlement housing provision, flooding, roads provision, traffic management and street lighting amongst others. Our strengthened emphasis on the role of regions in service delivery will address this. Provision in this regard will be made during the Adjustments Budget period.

An allocation of R100 million to ensure that we respond to urban management operational matters with speed has been provisioned in the 2014/15 financial year.

This allocation will ensure that urban management considerations as well as the maintenance of public facilities are drastically improved and that we excel at the basics. We have further heeded your calls for improved public lighting in Tshwane.

We will ensure that street lights are installed where new ones are needed and that they are kept lit to improve liveability in Tshwane.

Madam Speaker, we will create a city where each citizen will be proud to reside within.

In addition, the City of Tshwane considers the establishment and effectiveness of ward committees as central to promoting an active citizenry.

We have developed extensive institutional support resources for support to ward committees to actively engage the City's decision-making processes. I would like to acknowledge the dedication of our ward

committee members for their commitment and zeal in actively representing the interest of communities in public participation processes.

Madam Speaker, we have outlined some of the highlights of the City's financial allocations for the 2014/15 financial year, whilst the remainder of the operating budget will go towards remaining departments such as Group Financial Services, the Office of the Executive Mayor, the Office of the Speaker and Group Legal Services.

### **Tshwane rates and other budgetary considerations**

Madame Speaker

One of the principles that the City of Tshwane consistently applies when setting tariffs is the need to ensure that the services are affordable as well as ensuring the promotion of access to basic services for everyone, including the poor.

We would like to assure our communities that supporting indigent households will continue in 2014/15 and beyond and we have allocated R15,6 million to undertake this important task. The total amount of subsidies provided to indigent families amounts to R715 million.

Accordingly, registered indigents receive the following free basic services:

1. The first R75 000 on the value of residential properties is exempt from all residential property;

2. Registered indigent households are exempted from paying for refuse removal and property rates, irrespective of the value of the property they own;
3. Pensioners, physically and mentally disabled persons are granted rebates under the policy conditions; and
4. Registered indigents are granted 100 kWh of electricity free of charge and 12 kℓ free of water charge

Madam Speaker

We will now outline average tariff increases for the new financial year:

<b>Main services</b>	<b>2013/14 approved average tariff increase</b>	<b>2014/15 proposed average tariff increase</b>
	<b>%</b>	<b>%</b>
Sanitation	10,0	10,0
Refuse removal	25,0	25,0
Water	10,0	10,0
Electricity	8,0	8,0
Property rates	Restructured	10,0

It is important to note that tariffs are influenced by both internal and external factors, such as a need to ensure sustainable service delivery

and account for input costs from our suppliers, mainly Eskom and Rand Water. The expected increase from Eskom is 8,2 percent and 8,14 percent from Rand Water.

Madam Speaker, we would like to provide an overview of scenarios in terms of the implications of our tariff increases.

### **Scenario 1**

If your property value is at R 300 000 and you are consuming average electricity of 350 kWh per month and consuming a 20 kℓ of water per month, your total average municipal bill is currently **R691,61** and with tariff increases it will reach **R758,02** which is about 9,6 percent average increase. Waste Removal will then increase from **R52,96 to R66,18** which is a **R13,22 increase**.

### **Scenario 2**

If your property value is at R500 000 and you are consuming average electricity of 500 kWh per month and consuming a 25 kℓ of water per month your total average municipal bill is currently **R1 339,66**. With tariff increases, your bill will reach **R1 460,44** representing a 9 percent increase (a R120,22 increase). Waste removal will increase from **R52,96 to R66,18** which is representative of a **R13,22 increase**.

### **Scenario 3**

If your property value is at R700 000 and you are consuming average electricity of 1 000 kWh per month and consuming 30 kℓ of water per

month, your total average municipal bill is currently **R2 348,34** and with tariff increases, it will reach **R2 566,78** which is representative of an average increase of 9,3 percent. Waste Removal in this household will increase from **R52,96 to R66,18** representative of **R13,22 increase**.

Madam Speaker

### *Landmark property rates legal battle*

As pronounced in the State of the Capital Address, we affirmed that we will continue to intensify our battle against demands placed upon the City of Tshwane by third party vendors and estates. The Blair Atholl Estate, for example, is an upmarket residential estate with a golf course, located about 50 kilometres from the CBD. This estate is over 600 hectares in size and comprises 329 individual stands.

The Home Owners Association together with two other applicants were convinced that the City of Tshwane is obliged to charge them a lower differentiated tariff for property rates due to the fact that they are providing their own services.

This affluent community lodged an application with the North Gauteng High Court in 2011, seeking that the Rates Policy and Rates By-Law of the City be set aside. This would have adversely affected the financial position of the City. The matter was heard by the Honourable Judge J Murphy in October 2013 and judgement was pronounced on April 2014 in favour of the City. This is not only a victory for poor and marginalised communities of Tshwane but also representative of a social cohesion victory.

There are a number of similar cases and the City will continue to defend the right to levy rates and taxes to ensure the equal distribution of resources in order to address the dire legacies of the past.

### *Merger costs*

Madam Speaker

In September 2013, the City of Tshwane under the guidance of the Executive Mayor requested the Financial and Fiscal Commission (FFC) to investigate and advise on the cost implications of the 2011 merger of the former Metsweding, Kungwini and Nokeng tsa Taemane municipalities.

The Commission found “that the merger was costly to the City of Tshwane considering that it was imposed on the municipality by the Gauteng provincial government [and that] the costs of the merger had the potential to affect service delivery negatively”. In addition, the Commission noted “that the financial and fiscal implications of boundary changes had not been established before the actual decision to change boundaries was pronounced. Had this been done, it would have enabled all other stakeholders to make informed decisions.”

The Commission “further [recommended] that the City of Tshwane be compensated through a restructuring grant only for the transitional costs”.

Part of the Commission's basis for this recommendation was related to the fact that this was "imposed" upon Tshwane by the Gauteng province and as such, "the transitional costs should not be borne by the municipality alone". This was further exacerbated by the fact that "Tshwane found itself in a unique situation where it incorporated a financially struggling municipality", according to the FFC. It is on this basis that the FFC has recommended the awarding of a transitional demarcation grant to the City of Tshwane, the amalgamated municipality.

Madam Speaker

Optimisation of the manner in which the City administers its property portfolio is a critical element. According to leading researchers and economists, the sale of municipal-owned land has been found to sustain infrastructure finance for a longer period of time.

In giving practical content to this programme, one of a number of initiatives the City has embarked upon, is the implementation of its real estate strategy and innovative land finance mechanisms. This is not to indicate that the City will be disposing of its many gems or all municipal land. This initiative envisages unlocking investment opportunities into the public arena, resulting in the City generating upfront revenue for funding capital investment that has the potential to be utilised towards economic infrastructure investment to catalyse development.

Also under consideration are the business functions carried out by the City, for example the City is currently exploring the commercial feasibility of the Wonderboom Airport perhaps through licensing or concession

agreements with concomitant benefits flowing to the City and the local economy.

Madam Speaker

During the March 2012 State of the City Address, a commitment was made that we will launch the security of revenue project. On 1 October 2013, we started with the roll-out of the security of revenue smart prepaid meters to the City's large power users. This rollout plan was interrupted by a court interdict that was submitted by Afrisake to halt the roll-out of the project. However, their application failed as the interdict was not granted by the North Gauteng High Court. The City opposed the application for interdict and succeeded in this regard whilst the application for review is currently pending in court.

It is a pleasure to report that we have successfully rolled out smart meters to 332 large power users and the benefits from this rollout are starting to yield positive results in our revenue for the 2013/14 financial year. The City's electricity revenue for the 2013/14 has exceeded our budgeted revenue forecasts by R50 million per month. The City will continue with the completion of large power users and begin the process of installing smart meters for residential users.

The programmes we have outlined as well as the envisaged benefits to be realised by the refurbishment of the City's power stations will significantly improve our financial ratios in liquidity, cost coverage and gearing. It must be noted that we are at an advanced stage of bringing these plans to fruition.

Madam Speaker

Our recent entry into the municipal bond market has exposed the capital city to an additional pool of investors comprising of internationally recognised fund managers keen to invest in our long-term bond issuances, which was previously over-subscribed. The City of Tshwane, in spite of the perspectives issued by some rating agencies, established a competitive debt pricing level signalling increased investor confidence based on our efforts in this regard as evidenced by the recent response to a request for proposal. The City is now priced at a much lower interest rate. This undoubtedly implies that the manner in which lenders are now viewing the City's credit profile has improved markedly, thereby benefitting the City from a cost-of-funding viewpoint.

Madam Speaker

In our drive towards igniting excellence and functioning as efficiently as the private sector, the total budget for the City's Corporate and Shared Services Department is about R1,5 billion and the allocation is towards ensuring organisational efficiency and improvement, management of the City's fleet, the Tshwane Leadership and Management Academy as well as effective and efficient management of the City's property portfolio.

Our municipal entities serve as critical implementation and enabling agents for identified City programmes and goals.

Madam Speaker

We are making the following grant allocations to municipal entities: R8 million to Housing Company Tshwane; R181,2 million to Sandspruit Works Association and R47,5 million to the Tshwane Economic Development Agency, TEDA. These allocations are being made on the backdrop of a thorough analysis of the problems besetting municipal entities.

This analysis was conducted internally taking into consideration the findings contained in the report of the Auditor-General as well as an internal organisational analysis. It has become apparent that the disparate approach to municipal entities' governance and performance was of principal concern. Consequently, a Shareholder Unit has been established within the Office of the Executive Mayor and its primary function is to monitor the performance of municipal entities, to ensure that they are aligned to the City's priorities and to monitor compliance with the law as per the prescripts of the MFMA. Madam Speaker, the Unit has commenced its work and we are beginning to see some progress.

## **CONCLUSION**

Madam Speaker

That then is the sum total of our programmatic intervention expressed in the form and substance of our 2014/15 Medium-term Revenue and Expenditure Framework.

The major challenge at the heart of this framework is effectively and efficiently managing the delicate balance of correcting the injustices of

the past and the resultant structural inefficiencies, whilst simultaneously encouraging investment and growth, as well as possessing the adequate fiscal buffers to respond to potential crises over the next few years.

The key to sustaining expansion is to remain focussed on medium and long-term issues of sustainability, stability and growth (as is the case with the Gauteng Vision 2055 and Tshwane Vision 2055), as opposed to short-term gains.

The need to sustain such a delicate balance points to the difficulties and challenges involved in the reconstruction and development that are currently unfolding.

We are adequately forewarned by the insightful wisdom of the German philosopher, Karl Marx, when alerting his French comrades that:

*“There is no royal road to success. Only those who do not dread the fatiguing climbs of its steep paths stand a chance to reach its luminous summits”.*

We thus remain fully cognisant of the potential political, social, economic and bureaucratic potholes that we are likely to encounter on our road to a better life for all the citizens of Tshwane.

In other words, we don't pretend to have all answers on our road to improving the living standards of our citizens; but we do carry in abundance the readiness to provide honest and realistic solutions to whatever problems are encountered.

What informs our attitude is that our people emphatically endorsed the message of the ANC not merely because they are obsessed with winning an election, but mainly because of a yearning desire to bring about fundamental transformation in their daily conditions of existence.

We are acutely aware that any margin of failure to progressively realise these ideals will lead our people to lose faith in their own ability to bring about change through democratic channels, and for this reason, we cannot afford to fail them.

We fully understand that for our democracy to grow and for our people to continue their faith in the democratic project, there is a need for congruence between the formal and substantive entitlements to the majority of our people.

Unless the periodic casting translates into demonstrable improvements in the social and material circumstances of our people, there is a real danger of our people losing faith in democracy and thus marking the death knell to the entire democratic project itself.

Unfortunately such eventuality is not what the drafters of our Constitution and founders of our democratic dispensation had in mind when they called upon the state to respect, protect, promote and fulfil all the rights enshrined in the Bill of Rights.

We remain persuaded that the measures spelled out in the framework are necessary and viable. Whether or not they are successful in nudging us closer to our ideal of a better life will be attested to by the dynamics of the cycle ahead of us!

Thank you!