



EASTERN CAPE

# ADJUSTMENT BUDGET SPEECH

2025/26



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

# **MEDIUM-TERM BUDGET POLICY STATEMENT**

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**Speech**

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**Honourable Speaker**

**Honourable Premier**

**Members of the Executive**

**Honourable Members of this August House**

**Board Chairpersons of our Public Entities**

**DG, HODs and CEOs present**

**Guests and members of the public who are joining us through various online platforms and community radio stations**

Good morning.

## **INTRODUCTION**

Honourable Speaker, I present the Medium-Term Budget Policy Statement and the Adjustment Budget at a time when we have solid reason for optimism. The national fiscal outlook has strengthened, with South Africa stabilising public finances, advancing key structural reforms, and reaffirming its credibility on the global stage. The successful hosting of the G20 Summit and renewed investor confidence create a more favourable environment for all provinces, including the Eastern Cape.

This national progress supports our own efforts as we implement the Provincial Medium-Term Development Plan, centred on inclusive economic growth and job creation, tackling poverty and high cost of living, and building a capable, ethical and developmental state. The reforms underway in energy, logistics, and infrastructure nationally will unlock provincial economic potential, strengthen our investment prospects, and improve service delivery outcomes.

With continued fiscal discipline, improved efficiency, and strategic use of emerging opportunities, the Eastern Cape is well positioned to move toward a more stable, resilient, and inclusive future for all our people.

## EASTERN CAPE ECONOMIC OUTLOOK

Honourable Speaker, despite global and domestic challenges, the Eastern Cape economy is showing resilience and signs of recovery. Structural issues like low investment and high unemployment remain, but several key sectors are strengthening.

Agriculture is performing strongly, rebounding in 2025 through stable livestock production, growing poultry and goat farming, and increased citrus and vegetable exports. The sector recently created 5,000 jobs and is expected to grow further through improved logistics, disease control, and expanded market access.

Manufacturing is facing global shifts but still presents opportunities, particularly in food and beverages and the emerging New Energy Vehicle sector. Construction activity is stabilising through housing projects and provincial infrastructure investment. Trade and tourism continue to recover, with coastal towns performing well.

Provincial economic growth is forecast at 1.5% in 2025, rising to an average of 2% over the medium term. Although recent employment declines are concerning, recovery is supported by targeted public investment, youth-focused employment initiatives, and efforts to attract private sector participation.

Overall, the Eastern Cape is positioned for more inclusive and sustainable growth, with expanding opportunities in agriculture, renewable energy, manufacturing, digital services, and the oceans economy. The Medium-Term Budget Policy Statement reaffirms the province's commitment to investment, confidence-building, and ensuring growth benefits reach households across the province.

## FISCAL STRATEGY AND OUTLOOK

Honourable Speaker and Honourable Members, while there is a positive outlook over the medium term, we must acknowledge that the fiscal environment remains constrained. Budget cuts, limited revenue growth, and rising service demands continue to place substantial pressure on the provincial fiscus. These conditions mean that every choice must be purposeful and that our budgeting framework must work smarter within tighter limits.

Despite these realities, we remain confident in our ability to protect essential services and sustain momentum in critical areas of provincial development. Fiscal consolidation continues to guide our approach, not as a restrictive measure, but as a practical tool to ensure long-term financial sustainability, protect priority programmes, and maximise the impact of every rand spent.

To strengthen resilience across the administration, we continue with zero-based budgeting and comprehensive baseline analysis. Departments are expected to review delivery models, reduce non-essential expenditure, expand transversal contracting, and intensify efforts to improve own-revenue performance. These actions ensure that our limited resources are deployed efficiently and where they matter most.

We are also progressing with the payroll management initiative, which safeguards the integrity of the provincial payroll by ensuring accuracy in payments and accountability in personnel management. This work is critical in an environment where every rand must produce tangible service delivery results.

Furthermore, the introduction of the Programme Assessment Matrix Tool over the medium term will enhance targeted savings, strengthen reprioritisation toward core mandates, and help eliminate fiscal leakages. The tool also supports stronger alignment across all three spheres of government, improving coherence in planning and implementation.

Honourable Speaker, these measures are essential to ensuring that fiscal constraint becomes an opportunity for smarter governance. By tightening systems, sharpening priorities, and ensuring value for money, we place the province on a firm path to sustained stability and better outcomes for our communities.

For the 2025/26 financial year, the Provincial Equitable Share grew by R1.3 billion and conditional grants by R656.4 million, bringing total transfers from national government to R99.6 billion, a nominal increase of R2 billion.

Total payments in the main appropriation reached R100 billion, and with net additional payments of R1.9 billion, the Adjusted Appropriation amounted to R101.9 billion, placing the province under continued expenditure pressure.

Despite this, total transfers are R2.2 billion below total payments, resulting in a significant financing gap. Provincial own revenue, adjusted to R1.8 billion, reduces this gap but does not eliminate it. Only through roll-overs, disciplined cash management, and the return of funds to reserves was the province able to close the gap and secure a modest surplus of R34.3 million after financing. This outcome underscores a critical reality: prudent, anticipatory financial management is now the only path to sustaining provincial government operations.

Honourable Members, these results demonstrate that in an era of shrinking fiscal space, disciplined management is not merely beneficial, it is indispensable. It is clear that the province's leadership and administration must remain vigilant, agile, and bold in confronting fiscal headwinds. It is not only the responsibility of Treasury. The ability to transform limited resources into meaningful impact is now the defining hallmark of effective governance.

## IN-YEAR ADJUSTMENTS

Honourable Speaker, the Medium-Term Adjusted Budget reflects targeted and prudent allocations aimed at safeguarding essential services, strengthening institutional capability, and sustaining priority provincial programmes.

Health receives R963.8 million, with R514.2 million allocated to settle accruals and ensure continuity of health services, R108.6 million to employ 429 health professionals, and R107.5 million to assist with the absorption of 3 971 Community Health Workers. Over R94 million has been allocated as emergency funding to respond to the withdrawal of the President's Emergency Plan for AIDS Relief (PEPFAR) funding administered by the United States Agency for International Development (USAID).

Education is allocated R390.8 million to retain and appoint educators, with both Health and Education allocations determined through national methodologies that use headcount for Compensation of Employees and the PES formula for goods and services.

In addition, Education receives R281 million through the ECD grant to increase per-child subsidies and expand early learning for children under five. This allocation is based on the number of children targeted for support, with up to R8 million allowed for administration.

The Office of the Premier is allocated R136.8 million, frontloaded from the 2026 MTEF, to maintain broadband connectivity across 1 975 government sites. This ensures continuity of critical digital services and prevents termination of connectivity contracts.

The Provincial Legislature is allocated R19.3 million, mainly for transfers to political parties, voter education campaigns ahead of the 2026 local government elections, NCOP legislative processes, the establishment of the Ad Hoc Committee on TB and Customary Initiation, and the implementation of the Eastern Cape Money Bills Act. We have also approved a rollover amount of R29.2 million for the

Legislature to mainly fund their goods and services responsibilities and support implementation of their ICT projects.

Public Works and Infrastructure receives R11.3 million, frontloaded from the 2026/27 baseline to support progress on the Legislature Office Block project. This responds to improved contractor performance after payments resumed in 2025/26 following delays in 2024/25. These funds will be earmarked to ensure they are not diverted to other departmental cost pressures.

Co-operative Governance and Traditional Affairs (COGTA) receives R1.8 million for an additional disaster-relief truck and R3.1 million for the summer initiation programme. This covers monitoring activities for traditional leadership structures, training of practitioners to ensure safe and compliant initiation practices. Through reprioritisation of budget within the department, R10 million is set aside to host the Summit on Male Circumcision.

DEDEAT is allocated R42.4 million for key interventions, including R21.5 million for the N2 Biodiversity Offset Project, R13.1 million for ECPTA personnel shortfalls and R5.6 million for hosting the 2025 South African Auto Week through ECDC, of which the department will contribute R2.4 million through reprioritisation of its budget. We have also allocated the department R1.4 million for tactical security at ECDC properties, and R760 thousand for social accountability campaigns on amended liquor regulations.

Transport reprioritised from its budget R20 million to ensure the bus subsidy is paid in terms of the contract to AB350.

Human Settlements receives R5 million for improved monitoring of human settlement projects.

Through reprioritisation of their budget, Sports, Recreation, Arts and Culture will use R2.5 million to support the province to participate in major national sporting activities.

Community Safety is allocated over R3.5 million for working tools for officials.

Collectively, these adjustments ensure that resources are channelled to areas of highest impact, while reinforcing accountability and financial discipline across departments as we advance the province's developmental agenda.

## 2026 MEDIUM TERM REVENUE AND EXPENDITURE

Honourable Members, the medium-term outlook presents an unambiguous warning. Transfers from national government are projected to grow from R99.7 billion in 2026/27 to R106.4 billion in 2028/29.

Total provincial payments will rise from R101.2 billion to R107.3 billion over the same period, creating a structural deficit of roughly R1.3 billion on average per annum. This represents a widening gap between what the province needs to deliver and what the fiscus can realistically support.

More concerning, the province faces projected budget cuts close to R3 billion over the 2026 medium term expenditure framework due to data updates in the Provincial Equitable Share formula and the spending adjustment resulting from the lower inflation adjustment. This is not just a statistic. It is a direct hit to our ability to fund teachers, nurses, social workers, infrastructure, and economic development programmes. It means that departments must prepare for tighter ceilings, reduced baselines, and a more aggressive prioritisation of programmes.

We will, however, continue to prioritise interventions that will yield the highest developmental impact within the limited resources. We will focus on sectors that directly affect the livelihoods and well-being of our citizens: education, health and social development. At the same time, we continue to invest in economic infrastructure, job creation, and skills development, ensuring that the province

contributes meaningfully to national growth objectives while reducing dependency and enhancing self-reliance in our communities.

These policy choices are guided by a clear alignment with the policy priorities of both the provincial and national government.

## **STRENGTHENING INFRASTRUCTURE INVESTMENT AND PERFORMANCE**

Honourable Speaker, public infrastructure remains the foundation of our economic renewal and social progress. As we table this Statement, we reaffirm our commitment to ensuring that every rand invested supports growth, creates jobs, and improves quality of life. The province allocated R9.3 billion in 2025/26 toward infrastructure, and by mid-year, departments had spent 47.5 percent, reflecting steady performance.

Honourable Speaker, meaningful progress is being recorded across key provincial projects. The Department of Transport is advancing upgrades on strategic corridors, including the Sterkstroom–Molteno section of the N6, and continuing work on the Wild Coast Meander, covering routes such as St Barnabas to Hluleka, Willowvale to Dwesa, and Coffee Bay to Zithulele. These projects strengthen tourism access, support local economic development, and improve mobility for rural communities.

Progress on the Welisizwe Rural Bridges Programme continues to change lives. Following the completion of 19 bridges, construction has commenced on 10 of the 17 bridges under Phase 2, including in Mpendle, Ntlaza, KwaBhaca, Ndakeni and Mbhashe. With SANDF engineering support, several of these bridges will be completed before 2026, improving access to schools, clinics, and economic opportunities.

Through strong partnerships with national entities such as SANRAL and Transnet, major national investments continue to flow into the province. SANRAL is advancing the Mtentu and Msikaba Mega-

Bridges on the N2 Wild Coast Corridor, while also progressing upgrades on the Makhanda to Fish River Pass, the R61 between Port St Johns and Flagstaff, the R75 between Gqeberha and Kariega, and the R63 from Bhisho, passing Qumrha up to N2. The Ndabakazi Intermodal Interchange, operational since October 2025, is already easing traffic flow along the N2.

Work on strengthening our logistics backbone continues, including the expansion of the Port of East London automotive terminal and the modernisation of the Port of Port Elizabeth. The upgrade of Chief David Stuurman International Airport in Nelson Mandela Bay Metro is set to take off. This initiative aims to establish the airport as a key logistics and economic hub for the province by enhancing regional air connectivity and improving the overall passenger experience. The scope of work will include the expansion of the terminal, runway rehabilitation and parking refurbishment. The project has an allocated budget of R4.6 billion, with construction scheduled to begin in 2026.

Renewable energy projects such as Coleskop and Wolf Wind Farms, adding over 200 MW to the grid, support energy security and industrial production.

Over the medium term, our fiscal policy will remain focused on discipline, impact, and growth. We will continue to strengthen infrastructure governance, enhance project preparation capacity, and deepen partnerships with the private sector through blended finance and public-private partnerships. This includes leveraging National Treasury initiatives such as credit guarantee vehicles, dedicated infrastructure bonds, concessional funding, and PPPs to attract private investment into provincial infrastructure projects.

Honourable Speaker, we appreciate the financial support from national government to rebuild the municipal infrastructure that was destroyed by the climate-related disasters. In the 2025/26 main budget, R504 million was allocated to 22 municipalities across five districts through the Municipal Disaster Recovery Grant. During the course of the year, a

further R88 million was directed to seven municipalities for immediate disaster response and stabilisation efforts.

In this Adjusted Budget, national government has strengthened the support with an additional R496.1 million allocated directly for 15 municipalities in Amathole, O.R. Tambo and Alfred Nzo districts to accelerate the repair of roads, bridges, stormwater systems, and community facilities. This brings the province's total disaster-related funding for 2025/26 to just over R1 billion, reflecting both the scale of the damage and our firm commitment to restoring functionality in affected communities. Recovery funds will be implemented over 12 months, while response funds are required to be spent within six months to ensure rapid relief.

Honourable Members, these allocations take place within a broader strategy to build a climate-resilient province. Departments are required to ring-fence 2 percent of infrastructure budgets for disaster adaptation, supported by the Provincial Disaster Contingency Fund and aligned to the Climate Change Act and the Provincial Adaptation Action Plan.

## **SUPPORTING TARGETED HIGH GROWTH SECTORS FOR ECONOMIC GROWTH AND JOB CREATION**

Honourable Speaker, our vision for an inclusive and resilient Eastern Cape economy rests on a focused strategy to grow targeted high-potential sectors, those with the greatest capacity to create jobs, attract investment, and drive transformation.

Over the medium term, we are intensifying support for agriculture and agro-processing, automotive manufacturing, renewable energy, general manufacturing, the oceans and digital economies, and the MSMEs and informal trading sector.

In agriculture, guided by the Agriculture and Agro-Processing Master Plan (AAMP), we are working to commercialise smallholder farmers,

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expand market access, and integrate value chains. Through the blended finance partnership with the Land Bank, 29 agri-businesses valued at R184 million have been approved, and R10 million has been ring-fenced for citrus development. The Government Procurement of Agricultural Products (GPAP) programme will open stable markets for local farmers to supply produce to public institutions such as schools and hospitals.

In June 2025, the Executive Council approved the Model for the procurement of agricultural products. To this end, the Department of Agriculture through the Eastern Cape Rural Development Agency (ECRDA) has been tasked to ensure that the objectives of the GPAP are realized, driving strategic interventions that enhance productivity, value addition, and market access for emerging and established farmers alike. These efforts are integral to our broader approach of fostering inclusive growth and rural development, further positioning the province as a leader in sustainable agriculture and agro-processing and reinforcing our commitment to unlocking the full potential of our high-growth sectors for the benefit of all Eastern Cape citizens.

The automotive sector remains the cornerstone of our industrial economy, contributing 46% of national vehicle output and 54% of vehicle exports. Despite global headwinds, the sector continues to expand through new investment and innovation. Through the AIDC-EC and Automotive Masterplan 2035, we are preparing the province for the electric vehicle transition and localising component manufacturing.

In the renewable energy sector, projects such as the 100 MW solar PV farm in Coega, and the Hive Hydrogen Project, which aims to produce 950 000 tons of green ammonia annually by 2029, are setting the foundation for a low-carbon industrial future.

The oceans economy is unlocking coastal opportunities through harbour development, aquaculture, and tourism, with cruise traffic and small-scale fisheries showing encouraging growth.

Similarly, the digital economy is expanding broadband connectivity to over 1 900 government sites, while the East London SEZ data centre will anchor a digital hub to support ICT businesses and attract BPO investments.

Finally, our Medium, Small and Medium Enterprises (MSMEs) and the informal traders are the lifeblood of our local economies. Working through the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), the Eastern Cape Development Corporation (ECDC), and municipalities, we are scaling up funding, business incubation, and market access. Over the MTEF, we will provide funding to support 400 MSMEs and cooperatives, while ECDC aims to leverage up to R1 billion in development finance, creating much needed jobs.

Honourable Members, these targeted investments and partnerships represent a bold reorientation of our economy, from consumption to production, and from dependency to competitiveness. Through industrialisation, innovation, and inclusion, we are building an Eastern Cape that grows from its strengths and ensures that no community, entrepreneur, or young person is left behind.

## **INVESTING IN PROCUREMENT REFORMS FOR EFFECTIVE SERVICE DELIVERY**

Honourable Speaker, this policy statement reflects our unwavering commitment to strengthen procurement governance, eliminate waste, and ensure that every rand spent delivers tangible developmental outcomes. The resources of this province belong to the people of the Eastern Cape, and we remain resolute in using them ethically, efficiently, and transparently to build a capable, ethical and developmental state.

To address persistent challenges in the execution of infrastructure projects such as delays, cost escalations, poor workmanship, and

contractor abandonment, the province is intensifying contract management reforms. Departments are now required to report non-performing contractors for potential restriction, and an online contract management register has been introduced to improve visibility and accountability throughout the project lifecycle.

Through the Local Economic Development Procurement Framework (LEDPF), we continue to ensure that public spending stimulates local economies. In 2024/25, the province spent R6.812 billion, representing 59.29 percent of total procurement on Eastern Cape-based suppliers. This impact is expected to strengthen further once the Public Procurement Act comes into effect, enabling set-asides for provincially based suppliers and prompting the alignment of the LEDPF with the new legislative framework.

Furthermore, the Office of the Chief Procurement Officer is advancing procurement automation to streamline processes, enhance compliance, and strengthen oversight. The newly developed Request for Quotation module on the Central Supplier Database now enables departments without electronic procurement systems to issue and receive RFQs digitally, reducing manual errors, curbing fraud risks, and making procurement more accessible to legitimate suppliers.

Through these reforms, we are laying the foundation for a procurement system that is modern, ethical, development-oriented, and firmly positioned to support effective service delivery.

## **STRENGTHENING OVERSIGHT AND ACCOUNTABILITY**

Honourable Speaker, Honourable Members, good governance remains the backbone of an effective state and the foundation of public trust. Over the years, we have made bold commitments to rebuild governance and strengthen institutional performance, commitments that reflect our resolve to restore integrity, discipline, and excellence across the public sector.

It has long been our aspiration, from the fifth administration through to the sixth, to ensure that all institutions governed by the Public Finance Management Act achieve unqualified audits, with more advancing to clean audit status. Honourable Members, we are now closer than ever to realising this goal. In the 2024/25 financial year, all our provincial institutions, except the Eastern Cape Rural Development Agency, achieved unqualified audit opinions. This near-universal improvement affirms the impact of consistent oversight and ethical leadership.

We are particularly encouraged by the progress of our two largest departments, Health and Education. For Health, this represents a decisive turnaround since its regression in 2017/18. For Education, it marks the first unqualified audit in its history. These milestones demonstrate that accountability is not an abstract concept but a catalyst for visible, measurable progress.

Honourable Members, while these audit outcomes are commendable, our ultimate measure of success lies in the lives of the communities we serve. Good audits must translate into better hospitals, functional classrooms, and effective public services. We must ensure that every improvement in governance strengthens the quality of service delivery, so that the public experiences the tangible benefits of our discipline and integrity.

Let us build on this momentum, learn from our shortcomings, and deepen the culture of transparency, integrity, and performance excellence. In doing so, we transform strong governance not only into clean audits but into real, meaningful impact in the lives of our people

In doing so, we reaffirm our collective responsibility to safeguard public confidence and advance the capable state our people expect and deserve.

## CONCLUSION

Honourable Members, we acknowledge that restoring trust of our people will take time. It requires consistency in action, integrity in leadership, and the courage to confront poor performance wherever it is found. This Adjustment Budget and Medium-Term Budget Policy Statement is a call to action. It is a blueprint for a province that is determined to overcome fiscal constraints, inefficiencies, and service delivery backlogs. It is a statement of our commitment to a capable, ethical, and developmental Eastern Cape, where every citizen can access quality services, participate in economic opportunities, and enjoy dignity in their daily lives.

Together, with courage, discipline, and integrity, we will continue to transform the Eastern Cape into a Province that works for all.

I wish to take this opportunity and thank Premier Oscar Mabuyane for his continued guidance and support, the Members of the Executive for their support and the Legislature, led by you Honourable Speaker, for your oversight role.

I also wish to thank the Head of Department for Treasury, the executive management, and the entire Treasury team for standing firm and providing necessary support during these trying times.

Lastly, I wish to thank all our stakeholders and all people of the Eastern Cape for support and trusting us with this responsibility of managing the province's finances.

It is with great honour and privilege that I table before this House:

- **The 2025 Adjusted Estimates of the Provincial Revenue and Expenditure**
- **The 2025 Medium Term Budget Policy Statement**
- **The 2025 Adjusted Appropriation Bill**

The Gazette, detailing transfer payments to Municipalities, Schools and hospitals has been published on the Government Printers Website.

Below is Schedule A per department, detailing all the adjusted figures.

I thank you.

# ADJUSTMENTS APPROPRIATION BILL, 2025 (EASTERN CAPE)

## SCHEDULE A PER DEPARTMENT

VOTE	DEPARTMENT	AMOUNT R'000
1	Office of the Premier	136 690
2	Provincial Legislature	48 615
3	Health	962 987
4	Social Development	1 400
5	Public Works and Infrastructure	26 556
6	Education	795 550
7	Cooperative Governance and Traditional Affairs	(10 265)
8	Agriculture	814
9	Economic Development, Environmental Affairs and Tourism	(170 553)
10	Transport	232 243
11	Human Settlements	7 003
12	Provincial Treasury	(40 582)
14	Sports, Recreation, Arts and Culture	16 830
15	Community Safety	(14 079)
<b>TOTAL</b>		<b>1 993 209</b>

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**MEDIUM-TERM BUDGET  
POLICY STATEMENT  
SPEECH 2025**



**MEDIUM-TERM BUDGET  
POLICY STATEMENT  
(MTBPS) 2025/26**



**ADJUSTED ESTIMATES OF  
PROVINCIAL REVENUE AND  
EXPENDITURE (AEPRE)  
2025/26**



**GAZETTE NO 5542**



**ADJUSTMENTS  
APPROPRIATION BILL 2025  
ENGLISH/XHOSA**



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