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EASTERN CAPE

MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)

2024/25

Province of the
EASTERN CAPE
PROVINCIAL TREASURY

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2024/25

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LIST OF ABBREVIATIONS

AAMP	Agriculture and Agro Processes Master Plan
AIDC-EC	Auto Industry Development Centre Eastern Cape
AOBFS	Automotive Operator Blended Finance Scheme
BCMM	Buffalo City Metro Municipality
BOT	Build Operate Transfer
CBAC	Central Bid Adjudication Committee
CCMDD	Centre for Chronic Medicine Dispensing and Distribution
CHC	Community Health Centres
COGTA	Cooperative Governcance and Traditional Affairs
COP	Community of Practice
CSIR	Council for Scientific Industrial Research
DCS	Department of Community Safety
DEDEAT	Department of Econominc Environmental Affairs and Tourism
DLC	Drivers License Testing Centre
DMA	Disaster Management Act
DPWI	Department of Public Works and Infrastructure
DRDAR	Department of Rural Development and Agrarian Reform
DRR	Disaster Risk Reduction
DSBD	Department of Small Business Development
DSD	Department of Social Development
DTIC	Department of Trade and Industry and Competition
ECDOT	Eastern Cape Department of Transport
ECDC	Eastern Cape Development Corporation
ECF	Economic Development Fund
ECFIF	Eastern Cape Film Investment Fund
ECLB	Eastern Cape Liquor Board
ECPAC	Eastern Cape Provincial Arts and Culture
ECPG	Eastern Cape Provincial Government
ECSECC	Eastern Cape Socio Economic Consultative Council
ELSEZ	East London Special Economic Development Strategy
EPWP	Expanded Public Works Programme
ETP	Education Transformation Plan
FAO	Food and Agriculture of the United Nations
GBV	Gender Based Violence
GBVF	Gender Based Violence and Femmicide
GEMS	Government Employee Medical Scheme
GIAMA	Government Immovable Asset Management Act
GSCID	Government State Capacity and Institutional Development
HMS2	Health Mangement System
HSRC	Human Science Research Council
IDMS	Infrastructure Delivery Management System
IMCDSP	Intergrated Mother and Child Development Programme
ISBT	Innovative Sustainable Building Technologies
ITPCC	Integrated Transport Planning Coordination Council
LAIS	Learner Attainment Improvement Strategy
LPM	Limited Payout Machine
LTSM	Learner Teacher Support Material
LURITS	Learner Unit Records Information and Training System
MYPE	Med-Year Population Estimates
NHI	National Health Insurance
NSP-GBVF	National Strategic Plan on Gender Based Violence and Femicide
NTCSA	National Transmission Company of South Africa
OECI	Organisation for Economic Cooperation and Development
PEDS	Provincial Economic Development Strategy
PES	Provincial Equitable Share
PICC	Provincial Infrastructure Coordinating Committee
PIASPS	Provincial Integrated Anti poverty Strategy
PMDS	Performance Development Management System
PRASA	Passenger Rail Agency of South Africa
RAF	Road Accident Fund
RTMC	Road Traffic Management Corporation
SAMSA	South African Maritime Safety Authority
SANRAL	South African National Road Agency Limited
SAPS	South African Police Services
SERFSP	Social Enterprise Replenishable Financial Support
STEM	Science Technology Engineering and Mathematics
STTREP	Small Town, Township and Rural Entreprenuership
T-PICC	Technical Provincial Infrastructure Coordinating Council
TVET	Technical Vocational Education and Training
UPFS	Uninsured Patient Fee Schedule
WBPHCOT	Ward Based Primary Health Care Outreach Teams
WULA	Water Use License Application

FOREWORD

This Medium Term Budget Policy Statement (MTBPS) reinforce seven-government policy choices and intergovernmental fiscal plans over the next 2025 medium term expenditure framework. Iinitiatives to fully leverage in our collective resources to significantly enhance the lives of our citizens and establish a robust foundation for sustainable economic growth are afloat. This strategic course of action is essential, given the current economic challenges and the persistent reductions in fiscal transfers to provinces and local governments. We are unwavering in our commitment to prioritise vital investments in education, health, and social care, for the betterment of our people. We understand that a balanced economic strategy is crucial for improving living conditions, aligned with the principles of the Bill of Rights enshrined in our Constitution.

We recognize that success hinges on collaboration across all levels of government, public entities, businesses, and civil society organizations. To this end, we are activating the Intergovernmental Relations (IGR) Framework Act No. 13 of 2005 through a strategic cluster approach in the upcoming Medium Term Expenditure Framework (MTEF). Our commitment to balancing urgent social needs and economic priorities is firmly rooted in the reforms articulated by the Minister of Finance in his MTBPS speech on 30 October 2024. These reforms are not mere temporary fixes; they are transformative strategies that will redefine the trajectory of our economy and fiscal policies.

Operation Vulindlela has already achieved significant immediate successes, including enhanced stability in the electricity grid and a remarkable boost in business confidence. Both the National Treasury's MTBPS and the International Monetary Fund express strong confidence in a recovery that demands renewed dedication from policymakers to robust fiscal management, structural reforms, and green economy initiatives.

As the Eastern Cape province, we are confidently managing our fiscal resources, cautiously balancing our priorities with the funding available to us in line with the fiscal consolidation introduced by the National Treasury. Our provincial government is firmly committed to driving robust revenue generation support to departments through established intergovernmental structures in the province. This proactive approach intends to equip our departments with vital tools like human capital, information and communication technology, and other key initiatives which are needed to maximize revenue collection. Our province is set to generate R5.661 billion in revenue over the 2025 Medium-Term Expenditure Framework (MTEF), with an anticipated R1.804 billion projected for the first year, 2025/26, of this initiative.

In response to the challenges posed by a sluggish economy, we are proactively taking decisive action in collaboration with the Office of the Premier (OTP) to establish a dynamic investment-friendly environment that drives strong investments. We are confident that these efforts will position us for sustained growth and success. We are also proactively exploring diverse alternative funding sources, including the Budget Facility for Infrastructure (BFI), Public-Private Partnerships (PPP), donor funding, and pledging and reprioritisation initiatives.

The outcomes of our coordinated planning process among provincial cluster departments will systematically prioritise and align government initiatives for the medium term, embodying our strategic intent and ensuring that fiscal resources are effectively matched with our policy commitments. Guided by the Medium-Term Development Plan, our overarching goal is to cultivate an inclusive economy that creates jobs, reduces poverty, addresses the high cost of living, and develops a capable, ethical, and developmental state.

The provincial plan is set to ensure that all departments achieve unqualified audit results while enhancing their overall performance. I want to congratulate my colleagues on the significant improvements in the 2023/2024 audit outcomes. Furthermore, I recognize the impressive progress made across various sectors of the province in reaching this ambitious goal.

Honourable Mlungisi Mvoko
Member of Executive Council for Finance

EXECUTIVE SUMMARY

Economic Outlook

Domestic economic growth has averaged less than 2 per cent for extended periods with domestic fixed investment falling short of what is necessary to sustain the economy's underlying productive capacity. The economic costs of faltering growth have been significant spilling over to the labour markets and slowing progress in poverty eradication and other forms of economic inclusions.

To achieve inclusive growth, it is becoming essential for government to amplify only those policies that are mostly likely to enhance the economy's growth potential. High in the policy agenda are reforms that aim to reduce economy-wide inefficiencies, upscale investments in economic infrastructure, facilitate efficient allocations of capital within and across firms to boost local productivity, encourage investments in new skills, protect key natural resources and respond to climate change. Achieving higher growth targets will however require strategic foresight, policy adaptability, iterative experimentation.

National Treasury has modelled optimistic growth scenario for the medium term which for full implementation will depend on:

- Higher public investment spending through better coordination and partnerships across government and the private sector,
- Cost effective industrial policies and sector interventions to support investment and export growth,
- Labour market reforms to address skill gaps, skills mismatch, school-to-jobs-transitions and making job search more effective,
- Spatially targeted interventions to exploit untapped growth potential across nodes/corridors & subregions, promote equality & equity in spatial development, and
- Improving service delivery at local government level.

Complementing the national growth reforms provincial government will strengthen interventions targeting private sector investment, infrastructure, targeted sector value chains development, youth skills and MSME development.

Provincial Medium-term Budget Strategy

The provincial medium-term budget strategy highlights the priorities emerging as agreed between provincial cluster departments. The framework serves to provide a broad strategic outline of the link between the priorities and the available fiscal resources to deliver on those policy commitments.

Guided by the Draft 2024-2029 Medium-term Development Plan the overall focus is to deliver an inclusive economy that creates jobs, reduces poverty and tackles the high cost of living, and develops a capable, ethical and developmental state.

The Draft MTDP narrows the policy focus on key fundamental challenges facing the country, including low economic growth and persistent high unemployment, slow pace in poverty alleviation and difficulties in developing a capable, ethical and developmental state.

Within the EC provincial government the response to these developmental challenges find their practical and guided expression in the nine integration programmes of the provincial cluster departments:

Nine Integration Programmes

Final Nine Integration Programmes	
1.	Inclusive Early Childhood Development and Learner Attainment
2.	Transformation, Governance & Municipal Support
3.	Social Cohesion, Moral Regeneration, Community Safety & GBVF
4.	Anti-Poverty & Sustainable Livelihoods
5.	Infrastructure, Human Settlements & Broadband
6.	Food Security, Land Reform & Agriculture Commercialization
7.	Inclusive Economic Growth
8.	Non-Communicable Diseases, Mental Health & Social Determinants of Health
9.	Youth Development, Skills Development & Training for the Economy

Source: Office of the Premier, 2024

The cluster approach has been adopted to foster integration and coordination in planning, resourcing, and delivery of services.

Provincial Fiscal Framework

The revenue available at a national level has not increased for allocation to the province and for the delivery of the provincial service delivery programmes. The transfers from national government to enable the provinces to meet the expenditure responsibilities for basic services and to implement assigned mandates or functions in accordance with the Constitution. The funding from national is transferred as provincial equitable share and is updated annually with the most recent data that mainly includes provincial population from the 2024 mid-year population estimates (MYPE) as published by Statistics South Africa. The review of the provincial equitable share formula continues with the education component to differentiate learner population and the socio-economic background. The province also receives transfers from national in the form of conditional grants. The review of the conditional grant system was finalised, and a range of reforms were developed based on the results. These reforms will be implemented over the next three years and aim to rationalise conditional grants and incorporate conditional grants into the equitable share to enhance their effectiveness.

The collection of provincial own revenue provides the smallest portion to the fiscal framework from existing revenue sources. PT is expanding the assistance that is offered to the revenue generating departments through a revenue enhancement committee that is led by PT together with the Office of the Premier and other supporting departments that will allow for the implementation of the revenue plans in a project management approach.

Infrastructure

The Eastern Cape Province in the 7th administration will continue with the implementation of the National Infrastructure Plan 2050 which seeks to clarify the contributions of different sectors, particularly in the context of infrastructure delivery which is fundamental to the provinces development. This will be done in tandem with the Eastern Cape Infrastructure Plan Vision 2030 which is people-centred to achieve five goals, including a sustainable future for the province. The plan aims to address the legacy of apartheid, which left the rural regions underdeveloped and the urban economy stressed.

The province in preparation for the seventh administration has been aligning its joint and collaborative planning initiatives with the government's nine integration programs, and by institutionalizing these nine integration programs within the infrastructure planning, budgeting, and reporting processes, the province aims to prioritize infrastructure projects that promise a return on investment, specifically focusing on catalytic or economic projects taking into account that economic growth in the province is further weighed down by inadequate investments in economic infrastructure.

As such the proposed cluster approach, through inter-cluster collaboration, seeks to facilitate the required coordination of integrated infrastructure planning, budgeting, implementation, monitoring and reporting in collaboration with the Provincial Infrastructure Coordinating Committee (PICC) and the Governance State Capacity and Institutional Development (GSCID) Cluster.

Over and above, to tackle the challenges of achieving Value for Money in infrastructure delivery—specifically, ensuring projects are completed on time, within budget, and to the required quality—the province is committed to institutionalizing best practices from the Infrastructure Delivery Management System (IDMS). A critical focus of this initiative is on the integrated planning processes, which serve as the foundation for integrating and linking activities at the portfolio management level. This approach not only promotes the Intergovernmental Relations (IGR) strategy through the District Development Model but also addresses concerns related to climate change and disaster risks.

In dealing with some of the challenges relating to the funding for the required catalytic projects to boost the socio-economic standing of the province, taking into account the limited fiscus, the province is subscribing to the proposed National reforms which includes engaging in the utilisation of the mobilised private sector investment and technical expertise, utilisation of the dedicated capacity to plan, prepare and design programmes such that the Eastern Cape has a dedicated pipeline of bankable projects and participating in the improved capital budgeting process wherein the Budget Facility for Infrastructure (BFI) processes are being reconfigured to a continuous evaluation process.

Importantly, the Eastern Cape Province is committed to prioritize the delivery of Infrastructure through a sustainable development approach guided by anticipation, adaptation and recovery from a changing climate and environment which requires compliance with Climate Change Policies and Guidelines. This necessitates that development of infrastructure projects must cater for adaptation and mitigation strategies in the planning and design stages to allow for the implementation of climate resilient projects which not only reduces the carbon footprint but also is conducive to protecting the lives of citizens.

Provincial Expenditure Management

The 2024/25 Adjustments Estimates amounts to R95.641 billion, reflecting an increase of R241.558 million, from the main budget allocation of R95.400 billion. This is made up of rollovers amounting to R270.348 million of which R173.710 million relates to conditional grants and R96.638 million is from the Equitable Share allocation. The province did not receive any adjustments from national, however has made provincial adjustments from previously accumulated provincial reserves amounting to R443.226 million. The bulk of this was directed towards Health to deal with the medico legal claims, food for patients and cleaning of facilities as well as Office of the Premier to deal with cost pressures in the Broadband project which has been funded through frontloading of the 2025/26 budget already the 2024 MTEF budget baseline. Furthermore, Provincial Treasury received a total of R472.016 million as surrenders from departments.

Over the 2025 MTEF, the provincial government remains committed in its strides of improving service delivery through the prioritisation of the key sectors. As such the bulk of the provincial budget is prioritised for the Social sector with R246.962 billion or 81.9 per cent; followed by Economic sector with R44.948 billion or 14.9 per cent. The Governance and Administration takes the least share of R10.256 billion or 3.5 per cent over the 2027 MTEF period. the province continues to be troubled by disasters and therefore the commitment of 2 per cent of the infrastructure budget for infrastructure departments remains, to assist in the quick response when disaster strikes whist other processes are being followed as per the Disaster Management Framework. Furthermore, the province remains dedicated in advancing the cluster approach in order to foster an integrated approach to governance that is aimed at improving government planning (and resourcing), decision making and service delivery.

PART 1:

ECONOMIC OUTLOOK

EASTERN CAPE

MEDIUM TERM BUDGET POLICY STATEMENT

2024/25

1. ECONOMIC OUTLOOK

INTRODUCTION

The recent 30-year government performance review underscores the need for urgent policy reforms to fully realize the country's economic potential. Although progress has been made on several development outcomes, the domestic economy is not reaching its full growth capacity, as it struggles to attract sufficient public and private investments. These investments are crucial to enhance productive capacity, support market entry for new firms, and establish industries capable of sustainable job creation over the long term.

To drive meaningful economic growth, it is essential to broaden and strengthen growth policies with a targeted focus on local tradeable goods and manufactured products, making them globally competitive. Key priorities include reducing barriers to business entry, addressing logistics inefficiencies, fostering skills development, and promoting technology transfer and innovation. Furthermore, there is an urgent need to secure energy and water resources and to boost infrastructure development to support economic activities. While the recent energy stability in the country has given reprieve, efforts are made to diversify energy mix by further exploring wind and solar energy in the province.

In addition to economic reforms, the government also prioritizes human capital investments. Upscaling efforts in education, healthcare, and community development will be crucial to develop skills, improve human capital, and enhance capabilities, ensuring a more inclusive economic transformation.

However, achieving these growth targets will be challenging. Domestic and global factors, such as slowing global economic growth, fragmented trade relations, persistent income inequalities, and climate change-related extreme weather events, will add complexities to this transformation process. Tackling these challenges require resilience, adaptability, and strategic planning to create an environment conducive to sustainable and inclusive economic growth.

GLOBAL ECONOMY

The International Monetary Fund (IMF), in its October 2024 World Economic Outlook (WEO) Report, projects global economic growth to stabilize at around 3.2 per cent in 2024 and 2025. This expected stabilization is anticipated as the effects of cyclical economic factors diminish and global economies undergo disinflation. Additionally, output gaps—representing the difference between actual and potential economic output—are narrowing in both advanced and key emerging economies, signalling a move toward more balanced and sustainable growth.

The IMF's outlook suggests that as these economies gradually adjust, global activity will "normalize," with inflation rates declining closer to target levels and labor and capital markets operating closer to their full capacity. These trends may alleviate some pressures on global trade, investment, and employment levels, and therefore potentially providing a more stable environment for growth initiatives. However, achieving these growth rates will require continued efforts by countries to manage domestic and international challenges effectively, including those posed by geopolitical tensions, income disparities and environmental risks.

Table 1.1: Global Economic Growth Projections (Per cent change)
Economic growth in selected countries

Region/country	2022	2023	2024	2025
Percentage	Actual		Forecast	
World	**3,6**	**3,3**	**3,2**	**3,2**
Advanced economies	**2,9**	**1,7**	**1,8**	**1,8**
United States	2,5	2,9	2,8	2,2
Euro area	3,3	0,4	0,8	1,2
United Kingdom	4,8	0,3	1,1	1,5
Japan	1,2	1,7	0,3	1,1
Emerging and developing countries	**4,0**	**4,4**	**4,2**	**4,2**
Brazil	3,0	2,9	3,0	2,2
Russia	-1,2	3,6	3,6	1,3
India	7,0	8,2	7,0	6,5
China	3,0	5,2	4,8	4,5
Sub-Saharan Africa	**4,1**	**3,6**	**3,6**	**4,2**
Nigeria	3,3	2,9	2,9	3,2
South Africa1	1,9	0,7	1,1	1,7
World trade volumes	**5,7**	**0,8**	**3,1**	**3,4**

1. National Treasury forecasts

Source: IMF World Economic Outlook, October 2024, National Treasury MTBPS 2024

The IMF's latest outlook highlights a diverging growth trajectory across regions and underscores structural challenges likely to hinder global growth over the medium to long term. In advanced economies, growth is projected to converge around 2 per cent as cyclical imbalances lessen, enabling economic activity to align more closely with underlying potential. In contrast, recovery in emerging markets and developing economies is expected to remain uneven, with regions like the Middle East, Central Asia, and Sub-Saharan Africa facing low growth due to disruptions from regional conflicts and extreme weather events. However, emerging Asia remains a bright spot, with growth buoyed by substantial investments in artificial intelligence (AI) and strong demand for semiconductors and electronics.

Looking further ahead, global growth is expected to decelerate to an average of 3.1 per cent over the next five years—a rate lower than pre-pandemic levels. Several factors contribute to this anticipated slowdown: aging populations in advanced economies, underwhelming investment levels, and structural inefficiencies in labor and capital markets that reduce overall productivity. These long-term challenges compound the risks to growth, with the IMF identifying downside pressures such as abrupt financial tightening that could trigger capital outflows in emerging economies, potential reversals in disinflation due to commodity price shocks, and escalating trade tensions, particularly between Western economies and China.

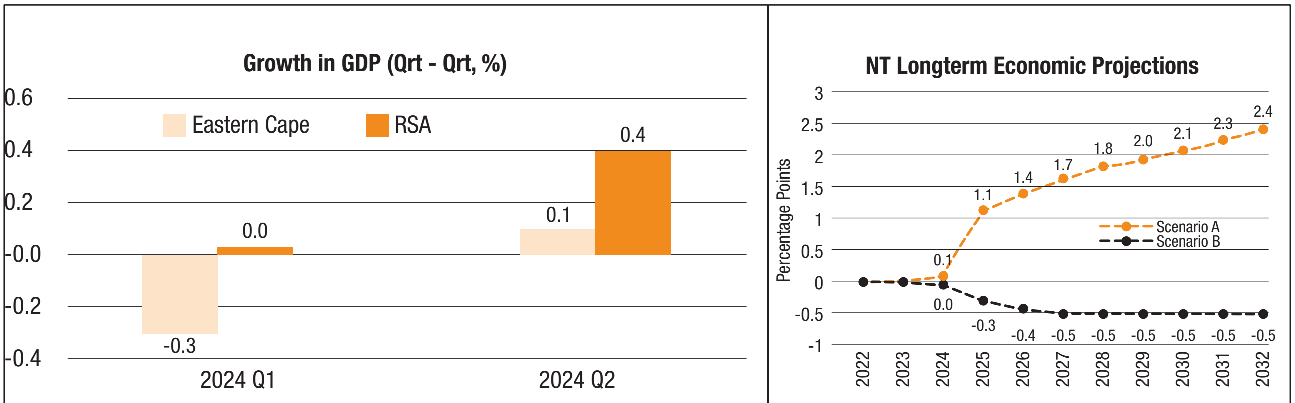
Despite a slight uptick in global trade volumes in 2024 after a slump in 2023, the growth rate of global trade remains subdued compared to past decades. This poses challenges for per capita income growth, as trade once provided significant boosts via market access, investment, technology transfer, and productivity gains.

In response to these challenges, the IMF urges policymakers to shift focus toward stronger fiscal management, structural reforms, and green economy initiatives. Fiscal policies are essential to manage public debt and rebuild buffers, while structural reforms are crucial to stimulate long-term growth. The green transition, accelerated through targeted investments, could enhance sustainability and create new economic opportunities, helping to address both economic and environmental concerns as global growth slows.

DOMESTIC ECONOMIC OUTLOOK

Economic Growth

Figure 1.1: RSA & EC Economic Growth



Source: Quantec Data, 2024 *Source: National Treasury, 2024*

Following its brief recovery in 2021 domestic economic growth slowed to 0.7 per cent in 2023 with the slower pace spilling over to the first half of 2024, with zero per cent growth in quarter 1 and 0.4 per cent in Q2 recorded. The slower growth reported in 2023 was mainly due to periods of extended disruptions in electricity supply, rail and ports operational constraints and slower household consumption expenditure, whilst for first half of 2024 economic activity was mainly constrained by insufficient aggregate domestic demand.

Owing to poor growth outcomes during the first half of 2024, NT has revised its economic growth projections for 2024, from an initial 1.3 per cent projection as reported in February 2024 to 1.1 per cent. However, current consensus still points to some gradual recovery over the medium-term, with economic growth averaging 1.8 per cent p.a., representing a marginal improvement when compared to the 1.2 per cent recorded for the prior three year. According to National Treasury's baseline economic growth forecasting assumptions, factors supporting the anticipated recovery include a benign global economic environment despite growing global trade restrictions, a moderating domestic inflation outlook, easing of monetary conditions, and the sustained improvements in electricity supply & ports operations.

Furthermore, National Treasury has modelled various optimistic growth scenarios in which growth is projected to be 2.4 percentage points higher above baseline forecasts by 2032. Key assumptions underpinning the modelled elevated growth outcomes include:

- Sustained implementation of growth enhancing reforms through the second phase of Operation Vulindlela.
- Higher public investment spending through better coordination and partnerships across government and the private sector,
- Cost effective industrial policies and sector interventions to support investment and export growth,
- Spatially targeted interventions to exploit untapped growth potential of identified development nodes and corridors to drive for greater equality & equity in spatial development, and
- Focused and targeted interventions in local government to improve service delivery.

Aggregate Expenditure

Table 1.2: Macroeconomic Performance and Projections

Calendar year	2021	2022	2023	2024	2025	2026	2027
Percentage change		**Actual**		**Estimate**		**Forecast**	
Final household consumption	6,2	2,5	0,7	1,2	1,8	1,7	1,9
Final government consumption	0,6	0,6	1,9	1,4	0,9	-0,4	-0,1
Gross fixed-capital formation	-0,4	4,8	3,9	-2,5	4,7	4,2	3,8
Gross domestic expenditure	4,9	4,0	0,8	0,5	2,0	1,7	1,9
Exports	9,7	6,8	3,7	-1,6	3,1	3,1	3,1
Imports	9,6	15,0	3,9	-3,2	4,1	2,8	3,0
Real GDP growth	**5,0**	**1,9**	**0,7**	**1,1**	**1,7**	**1,7**	**1,9**
GDP inflation	6,3	5,2	4,8	4,2	5,0	4,6	4,5
GDP at current prices (R billion)	**6 220,2**	**6 655,5**	**7 024,0**	**7 396,7**	**7 897,6**	**8 404,1**	**8 953,6**
CPI inflation	4,6	6,9	5,9	4,6	4,4	4,5	4,5
Current account balance (% of GDP)	3,7	-0,5	-1,6	-1,8	-2,1	-2,2	-2,5

Source: National Treasury, Reserve Bank and Statistics South Africa, 2021 - 2027

Household Consumption

Consumption expenditure by households increased by 1.4 per cent in Q2 of 2024 following a marginal decline in Q1 of 2024. The increase was supported by an increase in the real disposable incomes, declines in household debt and debt service costs and marginal improvements in household wealth. For the full year household final expenditure is estimated to increase by 1.2 per cent, marginally higher than the 0.7 per cent recorded in 2023.

Fixed Investments

Real gross fixed capital formation contracted by 5 per cent in the first half of 2024, year-on-year. All three organisational types (private, general government, and public corporations) reduced their capital outlays during the first half of the year. Fixed investment spending by the private sector decreased for first half of 2024, while capital spending by the public sector also decreased in Q2 following an above 2 per cent increase in Q1. Consequently, the level of real gross fixed capital spending is expected to decline by -2.5 per cent for the 2024 full year.

Private-sector investment declined in first half of the year on account of higher operating costs, particularly for logistics and energy, whilst public fixed investment was constrained by underspending of capital expenditure budgets due to administrative and construction delays stalling infrastructure spending in the first half of the year.

Table 1.3: Real Gross Fixed Capital Formation

Quarter-to quarter percentage change at seasonally adjusted but not annualised rates

Sector	2023					2024	
	Q1	Q2	Q3	Q4	Year*	Q1	Q2
Private business enterprises	0.6	5.3	-5.1	0.9	3.0	-3.1	-1.3
Public corporations	7.3	6.5	-7.1	4.2	9.9	2.5	-1.5
General government	4.0	-1.9	-1.3	-7.3	3.9	2.0	-1.5
Total	**1.9**	**4.1**	**-4.7**	**-0.2**	**3.9**	**-1.7**	**-1.4**

** Percentage change over one year*

Source: Stats SA, 2023 and 2024

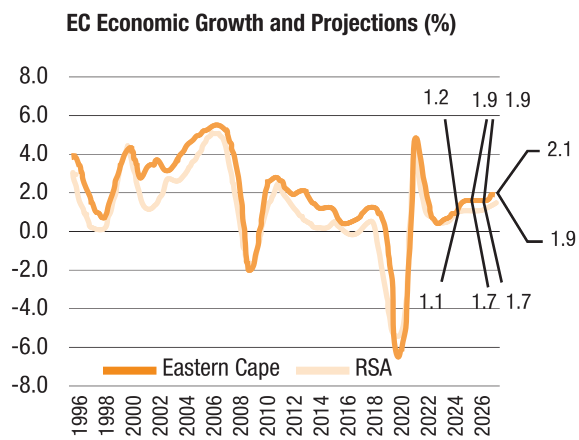
According to National Treasury total fixed investment is expected to grow at an average rate of 4.2 per cent over the medium term fuelled by a gradual recovery in global growth, easing global monetary conditions, higher commodity prices and sustained investments in energy infrastructure through public procurement and private embedded generation.

Eastern Cape Economy

Tracking national trends the province has registered extended periods of low growth since 2021, albeit at slightly higher rates than national averages. Key labour intensive subsectors, particularly, agriculture, manufacturing, construction continue to operate under considerable strain. Overall economic growth for the province was estimated at 0.1 per cent in Q2 of 2024 which represents a slight improvement from the reported declines in Q1 of 2024 and Q4 of 2023. For the next three years, economic growth for the province is forecasted to average 2 per cent, which is marginally higher than the 1.8 per cent average for the country.

Of concern moving forward is that persistent low economic growth translates to stagnant or declining per capita incomes, higher unemployment, growing food insecurity subjecting the country into a middle income trap.

Figure 1.2: EC Economic Growth Projections



Source: Quantec Data, 1996-2026

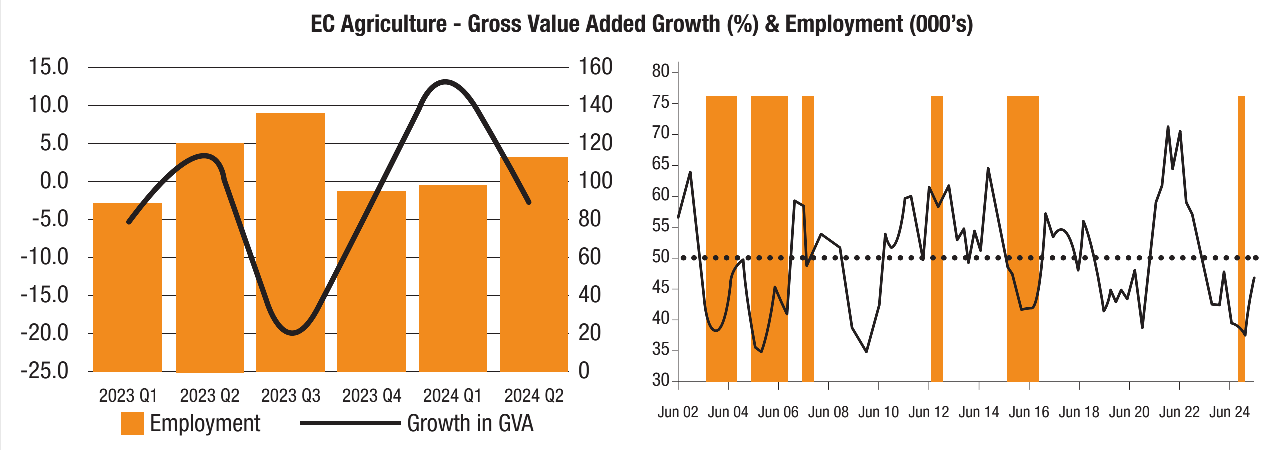
Agriculture

Over the past few years agriculture has proven to be one of the few resilient sectors within the provincial economy with its capacity to rebound instantly from all negative shocks. Horticultural crops and animal products have been key in sustaining the sector's gradual expansion in the province.

During the first half of 2024 output from the sector grew by 13.2 per cent and -2.3 per cent in Q1 and Q2 respectively, while employment increased by 10 000 in Quarter 3, quarter-on-quarter. The under performance in agricultural output in Quarter 2 was mainly due to lower consumer demand for animal products, the adverse impact of extreme weather events and disease outbreaks that affected some categories of livestock and horticultural crops, whilst agriculture export volumes also underperformed over the same period.

For the short-to-medium term the outlook for the sector remains positive with key sector indices pointing to a gradual recovery both in sentiments and actual business conditions as reflected by the Agbiz/IDC Agribusiness Confidence Index for Quarter 3 of 2024.

Figure 1.3: EC Agriculture Performance



Source: Stats SA QLFS and Quantec 2023-2024

In particular the sector anticipates higher production turnover and, increased employment for the coming summer season, whilst lower interest rates are expect to spur on additional capital investments.

Moving forward key sector challenges consist of the safeguarding of collective business interests for all actors in the industry through partnering with government to deliver on agreed sector investment and policy commitments, which include:

- Improving rural and municipal access roads to facilitate access and market linkages
- Investing in logistics and ports infrastructure to enhance industry competitiveness
- Ensuring adequate surveillance systems for early monitoring and reporting of plant and animal disease outbreaks,
- Support through incentives the adoption of climate smart agriculture and green energy for the sector,
- Assisting local producers to expand access to global markets and agri-value chains, and
- More critically scaling up government support to local emerging farmers to enhance their productivity, and links to regional and global markets.

Manufacturing

The manufacturing sector remains critical in supporting sustained growth and employment creation in the province. Furthermore, the sector facilitates both local and foreign direct investment inflows which enhance productivity and facilitates technology transfer.

Despite the -1.3 per cent output decline in 2023 and reported job losses for 2024 provincial manufacturing activity grew by 1.2 per cent in Q2 reversing an earlier trend of declining output that started in 2023 and culminating with a -1.5 per cent decline in Q1 of 2024. The sector recorded a turnaround in Q2 which was supported by improvements in electricity supply and a rebound in the production of motor vehicles, parts and accessories, food and beverages, and chemical, rubber, and plastic products. In terms of employment the sector continues to absorb a significant number of workers in the province currently estimated at 140 000 as of Q3 of 2024, representing a 22 000 net jobs increase compared to Q2 of 2024.

The structure of manufacturing activity in the province continues to be concentrated in motor vehicle production, parts and accessories (i.e. transport equipment). However, in recent years manufacturing activities related to food and beverages, chemical, rubber and plastic products have also emerged broadening the footprint of manufacturing in the province. Collectively the three subsectors account for close to 90 per cent of manufacturing activity, investments and exports in the province.

Table 1.4: Eastern Cape Manufacturing Industry – Turnover, Exports and Fixed Investments

Type of Manufacturer	WC	EC	NC	FS	KZN	NW	GP	MP	LP	Total
Food & beverages	27%	19%	63%	31%	24%	34%	18%	46%	51%	24%
Textiles & clothing	3%	2%	0%	1%	5%	1%	1%	1%	1%	2%
Wood, paper & publishing	7%	3%	1%	1%	9%	7%	6%	13%	5%	6%
Petroleum & chemical products	40%	13%	13%	60%	16%	14%	20%	9%	16%	24%
Glass & non-metallic mineral products	2%	2%	8%	1%	2%	11%	4%	3%	9%	3%
Metals & machinery	9%	3%	12%	3%	18%	22%	24%	25%	17%	17%
Electrical machinery	1%	2%	0%	0%	2%	3%	4%	2%	0%	3%
Telecommunications & medical	2%	0%	0%	0%	1%	0%	1%	0%	0%	1%
Transport equipment	4%	55%	2%	3%	21%	5%	16%	1%	1%	16%
Furniture & other manufacturing	6%	1%	1%	0%	2%	3%	5%	1%	1%	4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Industry	Total GDFI (R million 2019-2023)	Total Exports (R million 2023)
Food, beverages and tobacco	11 646	3 418
Chemicals, rubber and plastic	9 119	9 123
Transport equipment	5 771	40 492
Other non-metal mineral products	4 681	578
Metals, metal products, machinery and equipment	4 009	2 852
Wood and paper; publishing and printing	4 006	270
Furniture; other manufacturing	1 673	903
Textiles, clothing and leather goods	1 072	2 827
Electrical machinery and apparatus	475	817
Radio, TV, instruments, watches and clocks	452	127
Manufacturing	**42 905**	**61 408**

Source: Stats SA, 2023 and Quantec Regional Data, 2024

Nelson Mandela metro accounted for 60 per cent of the sector activity followed by Buffalo City at 30 per cent, illustrating the productivity growth nodes of the province.

Moving forward the outlook for manufacturing in the province will continue to depend on the state of the domestic economy, particularly household durable goods consumption. Over the medium-term, the sector will depend critically on how much it is supported by government to respond and adjust to key emerging global trends affecting the sector including: slowing growth in global trade, dominance of global value chains in facilitating foreign direct fixed investments and technology upgrading, automation of manufacturing processes and tasks, growing significance of add-on services in value addition for manufactured products, low carbon manufacturing and growing preferences for new energy vehicles in advanced economies.

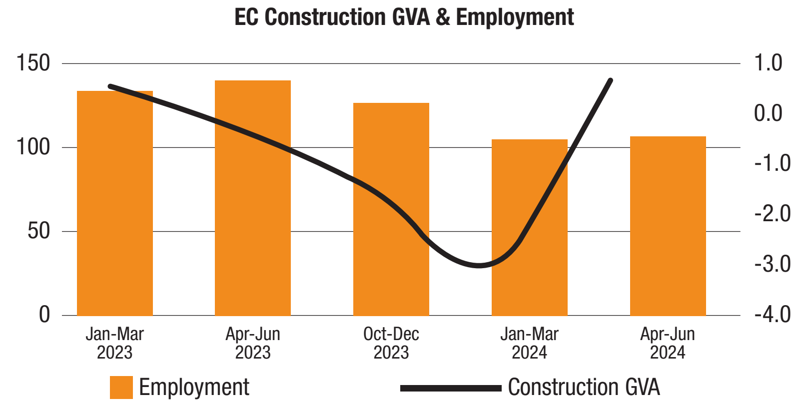
Responding to such challenges both government and the private sector will need to actively collaborate searching for interventions that seek to strengthen the domestic manufacturing industry's competitiveness, capabilities and connectedness.

In relation to competitiveness, there is a need to move beyond focusing on just labour productivity but to also prioritise supporting business ecosystems that facilitates investment through greater ease of doing business. Developing capabilities refers to equipping workers with new skills and supporting firms to embrace ICT-enabled management processes backed by adequate data systems and ICT infrastructure. Connectedness will be about assisting with creating links to external markets through improving logistics and lowering trade restrictions both in manufactured goods and related services.

Construction

Following four quarters of marginal declines, construction activities in the province increased in Quarter 2, reflecting an upswing in residential and non-residential building activities. The overall increase for the sector in Q2 was also evident in the reported uptick of the Afrimat Construction Index, a widely accepted construction industry barometer. However, the civil construction activities declined marginally but still maintained elevated activity levels largely on account of sustained increases in government infrastructure and capital outlays. Through preferential procurement reforms and other contractor development programmes a significant share of these government capital outlays will continue to benefit local contractors and various designated groups.

Figure 1.4: EC Construction Performance



Source: Stats SA QLFS 2024 & Quantec 2024

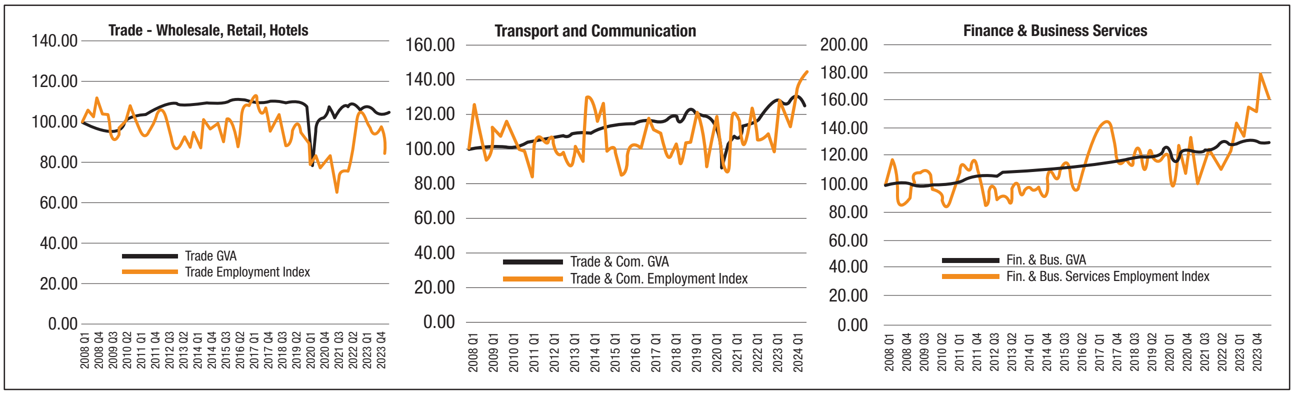
Due to its high labour intensity the sector employs a significant share of workers in the province. In quarter 3 of 2024 a total of 127 000 workers were employed in the sector, representing 19 000 net increase of employed workers when compared to the second quarter of 2024.

With regards to its outlook, the sector is expected to sustain its recovery as additional pipelines of infrastructure projects in transport, renewable energies, water and housing secure the necessary public and private financial support towards financial closure. However, key risk for the industry remains to be that of the growing influence of construction mafias that cause substantial disruptions to infrastructure projects completion across the country. Moving forward government plans to strengthen and widen its response to this threat through updating procurement regulations, accelerating budget reforms, and tightening oversight and law enforcement activities to ensure that only legitimate contractors operate within the sector with no extortion reported.

Commercial Services

Within the broader commercial services sector (i.e. wholesale, retail, hotels and restaurants, transport and communication, finance and business services) transport and communications, finance and business services have consistently been the two subsectors that recorded an upward trend both in terms of output and employment. Overall growth trend in employment for business services, transport and services has been robust in recent years partly on account of the emergence of growing services subsectors that serve to support traditional industries such as manufacturing, construction and agriculture, mainly through business processes outsourcing, freight and delivery, maintenance and security, marketing, legal and accounting services post Covid 19 lock downs. Investments in telecommunications and ICT have been critical in facilitating the emergence of these support services.

Figure 1.5: Commercial Services GVA and Employment



Source: Derived from Quantec 2024, Stats SA 2024

The outlook for Trade remains to be balanced and dependent on household consumption expenditure levels, costs of living, and state of the labour market. However, for Q3 of 2024 employment in trade recovered by 22 000 jobs, making up for earlier losses in previous quarters. For Transport there was a marginal decline in employment in Q3 when compared to Q2, with the sector recording net job losses of approximately 3 000. But year-on-year the sector still posted significant positive jobs gains, with a net increase of 18 000 jobs. In Finance net job losses were significant recorded at - 21 000 in Q3, quarter on quarter, and -13 000 year on year.

Eastern Cape Labour Market Trends

The Eastern Cape's labour market achieved recorded gains in employment between Q2 of 2024 and Q3 of 2024, with total employment increasing by 83 000 between the second and the third quarters of 2024.

Quarterly employment increases were mainly recorded in Manufacturing (+22 000), Construction (+19 000), Trade (+20 000), Community and Social Services (+30 000). Increases in employment in Manufacturing, Transport and Communication Services were also sustained year-on-year, when compared to the same Q3 of the previous year.

Due to a robust increase in overall employment numbers unemployment rates across the province declined precipitously in Q3, more so in the metros. The average unemployment rate in the province is currently estimated at 37.2 per cent, which represents an almost 4 percentage point decline compared to Q2 of 2024. Unemployment rate in the Nelson Mandela metro has improved, falling to 24.5 per cent while for the Buffalo City metro the rate dropped to 30.1 per cent.

The provincial labour force participation rate has also improved slightly compared to the previous year highlighting the rising share of the working age population that is becoming integrated into the formal labour force.

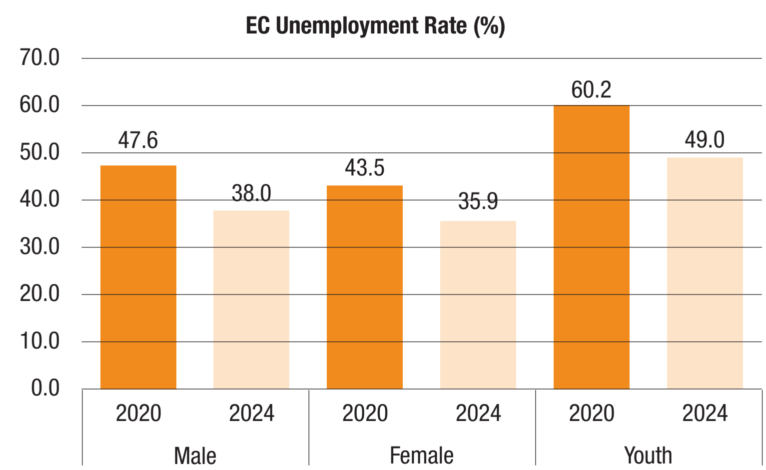
Table 1.5: EC Labour Market Trends

	Jul-Sep 2023	Apr-Jun 2024	Jul-Sep 2024	Qrt-Qrt change	Y-o-Y change
	000's				
Eastern Cape					
Employed	1 459	1 389	1 452	83	-7
Unemployed	926	951	861	-90	-66
Rates (%)					
Unemployment rate	38.8	41.0	37.2		
Labour force participation rate	52.9	50.9	50.6		
Eastern Cape - Non Metro					
Employed	849	768	793	25	-56
Unemployed	640	666	619	-47	-21
Rates (%)					
Unemployment rate	43.0	46.5	43.9		
Labour force participation rate	48.4	46.2	45.4		
Eastern Cape - Buffalo City					
Employed	253	250	262	12	9
Unemployed	118	127	113	-15	-6
Rates (%)					
Unemployment rate	31.8	33.7	30.1		
Labour force participation rate	67.2	67.5	66.8		
Eastern Cape - Nelson Mandela Bay					
Employed	357	350	396	46	40
Unemployed	168	157	129	-28	-39
Rates (%)					
Unemployment rate	32.0	30.9	24.5		
Labour force participation rate	59.6	57.0	58.8		
Eastern Cape Sectors / Industries					
Agriculture	136	113	124	10	-12
Manufacturing	124	118	140	22	16
Utilities	4	6	12	6	8
Construction	125	108	127	19	2
Trade	281	256	278	22	-3
Transport	77	97	94	-3	18
Finance	182	190	169	-21	-13
Community and social services	426	384	415	30	-11
Private households	105	94	92	-2	-13

Source: QLFS Q3 2024, Stats SA

Providing employment opportunities for the youth remains to be a high priority for the provincial government given the difficulties experienced by the youth in entering the labour market. Youth unemployment rate in the province in the third quarter of 2024 was estimated at 49 per cent, while for females the rate was slightly lower than that of males highlighting the growing influence of services sectors employment.

Figure 1.6: Eastern Cape Unemployment by Population Groups



Source: Stats SA, QLFS 2020, 2024

Compared to the previous years, both youth and female employment have steadily improved in the province due to various initiatives that have been rolled and scaled up by government, including the Presidential Youth Employment Initiative (PYEI) programme, and other public employment programmes.

Priorities and Interventions to Accelerate Provincial Economic Growth

It is commonly agreed for the South African economy to grow high levels of fixed investment, both private and public, are needed. To resuscitate provincial economic growth, the provincial government will continue to prioritise and strengthen its interventions in the following areas:

- Private sector investment promotion & facilitating investments by State Owned Entities (SOE) in economic infrastructure in support of local industrial and sector development.
- Strengthening provincial government capacity in infrastructure planning, financing and delivery.
- Leveraging provincial economic assets within the Special Economic Zones for investment attraction and industrial development.
- Industry/sector value chains development and transformation focusing on - support for agriculture and agro-processing, access roads linking agric nodes & tourism sites to markets, industrial parks revitalisation, auto sector, tourism development, film and other creative industries, sustainable green energy.
- Financial and non-financial support to Medium Small and Micro Enterprises (MSME), and the continued implementation of the Local Economic Development Procurement Framework (LEDPF).
- Investing in ICT, digital economy and broadband connectivity.
- Youth development initiatives and youth skills programmes.

Broadly the nine integration programmes highlighted in Chapter 2 that have been adopted by the provincial government will help guide policy and programme prioritisation and coordinate the work of the provincial government over the coming medium-term. The ultimate aim will be to realise the PDP 2030 development goals of ensuring inclusive economic growth, reducing poverty, inequality and unemployment, improving service delivery, and ensure thriving citizens.

Towards attaining these medium-term priorities National Treasury has emphasised the importance of maintaining macroeconomic stability and fiscal discipline, strengthening implementation of structural reforms to support economic growth (i.e. Phase II of Operation Vulindlela), and investing in public infrastructure.

PART 2:

MEDIUM-TERM BUDGET STRATEGY

EASTERN CAPE

MEDIUM TERM BUDGET POLICY STATEMENT

2024/25

2. MEDIUM-TERM BUDGET STRATEGY

INTRODUCTION

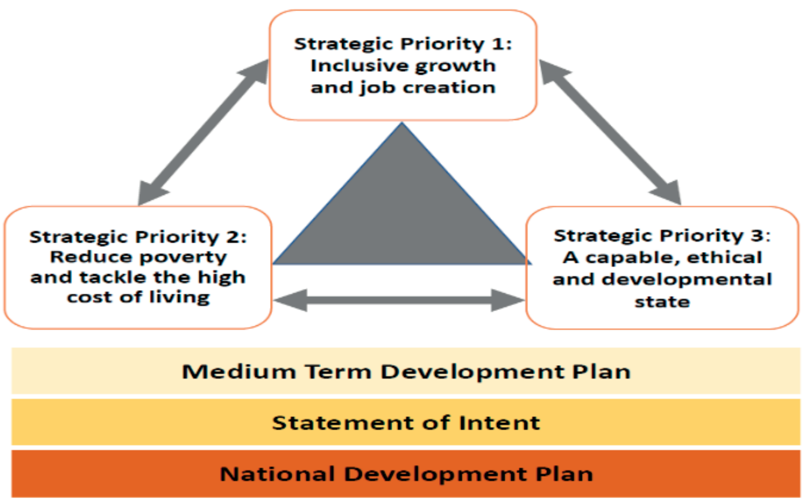
The provincial medium-term budget strategy highlights the key elements of the priorities framework as agreed between provincial cluster departments. The framework serves to coordinate government's plans for the coming medium-term, reflecting their strategic intent, and the matching fiscal resources to deliver on those policy commitments. Guided by the Medium-term Development Plan the overall focus is to deliver an inclusive economy that creates jobs, reduces poverty and tackles the high cost of living, and develops a capable, ethical and developmental state.

THE 2024 -2029 MEDIUM-TERM DEVELOPMENT PLAN AND NINE PROGRAMMES OF INTEGRATION

The Constitution provides for the foundational framework that establishes the basic values and human rights in the country, setting out the fundamental rules that assign functions and defining the powers that are to be shared across various spheres and organs of the state. Embedded in those rights are the country's developmental aspirations of decent standards of living for all. The National Development Plan defines those core standards as:

- Quality education and skills development
- Quality health care
- Social protection
- Adequate nutrition
- Employment
- Safety and security
- Housing, water, electricity and sanitation
- Safe and reliable public transport
- Recreation and leisure
- Clean environment

Figure 2.1: Medium Term Development Plan Priorities, 2024-2029



Source: Office of the Premier, 2024

In its current form the 2024-2029 Medium-term Development Plan sets out what still needs to be done by government to scale up to NDP 2030 targets. It narrows policy focus on key fundamental challenges facing the country, which are economic growth, jobs creation, slow progress on poverty alleviation and difficulties in developing a capable, ethical and developmental state.

At the provincial level the MTDP's objectives find their full and practical expression within the nine integration programmes and cluster system focus areas:

Table 2.1: Nine Integration Programmes

	Final Nine Integration Programmes	Leader	Supporting Institutions
1.	Inclusive Early Childhood Development and Learner Attainment	DOE	DSD, DOH, DSRAC, DOCS, DRDAR, DHS, DHA, ECLB
2.	Transformation, Governance & Municipal Support	COGTA	OTP, PT, MISA, ECSECC, DWS, StatsSA, DHS, Amatola Water, Municipalities
3.	Social cohesion, moral regeneration, community safety & GBVF	DOCS	DSRAC, DOE, DSD, DOH, OTP, COGTA, ECBGB, ECLB, ECPACC
4.	Anti-Povert & Sustainable Livelihoods	DSD	DRDAR, DEDEAT, PT, DHS, DOH, DSRAC, ECRDA, ECDC, DOE, DHA, ECPTA, ELIDZ
5.	Infrastructure, human settlements & boradband	DPWI	OTP, PT, DoT, DHS, DSRAC, ELIDZ, DCD, DOE, DOH, DRDAR, DSD, DoEL, DWS, ECSECC, ECPTA, Municipalities
6.	Froof Security, Land reform & agriculture commercialization	DRDAR	DSD, DEDEAT, DoT, DOE, ECRDA, DALRRD, COGTA, Amatola Water, CDC, DOH, DHS, ELIDZ, AIDC
7.	Inclusive Economic Growth	DEDEAT	DPWI, DRDAR, DoT, DOH, OTP, DSRAC, DOE, ECRDA, ECSECC, ECPAC, DME, COEGA SEZ, ELIDZ, AIDC-EC, ECDC, StatsSA, DoEL, ESKOM, Transnet, ECGB, ECLB; Local Government; Municipal Agencies
8.	Non-Communicable Diseases, mental helath & social determinants of health	DOH	DOE, DSRAC, DSD, OTP, COGTA, DHS, DPWI, DOCS, DWS, DRDAR, Municipalities, Development & Social Partners
9.	Youth development, skills development & training for the Economy	OTP	ALL INSTRUCTIONS, DoT, DOE, DOH, DSRAC, DSD, OTP, COGTA, PT, DOCS, DRDAR, SETA, Municipalities, CDC, ELIDZ, ECDC, ECPACC, DoEL, HRD Council

Source: Office of the Premier, 2024

The cluster approach has been prioritised to foster integration and coordination in planning, resourcing, and delivery of services to further align provincial planning to the functional group approach used by national government. The main functions of the clusters are to ensure the alignment of government-wide priorities, facilitate and monitor the implementation of priority programmes and provide a consultative platform on cross-cutting priorities and matters being taken to Cabinet.

SOCIAL PROTECTION, COMMUNITY AND HUMAN DEVELOPMENT

Inclusive Early Childhood Development (ECD)

It has been acknowledged that the early years of a child's life are the most critical for their full development into productive adults. Over the coming medium-term provincial government will be upscaling the rollout of early childhood development programmes, focusing on universal availability of comprehensive age-, and stage-appropriate quality early childhood development services. This will be achieved through the development of an Integrated database of children centers and mass registration and funding of NPOs, ECD, and ECD programmes, and the scaling up of children health and nutrition programmes from DoH and DSD.

The provincial government has allocated a total baseline budget in DoE of R3.738 billion over the 2025 MTEF to cater for the ECD sector. This allocation will be allocated as follows: R1.197 billion, R1.242 billion, and R1.298 billion in 2025/26, 2026/27 and 2027/28 financial years respectively. Over and above this, a budget of R101.362 million over the 2025 MTEF has been allocated for learners with severe to profound intellectual disabilities which will be inclusive of ECD learners.

Better outcomes for ECD services will depend on the extent into which key departmental prgrammes within this sector are integrated and coordinated given the multidimensional nature of the required services, i.e.

- Eastern Cape Department of Education remains as the lead department responsible for the core ECD functions,
- Eastern Cape Social Development (and SASSA) dealing with children's social needs and nutrition support,
- Department of Health monitoring, tracking and providing health and well being services to young children,
- Department of Home Affairs providing the identification, registration and citizenship needs of children.

Learner Attainment

Both the quantity and quality of schooling resources do matter in improving learning outcomes. To sustain and upscale improvements in learner performance across all grades the provincial government will be prioritising interventions that have been shown through evidence based assessments to be effective, including:

- Implementing best practices in lesson plans, graded reading books, individualized coaching of teachers and other innovations.
- Focusing on accelerating the implementation of the Science, Techonogy, Engineering and Mathamatics (STEM) approach and E-teaching and digital learning.

To ensure sufficient funding as per education sector norms and standards the provincial government will continue to prioritise the following non-negotiables in education:

Table 2.2: Education Non-Negotiables

Education - Funding for Policy Areas	2025/26 R'000	2026/27 R'000	2027/28 R'000	2025 MTEF R'000
Key policy Area / non-negotiables - included in the Baseline	36 488 198	38 200 744	39 861 921	114 550 863
Learner Teacher Support Material	890 813	930 899	972 790	2 794 502
School furniture	100 845	105 383	110 125	316 353
E-learning, ICT and laptop initiative (incl data)	181 400	189 563	198 093	569 056
Property payments	290 343	339 258	354 526	984 127
Early Childhood Development	1 196 629	1 242 487	1 298 400	3 737 516
Bursaries	75 783	79 184	82 747	237 714
Training and Development	136 476	142 619	149 038	428 133
NSNP: exclusively for school feeding	1 776 802	1 856 758	1 940 312	5 573 872
Maths, Science and Technology	57 141	59 756	62 445	179 342
External Exams	457 872	494 929	517 201	1 470 002
HIV and AIDS (Life Skills Education)	48 080	50 279	52 541	150 900
Learners with Severe to Profound Intellectual Disabilities	32 305	33 769	35 288	101 362
Compensation of Employees	29 410 504	30 753 302	32 079 343	92 243 149
Infrastructure Development	1 833 205	1 922 558	2 009 072	5 764 835
Total:	**36 488 198**	**38 200 744**	**39 861 921**	**114 550 863**

Source: Eastern Cape Department of Education, 2025 MTEF Database

To ensure sufficient funding as per education sector norms and standards the provincial government will continue to prioritise the following non-negotiables in education:

- R2.8 billon for adequate, timeous and quality learner teacher support material (LTSM);
- R316.353 million for school furniture to resource schools sufficiently.
- R984.127 million for property payments to ensure schools are resourced adequately.
- R569.056 million for E-Learning, ICT and Laptop initiative (including data provision) by providing Local Area Network (LAN) and Wi-Fi to all the schools that benefit from the broadband project across the Province;
- R237.714 million for bursaries to ensure that deserving learners with financial needs are catered for and given additional educational opportunities;
- R150.900 million towards health education for HIV and AIDS (Life skills education);
- R 457.872 million, R494.929 million, 517.201 million in the 2025/26, 2026/27 and 2027/28 financial years respectively towards funding external exams;
- R428.133 million for the important training and development of educators for improved quality learning and teaching;

- Total budget of R5.7 billion toward infrastructure development which is a pivotal conduit for learning and development in all educational facilities.

The cluster will further scale up other support services that facilitate access and contribute to learner attainment in the province, including:

- **Expansion of Scholar Transport** services through an allocation of R2.450 billion over the 2025 MTEF. The EC provincial government will continue to provide essential scholar transport services to children who live more than a 5km radius to all Quintile 1 to 3 public schools. Scholar Transport will be expanded to include ECD learners in line with the Bela Act.

- **School Nutrition Programme –** the EC provincial government has allocated a total budget of R5.573 billion over the 2025 MTEF to cater for the national school nutrition programme (NSNP) which provides for a nutritious meal (including breakfast) for all children in Quintile 1 to 3 ordinary schools. This programme provides an opportunity to teach learners and parents how to lead a healthy lifestyle and promote the development of vegetable gardens at school. Over the medium term, the procurement of the programme will be centralized and further enhanced by improving compliance to food quality standards, food safety assurance through improved monitoring and use of recent technology for better service delivery. The NSNP programme will be further expanded to include all grades (including ECD) as well as an additional meal in line with the Bela Act.

- **Psychosocial Support Services –** This refers to professional therapeutic services and social and behaviour change programme and other childcare and protective services. The province will achieve this through the creation of an Integrated School Health Services Programme at a budget allocation of R230.7 million in 2025/26 from DoH and DSD.

- **Three Stream Model** - The Eastern Cape has an increasing number of graduates who are unemployed. Over the coming medium-term the province through DoE will strengthen its partnerships with the private sector to deploy artisans and TVET graduates to work in integrated learning programmes and opportunities. The Three Stream Model will target Vocational training, occupation training and skills development in targeted sectors such as automative, agri-industry, manufacturing, tourism, digital transformation and ICT. These will be implemented through hybrid content delivery methods using media (broadcasting studio) and the internet;

Access to Quality Health Care

Improving access to quality and affordable healthcare remains to be at the core of government efforts in promoting universal health care coverage. To date health resources have been directed at improving maternal, child and reproductive health services, preventing and controlling communicable (TB/HIV) and non-communicable diseases, introducing and scaling up the Central Chronic Medicines Dispensing and Distribution (CCMDD) programme, and promoting healthy lifestyles.

Delivering and sustaining these services has necessitated that clinics, PHC/district hospitals remain well-resourced in terms of health infrastructure and technology, medicines and medical supplies, and appropriately and sufficiently staffed with clinical officials. To maintain services continuity, the average budget for non-negotiable items in Health will amount R8.7 billion growing at an average rate of 9.5 per cent annually over the 2025 MTEF period.

Table 2.3: Health Non-Negotiables

Non-Negotiable Items	Medium-term estimates			MTEF % Growth		
	2025/26	2026/27	2027/28	2025/26	2026/27	2027/28
Economic classification - Core Items						
Laboratory Services	1 034 802	1 234 202	1 289 740	4.6	19.3	4.5
Contractors	572 993	659 558	727 947	23.8	15.1	10.4
Agency and Support / Outsourced Services	396 711	356 057	372 080	2.5	(10.2)	4.5
Fleet Services (including Government Motor Transport)	264 281	327 139	341 859	4.6	23.8	4.5
Inventory: Food and Food Supplies	230 969	202 757	210 981	4.6	(12.2)	4.1
Inventory: Chemicals, Fuel, Oil, Gas, Wood and Coal	110 393	114 947	120 119	4.6	4.1	4.5
Inventory: Materials and Supplies	28 569	22 872	23 900	(42.8)	(19.9)	4.5
Inventory: Medical Supplies	942 111	1 272 147	1 332 093	4.6	30.9	4.7
Inventory: Medicine	2 228 246	2 819 440	2 952 207	4.6	26.5	4.7
Consumable Supplies	181 713	213 164	222 756	4.6	17.3	4.5
Property Payments	1 079 387	1 123 761	1 174 328	4.8	4.1	4.5
Emergency Medical Services	1 634 533	1 645 637	1 719 693	8.8	0.7	4.5
Total	**8 734 708**	**9 991 681**	**10 487 703**	**6.1**	**14.4**	**5.0**

Source: Eastern Cape Department of Health, 2025 MTEF Database

Critical health services delivery items to be prioritised include payments of health contractors, sourcing of medical supplies and medicine, and laboratory services.

In relation to National Health Insurance (NHI) readiness the provincial government will be investing in health infrastructure in accordance with the requirements of NHI health facilities accreditation standards. Guided by the National Quality Improvement Plan provincial health facilities will be upgraded focusing on:

- Health patient registration and health case management systems,
- Improvement of health infrastructure,
- Improvement of Health technology,
- Setting up contracting units for Primary Health Care,
- Implementing a Comprehensive Strategy and Operational Plan to address Human Resource for Health, including filling crucial vacant posts for implementation of NHI; International Health Resource Development (IHRD)

A budget of R198 million has been set aside for the 2025/26 F/Y for the rollout of National Quality Health Improvement plan.

Integrated Mental Health Services

Working through the provincial DoH the provincial government will be seeking to appropriately respond to the rising crisis of mental health. Currently very few people who suffer from mental illness receive effective interventions. Moving forward the aim is to reform mental health care services to meet these emerging needs.

The integrated mental health strategy currently under development will follow four key recommendations: promoting a whole-of-society approach, enhancing care delivery through a continuum model, investing in effective treatments, and establishing accountability frameworks through mental health indicators.

Approximately R907 million has been set aside for strengthening implementation of the integrated mental health services. DOH will partner with DSD, DOE, COGTA, and DCS in delivering screening and psychosocial support services.

Medico Legal and Health Interventions

Medico-legal claims present a significant fiscal challenge, with over R4.5 billion allocated to settlements since 2011/12. The integrated medico-legal strategy seeks to control and mitigate these costs through several measures. This includes advocating for alternative compensation mechanisms, such as structured settlement payments, to reduce the financial strain of lump-sum payouts. The department is also focused on strengthening clinical and forensic practices to minimize future litigation risk.

In addition, the provincial DoH has rolled out the Health Management System (HMS2), that provides real-time access to medico-legal data, thereby enhancing response times and accountability at various levels.

Through community health workers the province plans to focus on pregnancy testing, screening for lifestyle diseases, and ensuring adherence to chronic treatments. The emphasis is on patient safety, refining administrative practices, and adopting technological solutions to reduce the incidence of medico-legal cases while preserving resources for direct patient care.

Anti-Poverty & Sustainable Livelihoods

Despite the progress achieved over the past three decades in supporting households build capabilities, and develop resilience against shocks and other social vulnerabilities an effective, integrated and comprehensive poverty alleviation strategy is yet to be fully implemented. Furthermore, there still remains greater scope to enhance the integration and coordination of social protection work across spheres of government and non-state actors to achieve better outcomes. In relation to social security the provincial government will be targeting the following medium-term interventions:

- Mitigating against Child Poverty & Malnutrition,
- Ensuring adequate availability and accessibility of affordable nutritious food for all,
- Developing sustainable Integrated Community Development interventions and increase economic opportunities towards self-reliant communities.

Child Poverty & Malnutrition initiatives will seek to end the high levels of poverty and malnutrition in children especially those below the age of 5 years. The provincial social cluster department have allocated a budget of R330 million in the 2025/26 financial year to ensure that all children have access to nutritious food through the Integrated Mother & Child Development and Support Programme (IMCDSP).

Provincial government will also implement nutritional support programmes through entrepreneurship, skills development and training programmes. Nutritious meals will be provided to places of care such as foster homes, child and youth care centres and many others. Through these programmes young children who suffer from malnutrition will be screened, identified and provided with nutritional supplies such as Vitamin A as well as be immunised against diseases for their overall health and wellbeing.

Mothers and women in general will be empowered to be self-sustaining in on ways to better take care of their children. This includes malnutrition prevention initiatives that will also be rolled out to inform, and educate vulnerable households and children. In addition, over the 2025 MTEF, the Department of Social Development has allocated R175.683 million for social relief of distress and emergency food relief.

The second focus area of the provincial government in the fight against poverty is the Provincial Integrated Anti-Poverty Strategy (PIAPS) which aims to create an effective and integrated poverty alleviation response to ensure that the most vulnerable in society are adequately protected and supported. As a cluster collective, over the 2025 MTEF, the Eastern Cape Provincial government will institutionalize and strengthen the PIAPS through the use of all provincial clusters as poverty is a social ill which affects all persons and all sectors of the economy. The ECPG will also ensure alignment of anti-poverty plans to the current municipal IDPs to ensure an effective coordinated approach to mitigating poverty.

There will also be increased mobilization of all stakeholders and communities to ensure the successful implementation of PIAPS. Furthermore, there will be increased identification of the poor wards within the Province, as well as compiling of site-specific plans to align those with the PIAPS.

The third focus area is Community Development – which seeks to promote the inclusive involvement of all key stakeholders including religious based, business sector, sports sector, civil society and all persons of diverse interest and sectors of society to participate in social cohesion and national building. This will be done through the integration of social mobilization progarmmes and the provision of mobile services on wheels for the citizens of the Province. Households and communities will be profiled and screened to identify the social development needs of the community. Through donor funding, there will also be a focus on integrating community development practitioners to form a single community development academy for community development to occur. This will be done through the development of stakeholder geo-mapping to consolidate all community resources.

ECONOMIC SECTORS, INVESTMENTS, EMPLOYMENT AND INFRASTRUCTURE DEVELOPMENT

Inclusive growth and jobs creation

Beyond aggregate demand shortfalls, long-term growth in the province continues to falter, weighed down by several binding constraints. These include insufficient investment in economic infrastructure particularly, for logistics and electricity, insufficient technical skills and high costs of doing business. Consequences of these growth obstacles are low private fixed investment, limited integration and access of local firms to global value chains. Low fiscal resources and inequitable access to capital also hinder market entry and growth of local firms.

Notwithstanding current challenges there are signs that business sentiments in the province are improving with an uptick of investment inflows in the following sectors: renewables energy, auto, logistics, transports and communications, retail, property, and ICT.

Supporting economic growth that is pro job creation, provincal government will be targeting investments in the following priority sectors and industries.

Agriculture & Agriculture Value Chains

The Eastern Cape agriculture sector has been known to possess significant potential to grow due to favourable local climatic conditions for cropping and livestock production. Currently the province is a major producer of various locally produced and globally traded agriculture commodities including Citrus, Dairy, Wool, Mohair, Maize, Soya, Redmeat, Grains, Pineapples, Vegetables, Nuts, and Cannabis.

However, agriculture's true potential in this part of the country remains unrealised due to various factors including the persistence of its dual nature. A small group of competitive commercial farmers that represent less than 7 per cent of farmers in the province produce more than 80 per cent of provincial agricultural output. The constraints faced by local emerging producers include low productivity, limited investment ,technology and skills transfer, low utilisation of agriculture inputs, and minimal integration into formal agriculture value chains.

Influenced by the Agriculture and Agro-Processing Master Plan (AAMP) the following interventions will define the support to be provided by the provincial government to local producers:

- Organising communal farmers into clusters to enhance primary production, and introduce climate smart agriculture.
- Establish development financing tools/options for agriculture and agro-industry businesses.
- Promote the expansion of agriculture input suppliers (fertilizer blending, animal feed production etc.) in the province.
- Cultivate 10,000 hectares of cannabis and hemp in the next five years.

- Commercialising 100 farms secured through the aggregation of suitable commodities.
- Accelerate agro-processing initiatives in the province and accelerate access to agricultural water
- Improve access to agriculture production hubs and agro-processing facilities through enhanced rural road networks.
- Expanding government procurement from local agriculture primary producers
- Package bankable agriculture investment opportunities for funding from external funding sources Budget For Infrastructure (BFI).

Currently the province has set aside for 2025/26 a baseline budget of R772 million towards farmer support, targeting elements of the above programmes and projects. The current budgets are however insufficient to fully unlock the sector's true potential, and therefore partnerships with external funders will be critical moving forward. Department of Rural Development and Agrarian Reform (DRDAR) has developed an investment programme for the sector which has estimated that about R12.1 billion government support is needed to unlock R34.1 billion of potential private investments into the sector.

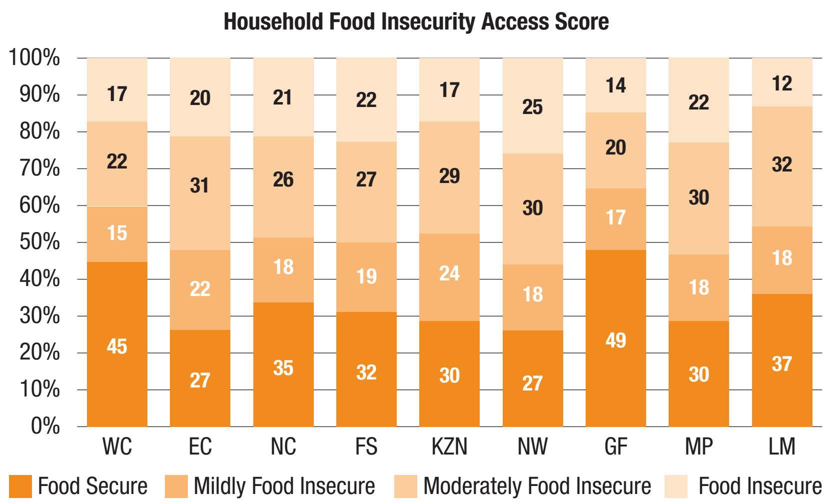
Irrigation Schemes

The provincial government working through DRDAR has partnered with Infrastructure South Africa (ISA) to revitalise Eastern Cape Irrigation Schemes. The programme is aligned with the 2025-30 priorities of the provincial government as well as Agriculture and Agroprocessing Master Plan (AAMP).

The programme's objective is to promote inclusive and sustainable agriculture production in the province through the identified 10 irrigation schemes in Amathole and Chris Hani Districts. Viable irrigation projects will be selected and packaged for application for funding from the BFI. The identified areas with potential include Ncorha, Qamata, Bilatye, and Shiloh (Chris Hani District), and Seven Stars, Zanyokwe, Middledrift, Fort Hare, Kibiti, and Tyhefu (Amathole).

Food Security

Figure 2.2: Food Insecurity Accross Provinces



Food security as defined by the Food and Agriculture Organisation (FAO) is "when all people at all times have physical, social, and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life" (FAO, 2009). In the province the frequency of reported cases of household food insecurity have been rising. According to the Human Science Research Council (HSRC) National Food and Nutrition Security Survey just more than half of households in the province could be considered as either severely food insecure or moderately food insecure.

The survey also identified some of the drivers of food insecurity in the country which include demographic and socioeconomic factors such as gender, age, household size, access to land, resources, water, sanitation, and social grants, as well as factors such as markets, education, and whether household is involved in some form of agricultural production. The identified factors illustrate the multidimensional nature of the challenge.

Targeted interventions by the provincial government to protect household against hunger include those highlighted above and efforts to develop inclusive local food value chains that enable access to nutritious and affordable food, promote local entrepreneurship and create self-reliant communities.

Contained within the 2025 MTEF baseline budgets for DRDAR, ECRDA is an amount of R197 million that will be specifically directed towards supporting households produce vegetables, grains, poultry whilst utilising climate smart food systems.

Government Procurement of Agriculture Products

The provincial government has also formulated a procurement model to assist local agriculture producers gain access to the large government market that caters for school nutrition, patient food, and food relief programmes. The main objective is to create a viable market for the Eastern Cape Agro-Industry. This will be achieved through:

- Activating structured procurement processes to assist local producers gain access to the government market,
- Encouraging provincial departments to procure food from Eastern Cape based farmers, aggregators, and agro-processors, targeting agricultural food products for patient food, school nutrition programmes and food parcels by government and government entities,
- Facilitating market and value chain linkages in the agro-industry, in line with government demand,
- Capacitating and unlock the potential of local agropreneurs,
- Establishing and improving the agro-industry’s logistical and cold storage capabilities in the province,
- Track and monitor closely the development of local agribusinesses, local production, and processing capacity.

Auto Industry and Value Chains

The auto industry and its component suppliers remain as the backbone of manufacturing activity in the province. The subsector is one of the few that has in the past consistently attracted fixed investment inflows into the province. The most recent being the R3 billion Stellantis plant that is under construction at Coega SEZ and is expected to start assembling its Peugeot Landtrek in 2026. The ELIDZ will soon also be hosting an assembly plant to manufacture electric buses, a joint venture between a local firm and Chinese firm. AIDC-EC continues to work closely with the current OEMS in the province and other global auto and component suppliers to facilitate further investments.

The national government is moving ahead with developing a legislative and incentive framework for Electric Vehicle production and adoption for the country. Accordingly AIDC-EC will be seeking to create an enabling environment for the production of electric vehicles in the province through infrastructure investments and other forms of industry support and facilitation. The AIDC-EC has been mandated to install or facilitate installation of electric vehicle charging stations in the province. Recently R11.4 billion has been pledged by a private firm working in partnership with AIDC-EC towards the installation of vehicle charging stations in 29 sites across the province. This is additional to the 2 fully installed charging stations in Libode and EL 11 are to be installed by end of 2024/25 financial year.

In developing the requisite engineering skills, AIDC-EC will further work with the TVET colleges and universities to transform and upgrade engineering training in the province. AIDC-EC has already trained 87 young people for the automotive industry.

To expand and transform the local auto value chain AIDC-EC is partnering with the Eastern Cape Provincial Treasury and the Department of Transport to ensure that MSMEs in the auto sector and related services (e.g. panel beaters and autobody) are capacitated to access the R200 million government fleet contract expenditure. AIDC-EC will provide support to 102 MSMEs as part of the Aftermarket MSME Support Programme. The selected MSMEs have been registered with the AIDC-EC and their assessment has been completed including their equipment needs.

To support its work in 2024, AIDC-EC was allocated R90 million primarily for auto industry support, and for EV and aftermarket MSME Support.

For 2025, AID-EC has been allocated a budget of R64.175 million primarily for auto industry support.

Oceans Economy

Oceans economy is one of the rapidly growing sectors in the province and the provincial economic development strategy has identified this sector as needing urgent support to be developed further. Through DEDEAT the province has developed the oceans economy masterplan, and packaged a set of projects that the department will implement. The projects in the master plan includes port infrastructure refurbishment, marine manufacturing localization support, gas to power projects and small-scale fishing support for cooperatives. The investment of a Liquefied Natural Gas (LNG) importing facility at Ngqurha is getting closer with the support of Infrastructure SA in terms of project packaging.

Furthermore, there is an inter-provincial collaboration and partnership between KwaZulu Natal, Western Cape and Northern Cape to enhance the planning, development and marketing of coastal and marine tourism. The following projects are planned under the oceans economy programme:

- DRDAR, ELSEZ and DEDEAT will partner to support small-scale fisheries and cooperatives by providing infrastructure.

  –R10 million is set for 2025-26.

  –R8.3 million for 2026-27.

  –R8.2 million for 2027/28.

- DOT will provide marine protection and ocean governance through participation in the national and provincial marine structures, and marine career expo to encourage career choices into the sector.

  –R1 million is set for 2025-26.

  –R1 million for 2026-27.

  –R1 million for 2027-28.

Digital Economy

Despite there being no standard definition that fully encapsulates the digital economy, the sector is commonly defined to include all activities that relate to the production of digital, ICT goods and services, including activities that rely on digital inputs to transact, consume or produce and any business processes that could be enhance through digital or ICT infrastructure (PEDS 2023, OECD 2020). The size of the digital economy in the province has the potential to expand at rapid pace. Initiatives that will serve to catalyse growth of this sector in the province include significant private sector investments in telecommunication and ICT connectivity (e.g. Cable2Africa, MTN and Vodacom), the adoption of advanced manufacturing and business processes and the diffusion of 4IR technologies in some industries in the province and the rapid expansion of BPO firms. Digital skills development in support of these high growth industries will be critical. The province will soon be developing its own digital economy strategy to guide government activities in the sector and coordinate and support private sector investment and skills development. Work has already begun with the construction and completion of the data centre at the East London SEZ, the rollout of broadband to connect various government sites and the growing digitilisation of government departments especially health and education.

By 2025 the provincial government is planning to have increased the number of government broadband connection sites from the current baseline of 1975 to 2500 sites. The provincial budget for broadband rollout is currently set at R137.8 million for 2025/26.

Tourism, Film & Creative Industries

The potential for tourism in the province remains immense and the sector is still considered as a priority sector to drive inclusive growth and jobs creation in the province. Furthemore, the sector has the potential to diversify the provincial economy and open new markets for locally produced goods and services. According to the World Bank "the tourism sector could also serve as a force for biodiversity conservation, heritage protection, and climate-friendly livelihoods, making up a key pillar of the blue/green economy".

Accordingly, the World Bank is rolling out R65 million in conservation tourism initiatives in the province, this includes Addo Elephant National Park and the Great Fish Nature Reserve. This initiatives target:

- The rehabilitation of the reserve management roads.
- Upgrade of the Kwamadolo Staff Accommodation.
- Upgrade of the Retreat Staff Accommodation.
- Fence rehabilitation.

For broader tourism development ECPTA will rollout the following initiatives over the medium-term:

Tourism Marketing - Review and evaluate the tourism brand ,marketing strategy for the province. Revise the marketing approach to the Friendly N6/Eastern Cape Highlands.

Toursim Product Development - Explore niche tourism development opportunities in adventure tourism, agritourism, hunting tourism, coastal and marine tourism, culinary tourism, heritage and cultural tourism, health and wellness tourism, film tourism, rural/township and community-based tourism, sport tourism. Review, update and support current route development and management.

Investing in various infrastructure projects in an effort to attract and grow the tourism industry in the province will be vital. Targeted developments include; Baviaanskloof World Heritage Site, Kowie River, Mpande and Mngazana, Mngcibe, and Mzamba.

The budget for provincial tourism marketing and development is highlighted below.

Table 2.4: ECPTA Tourism Expenditure Priorities

Key Priority Projects	FY 2025/26 ZAR	FY 2026/27 ZAR	FY 2027/28 ZAR
Marketing	11 500 000	12 650 000	13 915 000
Fencing	25 868 000	75 878 000	70 705 000
IT Equipment / Server Infrastructure	5 800 000	11 280 000	9 920 000
Maintenance / Infrastructure Upgrades	85 345 000	48 179 000	50 587 950
Hospitality Furniture	5 265 000	15 435 000	14 383 000
Consulting (Transaction Advisors - PPP Opportunities	2 235 000	3 916 000	3 649 000
Fire Management	6 180 000	6 489 000	6 813 450
Equipment	2 587 000	882 000	2 411 000
Tourism Product Development	12 450 000	6 500 000	6 500 000
Total	**157 230 000**	**181 209 000**	**178 884 400**

Source: ECPTA MTEC 2024 Submission

The ECDC will also be leveraging on the annual sardine run in the province. They are meeting with private sector operators, tour guides and accommodation establishments to capitalise on this initiative for the province.

Film Marketing & Development

The Eastern Cape Development Corporation (ECDC) has a mandate to promote films in the Province though the Eastern Cape Film Investment Fund (ECFIF). The film industry continues to contribute significantly in the economic growth of the Eastern Cape ever since the inception of Eastern Cape Film Investment Fund in 2018/19. In the past seven years from the 2018/19 financial year to the 2024/25 financial year, a total of R72.7 million has been allocated in total to the Fund since its inception. in 2018/19.

The Fund has managed to attract external investment funding to the value of R506.4 million and created 8 274 jobs and supported a total of 758 MSME. Successful short and feature films, short and long TV formats and documentaries which have been hosted including The Empire Season 1&2, Queenstown Kings, Survivor South Africa: Immunity Island, Dam, Smoke Mirrors and Knuckle City and the Wild is the Wind to name a few. To further develop the film industry, the province working through ECDC and ECPACC is planning on investing in Film Infrastructure through establishing film studios or film equipment hire businesses within the province. Over the 2025 MTEF, there is an indicative budget of R36 million to invest in film productions. The aim is to attract 15 productions a year through film production. This projected film productions promises to attract more than R200 million investments per year with R138.2 million sourced from external funding that could potentially create 2 283 jobs and benefit 386 MSME in the province.

MSME Development

Working through the ECDC the province will continue to provide a financial lifeline and capital to local MSMEs. The Job Stimulus Fund will continue to protect the jobs of the distressed and save jobs. Through the Eastern Cape Economic Development Fund around R81 million in funding has been approved for five programmes and one is under consideration. Support has been provided to 848 beneficiaries across the five programmes and 1 426 jobs created. Sectors and industries supported include MSME, incubators, youth development, automotive and agro-processing. In terms of funding distribution, R20 million in business loans scheme, R10 million in the STTREP, R5 million SERFSP, R15 million on the AOBFS, R14 million EL SEZ manufacturing incubators and R17 million in youth job creation.

The Eastern Cape government will continue with the rollout of the Economic Development Fund, the fund has achieved high-level impact within the Eastern Cape economy and managed to leverage resources from Development Financial Institutions (DFIs). As of 2024 the discussions are at an advanced stage to source funding for agro-processing, manufacturing and automotive:

Furthermore, DEDEAT will work with DSBD to facilitate the Red Tape Awareness programme in the Eastern Cape province. In terms of progress for 2024-25 financial years, ECDC has spent R32 million in loans and financial incentives to 84 enterprises. This enterprise support from ECDC has created and saved 365 jobs in quarter 1. These interventions will help create a business ready environment that facilitates small businesses to thrive.

Local Economic Development Procurement Framework

The implementation of the Local Economic Development Procurement Framework (LEDPF) remains a strategic focus area to ensure that local suppliers benefit from government procurement. The total procurement spend on goods and services by the Provincial Departments during the first six months of the current financial year amounted to R4 824 979 772.18. Out of this total R3 309 918 900.27 which constitutes 68.60 per cent was spent on Eastern Cape based suppliers. Furthermore, out of the total spend of R4 824 979 772.18, a sum of R3 433 015 397.19, that is, 71.15 per cent was spent on MSMEs. Provincial Treasury has facilitated the process of registration of suppliers and cession of payments with the development finance institutions and will continue to support this initiative. The total goods and services budget for 2025/26 totals about R20 billion, 60 per cent of which is earmarked for local producers.

Special Economic Zones and Industrial Parks -Leveraging on Provincial Strategic Economic Assets

Coega SEZ

Coega is the largest special economic zone (industrial development area) in South Africa, the SEZ has access to two ports (Port of Ngqura and Port of Port Elizabeth), and is the most diverse SEZ in the country with 14 sector focus areas (metals, logistics, energy, automotive, agro-processing and aquaculture, maritime, services, trade solutions, training, and development). As of 2024-25 financial year these are the developments in the Coega SEZ:

- Coega Development Corporation (CDC) has attracted six investors in quarter 1 and 2, this includes amongst others;
  - Medigrow a cannabis grower for R84.7 million.
  - Coega Steels for R35 million.
  - FAW expansion and Hella Automotive SA.
- Further investors that are in the investment pipeline in the Coega SEZ, include a specialized equipment manufacturer for R5 million, assemble of trucks and passenger vehicles for R20 million, and vehicles manufacturing plant for R3 billion, components for off road and heavy duty vehicles for R5 billion.
- CDC is implementing capital projects at the Coega SEZ, these include the Coega SEZ Water Security, the project has been approved by National Treasury and currently underway.

East London SEZ

- The East London SEZ is strategically located in the coastal area with access to the Port of East London and the Phalo Aiport. The SEZ has access to Transnet's main rail infrastructure as well as access to the N2 coastal stretch to Cape Town and Durban. In the 2024-25 main budget, there were several projects identified in the pipeline within the East London SEZ, the following are the developments within the East London SEZ:
- Bushveld Eloctrolyte Company (Pty) Ltd will invest around R400 million in the East London SEZ in partnership with the Industrial Development Corporation (IDC) for the the development of vanadium-based electrolyte. The local production of vanadium-based electrolyte will be used in global supply of vanadium redox flow battery market. The project will create 59 direct jobs in the East London SEZ.
- Thezi Langa (Pty) Ltd is investing R920 million in the development of 50MW photovoltaic solar plant in the East London SEZ, the plant will enhance the independent generation capacity of the Eastern Cape province as well as the renewable energy sector. Around 25 new direct job opportunities will be created for the production and 1000 jobs for the two year construction period (direct and indirect).
- RAM Hand to Hand Couriers will invest R18 million in the East London SEZ to establish a logistics hub. The project will create 50 direct jobs in the East London SEZ, expand RAM footprint in the country, improve logistics in East London area.

Wild Coast SEZ

The Eastern Cape government will continue with the development of the Wild Coast SEZ. The SEZ was allocated R36 million for bulk infrastructure and fencing in the 2024-25 financial year, and 64 per cent (R23.2 million) of the amount was spent by quarter two of 2024-25. Performance and developments within the Wild Coast SEZ for quarter of 2024-25 include but not limited to:

- The designation of Wild Coast as an SEZ is underway, resubmission has been made to the Department of Trade, Industry and Competition (the dtic).
- Redesign of the environmental impact assessment and water user license.
- Master plans for development framework plan – land use patterns, implementation plan, land access and infrastructure services.

- Investment attraction - new investor in the pipeline, tourism industry study, logistic study and social facilitation. The investment pipeline of the Wild Coast SEZ is around R1.1 billion with and estimated 803 jobs to be created.
- There is a planned incubator facility within the Wild Coast SEZ, a business case has been completed with letters of intent.

Industrial Parks

The sixth government administration of the Eastern Cape government has paved way for the seventh administration government, plans within the industrial parks are in place, there is a need to rollout implementation. In terms of the seventh administration of the Eastern Cape government, progress is as follows within the IPRP:

Dimbaza Industrial Park – finalise the masterplan development. Refurbishment of four sites (3, 8, 12 and 21) are underway at a value of R128.9 million. Wastewater site refurbishment (phase 1) is underway at a value of R24 million. The phase 2 of the Wastewater Treatment is under the design stage at an estimated cost of R43 million, the funds will be sourced from the Buffalo City Metropolitan Municipality (BCMM).

Due diligence support for the Biofuels project and establishment of the hemp and cannabis cluster in the industrial park.

Fort Jackson Industrial Park – expansion project is underway for the automotive expansion project at an investment value of R1 billion yielding around 650 job opportunities.

Butterworth Industrial Park – the operationalisation of the new Kontinental Engineering investor is completed. Concept document underway to identify and promote logistics within the industrial park. ECDC is currently facilitating the investment attraction of new investors in engineering, logistics, distribution and milling.

Somerset Industrial Park – there are plans to complete the development of the remaining 6 km fence at an estimated value of R12 million. Lastly, the Cacadu Development Agency seek partnerships with private investors to further develop the industrial park.

Komani Industrial Park – ECDC is currently finalising the relocation of the Ezibeleni residential road from Queendustria substation to Ezibelni substation.

Economic Infrastructure

Freight - Ports and Rail

Transnet is currently implementing port and rail infrastructure projects within the province. These projects are developed under separate rail and port plans. As of 2024, TNPA is currently implementing the following projects.

Port of Ngqura – Manganese Terminal and Conveyor Belt – the project is currently at the request for proposal stage and the project expected completion is 2028. The project seeks to increase the export terminal volume.

Liquid Bulk Tank Farm – the project is currently at the request of proposal stage for design and built, the expected date of completion in in 2026. The project aims to increase the liquid bulk terminal capacity. LNG Based Storage Facility– the project aims to develop an import terminal for gas, the project is currently at the finalisation of the Terminal Operator agreement, and completion is expected in 2028. Relocation and rehabilitation of the liquid bulk and manganese terminals from Port of Port Elizabeth to Port of Ngqura, bidding process starts in 2026, and project completion is expected in 2028.

Port of Port Elizabeth – Waterfront Development in the Port of Port Elizabeth – the project is currently at the development of the project implementation plan (concept stage), and completion is expected in 2027.

Fleming Street and MPT Road Upgrade completion is expected in November 2024, the stage now is the reorganisation of the completion phase with rail network company. Expansion of the Automotive Terminal– current upgrades include civil infrastructure (port sewer and water network infrastructure). Refurbishment of Dom Pedro – contractor is appointed, site occupation and construction commenced in 2024, and completion is expected in 2026.

Port of East London – Realignment of the Northern Breakwater and Deepening of entrance channel – feasibility studies completed, and execution will commence between 2026 and 2027. Deepening and strengthening of the N-Berth – contractor is appointed, and construction has commenced, and the project closeout is expected in November 2024. Replacement of the 2 Graving Dock Jib Cranes – procurement commenced in 2024, construction will commence in 2025 and project closeout in 2026. Replacement of Two Tugs – the project has been approved by Central Bid Adjudication Committee (CBAC) and delivery is expected in 2024. Rehabilitation of Latimer's Landing – procurement completed in 2023, construction commenced in 2024 and closeout is expected in 2026. Refurbishment of Quay 3 – procurement and execution commenced in 2024. Grain elevator refurbishment with private sector participation – business case is underdevelopment.

Freight Rail – Transnet is planning reforms within the freight rail sector, these include infrastructure development of the main rail lines, reforms to open freight rail to private operators and a turnaround strategy for freight rail. The Economic Regulation Bill will provide an enabling environment for private sector usage of the Transnet freight rail network, the law has been signed in June 2024. One of the key projects driven at a national level to reform the main rail network is the Transnet Ukuvusela Gauteng-Eastern Cape high-capacity rail corridor. The project seeks to upgrade the South Corridor railway line and port infrastructure for automotive handling.

- Transnet is partnering with government and funding institutions to expand the southern corridor rail network; the plan is to increase the rail capacity in the corridor by three additional daily 50-wagon sets between the Port of Port Elizabeth and Gauteng for automotive logistics.
- Private sector will be leveraged to invest in the project and provide experience and expertise in facilitating freight rail of 150 000 fully built unit per annum by 2026 on the South Corridor.
- The project is expected to create 9500 indirect jobs and 2500 direct jobs in the province at an investment value of R8.4 billion.

The Eastern Cape Department of Transport is currently facilitating and coordinating the revitalisation of rail infrastructure in the province; revitalisation of several rail branchlines is in progress, this includes Amabele line to Mthatha, Blaney to Cookhouse, and Addo to Kirkwood.

Road Infrastructure

N2 Wild Coast Projects – SANRAL is currently upgrading and developing the major routes along the N2. These projects are expected to promote inclusive economic growth and job creation across the Eastern Cape province. SANRAL recently announced package four of the N2 Wild Coast project in August 2024, the package involves the following project activities:

- Construction of the N2 road Section 20 between the Lingeni intersection (15.4 km) and the Msikaba bridge (33.02 km). The project is valued at R2.2 billion.
- The Msikaba bridge progress is visible, the pylon structure have been constructed at both ends of the bridge and are above 90 per cent in terms of completion. SANRAL anticipates that the construction of the Msikaba bridge deck will be concluded in the first quarter of 2025 including the installation of the bridge cable.
- The Msikaba bridge opportunities to date include 44 local suppliers, 48 service providers and 61 subcontractors at a value of R665.6 million, this includes spending on MSMEs. Furthermore, more than R115 million has been spent on wages, and R76 million of this amount on community training needs.

- Around 400 job opportunities will be created in package four at a value of R176 million (which is 8 per cent of the total package value). SANRAL will further set aside 35 per cent of the package value to local enterprises (contractor development programme).

Package five of the N2 Wild Coast project will include the construction of the road connecting Msikaba bridge to Mtentu bridge. The project will cost R2.5 billion and SARNRAL has awarded the tender to WBHO-H&I joint venture, construction will be concluded in 2027. Project activities for package five were initiated in 2023, and to date, R769 million is total set aside for local enterprises, and 445 jobs were created.

Eastern Cape Government Projects (ECDOT and ECOTP) –The Eastern Cape Department of Transport is currently implementing road infrastructure projects since the tabling of the main budget in 2024/25 financial year. As of 2024, ECDOT has awarded and commenced tenders for the rehabilitation of the DR08019 (N2) provincial road to Ntabankulu in Alfred Nzo District at an investment value of R221.425 million. Furthermore, the MR00664 (N6) provincial road to Molteno in the Chris Hani District is under rehabilitation at a value of R264.777 million. Lastly, the upgrade of the MR00391 Humansdorp to Hankey in the Sarh Baartman District for R218.870 million.

ECDOT is further in a process of a warding tenders for the upgrading of the DR08606 road from Sterkspruit to Mlamli and the upgrade of the DR08034 road from N2 to R61 via Clarkebury.

The SIP 25 Welisizwe Bridge programme has improved safe access to social amenities and responded to disaster areas by building 19 bridges in phase 1 (2022/23 to 2024/25) for R307.887 million. Furthermore, 17 bridges will be built in the 2023/24 financial year at a cost of R190 million and R223 million for 2024/25 to build 15 bridges.

Energy Security Projects

Energy security is one of the priority sectors for provincial government. The Eastern Cape province facilitated three wind farms projects in 2023 to the construction phase, these projects are expected to provide an additional 293 megawatts to the Eastern Cape power grid by 2024 and 2025. Around R61 billion has been invested in wind farms projects and 2000 job opportunities created in the province.

An additional three wind farms projects are under the institutional coordination process with 547 megawatts added into the provincial grid at an investment value of R13.7 billion. These wind farms are expected to increase the total provincial wind and solar energy to 1802 megawatts. Furthermore, Eskom subsidiary (NTCSA) is planning a long-term investment of a high voltage powerlines in the province. Lastly, there are various plans to manufacture energy infrastructure components mostly within the Eastern Cape SEZs, this includes the planned Special Purpose Vehicle planned at the East London SEZ for solar rooftop at an estimated cost of R500 million.

Provincial Bulk Water Infrastructure Projects

The Mzimvubu water project is one of the six mega infrastructure projects identified as priority by the Eastern Cape provincial government. The project is one of the major national water infrastructure projects announced at the national level. Around R8 billion will be used to build the Ntabelanga Dam in Eastern Cape domestic use and irrigation. A contractor has been appointed by the Department of Water and Sanitation for the construction of the dam wall in November 2024 after initial project delays.

Furthermore, The National Department of Water and Sanitation (2024) has announced the development of two other priority dams in Eastern Cape:

- The Foxwood Dam in Adelaide for R2 billion for irrigation and the town needs.
- The Zalu Dam in Lusikisiki for R1 billion.

The National Department of Water and Sanitation (2024) is rolling out various water projects within the province through the Amatola Water Board, these projects include:

- Water support in Makana Municipality for water and sanitation challenges.
- Phase 3 development of the Nooitgedacht in Nelson Mandel Bay Municipality.
- Ngqamakhwe Regional Water Scheme to support Mnquma Municipality for R370 million.
- Lower Sundays River, Greater Mbizana and Ndlambe water schemes for R650 million.

Update on Provincial BFIs Submissions

The Eastern Cape government is currently utilising the National Treasury Budget Facility for Infrastructure (BFIs). The facility supports critical and specialised infrastructure projects and as of 2024, the Provincial government supported the submission of two BFI projects in 2024:

- The Wild Coast Meander by the Eastern Cape Department of Transport (ECDOT) that was previously declined by the National Treasury. Discussion to support the submission were made between the Provincial Treasury and the ECDOT including a consultant to assess the gaps within BFI submission. Furthermore, the Provincial Treasury and ECDOT engaged Infrastructure South Africa (ISA) to support ECDOT BFI submission with project preparation and packaging (project feasibility, concept, and viability studies) that were funded through the allocation from the National Treasury. Lastly, ISA will support the BFI submission by ECDOT with project packaging until December 2024.
- The Provincial government further supported the DRDAR with BFI submission, the project is assisted by ISA in terms of project packaging support and currently, a process of re-appointing consultants for project preparation and packing has been initiated.

There are a further two BFI submissions; the Eastern Cape Schools Programme by the Eastern Cape Department of Education (ECDOE) that aims to eradicate the school mud structures as well as fund the hostels programme. At the current stage, the project preparation is consolidating financial and non-financial details for project submission. Lastly, the Provincial Treasury, Office of the Premier and ISA have engaged on the registration of the Eastern Cape Government Broadband project to be supported by ISA for project preparation and packaging.

Mixed Development Model for Sustainable Human Resources

As part of the infrastructure, human settlements and broadband integration programme, and SIP 7 (Integrated urban space and public transport programme), the Eastern Cape government will implement the mixed-mode development programme. The programme is lead by the DPWI and DHS, the aim is to develop sustainable human settlements along the secondary cities and small towns. The budget set aside to implement the programme over the MTEF is R547 million, the targeted areas include the Bhisho Precinct, Mt Fletcher, Port St Johns, Mqanduli, Amathole and Sarah Baartman. The catalytic projects of the mixed mode development programme for the 7th administration of the Eastern Cape government include amongst others:

- eMaxesibeni (Mount Ayliff) Office Precinct
- Port Elizabeth Waterfront Development
- Mqanduli Office Park
- N2 Nodal Development Precinct
- Bhisho Office Precinct and State Accommodation

Youth Skills Development & Employment

The Eastern Cape's strategic direction in youth development, skills training, and economic readiness, reflects a targeted approach to countering high youth unemployment, enhancing skills alignment with market trends and needs, and building a resilient economy.

Youth Initiatives include:

Youth Employment: Expanding youth employment opportunities through job creation projects, specifically targeting priority sectors like agriculture, manufacturing, services, and green energy.

Sector-Focused Engagement: Empowering youth by creating roles within identified high-growth areas (e.g. renewable energy, digital economy) to foster sustainable employment and reduce regional poverty.

Enhanced Youth Services: Partnerships with NGOs and community groups facilitate outreach programs focusing on social development, substance abuse prevention, and gender-based violence, aiming to support holistic youth well-being and participation in productive activities.

Skills Development and Alignment with Market Demands: The province prioritizes closing the skills gap that hinders economic development, focusing on aligning education and training systems with industry demands. Key efforts include:

Technical and Vocational Education and Training (TVET): Enhancing technical skills in line with evolving industry needs, particularly in sectors with high employment potential, such as advanced manufacturing, green economy, and technology.

Digital and Technology Skills: Developing a digitally skilled workforce through broadband expansion and digital literacy initiatives. The Provincial Digital Transformation Strategy aims to upskill youth and prepare them for roles in an increasingly digitalized economy.

Public-Private Partnerships: Collaborations with the private sector and higher education institutions are set to improve employability and ensure that youth training programs align with job market requirements, reducing the current skills mismatch.

Economic Readiness and Infrastructure Development: Strengthening the province's economic base through strategic investments is a core objective, designed to foster inclusive growth and resilience.

Entrepreneurship and Small Business Support: Enhancing access to finance, mentorship, and market access for young entrepreneurs. The aim is to empower youth to establish and grow small businesses, contributing to job creation and economic diversification.

Infrastructure Investments: Focused development in essential infrastructure, particularly in underserved rural areas, to support industry growth. This includes investments in water, sanitation, electricity, and digital connectivity, which are foundational for economic participation and enterprise development.

Green Economy: The province leverages its natural resources by promoting renewable energy projects, such as wind farms and mini grids. These initiatives provide employment while contributing to environmental sustainability and energy independence, especially in rural areas.

Social and Community Development Support: The province recognizes that sustainable youth engagement requires addressing social determinants. Hence, a suite of supportive programs includes:

Community Development Centres: Establishing community and household gardens, nutrition centres, and educational programs aimed at reducing food insecurity and providing a stable support network for youth.

Libraries and Digital Hubs: Expanding library services and digital access points to facilitate education and skill acquisition. Libraries are increasingly integrated with digital resources to promote a culture of learning and digital readiness across districts.

Heritage and Cultural Projects: To foster community pride and social cohesion, significant heritage sites are being developed, providing additional employment opportunities and connecting youth with the province's cultural heritage.

Inter-Cluster and Collaborative Approaches: The Mandate Paper emphasizes integrated efforts across provincial departments and clusters (e.g., economic development, social transformation) to address youth and skills development as part of broader economic goals. This includes:

Shared Resources and Goals: Departments work collaboratively to maximize budget efficiency and prioritize initiatives that have cross-sectoral impact, ensuring that resources are optimized to achieve youth employment and skills training goals.

Leverage of External Funding: The province seeks to augment resources through alternative funding sources like donor contributions, public-private partnerships, and national funding streams focused on youth and economic development.

GOVERNANCE, STATE CAPACITY, INSTITUTIONAL DEVELOPMENT AND JUSTICE, CRIME PREVENTION AND SECURITY

Municipal Support

Local municipalities play an important role in the delivery of basic services that safeguards the development of communities at the lower levels of incomes. Furthermore, their functionality has a significant impact in creating a conducive business environment that supports local investment growth.

For 2025, the provincial government will set aside just more than R103 million to provide much needed support to provincial municipalities towards improving their overall functionality through implementing the following measures:

- A budget allocation of R11.339 million is set aside to ensure functional governance structure through improved municipal councils.
- In addition, R61.021 million is allocated for the improvement of performance of traditional councils. Furthermore, IDPs and DDM One Plans will be reviewed to ensure their alignment with provincial priorities. This will be done at a budget of R 4.311 million for DDM One Plan support and R1.569 million for IDP support.
- Small Town Development which is important for improved growth of small often overlooked towns, will be at a cost of R5.702 million.
- Municipalities can only function when they are stable and well managed financially. To restore the ability of municipalities to perform their core function of delivering basic services to the public, an allocation of R2.6 million has been provided for.
- A further R8.0 million is set aside to ensure the improved integration of government programmes (Intergovernmental Relations IGR).
- The province will also prioritize municipalities obtaining clean audit opinions through improved financial management which will be costed based on the indicative baseline for Municipal Finance. Infrastructure, which is an important conduit for development has a budget allocation of R9.137m with a key focus on operations and maintenance.

Disaster Management and Climate Change Provincial Response

The Eastern Cape's Provincial Disaster Management improvement plan over the 2025 medium term will strengthen the Province's resilience against climate-related change and other disasters guided by the Disaster Management Act (DMA, 2002) as well as the Eastern Cape Provincial Disaster Risk Management Policy Framework (PDRMPF).

In previous financial years provincial departments were instructed to allocate 2 per cent of the infrastructure budgets for disaster responses. The aim has been to encourage provincial departments adapt to climate change, reinforce preparedness, support resilience, and infrastructure integrity.

Furthermore, to improve departmental responses to disasters all sector provincial departments are required to develop risk-based disaster management plans and implement disaster risk reduction (DRR) strategies as mandated by the DMA, No. 2002. Aligned to this in 2025/26 a total of 8 municipalities will be supported to implement disaster management and climate change response plans. Furthermore, 4 sector departments will be targeted to implement the Eastern Cape Provincial Disaster Risk Management Policy Framework.

The EC COGTA has been allocated a total budget of R58.830 million to fund the administrative oversight processes for disasters through its Disaster Management Programme.

The ECPG envisions that through these disaster management and climate change funding and collaborative efforts over the 2025 MTEF, disasters will be better prepared for, minimized and effective post-disaster recovery may occur.

The ECPG will also over the medium term establish an Eastern Cape Provincial Climate Change Forum for improved integrated coordination of Climate Change Adaptation provincial programmes. There will also be provincial regulations in place to ensure a reduction of emissions and renewable energy integration. The Province will prioritize an investment in real time warning systems for floods, fires, and storms for the safety and protection of the people of the Province. There will be an increased investment in research on climate impacts on eco-systems for improved management of the provincial nature reserves.

District Development Model (DDM) and One Time Plans Implementation

The District Development Model (DDM) enhances intergovernmental cooperation, integrating resource planning and service delivery at the district level. The four programmatic areas of DDM implementation include: Piloting, Institutionalization, Planning and Implementation. To date, there has been recorded successful piloting and institutionalized of DDM through the creation of “One Plans” for each district and metro. These One-Time plans outline strategic, high-impact projects (catalytic projects) that address local priorities and promote inclusive growth. Both DDM political as well as technical committees have been well established in the Province. In addition, the EC COGTA has played a major role in ensuring that at a strategic level, Integrated Development Plans (IDPs), Annual Performance Plans (APPs) and One Time Plans are well aligned to improve spatial alignment as well as to coordinate plans, enhance service delivery, align policies and budget integration of sector departments and strategic planning sessions.

To continue to support the important implementation of these catalytic projects in DDM One Plans, EC COGTA will enter into a memorandum of understanding (MOU) with the South African institute of Physics and ensure that OR Tambo DDM MOUs with various institutions such as Walter University (WSU) amongst others are adhered to. Over the 2025 MTEF, the ECPG has allocated an additional funding of R300 thousand to EC COGTA for both the 2025/26 and 2026/27 financial years (a total of R600 thousand additional funding) towards DDM implementation in the Eastern Cape.

Provincial Broadband/Digitalization for Improved Service Delivery

The Eastern Cape Provincial Government will over the 2025 MTEF continue to align to the fifth integrated programme Infrastructure, Human settlements & Broadband by implementing the provincial broadband project that seeks to connect around 2 700 government key sites that are struggling with connectivity. The project was initiated in 2018/19 financial year and is centered on a broadband-as-a service model initiated by the Western Cape Provincial Government. Under this model, SITA is responsible for maintaining the broadband infrastructure, while the Eastern Cape Provincial Government is an anchor tenant paying for the usage of the broadband for a ten-year agreement. Of the 2 700 government sites targeted to be connected on an initial 100 mbps connection speed. To date, approximately, a total of 1 975 sites have been connected and maintained to date. Currently however, the Province does not afford the project, hence PT requested that OTP pursue other alternatives in order to meet the shortfall. To enhance the project and ensure its longevity, OTP is further engaging ECSECC and Infrastructure South Africa (ISA) for Budget for Infrastructure (BFI) submission for funding from National Treasury for the broad band project for the 2025/26 financial year. In addition, OTP is further planning a meeting the with the National Department of Communications and Digital Communications (DCDT) to discuss possible options of support and collaboration for the provincial broadband project.

In connection with e-government the provincial government departments will be adopting various digitalization initiatives with the aim of upgrading and competitively enhancing delivery of public services. Some of the initiatives include:

- **Sport –** develop new digital platforms/portals to enhance departmental business processes focusing on developing digital databases for artists, athletes and other stakeholders. Developing a digital portal for EC Home of legends to improve services rendered;
- **Transport –** Develop and monitor invoice tracking for the provincial scholar transport for improved efficiency of transport services of learners;
- **DEDEAT –** A budget of R13.920 million fund the roll out of 10 additional digital platforms to enhance service delivery;
- **Health** - The department will implement the upgrading of its health care facilities through implementation of HMS2 Phase 1 and 2 as well as EOL ICT Infrastructure replacement with a total budget of R119 million;
- **OTP, DRDAR, DCS, PT, DSD, CS and COGTA** are amongst several departments that will roll out an electronic Performance Management and Development System (digitization of PMDS)
- **Human Settlements –** The department has allocated R4.5 million for the rolling out of enterprise content management system (records management, document management, contracts management, customer care, eLeave and ePMDS to all six districts and head office.
- **Education –** The department has plans to provide LAN infrastructure to all schools, ICT support and cyber security at a cost of R160 million, R120 million and R200 million respectively.

Community Safety and GBV&F

The Crime Statistics of the South African Police Service (SAPS) indicate that the plague of Gender Based Violence and Femicide (GBVF) has infiltrated through society destroying lives, industry and endangering all. The Eastern Cape Province records the highest cases of murder and GBV especially against women and children (Crime Statistics, 2024/25).

Crime prevention programmes have become even more imperative given the negative effects it has not only on the safety of citizens but significantly constraints investment attraction and growth in the province. Following focus areas will be targeted:

FOCUS AREA 1: ADVANCE RIGHTS OF DESIGNATED GROUPS AND RESPOND TO GBVF

Over the medium-term the provincial government envisions implementing the National Strategic Plan on GBVF as well as enhance government’s level of support and services to the victims of GBVF through various centres such as Thuthuzelas. There will be an increase in the availability of GBV help desks in all provincial police stations for the most vulnerable members of society. Furthermore, a Provincial Command Center will be made available to address the nation-wide challenge of GBVF. Government will also make available anti-poverty strategies which target impoverished women as well as empower the victims and survivors of GBVF through the provision of opportunities for skills development. Administratively, the ECPG will increase the institutionalization of improved gender response planning, budgeting, monitoring and evaluation as well as audit frameworks for the increased prioritization of GBVF from the planning stage.

In response to GBVF, the department of Social Development has been allocated with a total of R127.112 million over the 2025 MTEF allocated as follows: R40.920 million in 2025/26, R42.148 million in 2026/27 and R44.044 million in 2027/28 financial years respectively. Whilst, a total of R 4.3 million over the 2025 MTEF is set aside for the social cluster to coordination social crime prevention awareness programmes.

FOCUS AREA 2: SAFER COMMUNITIES

To create safer communities, the Department of Community Safety has been allocated a total budget of R434.293 million over the 2025 MTEF. This budget will be allocated as follows over the three years of the medium term, R 150.179 million in 2025/26, R138.931 million in 2026/27 and R145.183 million in 2027/28 financial years respectively.

The focus will be on ensuring safer communities through implementing the Integrated Violence and Crime Prevention, Anti-gang Strategy and Drug Master Plan. Infrastructure crime and vandalism affects many regions in the Province leading to delays in people accessing basic services. Preventing crime on infrastructure will be achieved through securing critical water, logistics and other critical provincial infrastructure. There will also be heightened focus on security and patrols within the maritime environment. Finally the oversight of police will be strengthened for improved accountability.

The Integrated Sanitary Dignity Programme

The Department of Social Development (DSD) in partnership with the Department of Education and Health will over the 2025 MTEF continue to provide dignity to girls through providing girls with sanitary pads within the Sanitary Dignity Programme. This programme is outlined in the Sanitary Dignity Implementation Framework and Integrated School Health Programme within DSD's Programme Two: Social Relief. The Integrated Sanitary Dignity Programme is aimed at servicing young girls of indigent families and households who are from Quintile 1-3 schools, farm schools and special schools for children with disabilities. This integrated programme will further ensure that the provision of sanitary pads to vulnerable girls is biased towards anti-poverty sites targeting the poorest wards. The Eastern Cape Provincial Government has allocated a total budget of R145.139 million to the Department of Social Development over the 2025 MTEF to continue to implement and expand the Sanitary Dignity Programme. This allocation will be spread across the three years within the medium term as follows: R46.272 million, R48.348 million and R50.519 million for the 2025/26, 2026/27 and 2027/28 financial years respectively. It is envision that the continual investment into this programme will provide much need dignity and empowerment to young girls, encourage them to attend school and maintain their health and wellbeing for improved development ahd future prospects.

PART 3: PROVINCIAL FISCAL FRAMEWORK

EASTERN CAPE

MEDIUM TERM BUDGET POLICY STATEMENT

2024/25

3. PROVINCIAL FISCAL FRAMEWORK

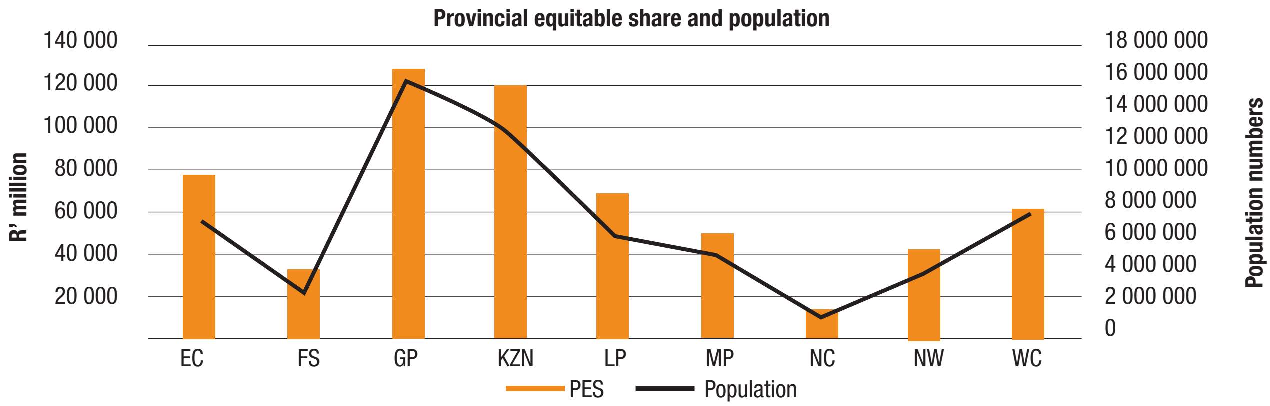
INTRODUCTION

The medium term budget policy for the country is targeting favourable growth to address the prolonged economic and fiscal weaknesses to restore economic growth and public finances. The fiscal and economic outlook at a national level is affected by a global environment and structural reforms, uninterrupted electricity supply and cautious confidence in the new government. National transfers in the form of provincial equitable share and conditional grants are the main source of provincial receipts available to the province. Additionally, the province generates own revenue and continues with the enhancement of enhance revenue through the implementation of the revenue research study to supplement the revenue available to the province to have greater impact on the delivery of the provincial service delivery programmes.

PROVINCIAL RECEIPTS

Table 3.1 below shows the provincial equitable share per province in the 2024/25 financial year and the most recent population data from the Mid-Year Population Estimates (MYPE) as published by Statistics South Africa in 2024.

Table 3.1: Provincial Equitable Share and Population Data per province



Source: National Treasury 2024 MTBPS and Stats SA, 2024

The horizontal division of the provincial equitable share (PES) across provinces shows that the Eastern Cape province receives the third highest allocation after the Gauteng and KwaZulu-Natal provinces as the PES formula is largely redistributive in its current design.

The allocation of provincial equitable share of each province is based on the weighted average budget allocation which is mainly determined by the population data of provinces and are reflected in the above table. The most recent population data shows that the Eastern Cape province is the fourth most populated province in the country.

Table 3.2 below shows the 2025 MTEF provincial fiscal framework with the total provincial receipts of R97.871 billion in the 2025/26 financial year. The fiscal provincial receipts is made up of transfers from national for provincial equitable share amounting to R81.701 billion, conditional grants of R14.364 billion and provincial own receipts amounting to R1.804 billion.

Table 3.2: Provincial Receipts

	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimates	Medium Term Estimates			% Change from 2024/25
R thousand	2021/22	2022/23	2023/24	2024/25			2025/26	2026/27	2027/28	
Transfers from national	84 153 943	88 069 144	89 480 322	92 852 268	92 852 268	92 851 364	96 066 812	99 540 313	103 998 627	3.5
Equitable share	70 949 697	73 592 515	75 604 677	78 093 492	78 093 492	79 093 492	81 701 995	85 036 597	88 842 242	4.6
Conditional grants	13 204 246	14 476 629	13 875 645	14 758 776	14 758 776	14 757 872	14 364 817	14 503 716	15 156 385	-2.7
Provincial own receipts	1 404 681	1 836 455	2 219 415	1 745 933	1 745 933	1 902 819	1 804 861	1 886 079	1 970 953	-5.1
Total provincial receipts	**85 558 624**	**89 905 599**	**91 699 737**	**94 598 201**	**94 598 201**	**94 754 183**	**97 871 673**	**101 426 392**	**105 969 580**	**3.3**

Source: Provincial Treasury Database, 2024

PROVINCIAL EQUITABLE SHARE

In the 2024/25 Adjustment Budget, the equitable share remains the same with no changes in funding from the Main Appropriation. The division of revenue provides the equitable share to the province from national government to enable the province to meet the basic service obligations in accordance with Sections 214 and 227 of the Constitution. The provincial equitable share (PES) is the main source of revenue to the province and is allocated through a PES formula using objective data that reflect the demand for services across provinces. The PES formula uses six components namely education, health, basic share, institutional, poverty and economic activity and these are provided in Table 3.3 below. The largest two components are education and health and are based on the demand and the need for education and health services, respectively.

The other four components enable the province to perform other functions, which considers the population size of the province, the proportion of poor residents in the province, the level of economic activity and the costs associated with running a provincial administration.

The provincial equitable share formula is updated annually with data updates to the six components of the formula as well as any policy changes that are made to the structure of the formula resulting from the review of the provincial equitable share formula. In the 2025 MTEF, no changes were made to any of the provincial equitable share components as a result of the review of the provincial equitable share formula.

Table 3.3: Provincial Equitable Share Formula Data used for 2025 MTEF

Component	Data Used
Education	2024 Mid-Year Population Estimates age cohorts (new data)
	2023 School enrolment (new data)
Health	2024 Mid-Year Population Estimates (new data)
	Insured population
	2022/23 Council for Medical Schemes data
	2023 General Household Survey
	Total fertility rate (new data)
	Premature Mortality (new data)
	Patient load data (District Health Information System 2022/23 to 2023/24) (new data)
Basic	2024 Mid-Year Population Estimates (new data)
Poverty	2024 Mid-Year Population Estimates (new data)
	Income and Expenditure Survey 2010/11
Economic	GDP-R 2023 (new data)
Institutional	Not applicable (data not used)

Source: National Treasury, 2024

Table 3.3. above shows the updates of data to the components of the provincial equitable share formula which consist of the use of the most recent data available, and consists in the main of the 2024 mid-year population estimates (MYPE) from Statistics South Africa. The education component has been updated with the school-age population from the 2024 MYPE and the school enrolment data from the Learner Unit Record Information and Tracking System (LURITS) data from the Department of Basic Education. The health component has been updated with the 2022/23 and 2023/24 District Health Information Services patient load data from the Department of Health. The risk-adjusted sub-component reflects changes in the health risk profile of medically uninsured individuals, including fertility rates and mortality data. The economic component has

been updated with the 2023 regional GDP data. The poverty component includes data from the 2010/11 Income and Expenditure Survey as the most recent 2022/23 data was not yet officially released by Statistics South Africa at the time of the finalisation of the provincial equitable share formula.

CONDITIONAL GRANTS

Table 3.4: Summary of Conditional Grants

	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimates	Medium Term Estimates			% Change from 2024/25
Department/Grant	**2021/22**	**2022/23**	**2023/24**		**2024/25**		**2025/26**	**2026/27**	**2027/28**	
Agriculture, Land Reform and Rural Development	333 603	340 144	317 887	330 593	330 593	330 593	366 287	383 179	400 422	10,8
Comprehensive Agricultural Support Programme Grant	246 610	251 234	235 169	261 158	261 158	261 158	267 657	280 014	292 615	2,5
Ilima/Letsema Projects Grant	74 565	76 210	70 483	55 965	55 965	55 965	84 557	88 447	92 427	51,1
Land Care Programme Grant: Poverty Relief and Infrastructure Development	12 428	12 700	12 235	13 470	13 470	13 470	14 073	14 718	15 380	4,5
Basic Education	3 188 360	3 484 289	3 572 806	3 987 076	3 987 076	3 987 076	4 089 332	4 281 990	4 474 681	2,6
Early Childhood Development Grant	184 581	199 668	204 073	268 988	268 988	268 988	316 812	331 324	346 234	17,8
Education Infrastructure Grant	1 435 855	1 663 162	1 602 613	1 848 180	1 848 180	1 848 180	1 833 206	1 922 558	2 009 073	-0,8
HIV and Aids (Life Skills Education) Grant	45 089	44 528	41 989	46 020	46 020	46 020	48 080	50 279	52 542	4,5
National School Nutrition Programme Grant	1 443 715	1 494 648	1 647 454	1 737 698	1 737 698	1 737 698	1 801 788	1 884 304	1 969 098	3,7
Maths, Science and Technology Grant	52 116	53 950	47 607	55 256	55 256	55 256	57 141	59 756	62 445	3,4
Learners With Profound Intellectual Disabilities Grant	27 004	28 333	29 070	30 934	30 934	30 934	32 305	33 769	35 289	4,4
Health	5 404 485	5 800 826	5 414 810	5 767 664	5 767 664	5 767 664	5 695 813	5 955 246	6 223 232	-1,2
District Health Programme Grant	3 116 477	3 221 279	2 878 805	3 077 003	3 077 003	3 077 003	3 101 623	3 243 950	3 389 928	0,8
Health Facility Revitalisation Grant	685 588	730 829	725 690	789 942	789 942	789 942	699 300	731 482	764 399	-11,5
National Health Insurance Grant	41 272	121 009	106 065	63 501	63 501	63 501	64 262	65 085	68 014	1,2
National Tertiary Services Grant	1 101 960	1 148 953	1 127 765	1 255 448	1 255 448	1 255 448	1 249 612	1 306 982	1 365 796	-0,5
Human Resources and Training Grant	459 188	578 756	576 485	581 770	581 770	581 770	581 016	607 747	635 096	-0,1
Human Settlements	1 923 647	2 084 281	1 830 201	1 879 524	1 879 524	1 879 524	1 880 905	1 696 694	1 773 045	0,1
Human Settlements Development Grant	1 491 219	1 542 022	1 405 922	1 518 104	1 518 104	1 518 104	1 572 985	1 593 320	1 665 019	3,6
Informal Settlements Upgrading Partnership Grant	432 428	458 151	424 279	361 420	361 420	361 420	307 920	103 374	108 026	-14,8
Provincial Emergency Housing Grant	-	84 108	-	-	-	-	-	-	-	0,0
Public Works and Infrastructure	153 924	174 909	186 580	136 911	136 911	136 007	-	-	-	-100,0
Expanded Public Works Programme Integrated Grant for Provinces	102 099	106 459	98 238	70 154	70 154	69 250	-	-	-	-100,0
Education	4 586	3 491	3 162	2 582	2 582	2 582	-	-	-	-100,0
Health	1 960	1 906	1 943	2 010	2 010	1 106	-	-	-	-100,0
Social Development		1 900					-	-	-	0,0
Public Works and Infrastructure	10 272	13 502	9 463	6 806	6 806	6 806	-	-	-	-100,0
Cooperative Governance and Traditional Affairs	2 187	2 284	2 040	2 000	2 000	2 000	-	-	-	-100,0
Rural Development and Agrarian Reform	2 076	2 106	2 081	2 080	2 080	2 080	-	-	-	-100,0
Economic Development, Environmental Affairs and Tourism	2 605	2 823	3 331	3 066	3 066	3 066	-	-	-	-100,0
Transport	73 580	73 305	72 307	47 168	47 168	47 168	-	-	-	-100,0
Human Settlements	2 777	2 987	2 216	2 384	2 384	2 384	-	-	-	-100,0
Sport, Recreation, Arts And Culture	2 056	2 155	1 965	2 058	2 058	2 058	-	-	-	-100,0
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	51 825	68 450	88 342	66 757	66 757	66 757	-	-	-	-100,0
Education	29 797	40 050	61 698	48 283	48 283	48 283	-	-	-	-100,0
Health	14 033	12 268	13 166	10 720	10 720	10 720	-	-	-	-100,0
Social Development	6 537	14 718	11 851	5 715	5 715	5 715	-	-	-	-100,0
Sport, Recreation, Arts And Culture			1 627	977	977	977	-	-	-	-100,0
Community Safefty	1 458	1 414		1 062	1 062	1 062	-	-	-	-100,0
Sport, Arts and Culture	238 620	252 048	236 315	258 780	258 780	258 780	263 951	276 131	288 557	2,0
Community Library Services Grant	169 310	181 169	169 589	182 156	182 156	182 156	186 304	194 777	203 542	2,3
Mass Participation and Sport Development Grant	69 310	70 879	66 726	76 624	76 624	76 624	77 647	81 354	85 015	1,3
Transport	1 961 600	2 340 133	2 317 046	2 398 228	2 398 228	2 398 228	2 068 529	1 910 476	1 996 447	-13,7
Public Transport Operations Grant	283 803	282 593	295 048	308 298	308 298	308 298	322 110	336 867	352 026	4,5
Provincial Roads Maintenance Grant	1 677 797	2 057 540	2 021 998	2 089 930	2 089 930	2 089 930	1 746 419	1 573 609	1 644 421	-16,4
Total	**13 204 239**	**14 476 630**	**13 875 645**	**14 758 776**	**14 758 776**	**14 757 872**	**14 364 817**	**14 503 716**	**15 156 385**	**-2,7**

Source: Provincial Treasury Database, 2024

Table 3.4 above shows the conditional grants received by the province over the period 2021/22 to 2027/28. Actual receipts increased from R13.204 billion in 2021/22 to the projected allocation of R15.156 billion in 2027/28.

In terms of the 2024/25 Adjustment Budget, the conditional grants allocation remains the same compared to the 2024/25 Main Appropriation as no changes were made to any of the conditional grant budget allocations.

Changes to the Conditional Grants in 2025 MTEF

The proposed reforms for the 2025 MTEF to enhance the effectiveness of conditional grants include the merging of the Comprehensive Agricultural Support Programme grant with the Ilima / Letsema Projects Grant as well as the Education Infrastructure Grant with the School Infrastructure Backlogs Grant. The Community Library Services grant will be incorporated into the provincial equitable share to ensure that that allocations are earmarked for their original purposes.

The conditional grant allocations for the 2025 MTEF have not yet been finalized as the process requires the national departments that are responsible for administering conditional grants to conclude the conditional grant allocations and frameworks in terms of Section 26(2)(e) of the 2024 Division of Revenue Act. The allocations for conditional grants will be available after the finalisation of this process by National Treasury.

Provincial Own Revenue

Provincial own revenue collections are projected to decrease at an aggregate level from R1.902 billion in the 2024/25 revised estimate to R1.804 billion in the 2025/26 financial year due to once-off revenue collections that are not included in the 2025/26 financial year due to their unpredictability for collection. These once-off revenue collections include interest earned on positive bank balances from the exchequer investments or other commercial bank accounts, the sale of capital assets in respect of obsolete equipment or property sales, the disposal of assets, expenditure recoveries for staff debts and surrenders of surpluses by public entities.

Table 3.5: Summary of Provincial Own Receipts by Department

	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimates	Medium Term Estimates			% Change from 2024/25
	2021/22	2022/23	2023/24	2024/25			2025/26	2026/27	2027/28	
Office of the Premier	486	2 909	329	458	458	595	480	502	525	-19,3
Provincial Legislature	733	983	597	576	576	1 195	602	629	657	-49,6
Health	73 578	186 733	227 622	324 782	324 782	292 964	339 722	355 009	370 984	16,0
Social Development	5 774	9 508	4 692	4 190	4 190	4 583	4 383	4 580	4 786	-4,4
Public Works and Infrastructure	14 776	18 320	17 354	92 778	92 778	93 195	95 510	99 808	104 299	2,5
Education	90 742	110 250	73 088	104 066	104 066	110 958	108 853	113 751	118 870	-1,9
Cooperative Governance and Traditional Affairs	2 201	2 964	3 686	2 003	2 003	2 092	2 095	2 189	2 288	0,1
Rural Development and Agrarian Reform	8 019	16 490	8 029	8 694	8 694	10 285	9 094	9 503	9 931	-11,6
Economic Development, Environmental Affairs and Tourism	185 387	220 821	211 447	252 448	252 448	237 660	264 060	275 943	288 360	11,1
Transport	659 320	689 843	770 789	813 858	813 858	820 278	831 446	868 861	886 238	1,4
Human Settlements	909	3 591	25 876	1 905	1 905	8 639	1 993	2 083	2 177	-76,9
Provincial Treasury	359 224	571 102	872 997	138 561	138 561	318 645	144 935	151 457	158 273	-54,5
Sport, Recreation, Arts and Culture	3 448	2 593	2 746	1 550	1 550	1 653	1 621	1 694	1 770	-1,9
Community Safety	84	348	162	64	64	77	67	70	73	-13,0
Total	**1 404 681**	**1 836 455**	**2 219 415**	**1 745 933**	**1 745 933**	**1 902 819**	**1 804 861**	**1 886 079**	**1 949 231**	**-5,1**

Source: Provincial Treasury Database, 2024

Table 3.5 above shows the summary of provincial own receipts by department over the period 2021/22 to 2027/28.)The major revenue generating departments such as the Departments of Transport, Public Works and Infrastructure, Health and Economic Development, Environmental Affairs and Tourism has illustrated an increase in revenue estimates for the 2025/26 financial year when compared to the 2024/25 revised estimate.

The bulk of provincial own revenue is collected by the Department of Transport from motor vehicle license fees according to the motor vehicle population from the tare weight of vehicles and the tariffs that are charged of vehicles. The own revenue is projected to increase from R820.278 million in the 2024/25 revised estimate to

R831.446 million in the 2025/26 financial year. The increase in the revenue estimate is due to the improvement of pay-overs by registering authorities, namely municipalities and the South African Post Office (SAPO) which results from the strict enforcement of the service level agreements of the agency collection function. The electronic processing is processed through the Road Transport Management Corporation (RTMC) as an collection agent for motor vehicle license fees and related services and this electronic platform provides another avenue for motor vehicle licence renewals.

The own revenue that is collected by the Department of Health is mainly from patient fees for cost recoveries of health services that are provided to the public. Patient fees are determined by the tariffs of the Uniform Patient Fee Schedule (UPFS) that are common across all provinces and are collected from medical funders including the Road Accident Fund (RAF), the Department of Justice and Constitutional Development, the South African Police Services (SAPS), Department of Correctional Services, Government Employees Medical Scheme (GEMS), private medical aids and patients utilising public health care services. Own revenue collections are projected to increase from the 2024/25 revised estimate of R292.964 million to R339.722 million in the 2025/26 financial year. The increase in the revenue budget is mainly due to the annual patient fees tariff adjustment from the UPFS that is implemented for public health services provided according to affordability.

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) collects the bulk of own revenue from gambling through casino and horse racing taxes at the Eastern Cape Gambling Board (ECGB) as well as from liquor license fees from liquor operators at the Eastern Cape Liquor Board (ECLB) as collection agents. The own revenue collections are projected to increase from R237.660 million in the 2024/25 revised estimate to R264.060 million in the 2025/26 financial year, which is mainly as a result of the anticipated collections from casino taxes in respect of casino operators, route and site operators, bingo halls and bookmakers and the strict implementation of liquor laws that enforce the renewal of liquor licence fees.

The Department of Public Works and Infrastructure (DPWI) collects own revenue mainly from rental income from the leasing of government-owned properties. Own revenue is estimated to increase from R93.195 million in the 2024/25 revised estimate to R95.510 million in the 2024/25 financial year due to the collection of rental income at market related rates and the long-term lease of properties. The collection of rental income is done with the support of the placement of student interns to collect tenant revenue which entails the verification of debts, debt collection and updating the accounts of defaulters. The department also collects revenue from parking spaces that are utilised by staff at government premises, the lease of cellular phone towers and cellular masts, as well as billboards and digital advertising.

The significant own revenue collection at Provincial Treasury is due to interest earned on positive cash balances from exchequer investments and commercial bank accounts due to the availability of substantial cash available in these bank accounts. Interest earned is generated from all monies banked including own revenue, unallocated funds, surpluses returned by entities, and interest charges retained.

Other departments collect minimal own revenue which consists of commission earned on insurance premiums and garnishee orders when comparing with the above major revenue generating departments.

OWN REVENUE ENHANCEMENT

The province is supporting the main revenue generating departments, namely the departments of Public Works and Infrastructure (DPWI), Transport, Health and Economic Development, Environmental Affairs and Tourism (DEDEAT) with the implementation of the revenue study which includes the revision of revenue plans to implement in the short term, medium term and the long-term ending in 2030. The assistance that is provided to the revenue generating departments is organised through a revenue enhancement committee that is led by PT together with the Office of the Premier and other supporting departments as required to ensure that the appropriate structures are in place that will allow the revenue generating departments to implement the revenue plans in a more structured manner according to the programme and project management approach.

The revenue enhancement committee will coordinate the support to the revenue implementing departments with a review of organograms at departments to ensure that the required staff is identified for the revenue collection function. With regard to government-owned properties, the plan is for the renovation and maintenance of government properties to make these properties more attractive to the market as well as the collection of rental income at properties that have been leased out to tenants. The efficient revenue collection requires improvements in Information and Communication Technology (ICT) connectivity and ICT infrastructure to be in place that will further enhance the provincial revenue efforts, particularly at the Department of Health for electronic billing and the collection from medical funders as well as at the Department of Transport with the electronic motor vehicle license fees.

The Department of Public Works and Infrastructure (DPWI) is recognised as the main revenue contributor with substantial additional revenue potential from the lease of government-owned properties. The properties that were previously showcased by the department for lease at a property investment conference in 2022 are being leased out to property developers for revenue collection. The department has encountered challenges with properties that were not developed as originally anticipated in terms of the approved bids, however, there has been an improvement with bids that will ensure that revenue is generated as outlined in the approved bids. The revenue tariffs from telecommunication sites have been reviewed to also include penalty fees that will ensure that only duly approved agents install telecommunication infrastructure on sites for the approved tariffs.

The Department of Transport collects revenue from motor vehicle license fees, however, the collection agencies have been experiencing challenges with the pay-over of revenue. This inefficient revenue collection has resulted in the department utilising online motor license renewal system through the Road Traffic Management Corporation (RTMC) and exploring additional electronic systems. The department is exploring utilising the in-house use of Drivers and Learners Testing Centres (DTLCs) at Komani, Straundale, Elliotdale that are operational and are already processing drivers' learners or license and personalised number plates applications as well as the Wilsonia Traffic station. In addition, the department has two operational weighbridges in Mthatha and Kinkelbos that is enforcing overload control.

The Department of Health is collecting revenue from private healthcare licences as revenue study source which is in respect of private hospitals and Emergency Medical Services (EMS). The revenue improvement from enhanced billing has improved with the integration of Electronic Data Interchange (EDI) to Hospital Management System (HMS 2), which has allowed for efficient electronic billing as well as from the verification of income of patients. The anticipated rental of high-value equipment for use by private hospitals and private doctors when standing idle has the potential for implementation and is subject to a pilot study in the 2024/25 financial year to support the implementation of the project. The revenue source for designated service providers has not been implemented due to medical aid patients that are not choosing treatment in public hospitals as the first option. The use of rehabilitation centres is a long-term project, and RAF has not yet started with the feasibility study or submitted a request to the department for this service.

Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) has conducted a further study on the roll out of Limited Pay-out Machines (LPMs) which was originally identified by the revenue study and which was supported by the initial research that was conducted by the Eastern Cape Gambing Board (ECGB). The follow up assessment on the LPM roll out was required due to the negative effects that online gambling has on traditional gambling and which is not currently benefiting the province. The ECGB has investigated the roll out of online gambling particularly sports betting and the province is required to either enter into an agreement with another province that has implemented online gambling in the short term or amend the provincial gambling legislation which may be for the longer term.

CONCLUSION

The revenue collection at a national level has not increased, however, the province has also not experienced budget cuts with the national medium term budget policy. The discussions continue at national level with the review of the provincial equitable share formula and conditional grants review. The increase in population from the Census 2022 has seen the provincial population increasing and this is having an associated effect on the equitable share to the province. The province has expanded the support to the revenue generating departments to speed up the revenue available from the revenue study. The increase of the provincial fiscal framework requires all departments to contribute to the revenue available to the province meet the provincial service delivery obligations.

PART 4: INFRASTRUCTURES

EASTERN CAPE

MEDIUM TERM BUDGET POLICY STATEMENT

2024/25

4. INFRASTRUCTURES

INTRODUCTION

The South African Constitution, particularly in its commitment to socio-economic rights, emphasizes the importance of infrastructure and the provision of essential services (including but not limited to; rights to Health care, food, water, Environment, Basic Education and Housing), emphasizes cooperative governance and the need for collaboration among different levels of government while also instituting necessary restrictions to maintain a balance of power and prevent overreach, facilitating improved service delivery and better governance outcomes in South Africa (This read together with the Intergovernmental Fiscal and Relations Act) In addition, Schedule 4 and Schedule 5 of the constitution outline the Functional Areas of Exclusive Provincial Legislative Authority and the functional areas of concurrent national and provincial legislative authority respectively, provincial treasuries, by fulfilling the roles outlined in these schedules, help to align provincial policies and initiatives with the functional areas outlined in the Constitution, thereby contributing to more effective governance and financial accountability at both provincial and local levels.

The planning of infrastructure to foster socio economic growth is initiated through giving considerations to the appropriate legislation, strategies and policies for long range planning (portfolio level planning) which is backed up by the use of the planning developmental tools adopted in defining the infrastructure delivery which includes data on spatial dynamics that includes the forecasting of the migration patterns, population trends and demographics as well as relevant spatial development plans.

The National Development Plan (NDP) 2030 provides a comprehensive framework focused on long-term objectives, specifically targeting the elimination of poverty, job creation and reduction of inequality in South Africa by 2030. It outlines the roles of various sectors in achieving these goals, emphasizing economic development, enhancing state capacity, and building capable state among others.

The Eastern Cape Province in the 7th administration will continue with the implementation of the National Infrastructure Plan 2050 which seeks to clarify the contributions of different sectors, particularly in the context of infrastructure delivery which is fundamental to the provinces development. This will be done in tandem with the Eastern Cape Infrastructure Plan Vision 2030 which is people-centred to achieve five goals, including a sustainable future for the province. The plan aims to address the legacy of apartheid, which left the rural regions underdeveloped and the urban economy stressed.

The province in preparation for the seventh administration has been aligning its joint and collaborative planning initiatives with the government's nine integration programs, particularly regarding infrastructure which is recognized as a key priority for the government to promote higher and more inclusive economic growth. This will be achieved through improvements in the infrastructure value chain, which can foster a more responsive and accountable government that effectively addresses the needs of its citizens. By institutionalizing these nine integration programs within the infrastructure planning, budgeting, and reporting processes, the province aims to prioritize infrastructure projects that promise a return on investment, specifically focusing on catalytic or economic projects taking into account that economic growth in the province is further weighed down by inadequate investments in economic infrastructure.

As such the proposed cluster approach, through inter-cluster collaboration, seeks to facilitate the required coordination of integrated infrastructure planning, budgeting, implementation, monitoring and reporting in collaboration with the Provincial Infrastructure Coordinating Committee (PICC) and the Governance State Capacity and Institutional Development (GSCID) Cluster.

Over and above, to tackle the challenges of achieving Value for Money in infrastructure delivery—specifically, ensuring projects are completed on time, within budget, and to the required quality—the province is committed to institutionalizing best practices from the Infrastructure Delivery Management System (IDMS). A critical focus of this initiative is on the integrated planning processes, which serve as the foundation for integrating and linking activities at the portfolio management level. This approach not only promotes the Intergovernmental Relations (IGR) strategy through the District Development Model but also addresses concerns related to climate change and disaster risks.

In dealing with the some of the challenges relating to the funding for the required catalytic projects to boost the socio-economic standing of the province, taking into account the limited fiscus, the province is subscribing to the transformation of the approach to public-sector infrastructure proposed by National Treasury, of which the reforms include the following:

- Engaging in the utilisation of the mobilised private sector investment and technical expertise to strengthen the existing but limited capacity and capabilities of the public sector as well as opportunities for PPP in line with the amended PPP regulations identify opportunities in conjunction with National Government for the diversification of public infrastructure financing through new mechanisms and instruments such as build-operate-transfer (BOT) structures.
- Utilisation of the dedicated capacity to plan, prepare and design programmes such that the Eastern Cape has a dedicated pipeline of bankable projects.
- Participating in the improved capital budgeting process wherein the Budget Facility for Infrastructure (BFI) processes are being reconfigured to a continuous evaluation process.

Further, The Province is also embarking on the opportunities presented by the second phase of Operation Vulindlela which introduce new focus areas including the harnessing of digital infrastructure through the project preparation for the broadband project as well as processes for project preparation for other key catalytic projects underway in this stage.

KEY INFRASTRUCTURE POLICY CONSIDERATIONS INFORMING THE BUDGET

Health Infrastructure

In respect of Health Infrastructure, the key initiatives identified to drive the transformation of health service delivery is the Service Delivery Optimisation, Infrastructure "Spring Cleaning (Maintenance and repairs) Project" to kick off the focussed maintenance programme and the Foundation model (including organisational excellence, performance management, communication and change management).

The service delivery optimisation investigation will be prioritised by the department in clinics, CHCs and hospitals wherein the rationalisation of the services will have a profound effect on the asset requirements that will ensure that the department delivers services that are responsive to the Eastern Cape dynamics in line with the encashment areas and disease profile.

The department is also prioritizing the condition assessments of health care facilities wherein the focus is on six key deliverables. These deliverables include asset verification, functional performance index, ideal hospital and clinic benchmark checklist, as-built drawings, asbestos elements, and GIAMMA facility profile templates. The needs in terms of public healthcare infrastructure in the province is to improve quality of public health services and ensure that facilities meet the quality standards required for certification and accreditation for NHI. Ideal clinics and ideal hospital accreditation are a prerequisite for registration as service providers under NHI. Applying this intervention will ensure that healthcare infrastructure plays its part in fulfilling the Department of Health's commitment of "providing the best quality care to patients and users of health services in order to meet their expectations and needs and to improve delivery".

Transport Infrastructure

The provision of roads infrastructure, amongst others, aims to improve the mobility of people, freight, provide access to services in the province, access to economic and social opportunities to the historically disadvantaged, to assist in the improvement of skills in affected communities and to support governments macro-economic objectives. As such, infrastructure allocations focus on the upgrading, rehabilitation and maintenance including the construction of bridges, reseal and re-gravelling projects of the provincial roads and improving access to economic amenities such as the agriculture production hubs, agro-processing facilities and tourism centres, through an improved rural roads network. The plant recapitalisation project will continue to ensure that the province keeps the roads trafficable.

The department has since reviewed the Provincial Transport Masterplan with support of TRANSNET, PRASA, SANRAL, SAMSA, and other transport organisations and has started the process of institutionalising the plan through Integrated Transport Planning Coordination Council (ITPCC)

In the 7th Administration, the department with certain municipalities will be prioritising strategies and funding proposals for a shift from road to rail as per the Rail White Paper. The department is also affected by the limited fiscus and increasing costs for requisite infrastructure therefore the use of alternative funding mechanisms to supplement allocations will be considered.

Education Infrastructure

The Early Childhood Development (ECD) Integration Programme ensures that foundational educational facilities are prioritized and uniformly developed across the province to allow for universal Access to Quality Early Childhood Development Services. Strengthening IGR for efficiencies in this context involves coordinating efforts between the provincial Department of Education, local municipalities, and relevant stakeholders to plan, fund, and maintain early learning centres. The department anticipates that this collaboration will address disparities in access to quality early childhood education, particularly in rural and underdeveloped areas.

Further importance is the provision of minor maintenance of schools within the Beautification Programme especially targeting performing and high enrolment schools in order to create an environment that is conducive for teaching and learning while addressing local based economic growth.

The provincial education sector adopted the Education System Transformation Plan which has since been revised to 2024 – 2029, of which the strategic thrust is to ensure improved learning outcomes across the education system, focusing on five pillars including Infrastructure Development as well as Capacity Building, Economic Drive, 5th Industrial Revolution, Inclusive Education and Social Cohesion.

The department will accelerate the delivery of school infrastructure to ensure safe, secure, and compliant physical teaching and learning environments. This includes providing well-equipped libraries, computer labs and enabling ICT infrastructure as well as the maintenance of existing education facilities including hostel facilities and rehabilitation of historical schools in an effort to preserve their legacy.

Through the Schools Rationalisation and Realignment Programme, the department will continue to address the challenge of poor resourcing, teaching and learning in small and unviable schools whilst optimising utilisation of existing resources.

In respect of digital transformation and e-learning, coordinated efforts between the Department of Education, human settlements, and ICT departments will ensure that schools are equipped with modern facilities and broadband access. This integration is crucial for providing students with the necessary resources for a contemporary education and bridging the digital divide. The department is planning to deploy Smart Classrooms in the province focussing on prioritizing each district to have schools equipped with Smart Classrooms

Human Settlements

In moving towards the desired outcome of reducing poverty and improving livelihoods, the Human Settlements Sector focus is on the provision of adequate housing as required by Section 26 of the Constitution, through various programmes and develop liveable neighbourhoods in both rural and urban environments and achieving spatial transformation.

Liveable neighbourhoods form the cornerstone of developing sustainable human settlements. The creation of these neighbourhoods relies on the integration of infrastructure, services, land uses, economic opportunities, and transportation. To bring about spatial transformation, factors considered will be proximity to employment and economic opportunities, the reduction of travel distances and costs, equitable access to land and housing, connectivity to infrastructure and government services, and the promotion of inclusivity and integration within cities and towns.

The emerging priority of Spatial transformation, community development, sustainable human settlements, and basic services will focus on sustainable human settlements; strategic approaches to housing provision and recognising and retrofitting the emergent cities which requires understanding the increasingly dense human settlements that have emerged in the former homelands, to support cities to play their leading role in economic development and just transition.

In addition, the Department will continue to be guided by continuing to align to the priorities of the Upscaling of housing opportunities with special focus and prioritization of Destitute, Vulnerable Groups and Military Veterans; Systematic unblocking of historically blocked projects; Accelerated Registration and Issuance of Title Deeds to Homeowners; Increase in empowerment opportunities for SMMEs including women and youth; Upgrading of informal settlements and provision of social and economic amenities and continuous use and application of Innovative and Sustainable Building Technologies (ISBT).

The focus on the Priority Development Areas will continue with the main objective of facilitating long-term planning and mobilising investment.

Agricultural Infrastructure

There will be concerted effort to promote Agriculture as the game changer in the province. The sector will focus on the implementation of the sector specific industry masterplans for Agriculture and Agro-processing whilst ensuring that smallholders have access to agro-processing, value chains and markets and capital equipment.

The transformation of the agricultural sector is constrained by infrastructure backlog and lack of investments and in dealing with these the department will focus on efforts to secure alternative funding sources. The department will continue to address constraints, the Department through strategic enablers to improve productivity and competitiveness which are critical to the transformation of the agriculture value chain. These key strategic enablers are the Provincial Yellow Fleet to Improve Farm Basic Infrastructure, District Mechanization Centres, Revitalization of Irrigation Schemes, Agro-Processing Centres targeting government food procurement opportunities, Investment Drive for Smallholder and Communal Farmers, Improving Market Access for Smallholder Producers, Rural Market Centres and Biofuel and Renewable Energy

2023/24 INFRASTRUCTURE PERFORMANCE - 2024/25 MID-YEAR EXPENDITURE OUTCOME

Table 4.1: Infrastructure Performance - 2024/25 Mid-Year Expenditure Outcome

	'2023/24			'2024/25			
Department	Adjusted Budget 2023/24	Actual Expenditure	Under / (Over) Expenditure	Main Budget	Actual Spending 1st Half	Year End Projected (Over) / Under	% Main Budget Spent
V01: Office of the Premier	373 364	412 892	(39 528)	261 281	188 096	4 654	72,0%
V03: Health	1 422 719	1 112 389	310 330	1 476 306	723 997	(74 578)	49,0%
V04: Social Development	28 713	23 456	5 257	25 861	6 176	-	23,9%
V05: Public Works	273 468	220 032	53 436	248 067	165 567	(52 253)	66,7%
V06: Education	1 718 769	1 710 374	8 395	1 871 481	926 236	77 587	49,5%
V07: Coperative Governance and Traditional Affairs	2 870	2 681	189	8 596	1 068	889	12,4%
V08: Rural Development and Agrarian Reform	118 628	113 371	5 257	135 482	63 604	(3 371)	46,9%
V09: Economic Development, Enviromental Affairs and Tourism	360 650	360 650	-	709 500	327 225	204 900	46,1%
V10: Transport	2 393 455	2 205 772	187 683	2 459 868	811 632	165 853	33,0%
V11: Human Settlements	1 921 369	1 917 979	3 390	1 881 908	975 774	6 731	51,9%
V14: Sports. Recreation, Arts and Culture	42 184	24 706	17 478	30 885	6 677	2 528	21,6%
Total	**8 656 189**	**8 104 302**	**551 887**	**9 109 235**	**4 196 052**	**332 940**	**46,1%**

The table above reflects that in 2023/24, the provincial adjusted infrastructure budget amounted to R8.656 billion and infrastructure spending was R8.104 billion or 93.6 per cent thus resulting in an under spending amounted to R551.887 million.

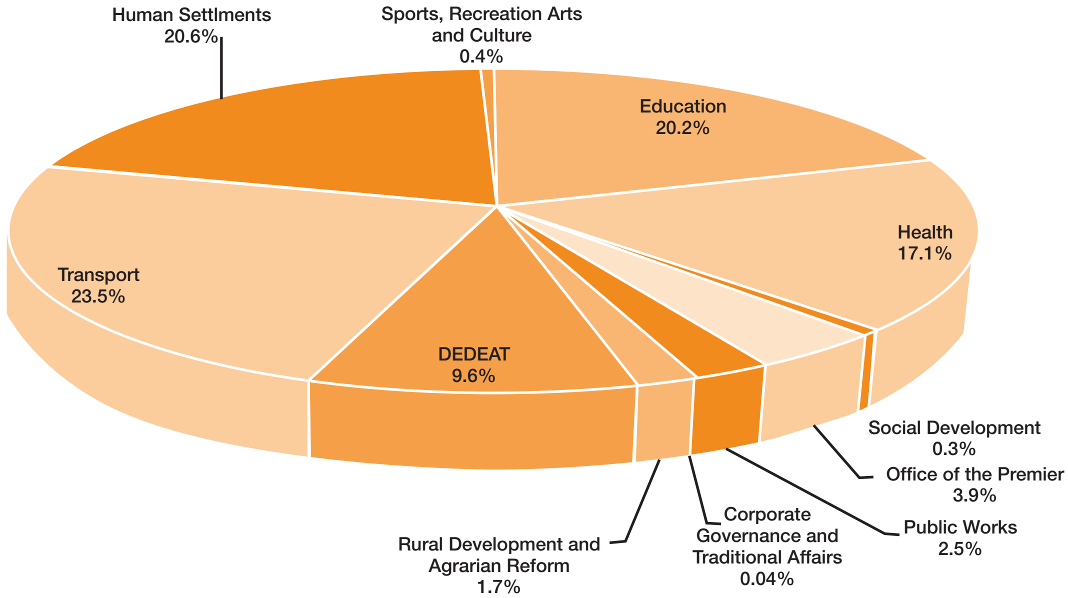
In 2024/25, the provincial infrastructure budget amounts to R9.109 billion and the province has spent R4.196 billion or 46.1 per cent of its infrastructure allocations as at end of the first half of the financial year.

In respect of the total budget amounting to R9.109 billion, the bulk of the allocations i.e. 84.4 per cent is allocated to four departments i.e. Transport (27 per cent), Human Settlements (20.7 per cent), Education (20.5 per cent) and Health (16.2 per cent).

Infrastructure Preliminary Allocations 2025/26

The total Provincial Infrastructure allocations for 2025/26 amount to R9.126 billion. Figure 4.2 below reflects the preliminary percentage share per department in respect of the 2025/26 infrastructure allocations. The four departments that account for the largest share (81.43 per cent) of the provincial infrastructure allocations are Transport (23.5 per cent), Human Settlements (20.6 per cent), Education (20.1 per cent) and Health (17.1 per cent).

Figure 4.1: Preliminary Provincial Infrastructure Percentage Allocations per Department – 2025/26



Climate Change

The province has been plagued with numerous incidents of heavy rain associated with flooding, as well as strong winds and snow fall resulting in loss of life, damage to the environment, infrastructure, and other properties. Further there are incidents of drought negatively affecting the provision of water to infrastructure facilities supporting agricultural infrastructure projects thus also affecting food security.

The climate change act has been enacted which requires that the province prepare the climate assessment and implementation plans dealing with the adaptation and mitigation in respect of the affected infrastructure projects. In ensuring that projects are climate resilient requires an integrated and proactive approach to be followed by all stakeholders which will result in positive spinoffs including minimal impact based on occurrences of Eastern Cape being affected by National Disasters in terms of Section 23 of the Disaster Management (57 of 2002) thus safeguarding the Eastern Cape communities.

To this end, the Provincial Treasury has undertaken an analysis of the projects, for departmental intervention, on the tabled project list (B5) which fall within the climate change categories as outlined by the Council for Scientific and Industrial Research (CSIR) Greenbook i.e. projects affected by drought, projects affected by extreme rainfall, projects located in very high flood risk areas and those projects located within the 100 metre setback line which will require a Water Use License (WULA) application

As such, the Eastern Cape Provincial IDMS at its portfolio management level, has factored in environmental sustainability as a key assessment criterion when undertaking the development of the strategic brief/ concept reports for small to medium projects and the pre-feasibility/feasibility studies for Mega projects through the inclusion of the climate change requirements into the planning checklists.

Further in dealing with the disaster and climate change issues, PT has requested departments to make provision of 2 per cent allocation as a caution for speedily addressing disasters when they occur. Over and above the tabled project list was mapped so that the planned projects and projects in the construction stage are plotted so that the project located in the disaster-prone areas can be identified for intervention. Over and above, the improvement tools reflected, PT has incorporated the climate change factors for consideration into the infrastructure planning checklist so that when planning for projects, departments can ensure that the projects are more resilient, and disasters can be mitigated.

However, it is acknowledged that there is still much needed to be done in the move to ensure the delivery of climate responsive and resilient infrastructure development including mainstreaming climate change in the provincial administration decision-making processes including the incorporation of climate change as a standard requirement into project design stages as well as ensuring continued compliance with National and Provincial Climate Change Policies and Guidelines

Improving Infrastructure Delivery

Going forward, it is anticipated that targeted Infrastructure improvements will be driven through the reconfigured cluster system taking cognisance of the emerging priorities of the seventh administration which are anchored on the nine integration programs.

One of the key focuses in planning is ensuring the existence of a robust project pipeline that is sound enough to secure alternative sources of funding. This will be aligned to the current proposed initiatives of National Treasury as related to alternative financing mechanisms and project preparation. The key focus in delivery is to improve the provincial delivery management capacity including dealing with inadequate contract and project management resulting in time and cost overruns, amongst all Departments, Public Entities and Implementing Agents. The value for money on projects delivered needs to be optimised thus ensuring that service delivery to the communities is optimal.

This will be managed through the provincial model of Infrastructure coordination, monitoring and support as the coordination of infrastructure demands the line of sight that includes Provincial Treasury, Public Works and Infrastructure and the Office of the Premier. This model allocates three technical streams i.e. Budget Monitoring led by Provincial Treasury, Project Monitoring and Implementation led by the Department of Public Works and Infrastructure and Service Delivery Monitoring and Site Visits led by Office of the Premier as the portfolio of projects on paper must also be tested on the ground, through service delivery site monitoring to enhance the credibility of reports.

The infrastructure bottlenecks identified will continue to be progressively escalated through these established institutional structures for Infrastructure i.e. through the Departmental Provincial Steering Committees (PISCs) and thereafter for further intervention and escalation to the Technical Provincial Infrastructure Coordination Council (T-PICC) and Provincial Infrastructure Coordinating Council (PICC) for final resolution.

The institutionalization of the One IDMS for all spheres of government reinforces its principles that articulate clear timeline to complete milestones agreed on, clear quality work congruent to specifications adopted supported by adequate budgeting. This will constitute a Community of Practice (CoP) to share the transfer of IDMS knowledge and best practices including integrated planning and implementation readiness such as obtaining the relevant permits.

CONCLUSION

Going forward, the Eastern Cape Province, will focus on increasing infrastructure investment, acknowledging infrastructure as an enable to economic growth in the province. This will be done through applying concerted effort into the project preparation process towards the development of a credible pipeline of projects, thus anticipating more access to alternative financing mechanisms to supplement the constrained fiscus.

These efforts together with the focus on improving value earned in respect of project delivered, will be advantageous to communities who are waiting to reap the benefits of these levers of economic growth in the province.

Importantly, the Eastern Cape Province is committed to prioritize the delivery of Infrastructure through a sustainable development approach guided by anticipation, adaptation and recovery from a changing climate and environment which requires compliance with Climate Change Policies and Guidelines. This necessitates that development of infrastructure projects must cater for adaptation and mitigation strategies in the planning and design stages to allow for the implementation of climate resilient projects which not only reduces the carbon footprint but also is conducive to protecting the lives of citizens.

Infrastructure bottlenecks will continue to be progressively escalated through the established institutional structures for Infrastructure i.e. through the Departmental Provincial Steering Committees (PISCs) and thereafter for further intervention and escalation to the Technical Provincial Infrastructure Coordination Council (T-PICC) and Provincial Infrastructure Coordinating Council (PICC) for final resolution.

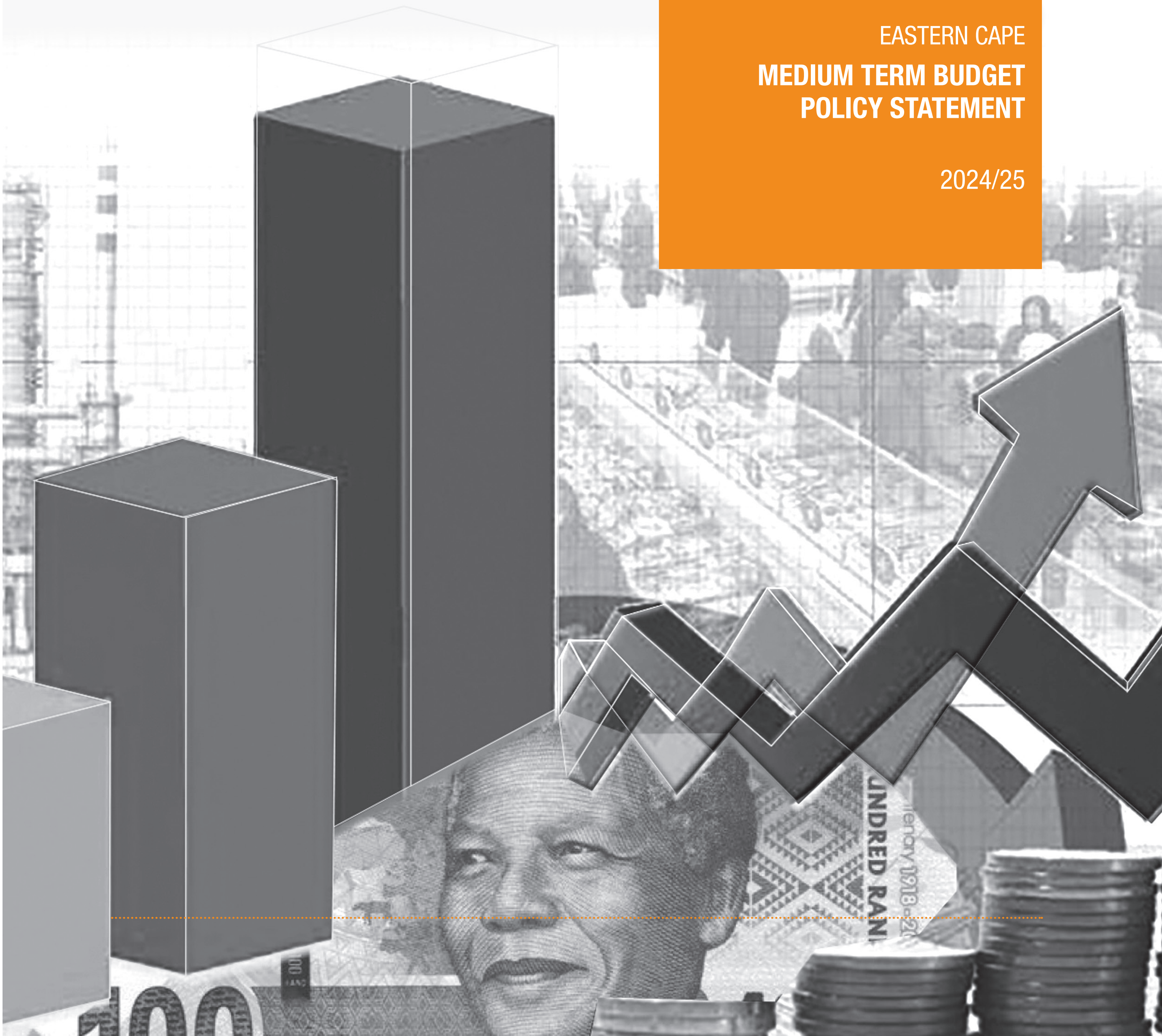
In addition, the proposed cluster approach, more-especially through inter-cluster collaboration, seeks to facilitate the required coordination of integrated infrastructure planning, budgeting, implementation, monitoring and reporting in collaboration with the Provincial Infrastructure Coordinating Committee (PICC) and the Governance State Capacity and Institutional Development (GSCID) Cluster such that infrastructure delivered is sustainable, integrated and environmentally sensitive.

PART 5: PROVINCIAL EXPENDITURE TRENDS

EASTERN CAPE

MEDIUM TERM BUDGET POLICY STATEMENT

2024/25



5. PROVINCIAL EXPENDITURE TRENDS

INTRODUCTION

As depicted in Chapter 1, the slow economic growth registered in 2023 continued in the first half of the current financial year. In 2024, the economic activity was mainly constrained by insufficient aggregate domestic demand. NT's economic growth projections for 2024 as released in February 2024 have been lowered from an initial 1.3 per cent projection to 1.1 per cent due to weak growth outcomes in the first half of 2024.

Over the 2025 MTEF, there is an expected gradual improvement in economic performance. According to National Treasury baseline economic growth forecasting assumptions, factors supporting the anticipated recovery include a benign global economic environment despite growing global trade restrictions, a moderating domestic inflation outlook, easing of monetary conditions, and the sustained improvements in electricity supply and ports operations.

Since 2021, the province has seen prolonged periods of sluggish growth, but at somewhat higher rates than the national average. This is consistent with national trends. Important labour-intensive subsectors, like manufacturing, construction, and agriculture, are still struggling to function. The province's economic growth is expected to average 2 per cent during the next three years, which is somewhat higher than the national average of 1.8 per cent.

Over the 2025 MTEF, the province will continue with its endeavours of improving efficiencies through the implementation of cost containment measures, stringent controls on non-core items and, infrastructure delivery including visiting project sites to ensure value for money. Reprioritizing current budget baselines both within and between departments will remain the primary method of funding new allocations, as has been the case in previous years.

The province remains committed in prioritising the Social sector over the 2025 MTEF as such, the sector will be allocated an estimated budget of R246.962 billion or 81.9 per cent of the provincial allocations over the 2025 MTEF.

In the current financial year, budget has been revised upwards by R241.558 million to R95.641 billion from main allocation of R95.400 billion.

Discussed below is the:

- Overview of expenditure outcomes for 2023/24 and actual mid-year expenditure for 2024/25;
- Proposals for the priority areas for the 2025 MTEF per cluster; and
- Lastly, a discussion on adjustments made to the 2024/25 main appropriation is provided.

2023/24 OUTCOME AND 2024/25 MID-YEAR EXPENDITURE

Table 5.1 below shows actual expenditure outcomes against the Adjusted Budget per economic classification for 2023/24 and Mid-year expenditure outcomes for 2024/25.

Table 5.1: 2023/24 Expenditure Position and 2024/25 Mid-year Expenditure Outcome per Economic Classification

Economic Classification R'000	2023/24			2024/25			
	Adjusted Budget	Actual Expenditure	Under/(over) expenditure	Adjusted Budget	Actual 1st Half Spending	Year-end Projected Over/ Under spending	% Spent Adjusted Budget
Current payments	**77 938 513**	**77 762 725**	**175 788**	**81 089 015**	**41 218 983**	**(365 392)**	**50,8**
Compensation of employees	59 964 356	59 766 606	197 750	62 465 860	31 262 921	135 442	50,0
Goods and services	17 974 158	17 974 553	(396)	18 566 155	9 956 062	(500 834)	53,6
Interest and rent on land	-	21 565	(21 565)	57 000	-	-	0,0
Transfers and subsidies	**10 523 101**	**10 725 580**	**(202 478)**	**10 372 184**	**6 276 286**	**69 628**	**60,5**
Provinces and municipalities	902 665	894 275	8 390	888 448	498 488	(23 314)	56,1
Departmental agencies and accounts	1 916 646	1 912 668	3 978	1 677 274	1 256 695	272 775	74,9
Higher education institutions	81 816	81 753	63	82 120	46 186	479	56,2
Foreign governments and international organisations	-	-	-	-	-	-	0,0
Public corporations and private enterprises	749 914	746 078	3 836	736 137	388 096	(2 275)	52,7
Non-profit institutions	4 193 435	4 161 814	31 621	4 296 736	2 442 538	51 575	56,8
Households	2 678 625	2 928 991	(250 366)	2 691 469	1 644 283	(229 612)	61,1
Payment of capital assets	**4 015 737**	**3 440 182**	**575 555**	**4 180 757**	**1 810 040**	**29 834**	**43,3**
Buildings and other fixed structures	2 583 975	2 338 362	245 613	2 827 581	1 276 459	(36 025)	45,1
Machinery and equipment	1 415 724	1 086 715	329 009	1 341 039	531 420	56 864	39,6
Heritage sites	1 300	441	859	-	-	-	0,0
Specialised military assets	-			-	-	-	0,0
Biological assets	9 075	11 801	(2 726)	7 926	1 710	(1 410)	0,0
Land and subsoil assets	-			-	-	-	0,0
Software and other intangible assets	5 663	2 862	2 800	4 211	451	10 405	10,7
Payment of financial assets	**528**	**7 233**	**(6 705)**	**-**	**-**	**-**	**0,0**
Total	**92 477 879**	**91 935 720**	**542 160**	**95 641 956**	**49 305 309**	**(265 930)**	**51,6**

Sources: 2023/24 Audited IYM Model and September 2024 IYM Model

In 2023/24, provincial spending amounted to R91.935 billion of the total adjusted budget of R92.477 billion, resulting in an under expenditure of R542.160 million. The under expenditure was mainly on Payments for Capital Assets by R575.555 million, and Compensation of Employees by R197.750 million. The under spending was partially offset by the over expenditure of R202.498 million registered under Transfers and Subsidies and R6.705 million on Payment of Financial Assets.

Overall, provincial mid-year expenditure for 2024/25 amounted to R49.305 billion or 51.6 per cent of the adjustments budget, slightly more than the 50 per cent straight line target mainly due to the payment of accruals. Mid-year Compensation of employees' expenditure of R31.262 billion constitutes 50 per cent of the main budget. Goods and services expenditure amounted to R9.956 billion or 53.6 per cent while an amount of R6.276 billion or 60.5 per cent was transferred to various public entities, non-governmental institutions, municipalities and schools. Payment for Capital Assets expenditure amounted to R1.810 billion or 43.3 per cent of the mid-year spending.

EXPENDITURE AND ESTIMATES PER CLUSTER

Table 5.2 below shows audited expenditure for the periods 2021/22 to 2023/24, the adjusted appropriation for 2024/25 and the indicative 2025 MTEF allocations per cluster.

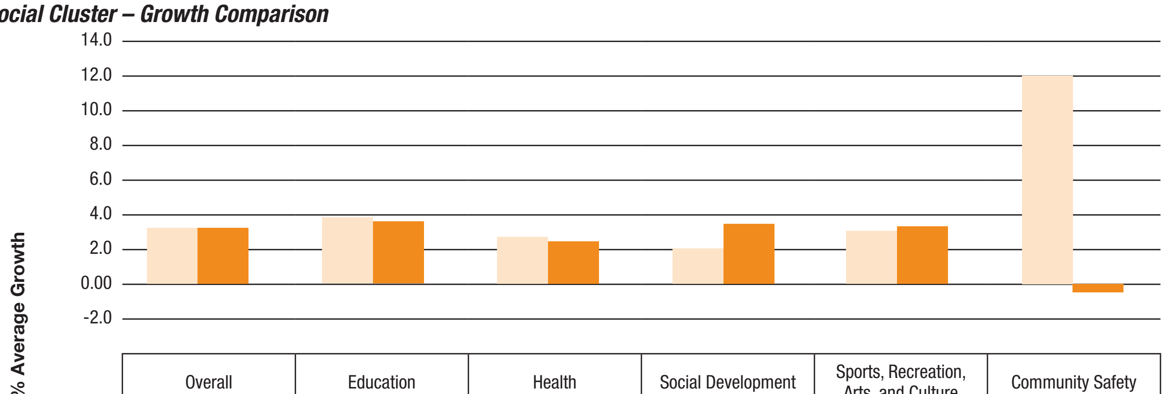
Table 5.2: Historic Expenditure Against 2024 MTEF allocations by Cluster

"Per Cluster R'000"	2021/22	2022/23	2023/24	2024/25		2025/26	2026/27	2027/28	2021/22 - 2024/25	2024/25 - 2027/28
	Audited			Adjusted Appropriation	Revised estimate	Medium-term estimates			Average growth	
Social Cluster	**68 747 162**	**71 209 163**	**74 132 393**	**76 933 303**	**76 745 765**	**79 459 432**	**82 177 657**	**85 325 796**	**3,7**	**3,6**
Education	37 346 365	39 288 014	41 047 475	42 452 279	42 417 435	44 104 248	45 827 957	47 890 217	4,3	4,1
Health	27 578 729	28 116 419	29 126 813	30 306 843	30 169 698	31 029 965	31 887 301	32 798 011	3,0	2,8
Social Development	2 777 572	2 734 650	2 850 388	2 972 172	2 969 638	3 100 547	3 208 567	3 328 358	2,3	3,9
Sport, Recreation, Arts And Culture	940 276	961 588	983 988	1 060 655	1 042 567	1 074 493	1 114 901	1 165 072	3,5	3,8
Community Safety	104 220	108 492	123 729	141 354	146 427	150 179	138 931	144 138	12,0	(0,5)
Economic Cluster	**13 943 477**	**14 370 774**	**14 510 017**	**15 140 396**	**15 513 757**	**15 303 615**	**14 659 336**	**14 985 839**	**3,6**	**(1,1)**
Public Works	2 512 473	2 663 578	2 461 087	2 682 736	2 849 466	2 646 494	2 696 735	2 814 826	4,3	(0,4)
Rural Development And Agrarian Reform	2 244 920	2 305 113	2 335 084	2 451 774	2 453 953	2 584 273	2 690 683	2 773 673	3,0	4,2
Economic Development, Environmental Affairs And Tourism	1 417 757	1 350 500	1 937 855	1 728 452	1 868 029	2 198 270	1 661 523	1 444 478	9,6	(8,2)
Transport	5 223 291	5 559 999	5 412 036	5 879 577	5 963 868	5 510 084	5 428 217	5 672 486	4,5	(1,7)
Human Settlements	2 545 035	2 491 584	2 363 956	2 397 857	2 378 441	2 364 494	2 182 178	2 280 376	(2,2)	(1,4)
Governance Cluster	**2 834 505**	**3 093 535**	**3 293 309**	**3 568 257**	**3 406 805**	**3 458 041**	**3 465 858**	**3 602 840**	**6,3**	**1,9**
Office Of The Premier	945 894	1 120 562	1 199 468	1 242 390	1 119 327	1 126 066	1 107 821	1 157 673	5,8	1,1
Provincial Legislature	563 758	609 728	636 246	764 715	716 131	687 822	659 728	679 755	8,3	(1,7)
Cooperative Governance and Traditional Affairs	948 921	980 884	1 058 611	1 100 962	1 097 404	1 135 354	1 176 526	1 224 703	5,0	3,7
Provincial Treasury	375 932	382 361	398 984	460 190	473 944	508 799	521 783	540 709	8,0	4,5
Total	**85 525 143**	**88 673 472**	**91 935 719**	**95 641 956**	**95 666 327**	**98 221 088**	**100 302 851**	**103 914 475**	**3,8**	**2,8**
	1st Budget Submission		Consolidatio	Pre Audited IYM	Adj Consolidation	Sept IYM	2025 MTEF Databases			
Percentage Shares										
Social Cluster		80,4%	80,3%	80,6%	80,4%	80,2%	80,9%	81,9%	82,1%	
Economic Cluster		16,3%	16,2%	15,8%	15,8%	16,2%	15,6%	14,6%	14,4%	
Governance Cluster		3,3%	3,5%	3,6%	3,7%	3,6%	3,5%	3,5%	3,5%	

Source: Provincial Treasury Database, 2024

Over the 2025 MTEF, the budget is projected to increase marginally at an annual average rate of 2.8 per cent from the revised estimate of R95.666 billion in 2024/25 to R103.914 billion in 2027/28. The bulk of the spending remains focused on the Social sector allocations as they continue to take the largest share of the budget with shares of 80.9 per cent in 2025/26; 81.9 per cent in 2026/27 and 82.1 per cent in 2027/28.

Figure 5.1: Social Cluster – Growth Comparison



	Overall	Education	Health	Social Development	Sports, Recreation, Arts, and Culture	Community Safety
2021/22 - 2024/25	3.7	4.3	3.0	2.3	3.5	12.0
2024/25 - 2027/28	3.6	4.1	2.8	3.9	3.8	-0.5

Source: Provincial Treasury Database, 2024

Figure 5.1 above shows the overall growth for the social cluster decreases from 3.7 per cent to 3.6 per cent when comparing the two MTEF periods (2021/22 to 2024/25 with 2024/25 to 2027/28). Although there is a slight decline but the lion's share of the budget for this sector is in Education and Health and they remain the core service delivery departments in this cluster. These budgets will continue to be protected and supported in order to improve the outcomes of these departments.

Table 5.2 above illustrates that these departments will receive the largest shares of the budget, with Education allocated R44.104 billion and Health allocated R31.029 billion in 2025/26.

Over the 2025 Medium Term Expenditure Framework (MTEF) period, Education commits to respond to educational needs in various facets of the education system. This includes, amongst other things; the provision of quality teaching and learning in a conducive learning environment through the building of infrastructure at schools, the delivery of classroom resources such as school furniture and Learner Teacher Support Material (LTSM) in public schools, the universalisation of Early Childhood Development (ECD) including the training of Grade-R training of ECD practitioners at identified accredited institutions, the provision of nutritious feeding to most vulnerable learners through School Nutrition Programme as well as the continued improvement in the quality of education through timely supply of qualified educators to all schools, including training and development thereof, as part of the Educational Transformation Plan (ETP).

The Department of Health remains committed on delivering on the mandate of the vision 2030 and NDP health targets by striving to raise the life expectancy to at least 70 years. Ensure that the generation of under-20s is largely free of HIV; significantly reduce the burden of disease; achieve an infant mortality rate of less than 20 deaths per thousand live births, including an under-five mortality rate of less than 30 per thousand; achieve universal healthcare coverage; significantly reduce the social determinants of disease and adverse ecological factors.

Transformation of the public health system; provincialisation of Primary Health Care; amalgamation of Colleges of Nursing; implementation of the National Health Insure; Ward Based Community Outreach; Integrated School Health Programme; implementing the Central Chronic Medicine Dispensing and Distribution (CCMDD); infrastructure revitalisation and ideal facility accreditation; addressing the burden of diseases ; Maternal & Women's Reproductive Health programme; Communicable Diseases (HIV/AIDS AND TB); Health Systems strengthening; service delivery optimization; decentralization of Specialist Services; medicine availability; Emergency Medical Services and Orthoses and Prosthesis remain areas of focus.

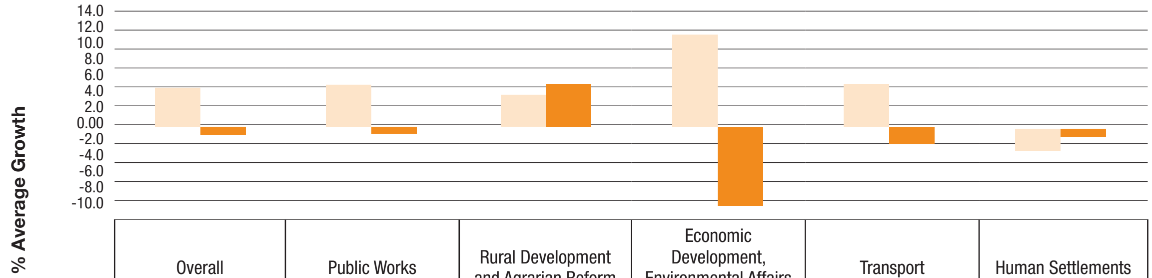
The integrated medico legal strategy through the Public Health defence and undertaking to pay and strengthening administration of claims through Health Information Systems are one of the critical focus areas of the department. Human Resource Development and Management through the medical specialist training and Youth development programmes remain a priority.

Social Development will continue to provide support to victims of crime and violence and raise awareness on gender-based violence in partnership with other government departments within the criminal justice system as well as funded organizations that are an extended arm of the department. Survivors of gender-based violence will be exposed to skills development programme for economic empowerment, to prevent them returning to abusive partners for financial support. This in line with National Strategic Plan on Gender Based Violence and Femicide (NSP –GBVF) (2020-2030) which sets out to provide a cohesive strategic framework to guide the national response to the scourge of gender-based violence and femicide.

The department will also be implementing the integrated mother and child development support programme, a malnutrition support programme in all districts of the province focusing on malnutrition hot sport areas. The Integrated Mother and Child Development and Support Programme provides supplementary nutrition, immunization, health check-ups, referral services, emergency food relief (food parcels), income support (grants), information awareness and skills training.

ECONOMIC CLUSTER

Figure 5.2: Economic Cluster – Growth Comparison



	Overall	Public Works	Rural Development and Agrarian Reform	Economic Development, Environmental Affairs and Tourism	Transport	Human Settlements
2021/22 - 2024/25	3.6	4.3	3.0	9.6	4.5	-2.2
2024/25 - 2027/28	1.1	-0.4	4.2	-8.2	1.7	-1.4

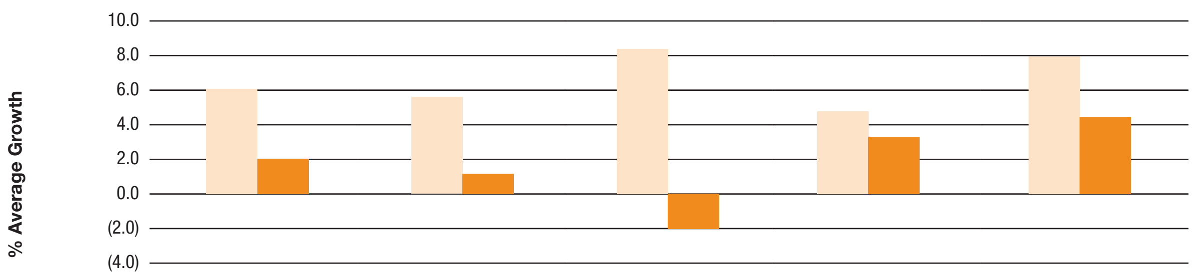
Source: Provincial Treasury Database, 2024

Figure 5.2 above shows an overall decrease for the economic cluster from 3.6 per cent to -1.1 per cent when comparing the two MTEF periods (2021/22 to 2024/25 and 2024/25 to 2027/28). An indicative budget of R15.303 billion is proposed for this cluster in 2025/26, which decreases to R14.985 billion in 2027/28 as shown in Table 5.2 above.

Though economic performance remains severely limited by the continued fiscal consolidation, the province will continue to prompt economic growth. The province will, through DEDEAT, continue with the Eastern Cape Economic Development Fund (EDF), which seeks to facilitate access to financial resources by the MSMEs in province. Key to the design of the EDF is cooperative funding of economic growth private venture businesses through blended finance. Alternative funding sources such as BFI, PPP, Donor funding and agency receipts, reprioritization, re-scheduling of funds and front loading of budgeted funds to an earlier period are explored to meet the increasing economic and social demands. In addition, the province will through this sector, continue to monitor the performance of the projects funded through the economic stimulus initiative, renewable energy, informal trade infrastructure, industrial park revitalization, automotive and non-automotive manufacturing, youth empowerment, support agricultural development in order to stimulate economic development, food security and integrated rural development, enforcement of traffic laws on provincial roads, provision of scholar and affordable public transport, implementation of economic and social infrastructure as well as the creation of fulltime equivalent jobs through the Extended Public Works Programme (EPWP).

GOVERNANCE CLUSTER

Figure 5.3: Governance Cluster – Growth Comparison



	Overall	Office of the Premier	Provincial Legislature	Cooperative Governance and Traditional Affairs	Provincial Treasury
2021/22 - 2024/25	6.3	5.8	8.3	5.0	8.0
2024/25 - 2027/28	1.9	1.1	(1.7)	3.7	4.5

Source: Provincial Treasury Database, 2024

Figure 5.3 above shows that the overall growth for the governance cluster decreases from 6.3 per cent to 1.9 per cent when comparing the two MTEF periods (2021/22 to 2024/25 and 2024/25 to 2027/28). An indicative budget of R3.458 billion is proposed for this cluster in 2025/26, which increases to R3.602 billion in 2027/28 as shown in Table 5.2 above.

The sector continues to be instrumental in coordinating provincial and local government towards integrated service delivery through intergovernmental relations and District Development Model (DDM) as well as the nine integration programmes or priorities. The department of Cooperative Governance and Traditional Affairs (COGTA) will continue with the hands-on-support to Municipalities and Traditional and Khoisan Traditional Leadership Institution. As part of the Capable and Developmental State: The Departmental primary focus will be on Public Participation: Putting People First; Financial Management; Institutional arrangement; Good Governance; Institution Capacity Building; and Financial Management in the (Department, Municipalities, and Traditional Institutional Leadership. Also, to support municipalities to deliver quality services to the Eastern Cape (EC) citizens.

Resource allocation will continue to be informed by the external and internal considerations aimed at intensifying support to the Local Government and Traditional Leadership institutions to deliver the much-needed services to the people of the province.

The province remains committed in supporting disaster management and climate change response planning in municipalities through a whole of society' approach. Additionally, there is an increasing need to enhance state capability in responding to disasters as such the province will continue to ensure that departments set aside 2 per cent of their infrastructure budget to deal with disasters.

Notwithstanding the above, the economic growth forecast present further challenges in government's ability to meet the ever-increasing services delivery demands. Internal departmental trade-offs and re-prioritization remains crucial to counter the effect of the budget cuts in order to mitigate severe negative impact to service delivery. These initiatives are done to also be cost effective and to contribute to the provincial fiscal consolidation efforts.

ADJUSTED BUDGET

This section provides a summary of the 2024/25 adjustments with a net addition of R241.558 million, which increases the main budget allocation of R95.400 billion to a total provincial adjusted appropriation of R95.641 billion.

Total rollovers from 2023/24 amount to R270.348 million of which R173.710 million is for conditional grants and R96.638 million is for equitable share.

National adjustments to equitable share and conditional grants amounted to zero. Provincial adjustments amount to R443.226 million from the previously accumulated provincial cash reserves. The bulk of the allocations to departments was R200 million for Health to deal with the medico legal claims, food for patients and cleaning of facilities and an amount of R129.576 million frontloaded from 2025/26 for Office of the Premier to deal with the cost pressures in the broadband roll out in the province.

A total of R472.016 million is surrendered by departments of which

- R432 million is surrendered to be rescheduled over the 2025 MTEF for the transfers to the Coega Development Corporation (CDC) for the new bulk sewer connection pipeline, the upgrading of bulk infrastructure and construction of critical bulk water (return effluent) infrastructure funded by the Budget Facility for Infrastructure (BFI);
- R24.467 million will be rescheduled to the 2025 MTEF; and
- R15.549 million will be surrendered to the Provincial Revenue Fund (PRF).

CONCLUSION

Over the 2025 MTEF, in order to improve efficiencies and service delivery, improved planning and rigorous implementation of austerity measures, continued containment of personnel costs, and reprioritising of resources towards non-negotiable expenditure as well as implementation of expenditure reviews by departments will continue to be a necessity for departments and their respective entities. In determining emerging priorities for the 7th Administration for the province, Office of the Premier in conjunction with coordinating departments Provincial Treasury and CoGTA including ECSECC with the support of provincial clusters embarked on a process of determining the provincial priorities and the institutional arrangements to drive such priorities. The emerging priorities are anchored on the Provincial Development Plan goals and the nine-integration programmes and consolidated into a Provincial Integration Programme Blueprint with the support of provincial clusters.

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HOME OF LEGENDS

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