



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

# **MEDIUM TERM BUDGET POLICY STATEMENT**

## **2021**

Tabled in the Provincial Legislature  
on 07 December 2021

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## Foreword

All indications, as we continue to navigate the impact of Covid-19 point to the need for an economic average growth of about 5.4 per cent suggested by the National Development Plan. This will be a tall order for the country and the province given the symbiotic relations between health, supply chain and the socio-economic systems globally. Therefore, any chance of recovery is linked to the successes we have in managing Covid – 19 going forward.

The provincial government has had to readjust its delivery plans and programmes in a way that continues to sustain both social and economic wellbeing of the province. Therefore, a priority continues to be health intervention through a universal vaccination drive. This included relief support to SMMEs and Companies in distress.

Furthermore, there is an urgent need to intervene in the economy to address the high unemployment sitting above national average in the province, addressed through the government spending in social, economic, and infrastructure programmes. Mostly affected by this unemployment are the young and women leading to outward migration with consequent impact on the Provincial Equitable Share. The government is implementing some interventions which include the Presidential employment initiatives and expanded public works programmes to alleviate the challenge.

Economic growth able to absorb the current labour force is to be supported by a strong industrial development with a robustly diversified local manufacturing of basic to strategic products demanded domestically and regionally. Currently, the two Provincial Special Economic Zones (SEZ) are earnestly driving investment promotion with billions already invested and some in the pipeline. However, this has not been enough as it remains in the traditional urban and industrial parts of the province. Additional effort is driven through investment in current industrial parks around Dimbaza (Buffalo City Metro), Queens-industrial (Enoch Mgijima), Fort Jackson (Buffalo City Metro), Vulindlela (KSD Municipality) including the planned SEZ in the KSD municipality. The Covid – 19 pandemic amplified the fault lines in our economies and clearly revealed that much more capital investment is needed through strong partnerships with the private sector.

Efforts to address structural challenges in the province such as upgrading of logistical infrastructure like seaport, rail and energy are being attended to through forging partnerships with SOE's district municipalities, Metros and private sector. Auto sector retention and attraction is key to our efforts. Skills development programme through sector specific incubators in partnership with private sector planned.

Key to the lesson we continue to draw from the Covid – 19 is the importance of ICT infrastructure and all its benefits to the economy and government are yet optimized through vigorous broad band roll out and similar initiatives in the SEZ's.

In the coming Medium Term, efforts to stem out risks such as infrastructure projects underspending, delays in the rollout of the government broadband project, medico legal claims and incidents including accruals are priority.

We are therefore committed to protecting lives of our people from Covid-19, creating and protecting jobs through investments in the Provincial Economic Recovery Plan, which incorporates the economic infrastructure development, industrial Parks Revitalisation, Tourism Infrastructure Development, Agriculture and Presidential Youth Employment Initiative amongst others.



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Honorable Mlungisi Mvoko MEC for Finance

## ACRONYMS

<b>BCM</b>	Buffalo City Metro	<b>IDZ</b>	Industrial Development Zone
<b>CDC</b>	Coega Development Corporation	<b>IMF</b>	International Monetary Fund
<b>CoE</b>	Compensation of Employees	<b>LG</b>	Local Government
<b>COGTA</b>	Cooperative Governance and Traditional Affairs	<b>MTBPS</b>	Medium Term Budget Policy Statement
<b>CSD</b>	Centralised Supplier Database	<b>MTEF</b>	Medium Term Expenditure Framework
<b>DEDEAT</b>	Department of Economic Development Environmental Affairs and Tourism	<b>MTFF</b>	Medium Term Fiscal Framework
<b>DoE</b>	Department of Education	<b>MTSF</b>	Medium Term Strategic Framework
<b>DoH</b>	Department of Health	<b>MVLF</b>	Motor Vehicle Licence Fee
<b>DOR</b>	Division of Revenue	<b>NDP</b>	National Development Plan
<b>DORA</b>	Division of Revenue Act	<b>NHI</b>	National Health Insurance
<b>DORB</b>	Division of Revenue Bill	<b>NMBM</b>	Nelson Mandela Bay Metro
<b>DoT</b>	Department of Transport	<b>NT</b>	National Treasury
<b>DRDAR</b>	Department of Rural Development and Agrarian Reform	<b>OTP</b>	Office of the Premier
<b>DRDLR</b>	Department of Rural Development and Land Reform	<b>PDP</b>	Provincial Development Plan
<b>DRPW</b>	Department of Roads and Public Works	<b>PES</b>	Provincial Equitable Share
<b>DSD</b>	Department of Social Development	<b>PFMA</b>	Public Finance Management Act
<b>EC</b>	Eastern Cape	<b>PRF</b>	Provincial Revenue Fund
<b>ECD</b>	Early Childhood Development	<b>PREF</b>	Provincial Revenue Enhancement Framework
<b>ECRDA</b>	Eastern Cape Rural Development Agency	<b>PRMG</b>	Provincial Roads Maintenance Grant
<b>ELIDZ</b>	East London Industrial Development Zone	<b>PT</b>	Provincial Treasury
<b>EPWP</b>	Expanded Public Works Programme	<b>QLFS</b>	Quarterly Labour Force Survey
<b>ES</b>	Equitable Share	<b>SCM</b>	Supply Chain Management
<b>FFC</b>	Financial and Fiscal Commission	<b>SETA</b>	Sector Education and Training Authorities
<b>FY</b>	Financial Year	<b>SEZ</b>	Special Economic Zone
<b>GDP</b>	Gross Domestic Product	<b>SFIISD</b>	Strategic Framework to Improve Infrastructure Service Delivery
<b>GDP-R</b>	Gross Domestic Product Regional / Provincial	<b>SIPDM</b>	Standard for Infrastructure Procurement and Service Delivery
<b>GHS</b>	General Household Survey	<b>SMME</b>	Small Medium and Micro Enterprises
<b>HR</b>	Human Resources	<b>SOE</b>	State Owned Entity
<b>IDF</b>	Infrastructure Delivery Framework	<b>StatsSA</b>	Statistics South Africa
<b>IDMS</b>	Infrastructure Delivery Management System		

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## EXECUTIVE SUMMARY

In terms of the economic outlook, the National Treasury (NT) forecasts that the South African economy is expected to grow by 5.1 per cent in 2021, following a 6.4 per cent contraction in 2020. Whilst the South African Reserve Bank (SARB) expects the domestic economy to recover by 5.3 per cent by year-end, before moderating to 1.7 per cent in 2022. However, this rate is far too low to meet the country's developmental needs. This anticipated recovery will be driven by strong demand for commodities, and moderate growth in domestic household expenditure. The provincial growth projections are expected to be consistent with the national outlook. The provincial economic growth is expected to be at about 3.6 per cent propelled by domestic and global demand for agricultural produce (particularly citrus, pineapple and deciduous fruit) and manufactured exports. This is an indication that the domestic economy is on the recovery path from the negative effects of the Covid-19 pandemic; however, the resurgence of the Omicron variant threatens this positive outlook.

The extent of the threat of this new variant on employment if not mitigated could potentially worsen the unemployment rate from 45.8 per cent in the third quarter of 2020 to 47.4 per cent of 2021. For non-metros, joblessness has averaged even higher at about 51 percent in the third quarter.

Economic base and industrial infrastructure remain biased towards the two Provincial Metros with the Buffalo City Metropolitan Municipality and Nelson Mandela Bay Metropolitan Municipality Metro leading in trade, and manufacturing. Therefore to achieve equitable development, there should be targeted development towards non Metro areas such the O.R. Tambo, Chris Hani, Joe Gqabi and Alfred Nzo District Municipalities.

Rebalancing growth and implementing government's clear policy direction given the constrained current economic environment due to the dire effects of the COVID-19 cannot be emphasised more. Reprioritisation within the current baseline, that is "Doing More With Less" will, however, be one of the critical and overriding principles guiding all interventions by government to ensure that services are delivered in a fiscally sustainable manner. Thus, key sectors responsive in revitalising the economy will be a priority.

The continued implementation of the economic recovery strategies will be ensured paying closer attention to investment attraction broadly encapsulating what is needed for restoring confidence, reigniting growth, creation of jobs, and sustainably delivering public services

The Eastern Cape Province is exploring areas of integration and linkages between provincial projects and municipal projects, programmes and plans. The Province has since made strides towards joint and collaborative planning initiatives and endeavours to push the alignment across all spheres and within the Infrastructure value chain. The focus will be on integration and rural development within the regions utilising the District Development Model (DDM) and Infrastructure Delivery Management System (IDMS) approach for both social and economic Infrastructure.

The Eastern Cape Provincial IDMS at a macro level has incorporated environmental sustainability as the fourth pillar in addition to economic, financial and social sustainability. In order to achieve the desired outcomes, the funding instruments will be augmented with the Budget Facility for Infrastructure (BFI) and the Sustainable Infrastructure Development Symposium (SIDS) that promotes the blended finance models, to address the deficiency in infrastructure investments and to kick-start the economy.

The total preliminary Provincial Infrastructure allocations for 2022/23 amount to R8.012 billion of which the four departments that account for the largest share are Transport, Human Settlements, Education and Health.

Therefore, in realising the above, allocations by cluster becomes a necessity. The table below depicts these clusters historic expenditure against the indicative MTEF allocations.

**Clusters historic expenditure against the indicative MTEF allocations**

Per Cluster	2018/19	2019/20	2020/21	2021/22		2022/23	2023/24	2024/25	2018/19 - 2021/22	2021/22 - 2024/25
	Audited			Adjusted Appropriation	Revised estimate	Medium-term estimates			Average growth	
<b>R'000</b>										
<b>Social Cluster</b>	<b>63 274 915</b>	<b>67 427 412</b>	<b>67 427 412</b>	<b>69 591 341</b>	<b>66 407 453</b>	<b>64 310 617</b>	<b>65 954 496</b>	<b>68 915 853</b>	<b>1.6</b>	<b>1.2</b>
Education	35 031 804	37 179 579	37 179 579	37 344 852	35 728 428	34 833 273	35 894 188	37 505 838	0.7	1.6
Health	24 472 319	26 200 501	26 200 501	27 774 734	26 495 306	25 340 004	25 869 489	27 031 029	2.7	0.7
Social Development	2 720 924	2 965 402	2 965 402	3 383 089	3 137 154	3 075 328	3 122 593	3 262 797	4.9	1.3
Sports, Recreation, Arts And Culture	948 524	977 199	977 199	979 602	940 586	958 761	964 768	1 008 086	(0.3)	2.3
Safety And Liaison	101 344	104 731	104 731	109 064	105 979	103 251	103 458	108 103	1.5	0.7
<b>Economic Cluster</b>	<b>12 989 178</b>	<b>13 421 803</b>	<b>13 421 803</b>	<b>14 046 835</b>	<b>13 880 292</b>	<b>13 250 459</b>	<b>13 323 464</b>	<b>13 921 687</b>	<b>2.2</b>	<b>0.1</b>
Public Works	2 361 589	2 449 554	2 449 554	2 526 329	2 577 267	2 523 946	2 388 936	2 496 199	3.0	(1.1)
Rural Development And Agrarian Reform	2 305 570	2 382 205	2 382 205	2 260 982	2 273 012	2 281 141	2 321 495	2 425 730	(0.5)	2.2
Economic Development, Environmental Affairs And Tourism	1 160 396	1 353 566	1 353 566	1 503 199	1 673 900	1 120 898	1 107 531	1 157 259	13.0	(11.6)
Transport	4 811 056	4 920 615	4 920 615	5 143 544	5 051 476	4 929 944	5 018 161	5 243 476	1.6	1.3
Human Settlements	2 350 567	2 315 863	2 315 863	2 612 781	2 304 637	2 394 530	2 487 341	2 599 023	(0.7)	4.1
<b>Governance Cluster</b>	<b>2 782 560</b>	<b>2 748 788</b>	<b>2 748 789</b>	<b>2 763 571</b>	<b>2 950 127</b>	<b>2 875 258</b>	<b>2 939 363</b>	<b>3 071 338</b>	<b>2.0</b>	<b>1.4</b>
Office Of The Premier	823 434	748 668	748 668	823 759	1 009 421	942 345	970 125	1 013 684	7.0	0.1
Provincial Legislature	551 099	584 949	584 949	574 716	561 917	548 627	547 616	572 202	0.7	0.6
Cooperative Governance and Traditional Affairs	967 032	993 938	993 938	975 068	980 676	962 702	997 677	1 042 472	0.5	2.1
Provincial Treasury	440 995	421 234	421 234	390 028	398 113	421 584	423 945	442 980	(3.4)	3.6
<b>Total</b>	<b>79 046 653</b>	<b>83 598 003</b>	<b>83 598 003</b>	<b>86 401 747</b>	<b>83 237 872</b>	<b>80 436 334</b>	<b>82 217 323</b>	<b>85 908 879</b>	<b>1.7</b>	<b>1.1</b>
	<i>Budget Submission Consolidate Pre Audited IYM</i>			<i>Adj Consolidate</i>	<i>Sept IYM</i>	<i>Budget Workings</i>				
<b>Percentage Shares</b>										
<b>Social Cluster</b>	<b>80.0%</b>	<b>80.7%</b>	<b>80.7%</b>	<b>80.5%</b>	<b>79.8%</b>	<b>80.0%</b>	<b>80.2%</b>	<b>80.2%</b>		
<b>Economic Cluster</b>	<b>16.4%</b>	<b>16.1%</b>	<b>16.1%</b>	<b>16.3%</b>	<b>16.7%</b>	<b>16.5%</b>	<b>16.2%</b>	<b>16.2%</b>		
<b>Governance Cluster</b>	<b>3.5%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.2%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.6%</b>		

**Source: Provincial Treasury Database, 2021**

As depicted in the table above, the implementation of government priorities continues with the social sector receiving the major share of the indicative budget over the 2022 MTEF with shares of 80 per cent in 2022/23 and 80.2 per cent in 2023/24 and in 2024/25. When it comes to any additional allocations over the 2022 MTEF, it will have to be funded mainly through reprioritisation of existing budget baselines because of the dwindling provincial cash reserves.

The province has lost R54.4 billion provincial equitable share since the 2013 MTEF up to the 2021 MTEF as a result of fiscal consolidation which was in respect of among others for servicing of state debt as well as from annual data updates which resulted from the reduction in provincial population. It seems unlikely that the fiscal outlook will change soon therefore; the province has to reposition itself.

In this respect, it is important that the department have to consider deferring certain activities and revisiting strategic plans and re-affirming key mandatory obligations in so far, service delivery is concerned. Departments should protect service delivery items against the consumption expenditure by relooking at policies such as revisiting organograms, Annual Performance Plans targets, which will factor in affordability of the state up until the re surface itself differently in terms of economic growth.

The Eastern Cape government will put measures in place to reinvigorate the economic recovery of the province by ensuring departments and its entities work in a coordinated and integrated manner to realise the targets as set out in the Eastern Cape Economic Recovery plan.





EASTER CAPE  
PROVINCIAL TREASURY

MEDIUM TERM BUDGET  
POLICY STATEMENT

2021/22

# SECTION 1

## ECONOMIC OUTLOOK





# 1. ECONOMIC OVERVIEW AND OUTLOOK

## Introduction

The global economic recovery endures whilst the COVID-19 pandemic continues posing policy challenges. The recoveries differ across economy groups and have expanded since the July 2021 forecast. Demand has accelerated, but supply has been slower to respond due to the uncertainty about possible future lockdown restrictions. In strengthening the global economic prospects strong policy effort are needed on the rolling out the COVID-19 vaccine, climate change, and international liquidity.

## Global Economic Outlook

The global economic recovery is continuing, even as the pandemic resurges. The effects of COVID-19 are looking more persistent and are expected to leave lasting prints on medium-term performance.

Figure 1.1: Global Economic Outlook

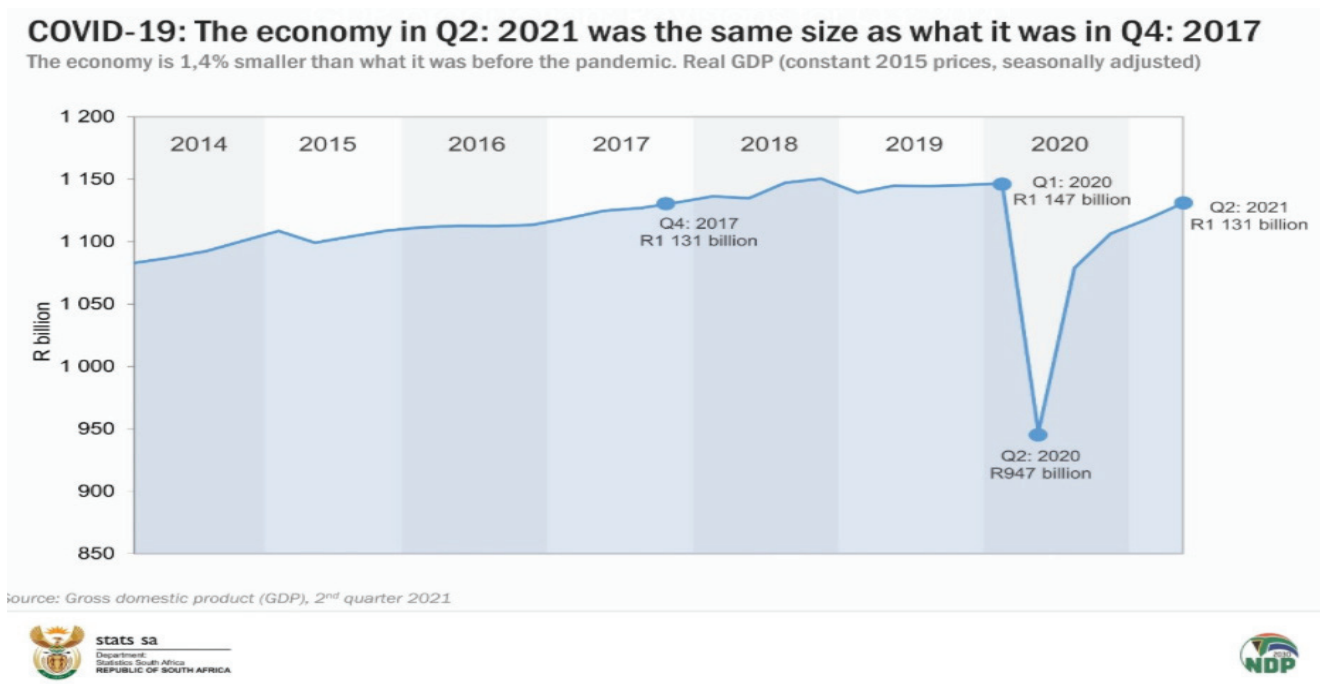


Source: IMF, October 2021

The latest IMF report updated in October 2021 highlighted a growth projection of 5.9 per cent in 2021 and 4.9 per cent in 2022, 0.1 percentage point lower for 2021 than in the July 2021 forecast. The supply disruptions have resulted into a downward revision for advanced economies and for low-income developing countries, largely due to worsening pandemic dynamics. The travel bans due to the new variant, Omicron will negatively impact the recovery that we saw from the third of 2020 to the third quarter of 2021 with tourism being the most vulnerable sector as a result of the lockdown restrictions

## Domestic Economic Growth

Figure 1.2: South African Economic Growth



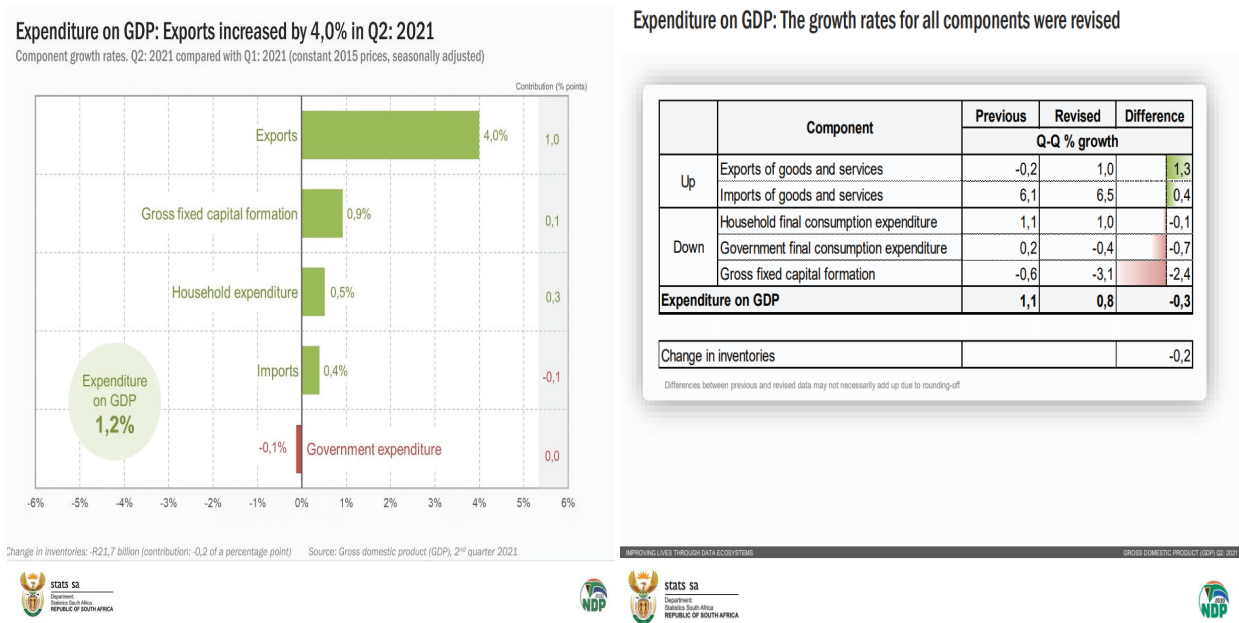
Source: Statistics South Africa, 2021

The South African economy is yet to fully emerge from the impact of COVID-19. In quarter two of 2021 recovery was robust at 1.2 per cent quarter on quarter, or 4.7 per cent annualized. The South African Reserve Bank (SARB) expects domestic economy to recover by 5.3 per cent by year-end, before moderating to 1.7 per cent in 2022. Anticipated recovery is to be driven by strong global demand for commodities, and moderate growth in domestic household expenditure.

## Domestic Expenditure

The rise in trade activity in the second quarter of 2021 is reflected on the demand (expenditure) side of the economy. Household final consumption expenditure increased by 0.5 per cent, driven mostly by a rise in household spending on transport, food & non-alcoholic beverages, and health.

**Figure 1.3: Macroeconomic performance and projections**

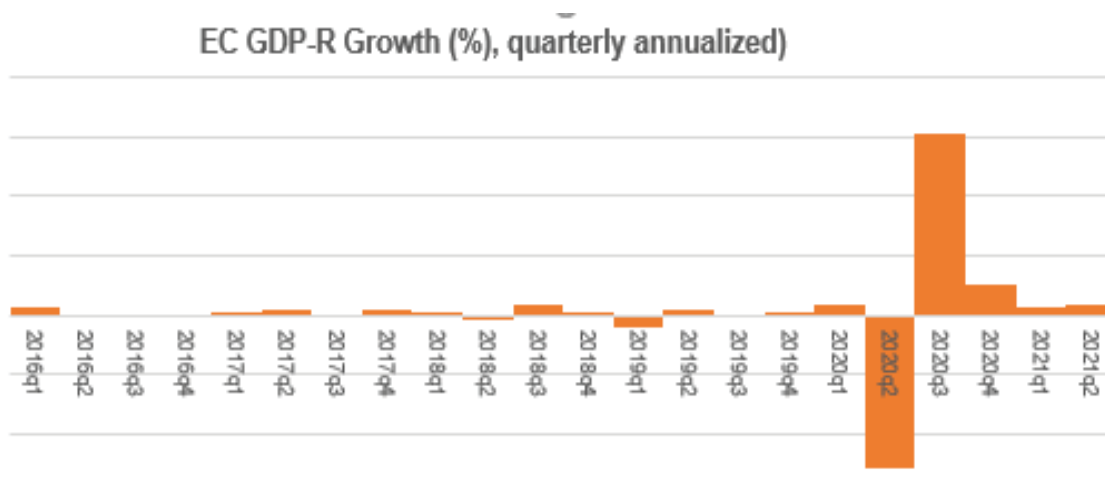


Exports increased by 4 per cent, driven mostly by trade in mineral products, pearls, precious and semi-precious stones, precious metals and vehicles & other transport equipment.

## Provincial Economic Growth

The provincial growth projections are expected to be consistent with the national outlook. The provincial economic growth is expected to be at about 3.6 per cent propelled by domestic and global demand for agricultural produce (particularly citrus, pineapple and deciduous fruit) and manufactured exports.

Figure 1.4: Eastern Cape Domestic Growth Rate



Source: Quantec Estimate derived from STATSSA, 2021 (GDP Data)

### Employment

The Province recorded a loss in employment of 19 000 jobs (from 1 235 000 to 1 216 000) from quarter three to quarter two of 2021. In addition, the province recorded a decrease of 2 000 people in the unemployed category. These changes in the labour market led to a slight increase in the unemployment rate to 47.4 per cent (an increase of 0.3 quarter-to-quarter and 1.6 per cent year-on-year). In quarter three of 2021, the Eastern Cape non-metro region recorded an unemployment rate of 51.6 per cent whilst the two provincial metros i.e. Nelson Mandela Bay and Buffalo City Metro recorded unemployment rates of 40.7 per cent and 40.1 per cent respectively. This is an indication that as much as the Eastern Cape Province has taken great strides in creating employment opportunities for the people of the province, greater effort and strategic choices are still needed to be made to effectively eradicate the high levels of unemployment.

Table 1: Labour Market Trends

<b>EC Labour Market Trends</b>		
	<b>Jul-Sept 2020</b>	<b>Apr-Jun 2021</b>
	<b>Thousand</b>	<b>Thousand</b>
<b>Eastern Cape</b>		
<b>Labour force</b>	<b>2 238</b>	<b>2 335</b>
Employed	1 212	1 235
Unemployed	1 025	1 100
Not economically active	2 111	2 048
Discouraged work seekers	162	219
Others	1 948	1 828
<b>Rates (%)</b>		
Unemployment rate	45,8	47,1
Employed/population ration (absorption)	27,9	28,2
Labour force participation rate	51,5	53,3
<b>Eastern Cape –Non Metro</b>		
<b>Labour force</b>	<b>1 397</b>	<b>1 464</b>
Employed	681	688
Unemployed	716	776
Not economically active	1 585	1 540
Discouraged work seekers	160	200
Others	1 425	1 339
<b>Rates (%)</b>		
Unemployment rate	51,3	53,0
Employed/population ration (absorption)	22,8	22,9
Labour force participation rate	46,9	48,7
<b>Eastern Cape – Buffalo City</b>		
<b>Labour force</b>	<b>329</b>	<b>318</b>
Employed	227	214
Unemployed	102	103
Not economically active	196	212
Discouraged work seekers	1	18
Others	195	194
<b>Rates (%)</b>		
Unemployment rate	31,0	32,6
Employed/population ration (absorption)	43,2	40,4
Labour force participation rate	62,7	59,9
<b>Eastern Cape- Nelson Mandela Bay</b>		
<b>Labour force</b>	<b>511</b>	<b>553</b>
Employed	304	333
Unemployed	207	220
Not economically active	329	296
Discouraged work seekers	1	1
Others	328	295
<b>Rates (%)</b>		
Unemployment rate	40,5	39,8
Employed/population ration (absorption)	36,2	39,2
Labour force participation rate	60,8	65,2

For all values of 10 000 or lower the sample size is too small for reliable estimates

Source: Quarterly Labour Force Survey, Q3:2021, Statistics South Africa

## Sector Employment

Table 2: Eastern Cape Employment by Sector

Employment by industry	Q3: 2020	Q4:2020	Q1:2021	Q2:2021	Q3:2021	Qtr-Qtr change	Year-on-year change	Qtr-Qtr change	Year-on-year
	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Thousand	Per cent	Per cent
<b>Agriculture</b>	98	101	101	82	107	25	10	30.4	9.8
<b>Mining</b>	2	2	1	1	1	0	-1	-12.4	-55.7
<b>Manufacturing</b>	107	102	108	115	126	11	19	10.0	17.8
<b>Utilities</b>	4	5	10	4	5	1	0	19.3	7.1
<b>Construction</b>	109	115	120	112	122	10	13	8.7	11.8
<b>Trade</b>	249	231	244	252	198	-54	-51	-21.3	-20.4
<b>Transport</b>	59	82	81	70	78	8	20	12.0	33.6
<b>Finance</b>	150	125	157	118	133	15	-17	12.8	-11.6
<b>Community &amp; social services</b>	340	365	365	376	367	-9	28	-2.5	8.1
<b>Private households</b>	95	107	111	105	79	-26	-16	-24.6	-17.0

Source: Quarterly Labour Force Survey, Q3:2021, Statistics South Africa

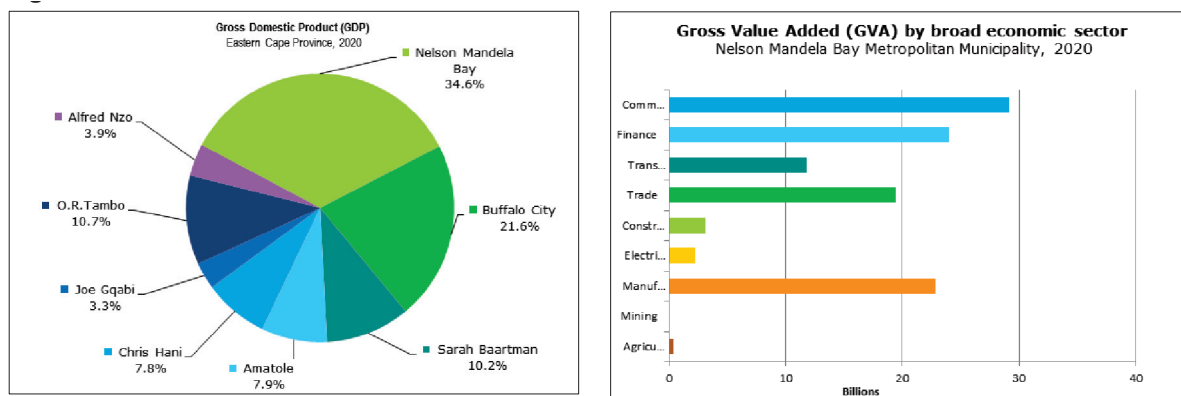
As depicted in table two above, the Eastern Cape Province recorded an increase in employment in pertinent sectors of the economy such as the Agriculture, Manufacturing, Utilities, Construction and Transport when comparing changes in employment on a quarter-to-quarter and year-on-year basis. However, the Trade and Private Households sectors experienced losses in employment on a quarter-to-quarter and year-on-year comparison. The Finance sector recorded growth in employment from quarter two to quarter three of 2021, however, the sector lost jobs over the past year. The Community and Social Services sector lost jobs from quarter two to quarter three of 2021, but gained employment in the past year.

## District Economic Performance And Outlook

### Nelson Mandela Bay

Prior to COVID-19 lock downs economic growth in the Nelson Mandela Metro's averaged 0.4 per cent annually for the period 2010 – 2020, with unemployment reported at 35 per cent. In terms of relative size, economic activity in the metro represents about 34 per cent of total economic activity in the province. The dominant sectors and industries are retail and trade, transport, and manufacturing, particularly auto and components manufacturing which has overtime developed strong links to global value chains.

**Figure 1.5: Nelson Mandel Metro – RGDP and GVA**



Source: HIS Markit Regional eXplorer, 2021

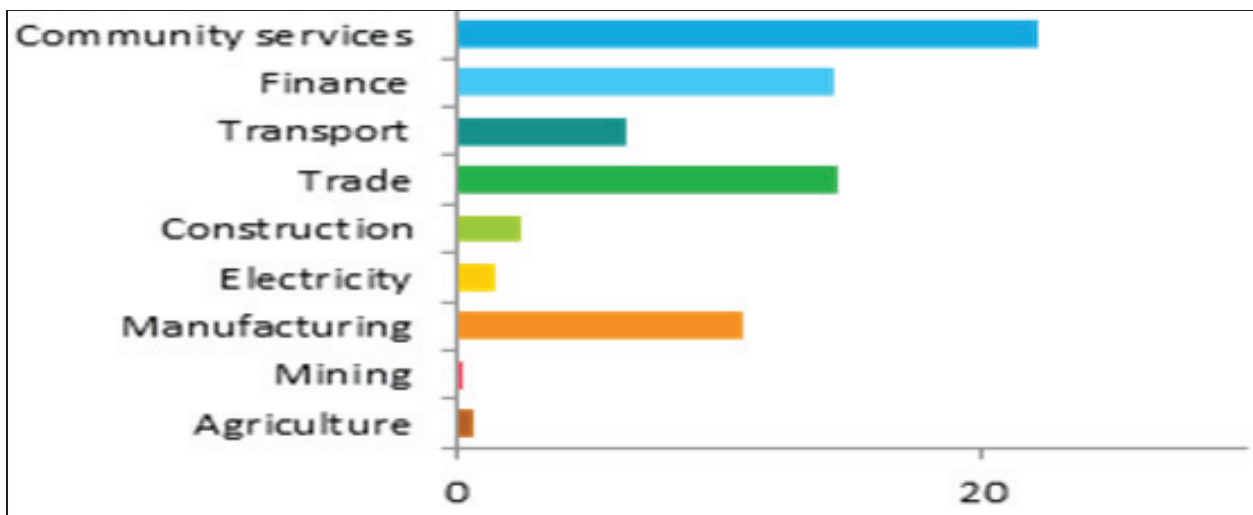
Prior to 2020, fixed investment inflows into the metro were significant as highlighted by the R11 billion BAIC SA multiyear investment, R3 billion of which has already been spent on factory plant construction. Aspen’s R3 billion plant capacity enhancement for specialised pharmaceutical products including the Johnson and Johnson COVID-19 vaccine; Dedisa Power Plant project (R3.5 billion) which will soon be connected to the Dedisa substation via 400kV power transmission lines, FAWSA’s R600 million investment for truck assembly; and CEMZA’s R600million investment in cement production. The Coega Special Economic Zone has been the most preferred location for some of these major fixed investment inflows for the metro.

Moving forward future growth prospects for the metro will be determined by current efforts at improving economic and ports infrastructure, the promotion of a conducive business environment to enhance existing productive capacities whilst targeting new growth sectors. Investments by the national, provincial governments and the metro that are aimed at further developing the oceans economy through Coega Special Economic Zone and Ngqurha Port targeting aquaculture (R260 million government investment to date), oil and gas infrastructure, represent the initial but critical steps towards repositioning the metro and achieving sector and growth targets. Tourism has also been identified as one of the key growth sectors for the metro. The envisaged Bay World redevelopment project will be catalytic for tourism development in the metro and its surrounding regions.

### Buffalo City Metro

Annual economic growth in the Buffalo City Metro averaged about 1.21 per cent for the period 2010 -2020. As one of the two main economic hubs in the province the metro produces almost 20 per cent of provincial economic output. Unemployment is consistently higher than the provincial average partly due to the rapid urbanisation within the metro.

Figure 1.6: Gross Value Added by economic sector - Buffalo City Metropolitan Municipality, 2020



Source: HIS Markit Regional eXplorer, 2021

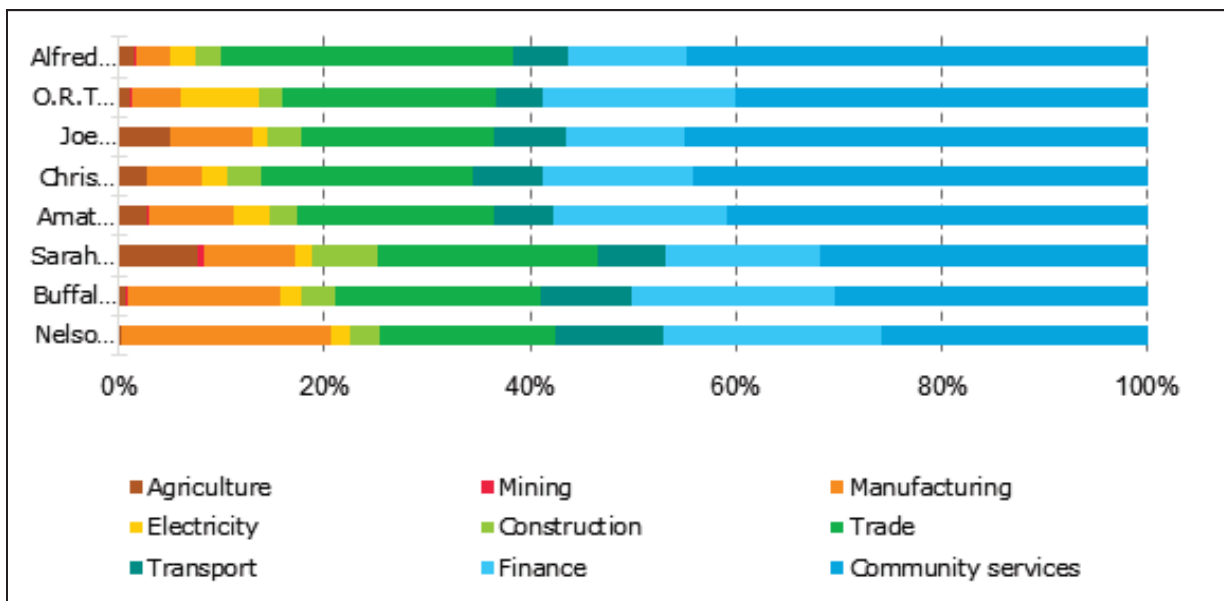
Outside of community and government services, the key economic sectors in the metro include Trade and Retail, Finance and Business services, Manufacturing, and Transport services. Manufacturing continues to be dominated by the automotive and auto components (especially batteries) subsectors, agro processing including cotton textiles. Mercedes Benz SA has been the major employer and user of vehicle component parts. The auto sector has also been a key driver of fixed investment in and around the East London IDZ, with Mercedes-Benz SA having recently committed an additional R3 billion to its initial R10 billion investment commitment made in 2018 towards the reconfiguring of its existing plant to produce the 12 new variants of the new C-Class.

Other sectors that have been earmarked for future development in the metro include agro processing, tourism, small to medium size enterprises, film and creative industries, and the digital economy (digital infrastructure, and digital skills). The metro’s competitiveness will also be further enhanced by the planned upgrades of its ports infrastructure, additional capital investments in the EL IDZ by DTiC and the provincial government, and the continued efforts to resuscitate the Dimbaza and Fort Jackson Industrial Parks. In terms of the Tourism sector, the East London Beachfront Development and East London Water world are under construction.

### Non-Metros

For the non-metro regions (Alfred Nzo, O R Tambo, Joe Gqabi, Amatole and Sarah Baartman) for the period 2010 – 2020 economic growth averaged less than 1 per cent annually with economic activity dominated by retail and trade, finance and business services, in addition to government services. The average unemployment rate for the non-metro areas is also comparatively higher.

Figure 1.7: Gross Value Added (GVA) by broad economic sector and Unemployment, 2020



### EC Unemployment (%)

	Apr-Jun 2020	Jul-Sep 2020	Oct-Dec 2020	Jan-Mar 2021	Apr-Jun 2021
<b>EC - Non Metro</b>	38.9	51.3	52.8	48.9	53.0
<b>EC - Buffalo City</b>	23.1	31.0	36.3	30.3	32.6
<b>EC - Nelson mandela Bay</b>	40.4	40.5	42.3	39.2	39.8

Source: Stats SA

Formal agriculture is mainly found in the Sarah Baartman, Joe Gqabi, Amatole, and Chris Hani districts. Within Sarah Baartman the main focus is on citrus, meat, wool and mohair, and dairy farming, whilst livestock farming is prevalent in Chris Hani, Joe Gqabi and Amatole with the last two regions also containing large forestry plantations.

The development of wind farms for renewable energy in Sarah Baartman and Chris Hani has been a success story, bringing much needed fixed investment for the province.

The OR Tambo and Alfred Nzo encompass the province's least developed areas but contain some of the country's critical ecological areas. The region's potential in terms of agriculture and tourism has not yet been fully exploited. The Wild Coast Spatial Development Initiative including the Port St Johns smart city and tourism initiatives, the Umzimvubu Dam and the N2 Gateway development represent some of the mega projects that will significantly alter the economic landscape of the region creating the much needed jobs opportunities.

## Risks To Economic Outlook And Government Economic Policy Responses

- Additional restrictions due to the emergence of new variants of the corona virus potentially affecting economic activity and tourism thus potentially derailing any nascent global economic recovery;
- Limited awareness about importance of Census by the citizens might lead to not availing themselves to be counted as part of the provincial population;
- Slow progress in the implementation of own revenue enhancement plans: The implementation of the recommendations from the revenue study by the Departments of Public Works, Transport, Health and Economic Development Environmental Affairs and Tourism needs to be prioritized and accelerated;
- Poor planning and inadequate monitoring of impact measures put in place to stimulate the provincial economy;
- Inadequate available funding for non-negotiable programmes in Health, Education and Social Development to be maintained;
- Insufficient evidence based decision making by departments. Therefore, an urgent need to enhance data management capacity and data integrity across departments to improve decision making for resource allocation and expenditure.
- Inadequate governance at departmental level and reluctance to enforce consequence management.



EASTER CAPE  
PROVINCIAL TREASURY

MEDIUM TERM BUDGET  
POLICY STATEMENT

2021/22

# SECTION 2

PROVINCIAL  
FISICAL  
FRAMEWORK





## 2. Provincial Fiscal Framework

### Introduction

The fiscal outlook is constrained with risks to the fiscal outlook which encompasses the resilience of economic recovery, the public-service wage increases as well as future wage negotiations. Government is committed to reduce the budget deficit and stabilising the debt-to-GDP ratio and this requires continuing with fiscal consolidation. The unexpected recovery of the domestic economic activity in the first half of the 2021 due to the easing of the COVID-19 lockdown restrictions has improved revenue collection over the short term. There are some risks related to economic recovery such as unstable electricity supply and expected pandemic fourth wave due to less than targeted vaccination up take. Over the last two years, government has augmented existing fiscal measures to mitigate joblessness with additional funding for the presidential employment initiative.

Transfers from national government are the main source of provincial receipts for provincial government. In addition, the province generates own revenue to supplement the national transfers. The gradual implementation of the recommendations of the revenue research study targets new revenue streams as well as the optimisation of efficiencies in the current revenue sources to fund provincial priorities.

### Provincial Receipts

Table 2.1 below shows the 2022 medium term provincial fiscal framework and reflects the total fiscal envelope of R83.769 billion in the 20/22/23 financial year. The fiscal framework consists of national transfers in the form of provincial equitable share (PES) of R69.092 billion, conditional grants of R13.084 billion and provincial own receipts of R1.591 billion.

**Table 2.1: Provincial Receipts**

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimates	Medium Term Estimates			% Change from 2021/22
	2018/19	2019/20	2020/21				2021/22	2022/23	2023/24	
<b>Transfers from national</b>	77 043 951	81 557 388	81 048 669	81 356 521	84 359 145	84 213 715	82 177 586	80 678 820	84 135 697	-2.4
<i>Equitable share</i>	65 499 660	68 824 353	69 195 253	68 060 484	70 949 697	70 949 697	69 092 859	67 310 245	70 165 538	-2.6
<i>Conditional grants</i>	11 544 291	12 733 035	11 853 416	13 296 037	13 409 448	13 264 018	13 084 727	13 368 575	13 970 159	-1.4
Provincial own receipts	1 978 962	2 283 688	1 576 240	1 516 290	1 503 318	1 396 513	1 591 925	1 663 560	1 691 388	14.0
<b>Total provincial receipts</b>	<b>79 022 913</b>	<b>83 841 076</b>	<b>82 624 909</b>	<b>82 872 811</b>	<b>85 862 463</b>	<b>85 610 228</b>	<b>83 769 511</b>	<b>82 342 380</b>	<b>85 827 085</b>	<b>-2.2</b>

Source: Provincial Treasury Database, 2022 MTEF

In the 2021/22 Adjustment Budget, provincial equitable share increased in the adjusted budget to R70.949 billion when compared to the main budget of R68.060 billion. This increase was due to additional allocations of R1.991 billion to implement the 2021/22 Wage Agreement of the Public Service Co-ordinating Bargaining Council and R898.091 million for the Presidential Youth Employment initiative.

## Provincial Equitable Share

The provincial equitable share (PES) is designed to ensure fair, stable and predictable revenue shares and to address social and fiscal disparities across provinces. The PES is the main source of provincial receipts to allow the province to deliver on its constitutional mandates and expenditure responsibilities. In terms of the distribution, the PES is allocated through six components, namely education, health, basic share, institutional, poverty and economic activity to determine the sharing of the allocations across provinces.

With regard to PES formula, the formula accounts for the relative demand of services and take into consideration the change of demographics in each of the provinces. In the 2022 MTEF, changes are made to the health component resulting from the review of the risk-adjusted sub-component, which will inform the health component from the 2022/23 financial year. The risk-adjusted index has been designed to include factors that take into consideration the relative cost of health care needs by age and gender, the total fertility rate of the female population, the burden of disease through premature mortality, a deprivation index to account for the impact of socio-economic factors and sparsity to account for the potential costs associated with delivering health care needs. The risk-adjusted subcomponent was also updated with data from population without medical aid using the 2019 General Household Survey (GHS) and the 2021 Mid-year Population Estimates (MYPE). The output sub-component uses data from the 2018/19 and 2019/20 District Health Information Services for patient load data.

Interms of the data updates for other PES components, the updates to the PES formula are informed by the data from the 2021 MYPE age cohort data, the 2021 Learner Unit Record Information Tracking System (LURITS) data, the 2019 GDP-R, and the 2010 Income and Expenditure Survey. The new shares across provinces will be phased in over three years of the 2022 MTEF.

The review of the provincial equitable share formula continues with National Treasury, together with provincial treasuries focusing on the existing components of the provincial equitable share as well as the cost of service delivery especially in rural provinces, which has higher costs for goods and services due to vast distances that are covered. Changes to the equitable share formula must adhere to the principles of predictability and stability and budgetary allocations must take into consideration the legitimate burden that provinces face in delivering social services to their citizens.

## Conditional Grants

**Table 2.2: Summary of Conditional Grants**

Department/Grant	Audited Outcome			Main Appropriation	Adjusted Appropriation		Medium Term Estimates			% Change from 2021/22
	2018/19	2019/20	2020/21		2021/22	Revised Estimates	2022/23	2023/24	2024/25	
<b>Agriculture, Forestry and Fisheries</b>	<b>400 340</b>	<b>321 791</b>	<b>275 507</b>	<b>333 690</b>	<b>333 690</b>	<b>328 059</b>	<b>340 142</b>	<b>345 753</b>	<b>361 312</b>	<b>3.7</b>
Comprehensive Agricultural Support Programme Grant	282 161	244 101	177 836	246 610	246 610	246 610	251 233	255 336	266 826	1.9
Ilimaletsema Projects Grant	71 263	66 627	50 362	74 567	74 567	74 567	76 209	77 482	80 969	242.4
Land Care Programme Grant: Poverty Relief and Infrastructure Development	46 916	11 063	12 309	12 513	12 513	6 882	12 700	12 935	13 517	3 777.2
Provincial Disaster Relief Grant: Agriculture			35 000			-				
<b>Arts and Culture</b>	<b>160 584</b>	<b>169 824</b>	<b>130 264</b>	<b>169 310</b>	<b>169 310</b>	<b>169 310</b>	<b>178 199</b>	<b>178 089</b>	<b>186 103</b>	<b>5.3</b>
Community Library Services Grant	160 584	169 824	130 264	169 310	169 310	169 310	178 199	178 089	186 103	5.3
<b>Education</b>	<b>3 035 402</b>	<b>3 112 133</b>	<b>2 698 742</b>	<b>3 208 901</b>	<b>3 208 901</b>	<b>3 208 901</b>	<b>3 253 601</b>	<b>3 386 594</b>	<b>3 538 990</b>	<b>1.4</b>
Education Infrastructure Grant	1 710 021	1 713 427	1 227 035	1 640 977	1 640 977	1 640 977	1 635 316	1 705 711	1 782 468	-0.3
HIV and Aids (Life Skills Education) Grant	43 062	45 455	34 035	45 089	45 089	45 089	44 350	45 077	47 408	-1.6
National School Nutrition Programme Grant	1 216 559	1 278 635	1 376 343	1 443 715	1 443 715	1 443 715	1 492 183	1 551 943	1 621 780	3.4
Maths, Science and Technology Grant	46 805	49 434	33 561	52 116	52 116	52 116	53 844	54 793	57 259	3.3
Learners With Profound Intellectual Disabilities Grant	18 955	25 182	27 768	27 004	27 004	27 004	27 908	29 070	30 378	3.3
<b>Health</b>	<b>3 966 532</b>	<b>4 810 406</b>	<b>5 324 236</b>	<b>5 317 685</b>	<b>5 404 485</b>	<b>5 317 685</b>	<b>5 274 432</b>	<b>5 241 724</b>	<b>5 477 602</b>	<b>-0.8</b>
HIV, TB, Malaria and Community Outreach Grant	2 098 633	2 397 703	3 157 302	3 062 784	3 116 477	3 062 784	3 093 381	3 026 917	3 163 128	0.0
Of which										
HIV and Aids component				2 568 007	2 568 007		2 660 973	2 667 600	2 787 642	
TB component				72 722	72 722		75 368	75 567	78 968	
Community Outreach Services component				174 266	174 266		181 805	182 504	190 717	
Human Papillomavirus component				36 861	36 861		37 646	37 745	39 444	
Mental Health component				16 280	16 280		16 800	16 844	17 602	
Oncology component				10 000	10 000		10 000	46 657	48 757	
COVID-19 component				184 648	184 648		110 789			
Health Facility Revitalisation Grant	652 071	990 988	669 533	685 588	685 588	685 588	676 737	707 462	739 298	-1.3
Health Professions Training and Development Grant	239 707	253 131								0.0
National Health Insurance Grant	-	45 333	25 262	41 272	41 272	41 272	41 621	41 635	43 509	0.0
Human Papillomavirus Vaccine Grant	33 471	32 405								0.0
National Tertiary Services Grant	942 660	995 438	1 080 846	1 101 960	1 101 960	1 101 960	1 096 839	1 098 416	1 147 845	-0.5
Human Resource and Training Grant		95 408	391 293	426 081	459 188	426 081	365 854	367 294	383 822	0.0
Of which										
Statutory Human Resources component				163 654	163 654	163 654	107 308	111 837	116 870	
Training component				262 427	262 427	262 427	258 546	255 457	266 953	
<b>Human Settlements</b>	<b>1 974 022</b>	<b>2 209 835</b>	<b>1 296 324</b>	<b>1 923 647</b>	<b>1 923 647</b>	<b>1 923 647</b>	<b>2 000 173</b>	<b>2 086 858</b>	<b>2 180 766</b>	<b>4.0</b>
Housing Disaster Relief Grant	-	90 153	-							0.0
Human Settlements Development Grant	1 908 439	2 058 778	1 274 084	1 491 219	1 491 219	1 491 219	1 542 022	1 608 515	1 680 898	3.4
Informal Settlements Upgrading Partnership Grant for Provinces				432 428	432 428	432 428	458 151	478 343	499 868	0.0
Title Deeds Restoration Grant	65 583	60 904	22 240							0.0
<b>Public Works</b>	<b>120 908</b>	<b>157 225</b>	<b>162 991</b>	<b>153 924</b>	<b>153 924</b>	<b>127 536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>
<b>Expanded Public Works Programme Integrated Grant for Provinces</b>	<b>90 077</b>	<b>106 862</b>	<b>107 789</b>	<b>102 099</b>	<b>102 099</b>	<b>99 033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>
Education	2 673	4 190	4 710	4 586	4 586	4 586	-	-	-	0.0
Health	2 225	2 439	2 020	1 960	1 960	1 078	-	-	-	0.0
Social Development	2 000	-	2 006	-	-	-	-	-	-	0.0
Public Works	5 008	6 814	8 644	10 272	10 272	10 272	-	-	-	0.0
Cooperative Governance and Traditional Affairs	2 144	2 081	2 093	2 187	2 187	2 187	-	-	-	0.0
Rural Development And Agrarian Reform	2 502	2 328	2 410	2 076	2 076	1 142	-	-	-	0.0
Economic Development, Environmental Affairs And Tourism	2 204	2 670	2 494	2 605	2 605	2 605	-	-	-	0.0
Transport	66 821	81 821	78 469	73 580	73 580	73 580	-	-	-	0.0
Human Settlements	2 500	2 498	2 723	2 777	2 777	1 527	-	-	-	0.0
Sport, Recreation, Arts And Culture	2 000	2 021	2 220	2 056	2 056	2 056	-	-	-	0.0
<b>Social Sector Expanded Public Works Programme Incentive Grant for Provinces</b>	<b>30 831</b>	<b>50 363</b>	<b>55 202</b>	<b>51 825</b>	<b>51 825</b>	<b>28 503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>
Education	23 175	24 396	29 138	29 797	29 797	16 388	-	-	-	0.0
Health	1 455	13 179	14 861	14 033	14 033	7 718	-	-	-	0.0
Social Development	1 455	11 112	9 293	6 537	6 537	3 595	-	-	-	0.0
Sport, Recreation, Arts And Culture	1 448	-	-	-	-	-	-	-	-	0.0
Safety And Liaison	3 298	1 676	1 910	1 458	1 458	802	-	-	-	0.0
<b>Sport and Recreation South Africa</b>	<b>67 020</b>	<b>70 037</b>	<b>33 604</b>	<b>69 310</b>	<b>69 310</b>	<b>69 310</b>	<b>67 515</b>	<b>63 343</b>	<b>66 193</b>	<b>-2.6</b>
Mass Participation and Sport Development Grant	67 020	70 037	33 604	69 310	69 310	69 310	67 515	63 343	66 193	-2.6
<b>Social Development</b>	<b>141 497</b>	<b>85 397</b>	<b>193 934</b>	<b>157 970</b>	<b>184 581</b>	<b>157 970</b>	<b>172 974</b>	<b>180 313</b>	<b>188 427</b>	<b>9.5</b>
Substance Abuse Treatment Grant	17 708									0.0
Early Childhood Development Grant	78 715	85 397	193 934	157 970	184 581	157 970	172 974	180 313	188 427	9.5
Social Worker Employment Grant	45 074									0.0
<b>Transport</b>	<b>1 677 986</b>	<b>1 796 387</b>	<b>1 737 814</b>	<b>1 961 600</b>	<b>1 961 600</b>	<b>1 961 600</b>	<b>1 797 691</b>	<b>1 885 901</b>	<b>1 970 766</b>	<b>-8.4</b>
Public Transport Operations Grant	238 745	252 115	269 007	283 803	283 803	283 803	282 592	295 047	308 324	-0.4
Provincial Roads Maintenance Grant	1 439 241	1 544 272	1 468 807	1 677 797	1 677 797	1 677 797	1 515 099	1 590 854	1 662 442	-9.7
<b>Total</b>	<b>11 544 291</b>	<b>12 733 035</b>	<b>11 853 416</b>	<b>13 296 037</b>	<b>13 409 448</b>	<b>13 264 018</b>	<b>13 084 727</b>	<b>13 368 575</b>	<b>13 970 159</b>	<b>-1.4</b>

Source: Provincial Treasury Database, 2022 MTEF

Table 2.2 above illustrates the conditional grants received by the province from 2018/19 up to the 2022 MTEF period. Actual receipts increased from R11.544 billion in 2018/19 to the estimated allocation of R13.970 billion in 2024/25.

Changes were made to conditional grants in the 2021/22 Adjustment Budget, which resulted in conditional grants increasing from the main budget of R13.296 billion to an adjusted budget of R13.409 billion. The adjustments to conditional grants are in respect of the Early Childhood Development Grant increasing from R157.970 million to R184.581 million, the HIV, TB, Malaria and Community Outreach grant increasing from R3.062 billion to R3.116 billion and the Human Resources and Training Grant increasing from R426.081 million to R459.188 million.

The Early Childhood Development Grant was allocated an amount of R26.611 million for the purpose of the Presidential Youth Employment Initiative to address the shortfall from phase 1 of the Presidential Employment Initiative that sought to provide unemployment risk support to early childhood development related workers impacted by COVID-19 lockdown to supplement their income.

The increase in allocation of R53.693 million for the HIV, TB, Malaria and Community Outreach grant will allow the province to procure directly for provision of mental health and oncology services as the province has demonstrated readiness to take over the full funding and management of these services.

The Human Resources and Training Grant allocation of R33.107 million is to provide for the statutory obligation to place medical interns upon completion of their studies. The shortfall is as a result of the higher number of medical students completing their studies.

### **Changes To The Conditional Grants In 2022 MTEF**

The HIV, TB, Malaria and Community Outreach grant has over the past financial years seen a number of components that have been introduced into the conditional grant. From 2022/23, the grant will consist of only a Comprehensive HIV/AIDS component, which is funding HIV/AIDS and tuberculosis related services, and a district health component that is funding community outreach services and services related to COVID-19, human papillomavirus and malaria. The grant will be renamed the District Health Programme grant. The mental health and oncology components introduced in this grant in the 2021 MTEF will be shifted to the direct National Health Insurance grant.

The Comprehensive Agricultural Support Programme grant will reduce due to the colleges of agriculture that have been shifted to the national government.

Together with responsibility for early childhood development, the Early Childhood Development grant will be moved from the Department of Social Development to the Department of Education from 2022/23.

The Provincial Roads Maintenance grant includes an incentive component allocated based on provincial performance. In the 2021 Budget, this component was allocated using the main formula of the conditional grant. As a result of the delays in developing objective allocation criteria, the incentive component will be removed from the grant baseline for 2022/23. The National Treasury will continue to work with the Department of Transport to develop objective criteria for the incentive component.

Conditional grants allocations for provinces will be issued after the national departments have finalised conditional grants allocations in accordance Section 26(2) (e) of the 2021 Division of Revenue Act.

## Provincial Own Revenue

Provincial Own Revenue for the 2021/22 financial year was originally budgeted for revenue collection of R1.516 billion. In the 2021/22 Adjustment Budget, the provincial own revenue estimate was adjusted downward from R1.516 billion to R1.503 billion, with a decrease of R12.972 million. The revenue adjustment is reflected against the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) due to fewer casino taxes collected, which was impacted by the COVID-19 pandemic and lockdown levels and affected the gambling activities and the industry.

In addition to the budgeted revenue estimates as contained in the fiscal framework, the province has also started implementing the revenue study and the revenue collection from new revenue sources, which has showed collections of R224.384 million as at 30 September 2021 out of a revenue study target of R2.554 billion in the 2021/22 financial year. The low revenue collection of the new revenue sources shows that the implementation of the revenue plans is not progressing satisfactorily even though revenue is collected from all four of the identified revenue departments, namely the Departments of Transport, Health, Economic Development, Environmental Affairs and Tourism, Provincial Treasury, Education and Public Works and Infrastructure. The detailed plans to implement the revenue study are discussed below in the section of own revenue enhancement.

Table 2.3 below shows a summary of provincial own revenue from 2018/19 to 2024/25 by department.

**Table 2.3: Summary of Provincial Own Receipts by Vote**

	Audited Outcome			Main	Adjusted	Revised	Medium Term Estimates			% Change from 2021/22
	2018/19	2019/20	2020/21	Appropriation	Appropriation	Estimates	2022/23	2023/24	2024/25	
Office of the Premier	1 141	214	234	402	402	374	420	438	458	12.3
Provincial Legislature	533	696	686	503	503	588	527	551	576	-10.4
Health	219 500	246 559	145 241	284 061	284 061	228 462	297 412	310 796	324 782	30.2
Social Development	4 633	6 003	4 009	3 665	3 665	4 380	3 837	4 010	4 190	-12.4
Public Works	17 338	32 940	17 325	45 021	45 021	43 266	54 382	56 829	59 386	25.7
Education	78 335	79 506	65 063	91 019	91 019	131 999	95 297	99 585	104 066	-27.8
Cooperative Governance and Traditional Affairs	1 810	1 987	1 545	1 752	1 752	1 760	1 834	1 917	2 003	4.2
Rural Development and Agrarian Reform	12 460	39 794	14 089	7 605	7 605	7 153	7 962	8 320	8 694	11.3
Economic Development, Environmental Affairs and Tourism	218 745	221 786	116 323	227 714	214 742	215 005	237 733	248 431	248 431	10.6
Transport	652 358	701 519	696 059	730 281	730 281	604 246	762 414	796 722	796 722	26.2
Human Settlements	2 319	2 235	1 409	1 667	1 667	1 060	1 745	1 823	1 905	64.6
Provincial Treasury	768 110	947 947	513 315	121 190	121 190	154 528	126 885	132 594	138 561	-17.9
Sport, Recreation, Arts and Culture	1 607	2 358	847	1 355	1 355	3 625	1 419	1 483	1 550	-60.9
Safety and Liaison	73	144	115	55	55	67	58	61	64	-13.4
<b>Total</b>	<b>1 978 962</b>	<b>2 283 688</b>	<b>1 576 240</b>	<b>1 516 290</b>	<b>1 503 318</b>	<b>1 396 513</b>	<b>1 591 925</b>	<b>1 663 560</b>	<b>1 691 388</b>	<b>14.0</b>

### Enhanced MetaFilefalse

Source: Provincial Treasury Database, 2022 MTEF

In the 2022/23 financial year, estimated revenue collection amounts to R1.591 billion against the revised revenue estimate of R1.396 billion and this represents an increase of 14 per cent for the estimated revenue. The higher estimated revenue collection is due to the lower lockdown levels that have opened up the economy to function better and economic activities to take place. Own revenue is estimated to increase to R1.691 billion in the outer year of the 2022 MTEF. There are once-off

revenue sources in respect of higher interest earned on positive bank balances, the sale of capital assets, expenditure recoveries and surrenders of surpluses by public entities that also contribute to the estimated own revenue. These revenue sources were not factored into the revenue estimates due to their unpredictability.

The major contributing departments to provincial own revenue are the Departments of Transport, Health, Economic Development, Environmental Affairs and Tourism, Provincial Treasury, Education and Public Works and Infrastructure.

The Department of Transport is collecting own revenue mainly from motor vehicle license fees. Own revenue collections are determined in accordance with the vehicle population and specific approved tariffs per category or vehicle tare weight. Total own revenue is projected to increase from a revised estimate of R604.246 million in 2021/22 to R762.414 million in 2022/23. Own revenue estimates also take into account the collection of traffic fines through the Provincial Traffic Infringement Management Centre.

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) collects own revenue mainly from casino and horse racing taxes through the Eastern Cape Gambling Board (ECGB), as well as from liquor license fees through the Eastern Cape Liquor Board (ECLB) as the collection agents. Own revenue is estimated to increase from a revised estimate of R215.005 million in 2021/22 to R237.733 million in 2022/23, which takes into consideration the gambling tariffs and the expansion of Limited Pay-out Machines (LPMs) and the efficient collection of fees from liquor operators as per the Liquor Act.

The Department of Health generates own revenue mainly from patient fees for cost recoveries of health services provided to the public. Own revenue is projected to increase from revised revenue estimates of R228.462 million in 2021/22 to R297.412 million in 2022/23 due to the consistent annual review of patient fees tariffs. The tariffs are administered through the Uniform Patient Fees Schedule (UPFS) for implementation across all provinces in respect of the charges for public health services based on affordability. The tariff review of patient fees is a competency of the national Department of Health in consultation with provincial departments of Health. Own revenue is mainly collected from medical funders such as the Road Accident Fund (RAF) for patients involved in road accidents, the Department of Justice for psychiatric forensic observation services of patients and private medical aid patients.

The Department of Public Works and Infrastructure (DPWI) collects own revenue mainly from rental income from the leasing of state-owned properties. Total own revenue is projected at R54.382 million in 2022/23, which is an increase from the 2021/22 revised estimate of R43.266 million due to the implementation of the departmental revenue generation strategy. The strategy consists of the efficient collection of rental income from the leasing of state-owned properties, parking fees collection at provincial departments at head offices and districts, the implementation of revised tariffs for cellular phone towers or masts, radio networks in government. The enhancement of revenue entails the letting of government-owned properties at market related tariffs after refurbishment of the state properties in order to yield high revenue collections.

Provincial Treasury (PT) contributes significantly to own revenue in respect of interest earned on positive cash balances in exchequer investments and bank accounts due to departments having cash available in their 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 that is mainly from commission earned on insurance premiums and garnishee orders when comparing with the above major revenue generating departments.

### **Own Revenue Enhancement**

The enhancement of the provincial own revenue follows the research that was conducted on the implementation of new sources of provincial own revenue. A comprehensive research document was produced that takes into consideration the socio-economic conditions of the people of the Eastern Cape and would contribute positively to increase provincial own revenue. Departments had prepared and submitted implementation plans for the collection of new revenue sources in accordance with the revenue study. The focus is on the main revenue generating departments, namely, the Departments of Public Works and Infrastructure, Transport, Health and Economic Development, Environmental Affairs and Tourism (DEDEAT) as detailed below.

The Department of Public Works and Infrastructure is projecting to generate additional revenue from rental income from the leasing of state-owned properties at market related rates. In this regard, the department has started with eviction orders against tenants that are not paying rental or do not have valid rental agreements in place for the residential and commercial properties in O.R Tambo, Amathole, Chris Hani and Sara Baartman Districts. The eviction orders follow objections from tenants to the market rental and these eviction orders will remain in place in order to collect the outstanding rental income that is due to the province and to institute valid contracts for all tenants.

The property portfolio of the Province is instrumental to the unlocking of a sound revenue base. There are strategic sites in the province, large undeveloped school sites in many towns as well as many vacant residential and institutional zoned sites that can be released for development purposes to secure constant income. With regard to the re-development of state properties, the department is in the process of processing bids from prospective developers in respect of properties such as the former Amatola Sun Hotel that include a hotel, conference centre, golf course and accommodation, properties in Amathole, Sarah Baartman and Chris Hani districts. In addition, properties such as the former Mount Coke Hospital and properties across districts in the province are at various stages of development and construction. The Eastern Cape Disposal Act 7 of 2000 provides for the acquisition and disposal of land owned by the province.

Other revenue sources include the lease of telecommunication sites, the installation of the vending machines in government buildings, leasing of the state land for private development, leasing space for advertising billboards and digital screens.

The Department of Transport has a Provincial Traffic Infringement Management Centre which is in operation and a service provider is assisting with the collection of existing or outstanding traffic fines with the assistance of speed cameras or automatic number plate recognition equipment. The Administrative Adjudication of Road Traffic Offences (AARTO) came into effect in 2021 and is being rolled out in phases. According to Road Traffic Infringement Agency (RTIA), which manages AARTO,

the system is set to be fully implemented by July 2022. The system will penalise drivers and fleet operators if found guilty of traffic offences or infringement by imposing demerits points that could lead to the suspension or cancellation of licenses, professional driving permits and operator cards. Revenue collection will therefore be collected from the more stringent implementation of the traffic legislation.

The department is prioritising four Drivers and Learners Testing Centres (DLTCs) for implementation in Zwelitsha, Struandale, Queenstown and Elliotdale, which is in addition to the Wilsonia DLTC that is already operational. These centres are currently undergoing refurbishments or upgrades, installation of data line and equipment, sourcing of eNATIS users or clerks, examiners and support staff as well as gazetting of the centre for operations. The department has two DLTCs that are operational, namely, Queenstown and Wilsonia. The Struandale DLTC has not started as planned due to equipment not being in place. The Elliotdale and Zwelitsha DLTCs are still in the process of renovations and is planned to commence operation in 2022/23.

The Department of Health has implemented the new revenue sources for operating licence fees through inspections at private health facilities and private Emergency Medical Services (EMS). The department will revise its admission policy to facilitate phasing in the designation of particular wings at public hospitals for enhanced amenities. This process will further enable relations with private companies in order for the public hospitals to treat private patients. In addition, the construction of rehabilitation centres is a long-term project, where the department and the Road Accident Fund (RAF) will engage on the potential implementation of rehabilitation centres since the RAF has the majority of patients requiring rehabilitation. The implementation of rehabilitation centres on a smaller scale is considered at wards in provincial hospitals. Revenue is anticipated from high value equipment with maintenance contracts that are expected to be used by private hospitals or practitioners when the equipment is not utilised.

Efficient collection of revenue can be achieved through an electronic collection system. The department has developed an in-house Hospital Management System which has subsequently been rolled out to the Frere Hospital, the Settlers Hospital, the Uitenhage Hospital, Dora Ngiza Hospital, Port Elizabeth Provincial Hospital and Livingstone Hospital. The billing module of the electronic system is key to revenue collection. The implementation of this module is at an advanced developmental stage with its focus being on patient registration and administration.

Economic Development, Environmental Affairs and Tourism (DEDEAT) through the Eastern Cape Gambling Board (ECGB) is expanding the roll out of Limited Pay-out Machines (LPMs) with an additional 600 LPMs in line with the research study. The gambling industry is still affected by lockdown restrictions and this is evidenced by a decline in gambling revenue collection. The roll out of the LPMs is affected by a dispute lodged by the operators on whether the ECGB complied with a requirement in the regulations which specified that it must be satisfied that the additional LPMs in excess of 2 000 LPMs which will not lead to an oversupply of machines in the Province. As a result, the roll out of LPMs is planned to be implemented in phased-approach from 2022/23 onward.

## CONCLUSION

Despite the uncertainty of the fiscal outlook, there are positives in relation to the unanticipated economic recovery, which brings additional revenue to the fiscus in the short term. Furthermore, the province will continue to reprioritise and increase efficacy in allocation towards supporting fiscal consolidation. The implementation of the revenue study will provide the needed additional resources to the fiscus which will allow for the funding of provincial priorities.





EASTER CAPE  
PROVINCIAL TREASURY

MEDIUM TERM BUDGET  
POLICY STATEMENT

2021/22

# SECTION 3

MEDIUM-TERM  
BUDGET  
STRATEGY  
AND  
PRIORITIES



### 3. MEDIUM-TERM BUDGET STRATEGY – SUSTAINING PROVINCIAL ECONOMIC RECOVERY & DEVELOPMENT

#### Introduction

Prior to Covid-19, the domestic economy's growth had already been sluggish. The onset of Covid-19 only served to introduce additional pressures that weighed heavily down on public health and economic livelihoods, setting back government's previous efforts in tackling unemployment, poverty and structural inequalities still pervading the country.

As the country recovers from the deep impacts of Covid-19, the Eastern Cape provincial government will seek to strengthen its earlier commitments of ensuring that public health and other government services are restored, and critically that the province's productive capacity is not only recovered but also restructured and transformed to be more competitive and inclusive.

#### Fiscal Consolidation Measures

Efforts aimed at recovering and reconstructing the economy, however, will need to be grounded on a fiscally sustainable path if any long-lasting impacts are to be attained.

Putting public finances on a sustainable path will require sound fiscal and expenditure control, focusing on:

- Limiting the growth of public sector wage bill through moderate salary adjustment and limits on public sector employment,
- Reprioritisation of departmental baseline budgets in response to the anticipated upsurge in service delivery demands by the public as they attempt to regain their health and economic well-being post Covid-19. Responses in this regard will entail among other things departments conducting rigorous programme expenditure reviews and adopting supply chain management reforms to curb excessive costs in procurement and government expenditure,
- Strengthening good governance practices across government departments and public entities,
- Maximising Provincial Own Revenue collections
- Strict monitoring and enforcement of all previously adopted cost containment measures and expenditure controls on non-core items,
- Centralised approval of appointments across departments, and
- Ensure infrastructure projects are delivered on time and within budget.

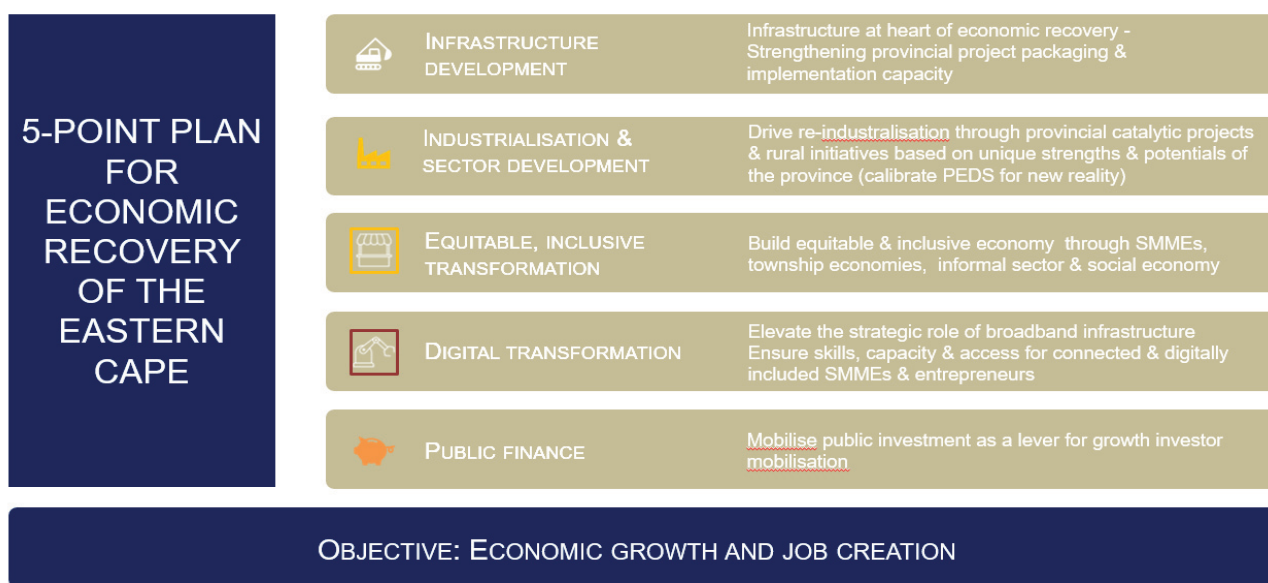
## Sustaining Provincial Economic Recovery

In its wide-ranging response to the pandemic the national government in 2020 developed an economic reconstruction and recovery plan that was to be rolled out in three phases:

- Engage and Preserve- which includes a comprehensive health response to save lives and curb the spread of the pandemic,
- Recovery and Reform- interventions to restore the economy while controlling health risks and lastly,
- Reconstruct and Transform- which is about building a sustainable, resilient and inclusive economy.

Similarly, the Eastern Cape government developed its own 5-point plan for economic recovery, which was strongly aligned, to the national plan. The main objective of the provincial plan is economic growth and job creation, which are in common with the key priority outcomes in the national recovery plan.

Figure 3.1: Provincial Economic Recovery Plan



Source: DEDEAT, Provincial Recovery Plan

In ensuring the progressive implementation of the plan the Department of Economic Development, Environmental Affairs and Tourism developed a coordinated framework for implementing the plan with clear targets and goals, the required interventions, and resource inputs, as depicted in Figure 3.2 below.

Figure 3.2: Provincial Recovery Plan Framework for Implementation

<b>Provincial Economic Recovery Plan Framework for Implementation</b>				
<b>GOALS</b>	<b>5-POINT PLAN</b>	<b>KEY RESULT AREAS</b>	<b>INTERVENTIONS</b>	<b>INPUTS &amp; RESOURCES</b>
<ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Job creation</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure development</li> <li>• Industrialisation</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Inclusive growth</li> <li>• Digital economy</li> <li>• Public finance</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure rollout of critical economic infrastructure</li> <li>• Provincial support to distress businesses &amp; farmers</li> <li>• Consider &amp; provide local incentives that promote retention of investors</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Support SMMEs, business enterprises, farmers &amp; informal traders for relief</li> <li>• Smart marketing initiatives</li> <li>• Compliance with OHSA-COVID-19 protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Project packaging &amp; resource mobilisation</li> <li>• Sector support &amp; development</li> <li>• SMME support &amp; incubation rollout</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Broadband infrastructure &amp; digital platforms rollout</li> <li>• Business support &amp; compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Project commissioning</li> <li>• Technical assistance</li> </ul>
<b>GOALS: ECONOMIC GROWTH &amp; JOB CREATION</b>				

Source: DEDEAT, Provincial Recovery Plan

### Economic Recovery Interventions - Progress

Coetzee, C.E. & Kleynhans, E.P.J., (2017:9), quote Aschauer, D.A., (1989) as saying “public investments enhance the quality of people’s lives, raise economic progress as well as the return on private sector investments”<sup>1</sup>. Therefore, the government will continue to target strategic policy investment programmes as would be discussed in this section. Additionally, the province continues with a phased implementation of the Economic Stimulus Fund and COVID-19 Economic Recovery Relief Funding pronounced in the 2019/20 and 2020/21 MTEF respectively.

The SMME sector continue to operate within a constrained fiscal environment, additional shocks from COVID-19 places further pressure on their operations. Lockdown measures have caused revenues in many SMMEs to fall drastically and the majority report that they are being forced to cut back on business spending to survive. Subsequently, in relation to the COVID-19 relief fund, from an allocation of R164.049 million in 2020/2021, R160.500 million was transferred to various entities as at 30 September 2021. The SMMEs supported included: Smallholder farmers with infrastructure ranging from livestock, horticulture and grain production infrastructure; Incubation for Entrepreneurs and Graduates in Digital Economy; Virtual Ecosystem of Support; Wild Coast SEZ for security fencing to prevent land invasion and for SMME Product & Process Certification Support.

To ensure business continuity the province had to intervene through the ECDC with the use of webinars to assist local SMMEs with access to markets which also included financial and non-financial support schemes. Whilst this could be a cost effective way to provide business support, its impact is dampened by poor access by many rural businesses to stable ICT connections. Therefore, the improvement in broadband connection and bandwidth strength in the MTEF will benefit both the ECDC and SMMEs in lowering transaction.

Furthermore, companies that were financially distress benefited from Debt relief support of R513 million from SEFA. Additionally, 155 SMMEs received funding to an amount of

R22 million that resulted in saving 429 jobs.

Concerning the Economic Stimulus Fund, as at quarter one of 2021/22, R99 731 million was transferred from an allocation of R356 284 million. The following projects were prioritised: Coega Abalone Farm ;Dimbaza Industrial Parks by ECDC; Wild Coast SEZ by CDC; Job Stimulus Fund by ECDC; Film industry development by ECPACC; Informal Trade Infrastructure; Mt Ayliff by ECDC; Grain Industry Development Value Chain ; Reserves Upgrade by ECPTA; Queensindustrialia electrification ; Isiqalo Youth Funds by DE and Gas to Power.

This said, the provincial government acknowledges that it needs to collaborate with the Municipalities, Metros, State Owned Entities and Corporations, Universities and most importantly Private Sector formations to make real and lasting impact on both its social and economic targets. The province is also on an endeavor to reestablish its industrial capacity through localized value chains especially on the automotive sector and diversification through new sectors in Agriculture, Renewable Energy, ICT and Oceans Economy in the short to medium term.

### **Investing In Infrastructure**

Working with its partners in government and state-owned entities the provincial government's infrastructure delivery programme aims to build social and economic infrastructure that promotes economic activity; universal access to basic services; increases the provision of sustainable energy, and ensure sustainable human settlements.

In addition to social infrastructure in Education, Health and Human Settlements, the following economic infrastructure investments are funded or will receive financial consideration over the coming medium-term term:

### **Industrial Park Revitalization**

The Komani Industrial Park needed a transformer to stabilize electricity availability to the park, which would have impact on the municipality plagued with electricity supply challenges. The situation threatened job security in the area as many businesses were already contemplating relocation. This project is currently at 92 per cent completion and has provided 168 constructions jobs and supported 12 local SMMEs.

For the Dimbaza Industrial Park, the first phase of the project was completed in 2020 creating 161 construction jobs opportunities and supporting 19 local SMMEs. The current project is at 45 per cent completion.

At Somerset-East, the project's overall progress is 80 per cent, and currently busy with electrification upgrades which is at 60 per cent. The contractor has completed the following projects: Sewer Reticulation, Potable Water Reticulation, Storm water Reticulation and Road Works. The project created 95 construction jobs thus far and supported 24 local SMMEs.

## Wild Coast Industrial Park<sup>2</sup>

The Province in its plans to spread industrial capacity to strategic locations within the province is in a process with the DTIC of designating a special economic zone in King Sabata Dalindyebo municipality (Mthatha). However, at this stage the DTIC has approved the development zone as an Industrial Park pending investment pipeline meeting the designation threshold.

Work has started with the infrastructure development for the establishment of the agro processing sector in the Wild Coast region with provincial investment of R35 million. This current investment is primarily for security fencing the demarcated industrial platform for development, which is at 90 per cent completion with 50 jobs created and 6 SMMEs appointed as subcontractors. In taking further the development, the DTIC has approved R49 million through its Critical Infrastructure Fund for the development of bulk infrastructure in the platform.

On the Investment front, four investors to the projected value of R1.07 billion have been secured and projects to create 968 operational jobs. The investors are in the food and beverages sub-sectors (potato processing, fruit & vegetable processing, beverages and poultry). There is also a pipeline of investors in Cannabis, dairy, grain and complementary industries such as cleaning and services. All these investors will be sourcing raw materials from the local producers thus providing sustainable market for producers with sustainable job opportunities in the Wild Coast region.

## Tourism Infrastructure Development

Tourism sector is important not just for its contribution to the GDP that was 3 per cent in 2018, but also because of its contribution to employment opportunities where in the same year one in every 22 working South Africans were employed in the tourism sector. It employs more women than any other sector in food and beverage serving industry, accommodation, recreation and in retail. Additionally in 2017, 76 per cent of all workforce in the sector were Black, 10 per cent Coloured, 4 per cent Indian/Asian and 10 per cent White<sup>3</sup>.

The province has some of the best natural places with great tourism potential however needing significant investment in infrastructure to improve facilities, revenue, protecting the biological assets and access to the reserves. A targeted investment in partnership with the Department of Transport, Department of Agriculture land Reform and Rural Development and Municipalities to improve the road network towards the tourism sites and facilities would increase the attraction to tourism sites.

Through the National Department of Tourism conditional grant funding the following projects were delivered:

- Baviaanskloof World Heritage Site. Construction is still in process at 65 per cent overall progress. The project created 20 job opportunities. The heritage site includes three Hikers Camp Sites, three Sleeper Huts and one Communal Hut per site with 100 per cent completion and handed over for snags. The project created an additional 11 local job opportunities for a duration of 6 months.

<sup>2</sup> Awaiting designation as an SEZ by the DTIC

<sup>3</sup> Stats SA 2021. Tourism Satellite Account for South Africa Final for 2017 and provisional for 2018 and 2019. Report No. 04-05-07 (2021).

- Thomas Baines Nature Reserve Environmental Education Centre Upgrade through National Lottery Commission (NLC) Conditional Grant Funding- The overall implementation progress is 85 per cent and project created five local job opportunities.

At national government level, National Treasury working with the Infrastructure Fund and Infrastructure South Africa will be seeking to speed up the delivery of key mega projects that were gazetted in 2019/20, some of which are planned for the province. The interventions will entail creating a credible and financially sound pipeline of projects, conducting project appraisal and technical analysis, and attracting private sector financing of projects. Targeted sectors include:

- Energy, particularly renewable energy
- Water and sanitation
- Transport
- Digital infrastructure
- Human settlements

### Renewable Energy

The continued load shedding impacts negatively on investment attractiveness of the Province. To mitigate this risk, the Province together with the private sector is investing in renewable energy technology, harvesting the wind power that the province is naturally endowed with.

In this regard, a wind farm Community Trust was launched in Kouga and two more wind farms have completed construction in the province during the year, bringing a total of 16 wind farms and one solar farm constructed in the Province and contributing electricity to the national grid.

These are over 20 years and bring additional commitments towards developing the areas around them including a R4.6 billion towards socioeconomic developments, R1.2 billion towards enterprise development as well as R7 billion in net income to community trusts. So far, the facilities have already spent R90 million on Enterprise Development in local communities and R330 million on Socio-Economic Development Projects in local communities.

**New Independent Power Producers:** Under the national power procurement programme, two new Wind Farms in the Eastern Cape have been pronounced in October 2021 as preferred bidders. These are in Inxuba Yethemba Local Municipality and one between Dr Beyers Naude and Sunday River Valley Local Municipalities.

Should these wind farms be confirmed, they will add 224 Megawatts of power to the national grid. The wind farms will bring an estimated investment value of R4.6 billion to the Province and an estimated 1300 jobs will be created at the construction phase.

### Industrialisation And Sector Development

Special Economic Zones offer global competitiveness aimed at driving local and foreign direct investments in export-oriented industries consequently positioning the Eastern Cape as the hub for Southern African trade. The Department of Trade Industry and Competition is a key partner in this regard including the Metros in which the SEZs are located.

## East London Industrial Development Zone

The ELIDZ officially welcomed 16 new automotive investments into the zone worth a total investment of R3.3 billion. The private investors are inclusive of tier 1 suppliers that are currently operational in the new facilities. They are supplying Mercedes Benz South Africa, East London Plant with a variety of automotive components for the new C- Class model. The investment has created job opportunities and envisioned to grow the economy of the province.

Furthermore, the ELIDZ signed on a new incubator into the zone the Schubert Park Textiles Incubator which will see entrepreneurs in the textiles industries being supported.

## Coega Special Economic Zone

In the 2021/22 financial year through private investment, the COEGA SEZ signed an investment to the tune of R 161.760 million with seven private sector companies in different sectors, creating 229 job opportunities. Amongst these sectors, is the automotive sector, logistics, Agro- processing, chemical manufacturing and an NGO collaboration in the Health Services.

## Eastern Cape Development Corporation

The Eastern Cape Development Corporation (ECDC) as the provincial Development Finance Institution (DFI) aims to promote trade and investment into the provincial industrial parks. As at the end of second quarter 2021/22 the ECDC had a net investment of R89 949 million attracted for the various industrial parks with an estimated 249 job creation opportunities.

## SMME Business Support

**Accelerator programme on manufacturing:** Two of the Provincial Entities, the ELIDZ and the AIDC – Eastern Cape entered into an agreement to establish an Accelerator programme on manufacturing for all sectors under the oversight of the ELIDZ, within its premises. This model, as the results show in the AIDC – Gauteng case benefits both OEM's and all partners including emergence of thriving black manufacturers in key sectors. The programme developed by the AIDC EC aligns to the South African Auto Manufacturing (SAAM) vision 2030 and is supported the shareholder and the Eastern Cape Provincial Government.

Through this programme, the province targets to bring transformation to the sector by supporting local OEM's and tier 1 suppliers to in turn sufficiently support black supplier development. Target SMMEs for this support will have to register in the EC's development plans and the model will be based on centralized and shared services to ensure black suppliers focus on manufacturing, quality and timely delivery of products to the customers. To get this incubator started the DTIC gave a conditional approval in 2019 needing the Provincial government to make similar commitment. The programme will start in the 2022/23 financial year with R37 million contribution by DTIC and R37 million from the Provincial government.

To ensure that the objectives of the national SAAM 2035 are fully realised to the benefit of the province the provincial government is currently in the process of formulating support measures for the sector

focusing on providing financial and business support to previously disadvantaged groups graduate into preferred Tier 1, Tier 2 and Tier 3 component suppliers to provincial OEMs. The specific support schemes will entail the development of Smart Industrial Academies and incubators in Gqebera and East London to enhance the competitiveness of local suppliers through training and materials testing, and establish automotive township hubs in townships such as Ezibeleni and eGcuwa.

## **AGRICULTURAL DEVELOPMENT**

The disparities between commercial and emerging agriculture in the province remain despite past and current efforts by government in transforming the sector. One of the core challenges that remain relate to the difficulty of linking small-scale farmers to adequate funding and commercial agro value chains.

The provincial government invested in commercialising the Magwa Enterprise Tea (MET) to become self-sustainable. Therefore, the MET has transformed from being a supplier of bulk tea to a producer and marketer of diversified products. Magwa Tea is now available in 30- retail stores and Majola Tea is available in 13 stores in the province. The entity employs 1558 permanent and seasonal workers in an area that has above 50 per cent unemployment. The provincial government is in a process of approving an instruction note to enable government departments and institutions to procure tea from Magwa, which will further bolster its self-sustainability

Accordingly, the provincial Agricultural Economic Transformation Strategy (AETS) and Agricultural Recovery Plan (ARP) are streamlined to focus directly on these challenges. In particular, the provincial AETS and ARP have identified the following as key binding constraints to the sector:

- The insufficient lending and funding flowing to the emerging agricultural sector;
- The lack of secured long term use and land ownership rights for land reform farmers and those farming in communal lands;
- Exclusionary market practices by existing commodity value chains which tend to reduce meaningful market access for emerging producers;
- High initial capital and infrastructure costs which act as market entry barriers for small scale farmers;
- The scattered nature of agricultural production units which add up to high transactions costs in terms of logistics, markets integration; and
- Insufficient access to weather /climate risk mitigation measures and financial instruments.

In addressing these constraints, the provincial government has been exploring various mechanism of leveraging public financial resources in order to attract private investment and strengthen public-private partnerships for the benefit of local producers. Various national development finance institutions have expressed willingness to be part of such initiatives, including the Industrial Development Corporation (Agro Industrial Fund), the Land Bank, and various agricultural sector commodity groups.

Subsequently the provincial DRDAR has embarked on a process identifying and assisting economically viable and scalable farming operations in each of the provincial districts to broaden their access to funding to include well established DFIs and commercial banks. The focus will be on previously disadvantaged emerging farmers in the province.

Table 3.1 below provides an outline of the support provided to farmers also highlighting the key private strategic partners moving forward.

Table 3.1: Support to Emerging Agriculture

<b>Commodity Incubator Program to develop black commercial farmers</b>				
<b>Priority Commodity</b>	<b>Priority Interventions</b>	<b>Targeted partners</b>	<b>Implementation Approach 2022/23</b>	
Grain	Provision of market infrastructure	DEDEAT	Develop commodity incubator partnership program Establish commodity technical committees Invite prospective youth/women/people with disability agriculture enterprises Enter into a 5-year agreement with commercial partners Contract farming Joint venture initiative Skills based partnership Commodity/industry partnership	
	GAP compliance	ECDC		
	Provision of Critical Business Skills	Department of Small Business Development		
	Mentorship and Technical support	Commodity organisations		
Citrus	Provision of operating capital	PPECB	Develop and package agri-business skills program Facilitate the financing partnership project Develop commodity incubator partnership program Conduct 12 month training program Four (4) months training (intensive 30% theory and 70% practical) Deploy trainees to farms and agri-businesses for period of eight (8) months Invite prospective youth/women/people with disability Enter into a 5-year agreement with commercial partners	
Deciduous	Off-take agreement	Provincial Treasury		
Macadamia	Government procurement	Land Bank		
Chicory	Develop and package agri-business opportunities	SAICA		
Poultry	Due diligence of partnership projects	Special Economic Zones		
Redmeat	Facilitate the financing partnership project	National Skills Fund		
Animal Fibre (wool & mohair)		ECRDA		
Magwa Tea		IDC		
Forestry		DALRRD		
Food Processing Centres (RED Hubs)		DFFE		
<b>Agriculture Work and Skills Development Program</b>				
<b>Priority Commodity</b>	<b>Priority Interventions</b>	<b>Targeted partners</b>		<b>Implementation Approach 2022/23</b>
Grain	Commodity specific primary production skills	SETAs		Develop and package agri-business skills program Facilitate the financing partnership project Develop commodity incubator partnership program Conduct 12 month training program Four (4) months training (intensive 30% theory and 70% practical) Deploy trainees to farms and agri-businesses for period of eight (8) months Invite prospective youth/women/people with disability Enter into a 5-year agreement with commercial partners
	GAP compliance	National Skills Fund		
	Business skills	TVETs		
Citrus	Mentorship and Technical training	Agriculture Colleges	Develop and package agri-business skills program Facilitate the financing partnership project Develop commodity incubator partnership program Conduct 12 month training program Four (4) months training (intensive 30% theory and 70% practical) Deploy trainees to farms and agri-businesses for period of eight (8) months Invite prospective youth/women/people with disability Enter into a 5-year agreement with commercial partners	
Deciduous		DEDEAT		
Macadamia		Department of Small Business Development		
Chicory		Commodity organisations		
Poultry		Provincial Treasury		
Redmeat		Land Bank		
Animal Fibre (wool & mohair)		ECRDA		
Magwa Tea		Agri-business		
Forestry		Department of Labour & Employment		

Source: EC DRDAR 2021

The focus of the support is on provincial fruit value chains (macadamia, citrus, deciduous, and pineapple), livestock and red meat, aquaculture, cannabis, and grain production. Critically the support will be long-term, market-led and district based, focusing at lowering production costs, investing in infrastructure, reducing risks faced by farmers, and so create sustainable farming operations and jobs. The specific role of the DFIs and private agricultural sector intermediaries will be to develop sound commercial agreements with emerging farmers based on contractual fairness, proper funding and secured off-take contracts. When implemented properly such steps will bring meaningful transformation and long-term economic viability for the sector.

The work between the Eastern Cape provincial government and the World Bank aimed at developing potential agribusiness partnerships in the province has been advancing well. In early December 2021, World Bank group will be in the province on a technical mission and field visits to consult with identified potential agribusiness partners such as Amadlelo Agri, and the co-op Die Kooperasie. The World Bank Group's work for this initiative is being supported by key government departments including DRDAR, National and Provincial Treasury, and by various provincial community leaders and farmers. Projects identified for support will include homestead irrigation, provincial agribusiness data portal, water use community management schemes, and road infrastructure for agriculture.

## Equitable And Inclusive Transformation

The COVID-19 pandemic exposed and exacerbated inequalities, ICT gaps, formal skills shortage and poor value supply chain linkages that existed across sectors. To that effect not only informal businesses were affected and continue to suffer. Therefore, capacitating all sectors through various interventions became eminent as part of the reconstruction and development strategies.

## Skills Development And Empowerment

Tourism is one of the sectors that remain relatively capable of mass employment of youth and mostly women- driven. However, it is vulnerable and sensitive to the current COVID-19 mitigation regulations and therefore amongst the hardest hit sectors in the province, nevertheless, the least supported sector.

To support employees and businesses in the sector, the ECPTA empowered businesses with the following trainings; Tourism B-BBBEE scorecard that benefited 175 businesses, Financial Management that benefited 51 businesses and 252 businesses were trained on Tourist Guiding. The sector was further supported through the Department of Employment and Labour with UIF applications where 21 businesses were supported. Despite these interventions not all businesses received the tourism grant both at national and provincial government due to specific areas of non- compliance on the applications further amplifying capacity gaps needing urgent attention.

Whilst the auto sector is the key sector in the Province, it remains largely untransformed with minimal participation of the PDIs and SMMEs. Therefore, in the immediate to medium term transformation is going to be driven mainly through capacitation of SMMEs and training targeting employees in the sector through partnerships with TVET colleges, SETAs and Universities. A partnership between ELIDZ and the Department of Employment and Labour provided for the training of 125 beneficiaries in Automotive Manufacturing Assembly and Electrical Engineering. This training was part of a 12-month learnership programme between

In supporting local emerging farmers to recover from the effects of Covid-19, the provincial government has to date spent R160.5 million on infrastructure for livestock, horticulture and grain production development. Supplementary support have been provided through various Covid-19 support initiatives that have been directed particularly to small businesses in distress, inclusive of the farming sector. The key supporting departments in this regard have been DEDEAT (Jobs Stimulus Fund), the National Department of Agriculture, Land Reform and Rural Development through the Presidential Employment Stimulus and the Department of Small Business Development.

Provincial government will focus on the skills needed to grow the following critical industries in the province:

- Agricultural sector (specific focus on agro-processing); strategic economic development projects (i.e. Mzimvubu and Mthombo);
- Oceans economy and sustainable energy;
- Automotive and light manufacturing; and
- Tourism sectors.

A stronger skilled economy will enable the province to be better placed at ensuring inclusive economic development and growth.

## **Digital Transformation**

The initiative and investment by the province of rolling out broadband especially targeting the remote and underdeveloped areas in the province was something of a visionary on our part. This investment helped to ensure business continuity for government services including key services such as Health and Education to areas that could have been greatly affected.

The province has 4887 sites of which 2700 have been identified for connection and 132 activated in the first rollout of broadband infrastructure. The second rollout is still in the initial stages of performing Site Surveys and doing Right of Way (ROW) applications.

The provincial DoE collaborating with relevant stakeholders have prioritized digital transformation, where 1917 schools were targeted for broadband connectivity, 69 schools are currently finished at layer 2 level, and 45 schools are currently busy testing for final sign off by the District ICT technicians. The Department has revised the completion date for the first 300 sites to 31 March 2022. The rural schools are part of the second 150 schools to be connected by 31 March 2022.

## **Education And Skills**

Education plays an important role in the economic development of any country. Working with various social and economic sectors, it contributes knowledge and skills in different fields, which ultimately create a comparative advantage for the country and the province. The department endeavour to provide world comparable standard of education as a key priority.

## **Early Childhood Development Function Shift**

Government has taken a policy decision to consolidate the Early Childhood Development (ECD) responsibility to the Department of Basic Education from the Department of Social Development. Different work streams are leading and guiding the Provinces in preparing for the function shift with significant progress. In line with this policy decision, the Department of Education will focus on the comprehensive diagnostic report on the resources to be identified for the transfer. The five strategies for improving the quality of ECD are:

- Curriculum - based early learning for all the children from birth to 5 years,
- Access to early childhood development programmes for all children from birth to 5 years,
- Trainings and development for all those working in ECD career paths, with intensive but flexible training opportunities,
- Co-ordination of all early childhood development services, and
- A flexible funding and provisioning framework

## **Improving Access To Education**

Learners from poor rural areas and disadvantaged communities across the country walked long distances to school under extreme conditions. Section 29 (1) (a) of the Constitution states that, “everyone has the right to basic education, and to further education, which the state, through reasonable measures, must make, progressively available and accessible.” Learner transport is one of the tools to facilitate access to that right (The Constitution of the Republic of South Africa, 1996).

The Eastern Cape Department of Education (ECDoE) will continue with implementing the scholar transport programme with 103 000 learners planned to benefit from the programme. An amount of R690.806 million is allocated in 2022/23 and R2.169 billion over the 2022 Medium Term Expenditure Framework (MTEF) to the scholar transport sub- programme.

## **Provision Of The Learning And Teaching Support Material**

Learning and Teaching Support Material (LTSM) plays a pivotal role in improving learning outcomes and ECDoE is committed in providing textbooks and other essential LTSM to all learners to optimise learning. A crucial factor in achieving this goal is an effective LTSM management system across the province. An additional funding of R223.699 million has been allocated for LTSM in ensuring improved learning outcomes.

The province notes the need for continuous improvements to the curriculum provisioning quality access to ICT and education especially in rural and township schools.

## **Job Creation Opportunities**

As noted already, education is an important investment in any country as it provides the foundation of a stable and functioning country. When the country and the province emerge from the pandemic, education and related government programmes will be at the forefront of the recovery for skills, growth and job creation.

One such programme is the Presidential Youth Employment Initiative (PYEI), which amongst its objectives is a focus on stimulating the economic recovery, creating decent jobs and reducing youth unemployment. Through the PYEI, an amount of R841 591 million is allocated to appoint education assistants and general school assistants at public ordinary and public schools in the province. Through this allocation, 40 316-job opportunities will be created within the education sector. The provision of Education Assistants provide support to sector priorities such as Mathematics, Science and Technology (MST), Reading and Literacy, supporting teachers in classrooms including supporting reading initiatives in schools and communities. Furthermore, this initiative will ensure that schools are assisted in coping with the need to create a safe and conducive learning environment, and adherence to COVID-19 protocols by maintaining infrastructure, cleaning school surroundings, screening and sanitizing learners, educators and visitors to the schools through the provision of General School Assistants.

## Health

Our ability to move forward as the country, the Province and human kind in general is dependent on the success we have in managing health issues especially the COVID-19 pandemic.

### *COVID-19 – Vaccination*

At this stage of managing the pandemic, the government's optimal response is to promote mass community vaccinations. This response will seek to build upon earlier interventions that were initiated in 2020/21 when R1.039 billion was allocated for the rollout of vaccines to designated high risk population groups. In June 2021, the provincial health department was allocated an additional R341.339 million for the extension of employment contracts for health workers in anticipation of third wave of COVID-19. Then in November 2021, an additional R45.460 million was allocated to provincial health as part of the Presidential Youth Employment Initiative for health staff and nurses providing assistance in the rollout of Covid-19 vaccines and attending to duties in high care units.

Then going into the medium term, scaling up of strategic partnerships between government, non-profit organisations and the private sector in promoting community vaccination will be critical for this phase and future phases of the vaccination process.

### *Restoring Other Critical Health Programmes*

Additional to the pandemic response, the provincial health department will seek to recover some of the lost grounds on its other key strategic health programmes. The following will be prioritised over the coming medium-term:

- Health service delivery optimisation, rationalisation and consolidation utilising the hub and spoke model to ensure efficiency and effectiveness within the value chain.
- Continue with the roll out of the e-health strategy, initially targeting the 13 big hospitals with installation of HMS2 for patient records as well as an additional 28 facilities in the hub and spoke model. For this project collaboration with the Office of the Premier and the SITA to bring broadband connectivity to all health facilities will be critical.
- Strengthening the health system by reducing costs and wastage, increasing efficiencies in SCM through strategic sourcing initiatives, strengthen patient billing and other revenue generating initiatives;
- Improving maternal and child health outcomes through interventions that would also reduce adverse events that give rise to medico legal claims; and
- Finalisation and implementation of the Human Resources for Health strategy for the province focusing on building strong districts and hospital management teams in line with the envisaged role of the districts in the National Health Insurance.

### *Medico-Legal Claims And Health Finances Management*

The medico legal situation is by far the biggest risk facing the country and the province needing our collective and urgent attention. If not resolutely resolved starting with drastically reducing occurrence

incidents through provisioning and consequence management at facility level, healthcare system will collapse.

The provincial government continues to spend an ever-increasing proportion of its financial resources on settling medico legal claims. These court-ordered payments are paid out in advance in order to meet future medical needs of health claimants. In most cases, the amounts paid have been significant diverting funds otherwise meant for delivering healthcare services. Such unbudgeted expenditures destabilise provincial health programmes.

Strengthening interventions aimed at reducing medico-legal claims will be the focal point of interventions by the provincial government. The Specialised Litigation Unit (SLU) within the Office of the Premier (OTP) tasked with the active defence of the medico legal claims will continue to receive support from the Provincial Treasury (PT) in investigating suspected fraudulent cases of medico legal claims. The Provincial Treasury support has also proposed various modalities to funding medico legal claim settlements.

Other forms of continuing support to the health department include improving its cash position through better budget management, ICT, payroll verification, SCM efficiencies, infrastructure and the management of accruals and payables. The additional benefits of these other interventions are expected to accrue over the medium to long-term.

## **Social Development and Safer Communities**

### ***Gender Responsiveness***

Gender based violence (GBV) is a serious violation of human rights and is a life-threatening, health and protection issue. To strengthen various community-based organizations in the fight against GBV and femicide, the provincial government will scale up various Gender Responsive Programmes.

The implementation of the Social and Behavioural Change (SBC) programme with a budget of R4.3 million is planned to kick off in November 2021 covering at least one ward per district in the province. This programme will allow the provincial government to create a safe and enabling environment where all people irrespective of gender can engage in dialogue and discussion about social issues including HIV & Aids prevention, teenage pregnancy, parental behaviour, including Gender Based Violence (GBV) and a place where positive values, a positive outlook and quality life decisions can be made. The Social and Behavioural Change programme acknowledges that health does not only encompass the physical dimension but also the mental and social well-being of a person.

Provincial government will be engaged in various gender transformation related programmes including prevention programmes and enhance the advice centre for all victims. Government will prioritize the mentorships programmes (for men, women and youth) and create safe homes, one-stop centres and white door centres. These programmes are generally aimed at providing counselling, raising awareness of GBV and the provision of valuable places of temporal shelter for victims of crime and violence.

Furthermore, government will empower traditional leaders by collaborating with them to reach out to rural communities including increasing awareness on LGBTIQ+. Subsidized NGOs will also provide

counselling, therapeutic services and support services to victims of crime and violence in certain areas within the province.

Provincial government will continue to focus on women development programmes, which provide women with necessary development of skills, advocate for their rights and empower them economically to support women-led sustainable livelihoods. Through these programmes government has supported 36 cooperatives and skilled approximately 3 308 women across the province.

### ***Gender Responsive Planning And Budgeting***

Government will coordinate the functions of various departments and related stakeholders to ensure that coordination occurs to achieve provincial objectives of growth, employment and sustainability. Moving forward provincial government will focus on regular assessment of gender responsive budgeting and planning compliance in the Province, focusing on the gender bias of government spending and plans especially in relation to measuring results and performance, resource considerations, infrastructure projects, public private partnerships and the district development model. By so doing government will be proactive in its efforts on empowering and development of designated groups.

### ***Youth development***

Government will continue its efforts on enhancing youth development by:

- Reviewing of the Youth Development Strategy. It will ensure that youth are supported and linked to potential employers;
- Enhance agriculture development and support;
- Promote skills development and youth employment (including rural youth employment); and
- Provide strategic youth SMME support.

Government will coordinate the efforts of all relevant stakeholders in ensuring that youth development projects and programmes are implemented and ongoing.

### ***Financial Governance Oversight***

#### ***Improving audit outcomes in provincial departments and public entities***

The Provincial Treasury working with the provincial departments and entities are continuing to improve and sustain their positive audit results, as per the 2020/21 Auditor General's audit outcomes report. This is despite current challenges in their operational environment. Moving forward, efforts at improving audit outcomes will continue to be guided by the Provincial Audit Intervention Plans (PAIP) focusing on strengthening systems of internal controls and processes. Provincial Treasury will closely co-ordinate and monitor the implementation of outstanding audit improvement interventions

The Financial Management Accountability Framework on good governance, accountability and financial management maturity has been operationalised. Breaches of the Framework standards by departments are escalated to the Executive Authorities of departments.

## FINANCIAL MANAGEMENT SUPPORT TO MUNICIPALITIES

The financial position of some municipalities in the province continues to deteriorate. Key challenges mainly relate to the non-collection of revenues and non-payment of municipal debt by households and government departments, monies owed by municipalities to Eskom and other state institutions, poor budgeting and financial management practices. Financial Recovery Plans for the most financially distressed municipalities have been developed by National Treasury which are currently being monitored for implementation by Provincial CoGTA, and Provincial Treasury. The aim is to ensure that the financial health of the most financially distressed is restored. Focus intervention areas include:

- Follow-ups on audit improvement strategies
- Monitoring unauthorised, irregular, wasteful and fruitless expenditures
- Proper budgeting, financial management and mSCOA implementation, and records management
- Ensuring functional municipal financial governance committees
- Monitoring payment of municipal debts by government departments and entities
- Municipal Revenue Enhancement.





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# SECTION 4

INFRASTRUCTURE





## 4. INFRASTRUCTURE

### INTRODUCTION

The Eastern Cape Province is exploring areas of integration and linkages between provincial projects and municipal projects, programmes and plans. The Province has been making strides towards joint and collaborative planning initiatives and endeavours to push the alignment across all spheres and within the Infrastructure value chain. The focus will be on integration and rural development within the regions utilising the District Development Model (DDM) approach.

The Government will continue to revive the economy of the country by, among other proposed interventions, using infrastructure development as one of the means of achieving intended targets, where it is focussing on projects that would lead to the realisation of return on investment i.e. catalytic or economic projects. The Gross Capital Formation is currently at 10 per cent (based on total provincial Infrastructure allocations), therefore in order to ensure that the funding does not become a stumbling block towards the realisation of this objective, the Government introduced various funding instruments, which include the Budget Facility for Infrastructure (BFI) and the Sustainable Infrastructure Development Symposium (SIDS) which promotes the blended finance models, to address the deficiency in infrastructure investments and to kick-start the economy. These funding instruments are geared towards funding both the Economic and Social Infrastructure and are not intended to be used in competition but as complementing each other.

### **Integrated Infrastructure Planning Utilising The IGR Approach Through The District Development Model (DDM)**

Other than the promotion of the multisector approach, the infrastructure planning process is also based on a regionalized approach in the Eastern Cape which cuts across the various spheres of government taking into account the comparative advantage of the Province.

Using the DDM regionalized approach, projects are thus to be packaged, per region, with all associated supporting projects and sectors involved so that the projects are able to deliver as optimally as possible. The regional approach has already been customized into the Provincial Infrastructure Delivery Management System (IDMS) and project selection involves a comprehensive planning checklist which includes social, environmental, economic and financial aspects and a standard implementation readiness tool which links the project data to the project cash flows and contractor grading capabilities. In addition, the Province is also utilising the joint site visits which includes the various spheres and related projects of which the aim is to check the impact of the integration on the ground.

### **Key Infrastructure Policy Considerations Informing The Budget Health Infrastructure**

The department is developing and will Implement Service Platform Optimization Plan that will ensure that it delivers services that are responsive to the Eastern Cape dynamics in line with the encashment areas and disease profile. The department is geared to provide a full package of services and levels of care, with an emphasis on the primary health care approach, to all the users

who rely and depend on the public health system, guided by the need to ensure access, equity and quality.

In the 2021/22 financial year the department will ensure that more facilities attain and sustain their Ideal Clinic status especially given that Ideal Clinics and Ideal Hospitals are a pre-requisite for registration as service providers under the NHI. A further key focus will be on the correct categorisation, classification and resourcing of the less than 50 bed hospitals, decanting and repurposing of some of the TB hospitals as well as consolidation of health facilities that are within close proximity to one another.

Informed by the limited financial resources, for the 2021/22 year, the Departments focus on infrastructure will be more on maintaining our existing infrastructure portfolio as opposed to building new projects. Only a few projects which are currently ongoing will be prioritised in 2021/22 year and over the MTEF period. These include Cradock Hospital upgrade, Meje CHC, Sipepetu Hospital, Flagstaff CHC, refurbishments at St Elizabeth Hospital, Lady Grey Hospital, Nessie Knight Hospital and Cecilia Makiwane Hospital Mental unit. The department will also continue to implement the 16 projects to provide health professionals accommodation at Mpindweni, Isikhoba, Qebe, Nkwenkwana, Ndofela, Bumbane clinics as well as Greenville, Grey, Majorie Parish, All Saints, Victoria, Empilisweni, Esilimela, Mthatha Regional, Nessie Knight and Mjanyana Hospitals.

The department will also procure Digital Mobile X-Ray units for various institutions. This will also help to provide mobile x-ray services for Covid-19 patients. The department is planning to replace old x-rays with Floor-Mounted Digital X-Ray units as a result of advances in technology.

## **Transport Infrastructure**

The delivery of roads infrastructure, amongst others, seeks to improve the mobility of people, freight and service in the province, to provide access to economic and social opportunities to the historically disadvantaged, to support government macro-economic objectives and to assist in the improvement of skills in affected communities. To achieve these objectives, the sector budget on transport infrastructure amounting to R6.277 billion over the 2022/23 MTEF. To achieve these objectives, the sector budget on transport infrastructure will be allocated to ensure that the Department delivers and maintain transport infrastructure that is sustainable, integrated and environmentally sensitive. To this end, work is underway for the construction of various sections of provincial roads. The Department will also roll-out new construction projects and administrative processes leading to the resumption of work on various sections of road network are at various stages.

Whilst the in-house construction team has at times experienced delays owing to the shortage of material, the department has recently appointed companies utilising a three-year panel contract to supply the department with construction material. This move will enable the in-house construction team to move with speed as they continue with construction on various projects. The department further commits to remain resolute to ensure that the Eastern Cape roads are trafficable and as such the department will continue with the maintenance of transport infrastructure including the construction of bridges, reseal and regravelling projects.

The plant recapitalisation project will continue to ensure that the Province keeps the roads trafficable and with these, each district is able to re-gravel an average of 4km and blade 120 km per month. It is also critical to note that while the department have recapitalised plant

## **Education Infrastructure**

The Department's construction programme and the built environment economy has been severely affected by the pandemic. It is worth noting that these construction programmes will be resuscitated from 2021/22 with all projects under construction resuming in a phased in manner in order to mitigate the effects of the substantial budget cuts experienced by the Department. The Department has indicated its commitment to achieving the principle of value for money in the rollout of infrastructure programme; and the need to carefully recalibrate and reprioritise spending to urgent policy priorities noting that efficient and effective spending is central to achieving these priorities.

The Department will continue with the rationalisation process whilst taking into account the effects of pandemic and of the significantly reduced budgets. The Department is working together closely with communities through all steps and phases of the rationalisation programme. There is a Provincial Steering Committee that coordinates and advises on the work of the rationalisation and realignment of schools and consists of the Office of the Premier, Provincial Treasury, Department of Public Works, National Department of Education and other stakeholders.

## **Human Settlements**

The Department is providing its service in context where the environment is predominantly rural and the need for houses continues to increase in the rural areas influenced by poverty thresholds, the Department will continue to ensure that housing development in the rural areas is prioritised. The Department further prioritizes to execute a robust turn-around plan which includes strengthening the monitoring of contracts at the execution level and support for regional operations.

In implementing its budget of R6.267 billion over the 2022/23 MTEF, the Department will continue to be guided by our overriding Six Priorities that we have set up in the beginning of the Sixth Term of Administration i.e. 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).

To this end the department will thus focus on the following key delivery outputs i.e. the provision of Integrated and Sustainable Human Settlements i.e. Low-cost housing units, Individual Housing Subsidies, Finance Linked Individual Subsidy Programme (FLISP), Rectification, Serviced Sites, Social and Economic Amenities, Title Deeds, Rental units delivered, Informal settlements upgraded, Empowerment opportunities for SMMEs

## Agricultural Infrastructure

The transformation of the agricultural sector is constrained by infrastructure backlog, lack of investments, markets, skills and use of advanced agricultural technologies. To address these constraints and in implementing its budget of R424 million over the 2022/23 MTEF, the Department has identified key strategic enablers will be implemented in order 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 Bio-fuel and Renewable Energy.

### 2020/21 Infrastructure Performance - 2021/22 Mid-Year Expenditure Outcome

**Table 4.1: 2020/21 Infrastructure Performance - 2021/22 Mid-Year Expenditure Outcome**

Department	2020/21			2021/22			% Main Budget Spent
	Adjusted Budget 2020/21	Actual Expenditure	Under / (Over) Expenditure	Main Budget	Actual Spending 1st Half	Year End Projected (Over) / Under	
V01: Office of the Premier	360 911	303 611	57 299	414 570	77 936	11 551	18.8%
V03: Health	2 057 167	1 424 131	633 036	1 481 886	652 791	91 491	44.1%
V04: Social Development	41 846	31 326	8 837	36 722	5 128	8 580	14.0%
V05: Public Works	200 281	213 698	(13 417)	243 702	72 733	(22 829)	29.8%
V06: Education	1 345 348	1 222 325	123 023	1 645 564	364 237	124 812	22.1%
V07: Cooperative Governance and Traditional Affairs	39 454	31 462	7 992	5 585	960	521	17.2%
V08: Rural Development and Agrarian Reform	162 436	167 635	(5 199)	170 375	55 881	6 616	32.8%
V09: Economic Development, Environmental Affairs and Tourism	85 201	85 202	(1)	297 260	212 099	(15 355)	71.4%
V10: Transport	2 083 603	2 182 482	(98 878)	2 335 981	974 960	174 670	41.7%
V11: Human Settlements	1 964 789	1 275 769	689 020	1 926 424	806 730	16 651	41.9%
V14: Sports, Recreation, Arts and Culture	30 174	14 716	15 458	60 127	18 072	2 580	30.1%
<b>Total</b>	<b>8 371 210</b>	<b>6 952 357</b>	<b>1 417 170</b>	<b>8 618 196</b>	<b>3 241 527</b>	<b>399 288</b>	<b>37.6%</b>

The table 4.1 above reflects that in 2020/21, the provincial adjusted infrastructure budget amounted to R8.371 billion and infrastructure spending was R6.952 billion or 83.05 per cent thus resulting in an under spending amounted to R1.417 billion.

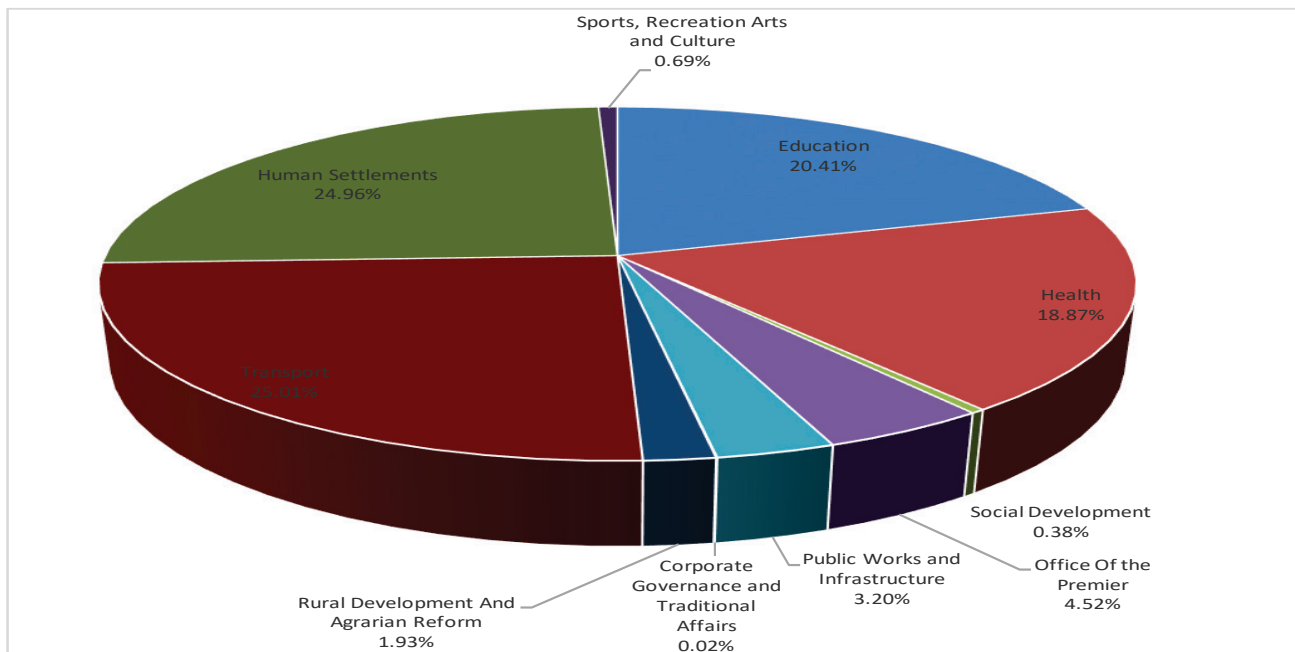
In 2021/22, the provincial infrastructure budget amounts to R8.618 billion and the province has spent R3.241 billion or 37.61 per cent of its infrastructure allocations as at end of the first half of the financial year.

In respect of the total budget amounting to R8.618 billion, 89.01 per cent is allocated to four departments i.e. Health (24.57 per cent), Transport (24.89 per cent), Human Settlements (23.47 per cent) and Education (16.07 per cent).

## Infrastructure Preliminary Allocations 2022/23

The total Provincial Infrastructure allocations for 2022/23 amount to R8.012 billion. Figure 4.2 below reflects the preliminary percentage share per department in respect of the 2022/23 infrastructure allocations. The four departments that account for the largest share (89.26 per cent) of the provincial infrastructure allocations are Transport (25.01 per cent), Human Settlements (24.96 per cent), Education (20.41 per cent) and Health (18.87 per cent).

Figure 4.2 - Preliminary Provincial Infrastructure Percentage Allocations per Department – 2022/23



## Climate Change

The Eastern Cape Province will continue to prioritize the delivery of Infrastructure through a sustainable development approach guided by anticipation, adaptation and recovery from a changing climate and environment. In moving towards the alignment with the National Development Plan Chapter 5, the transition to a low carbon economy and the requirements of SPLUMA, the provincial Spatial Planning Framework has since been adopted by the Province to provide guidance on the spatial referencing of projects and addressing climate change in Infrastructure delivery.

The Eastern Cape Provincial IDMS at a macro level, has incorporated environmental sustainability as the fourth pillar in addition to economic, financial and social sustainability. However, there is still much need to be done in the move to ensure the delivery of climate responsive and resilient infrastructure development in line with the COP 25 resolutions. The Province will continue to ensure the enhancement of resilient projects through mainstreaming climate change in decision-making processes including the incorporation of this requirement into the Infrastructure planning and design stages.

## Improving Infrastructure Delivery

The Province through the Office of the Premier had established the Kwawuleza Project Management Office in conjunction with Department of Public Works and Infrastructure (DPWI), which seeks to improve the coordination, integration and implementation of Infrastructure development. The introduction of this initiative is borne out of the clarification of roles and responsibilities between the various infrastructure stakeholders and the need for an immediate and pressing institutional response to the demand for better coordination and deepened collaboration between the key implementing departments in the implementation of critical projects which promote the economic profile of the Province. The initiative is currently being driven by the Head of the Khawuleza PMO who is facilitating the interface between the various key provincial and national stakeholders and a recruitment process is already underway to appoint a technical project manager who will drive the facilitation and unblocking of catalytic Infrastructure projects. To date progress is also underway in the compilation of a ward based information system which seek to compile provincial project data which will facilitate better integrated planning and implementation.

Provincial Treasury is also in a process of procuring the services of infrastructure specialist service providers to support the Eastern Cape provincial government to improve infrastructure service delivery across all sectors / infrastructure departments and municipalities in the areas of Integrated Planning and Co-ordination (including Economic, Social, Financial and Environmental Assessments); Project Preparation support and capacity building for project pipelines including project packaging and deal structuring as well as Integrated Implementation. To further ensure the succinct coordination and the utilisation of Infrastructure funds, the Eastern Cape Provincial Government is thus putting measures in place to establish a single point of co-ordination and submission of projects for BFI and SIDS, to ensure that projects are shovel ready. As such, the Province has appointed Coega Development Corporation (CDC) as the provincial project preparer to ensure that the selected projects offer the most impact and value for money.



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# SECTION 5

PROVINCIAL  
EXPENDITURE  
TRENDS





## 5. PROVINCIAL EXPENDITURE TRENDS

### Introduction

Government spending over the 2022 MTEF remains restrained. The prevalence of COVID-19 has put a strain on the already weak economic conditions and severe fiscal constraints, under which the 2021 budget was developed. In response, the province remains committed to enforcing its previously adopted cost containment measures and expenditure controls in order to protect core service delivery.

Over the 2022 MTEF, the province will continue improving efficiencies through the implementation of zero based budgeting, expenditure reviews, cost containment measures, implementation of stringent controls on non-core items, centralised approval of appointments and other human resources related expenditure as well as improving the implementation of infrastructure projects including visiting project sites to ensure value for money.

The province continued to fund cost pressures mainly through reprioritisation of existing budget baselines as a result of the dwindling provincial funding received from national government. Thus, cost pressures that were experienced by the Department of Health were partly addressed through reprioritisation by identifying savings on departments travelling and subsistence budget as a result of COVID-19 lockdown restrictions. Furthermore, savings from equitable share funded posts that were not filled by departments for a period of 3 months from 1 April 2021 to 30 June 2021, were identified. These savings from travel and subsistence, and compensation of employees totalled to R104.356 million and were allocated to the Department of Health.

Spending will continue to focus on improving access to education, health care, and social services consistent with government priorities. Consequently, the social sector is estimated to receive R199.180 billion or an average of 80.1 per cent of the provincial allocations over the 2022 MTEF.

It is critical to note that over the 2022 MTEF, proportional budget cuts have already been implemented to indicative budget across all departments, specifically on Compensation of Employees and will therefore be maintained. The impact of the cut will be curtailed through provincial strategies that will enhance accountability, growth, productivity and resource development or mobilisation to ensure that this provincial government continues to meet its constitutional mandate.

Discussed below is the:

- Overview of expenditure outcomes for 2020/21 and actual mid-year expenditure for 2021/22;
- Proposals for the priority areas for the 2022 MTEF per cluster; and
- Lastly, a discussion on adjustments made to the 2021/22 main appropriation is provided.

## 2020/21 Outcome And 2021/22 Mid-Year Expenditure

Table 5.1 below shows actual expenditure outcomes against the Adjusted Budget per economic classification for 2020/21 and Mid-year expenditure outcomes for 2021/22.

Table 5.1: 2020/21 Expenditure Position and 2021/22 Mid-year expenditure outcome

R'000	2020/21			2021/22			
	Adjusted Budget	Actual Expenditure	Under/(over) expenditure	Main Budget	Actual 1st Half Spending	Year-end Projected Over/Under spending	% Spent Main Budget
<b>Current payments</b>	<b>69 494 209</b>	<b>70 413 027</b>	<b>(918 818)</b>	<b>71 778 129</b>	<b>37 602 678</b>	<b>(437 841)</b>	<b>0.5</b>
Compensation of employees	54 088 732	55 259 690	(1 170 958)	57 448 896	28 018 810	(588 067)	48.8
Goods and services	15 405 477	15 096 528	308 949	14 329 233	9 581 995	152 099	66.9
Interest and rent on land	-	56 809	(56 809)	-	1 873	(1 873)	0.0
<b>Transfers and subsidies</b>	<b>9 374 505</b>	<b>9 704 183</b>	<b>(329 678)</b>	<b>9 491 025</b>	<b>5 097 407</b>	<b>(274 954)</b>	<b>53.7</b>
Provinces and municipalities	839 243	870 665	(31 422)	855 196	413 123	(20 500)	48.3
Departmental agencies and accounts	1 367 844	1 375 041	(7 197)	1 535 895	1 093 179	12 057	71.2
Higher education institutions	58 704	65 840	(7 136)	61 301	47 284	(4 584)	77.1
Public corporations and private enterprises	583 796	557 168	26 628	595 793	357 530	(36 166)	60.0
Non-profit institutions	3 573 203	4 050 954	(477 751)	3 935 905	1 869 452	(122 303)	47.5
Households	2 951 715	2 784 515	167 200	2 506 935	1 316 840	(103 458)	52.5
<b>Payment of capital assets</b>	<b>4 615 051</b>	<b>3 430 226</b>	<b>1 184 825</b>	<b>4 638 386</b>	<b>1 668 635</b>	<b>83 157</b>	<b>36.0</b>
Buildings and other fixed structures	3 477 450	2 620 701	856 749	3 547 708	1 105 884	55 383	31.2
Machinery and equipment	1 104 790	765 656	339 134	1 047 282	532 753	24 159	50.9
Heritage sites	500	276	224	277	-	-	0.0
Biological assets	9 450	15 251	(5 801)	23 250	141	859	0.0
Software and other intangible assets	22 861	28 342	(5 481)	19 869	29 857	2 756	150.3
<b>Payment of financial assets</b>	<b>-</b>	<b>1 050</b>	<b>(1 050)</b>	<b>-</b>	<b>59</b>	<b>(101)</b>	<b>0.0</b>
<b>Total</b>	<b>83 483 765</b>	<b>83 548 486</b>	<b>(64 721)</b>	<b>85 907 540</b>	<b>44 368 780</b>	<b>(629 739)</b>	<b>51.6</b>

Source: Provincial Treasury Database, 2021

In 2020/21, provincial spending amounted to R83.548 billion of the total adjusted budget of R83.483 billion, resulting in an over expenditure of R64.721 million. The over expenditure was mainly on compensation of employees by R1.170 billion, and Transfers and subsidies by R329.678 million. The over spending was partially offset by the under expenditure of R1.184 billion on Payments for capital assets and R308.949 million on Goods and services.

Overall, provincial mid-year expenditure for 2021/22 amounted to R44.368 billion or 51.6 per cent of the main budget. Mid-year expenditure on compensation of employees expenditure is R28.018 billion and represents 48.8 per cent of its allocated budget of RR57.448 billion. Goods and services expenditure amounted to R9.581 billion or 66.9 per cent while an amount of R5.097 billion or 53.7 per cent was transferred to various public entities, non-governmental institutions, municipalities and schools. Payment for Capital Assets expenditure amounted to R1.668 billion or 36 per cent of the allocated budget.

## Expenditure And Estimates Per Cluster

Table 5.2 below shows audited expenditure for the periods 2018/19 to 2020/21, the adjusted appropriation for 2021/22 and the indicative 2022 MTEF allocations per cluster including its percentage share.

**Table 5.2: Historic Expenditure against 2022 MTEF allocations by Cluster**

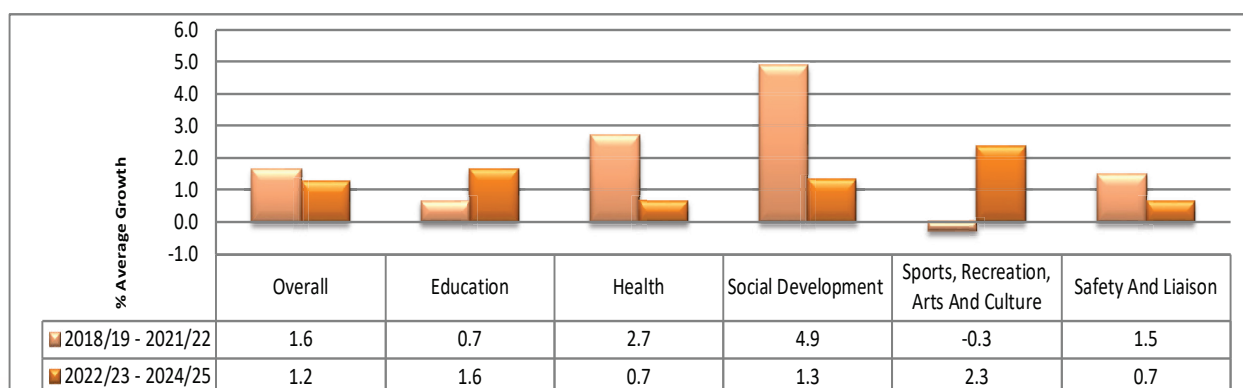
Per Cluster	2018/19	2019/20	2020/21	2021/22		2022/23	2023/24	2024/25	2018/19 - 2021/22	2021/22 - 2024/25
	Audited			Adjusted Appropriation	Revised estimate	Medium-term estimates			Average growth	
<b>R'000</b>										
<b>Social Cluster</b>	<b>63 274 915</b>	<b>67 427 412</b>	<b>67 427 412</b>	<b>69 591 341</b>	<b>66 407 453</b>	<b>64 310 617</b>	<b>65 954 496</b>	<b>68 915 853</b>	<b>1.6</b>	<b>1.2</b>
Education	35 031 804	37 179 579	37 179 579	37 344 852	35 728 428	34 833 273	35 894 188	37 505 838	0.7	1.6
Health	24 472 319	26 200 501	26 200 501	27 774 734	26 495 306	25 340 004	25 869 489	27 031 029	2.7	0.7
Social Development	2 720 924	2 965 402	2 965 402	3 383 089	3 137 154	3 075 328	3 122 593	3 262 797	4.9	1.3
Sports, Recreation, Arts And Culture	948 524	977 199	977 199	979 602	940 586	958 761	964 768	1 008 086	(0.3)	2.3
Safety And Liaison	101 344	104 731	104 731	109 064	105 979	103 251	103 458	108 103	1.5	0.7
<b>Economic Cluster</b>	<b>12 989 178</b>	<b>13 421 803</b>	<b>13 421 803</b>	<b>14 046 835</b>	<b>13 880 292</b>	<b>13 250 459</b>	<b>13 323 464</b>	<b>13 921 687</b>	<b>2.2</b>	<b>0.1</b>
Public Works	2 361 589	2 449 554	2 449 554	2 526 329	2 577 267	2 523 946	2 388 936	2 496 199	3.0	(1.1)
Rural Development And Agrarian Reform	2 305 570	2 382 205	2 382 205	2 260 982	2 273 012	2 281 141	2 321 495	2 425 730	(0.5)	2.2
Economic Development, Environmental Affairs And Tourism	1 160 396	1 353 566	1 353 566	1 503 199	1 673 900	1 120 898	1 107 531	1 157 259	13.0	(11.6)
Transport	4 811 056	4 920 615	4 920 615	5 143 544	5 051 476	4 929 944	5 018 161	5 243 476	1.6	1.3
Human Settlements	2 350 567	2 315 863	2 315 863	2 612 781	2 304 637	2 394 530	2 487 341	2 599 023	(0.7)	4.1
<b>Governance Cluster</b>	<b>2 782 560</b>	<b>2 748 788</b>	<b>2 748 789</b>	<b>2 763 571</b>	<b>2 950 127</b>	<b>2 875 258</b>	<b>2 939 363</b>	<b>3 071 338</b>	<b>2.0</b>	<b>1.4</b>
Office Of The Premier	823 434	748 668	748 668	823 759	1 009 421	942 345	970 125	1 013 684	7.0	0.1
Provincial Legislature	551 099	584 949	584 949	574 716	561 917	548 627	547 616	572 202	0.7	0.6
Cooperative Governance and Traditional Affairs	967 032	993 938	993 938	975 068	980 676	962 702	997 677	1 042 472	0.5	2.1
Provincial Treasury	440 995	421 234	421 234	390 028	398 113	421 584	423 945	442 980	(3.4)	3.6
<b>Total</b>	<b>79 046 653</b>	<b>83 598 003</b>	<b>83 598 003</b>	<b>86 401 747</b>	<b>83 237 872</b>	<b>80 436 334</b>	<b>82 217 323</b>	<b>85 908 879</b>	<b>1.7</b>	<b>1.1</b>
	<i>Budget Submission Consolidate Pre Audited IYM</i>			<i>Adj Consolidate Sept IYM</i>		<i>Budget Workings</i>				
<b>Percentage Shares</b>										
Social Cluster	80.0%	80.7%	80.7%	80.5%	79.8%	80.0%	80.2%	80.2%		
Economic Cluster	16.4%	16.1%	16.1%	16.3%	16.7%	16.5%	16.2%	16.2%		
Governance Cluster	3.5%	3.3%	3.3%	3.2%	3.5%	3.6%	3.6%	3.6%		

Source: Provincial Treasury Database, 2021

The budget, over the 2022 MTEF is projected to increase marginally at an annual average rate of 1.1 per cent from the revised estimate of R83.237 billion in 2021/22 to R86.311 billion in 2024/25. Social sector allocations in line with government priorities, continue to take the largest share of budget with shares of 80 per cent in 2022/23 and 80.2 per cent in 2023/24 as well as in 2024/25.

## Social Cluster

**Figure 5.1 Social Cluster – Growth Comparison**



Source: Provincial Treasury Database, 2021

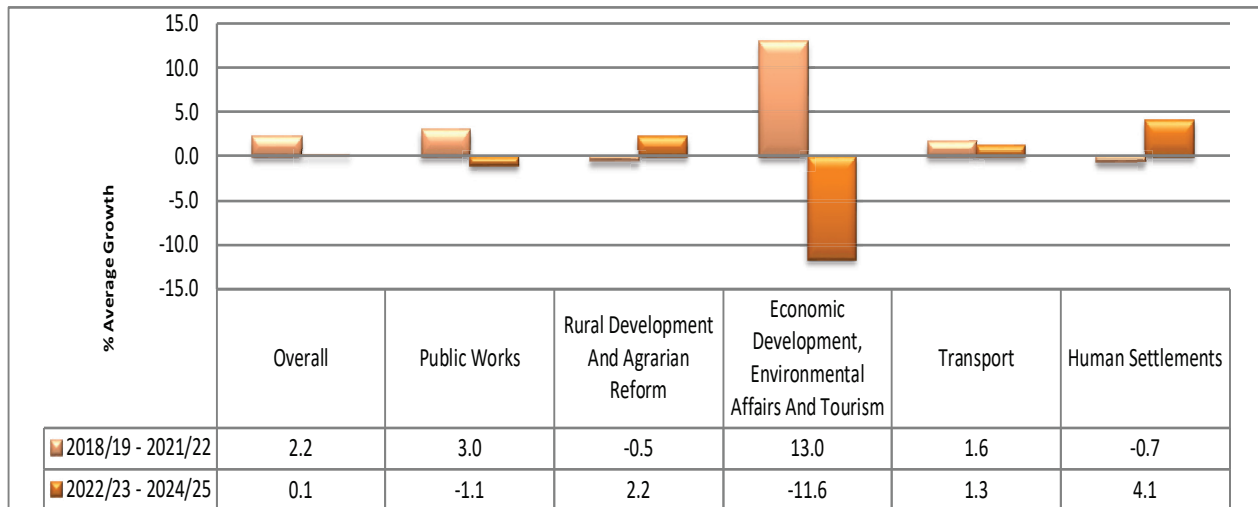
Figure 5.1 above shows the overall growth for the social cluster decreases from 1.6 per cent to 1.2 per cent when comparing the two MTEF periods (2018/19 to 2021/22 with 2022/23 to 2024/25). Education and Health remain the core service delivery departments in this cluster and their budgets will continue 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 R34.833 billion and Health allocated R25.340 billion in 2022/23.

The department will continue to provide resources needed for effective teaching and learning over the 2022 MTEF. This includes, amongst other things: provision of school furniture and adequate Learner Teacher Support Material (LTSM) for Section 20 and 21 Public Ordinary Schools, infrastructure delivery at schools, whilst continuing with the process of rationalisation and realignment of small and unviable schools, roll out of E-learning through connectivity in schools to increase learner and teacher interaction. Furthermore, funding is provided for the filling of Post Provisioning Norm (PPN) and other critical posts in support of departmental objectives, such as ensuring access to Grade-R in all primary schools, improving the quality of teaching and learning, and professionalisation of Early Childhood Development (ECD) through the training of Grade-R ECD practitioners with accredited institutions. Proposed allocations are also for the provision of National School Nutrition Programme (NSNP), building and resourcing of hostels as part of strategic intent to relieve the need for scholar transport as well as provision of Maths, Science and Technology teaching programme.

The department, remains committed to implementing the key priorities of the health chapter of the NDP 2030 over the 2022 MTEF. This chapter envisages an increase in life expectancy rate to at least 70 years for men and women; HIV free youth (under 20s); radical reduction of quadruple burden of disease; infant mortality rate of less than 20 deaths per thousand, live births, and an under five mortality rate of less than 30 deaths per thousand; as well as availability of universal health coverage. This includes the reduction of COVID 19 cases in order to ensure all patients receives effective and efficient care during the pandemic. The infrastructure programme will continue to shift focus from building new facilities or major rehabilitation of health infrastructure portfolio to meet the ideal clinic and Office of Health Standards accreditation requirements in readiness for the NHI Accreditation. Therefore, the focus will be planned maintenance and use of maintenance contracts for all health technology equipment. Furthermore, the department will continue to intensify efforts to implement the departmental multi-pronged medico legal strategy in order to curb the scourge of medico legal claims. In terms of the funding of key cost drivers, the focus will continue to be on amongst others, HIV/Aids and TB, medicines, medical supplies, nutrition, blood as well as investment on health professionals training and development.

## Economic Cluster

Figure 5.2 Economic cluster – growth comparison



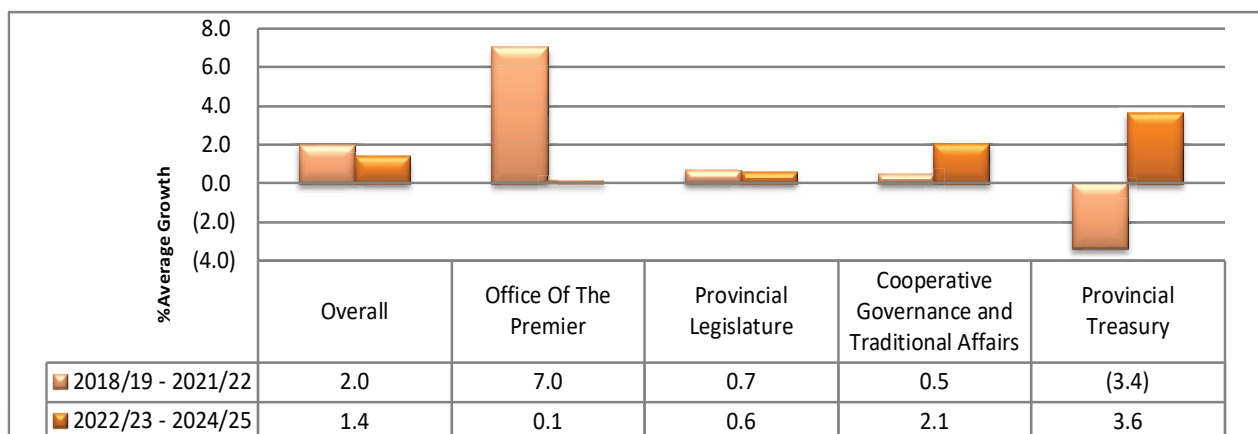
Source: Provincial Treasury Database, 2021

Figure 5.2 above shows a decrease in the overall growth for the economic cluster from 2.2 per cent to 0.1 per cent when comparing the two MTEF periods (2018/19 to 2021/22 and 2022/23 to 2024/25). An indicative budget of R13.250 billion is proposed for this cluster in 2022/23, which increases to R13.921 billion in 2024/25 as shown in Table 5.2 above.

In line with government's move towards economic recovery, funds will be allocated to continue to induce economic growth through the economic stimulus initiative, renewable energy, informal trade infrastructure, revitalisation of industrial parks, 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 law on provincial roads, provision of scholar and affordable public transport, implement 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



Source: Provincial Treasury Database, 2021

Figure 5.3 above shows that the overall growth for the governance cluster decreases from 2.0 per cent to 1.4 per cent when comparing the two MTEF periods (2018/19 to 2021/22 and 2022/23 to 2024/25). An indicative budget of R2.875 billion is proposed for this cluster in 2022/23, which increases to R3.071 billion in 2024/25 as shown in Table 5.2 above.

The sector will, through the allocated funding, continue to stabilise medical negligence litigation environment in the province through the Specialised Litigation Unit (SLU), create an enabling environment to facilitate connectivity to government and corporate sites (i.e. schools, clinics, etc.) through the Broadband project and Provincial Information and Communication Technology (ICT), provide institutional development and organisational support services to ensure that the provincial government is adequately capacitated to effectively and efficiently deliver on its mandate. In addition, funding is for strengthening support to municipalities and those struggling with governance issues. Continued support will also be provided to Traditional Institutions to ensure development in their communities. Furthermore, funding is for continued implementation of four strategic priorities that were identified by the sixth administration namely, Fiscal Consolidation; Supply Chain Management (SCM) reforms; Infrastructure Support; and Provincial and Municipal Governance and Accountability.

### 2021/22 Adjusted Budget

This section provides a summary of the 2021/22 adjustments of an addition of R3.793 billion, which increases the main budget allocation of R82.608 billion to a total provincial adjusted appropriation of R86.401 billion.

Total rollovers from 2020/21 amount to R666.341 million of which R428.099 million is for conditional grants and R238.242 million is equitable share.

National adjustments to equitable share amounts to R2.889 billion, which is made up as follows:

- R1.877 billion is an addition to Compensation of employees as a result of the 2021/22 wage agreement implementation of the Public Service Co-ordinating Bargaining Council;
- R898.091 million is an allocation for the presidential employment initiative to employ education assistants at the schools of Education, staff and assistant nurses to deal with the COVID-19 pandemic at Health and the employment of social worker graduates by Social Development; and
- R113.497 million is an allocation for Health's accruals and payables owed to SMME's.

National adjustments to conditional grants amount to R113.411 million.

Provincial adjustments to the allocations are as follows:

- R69.507 million from Travel and subsistence and R43.849 million from Compensation of employees were reprioritised from departments' budgets to Health for the contract extension of appointments to respond to the COVID-19 pandemic third wave and vaccine rollout;
- R142.838 million was reprioritised away from departments Compensation of employees who were showing potential savings to fund the additional funding of departments cost pressures;

- A total of R359.651 million is being devoted and surrendered of which R162.930 million is from Office of the Premier, R164 million is from Economic Development, Environmental Affairs and Tourism and R32.721 million is from Transport. These funds were allocated to Health at R256.231 million and Education at R103.420 million for their costs pressures; and
- R159.179 million was allocated to Education from the previously accumulated provincial cash reserves, which continue to diminish as funding from national is decreasing annually.

A total of R34.572 million is being surrendered and rescheduled of which R17.187 million is from Office of the Premier, R13.040 million is from Provincial Treasury and R4.345 million is from Cooperative Governance and Traditional Affairs.

## CONCLUSION

The indicative budgets will be maintained over the 2022 MTEF after the previous years' cuts. Therefore, it becomes critical to improve planning and effective implementation of zero based budgeting and expenditure reviews by departments to inform the allocations. Furthermore, rigorous implementation of austerity measures, continued containment of personnel costs, and reprioritising of resources towards non-negotiable expenditure will be a necessity for departments and their respective entities. When it comes to any additional allocations, it will have to be funded mainly through reprioritisation of existing budget baselines as a result of the dwindling provincial funding received from national government. These are all required to ensure that the service delivery targets are achieved within the current economic environment.





