



EASTERN CAPE
**MAIN BUDGET
SPEECH**
2024/25



EASTERN CAPE BUDGET SPEECH

Mr. Mlungisi Mvoko

MEC for Finance

12 March 2024

Honourable Speaker

Honourable Premier

Members of the Executive Council

Deputy Speaker and Members of the Provincial Legislature

Leaders of Provincial House and Local Houses of Traditional and Khoisan Leadership

Mayors of our Municipalities and leadership of Salga

Leaders of Political Parties, Religious Leaders, Business Leaders, Leaders of Civil Society and Labour

Director General, Heads of Departments, CEOs and other Government Officials

Esteemed Guests

Kubantu abasimamemele kumakhasi onxibelelwano

Good morning, Molweni.

Theme: Consolidating The Socioeconomic Gains to Build The Eastern Cape We Want

INTRODUCTION

It has been a progressive five years for the 6th administration, albeit many economic shocks that confronted the country and the province since the beginning of the term. While some of these economic shocks could have been prevented; it is my contention that Mother Nature and the universe were not fair to the current administration.

These economic calamities include the COVID19 pandemic, geopolitical conflicts, generally weak global economy, natural disasters, 2021 riots, electricity shortages and poor logistics.

Despite these economic challenges which resulted to rising resource limitations, provincial government have remained steadfastly committed in ensuring that the provision of critical and constitutionally mandated services such as basic education and primary health care continue uninterrupted, whilst growth policies to recover and reconstruct the provincial economy are prioritised.

Looking back at the journey we have navigated during the past 30 years, President Ramaphosa during his SONA said: **“We have transformed the lives of millions of South Africans, provided**

the necessities of life and created opportunities that never existed before.”

In his SOPA, Premier Mabuyane nicely summarized the journey of the 6th administration. **“We understand that change takes time, but already, the Eastern Cape has turned the corner into a positive socio-economic trajectory in the past 5 years.”**

This budget therefore is not merely about numbers but a strategic framework that underscores our solid commitment to change the quality of life of our people.

South Africans will go to the election polls on 29 May this year, and the 7th administration will be installed soon after. It is therefore important that as we transition into that period, we consolidate all the socioeconomic gains that we attained and learn from the mistakes we committed during this term of government administration.

Honourable Speaker, it is with great honour and privilege that I table before this Esteemed House:

- **The 2024 Estimates of the Provincial Revenue and Expenditure**
- **The 2024 Estimates of the Provincial Entities Revenue and Expenditure**
- **The 2024 Appropriation Bill; and**
- **The 2024 Gazette will be published in the Government Printing website.**

ECONOMIC OUTLOOK

Speaker, South Africa is part of the global community, and its economy is therefore affected by global activities. The economic growth prospects for the country and the province remain moderate, with growth expected to fluctuate over the short-term but gradually improving over the medium term. This expected gradual recovery will be anchored by rising global demand due to resilient growth in some of the major advanced and developing economies; the waning off of COVID 19 lockdown scars on the Micro, Small and Medium Enterprises and the tourism sector, and the easing of global inflationary pressures and downward readjustments of short-term policy rates.

Despite the improved global outlook for 2024, South Africa's near-term growth remains hamstrung by lower commodity prices and structural constraints. The real GDP growth of 0.6 per cent is expected in 2023. This is down from 0.8 per cent growth estimated during the 2023 MTBPS. The country's growth is projected to average 1.6 per cent between 2024 and 2026.

The Eastern Cape economic growth for full 2023 is estimated at 0.7 per cent, with forecasts of 1.5 per cent and 1.7 per cent for 2024 and 2025, respectively. The growth outlook is supported by the expected easing of power cuts as new energy projects begin production, and as lower inflation supports household consumption and credit extension.

We are concerned by the rise in unemployment rate to 41.9 per cent in Quarter 4 of 2023, after a sustained drop from 45.8 per cent to 38.8 percent between 2020 and 2023.

During that period, we had many of our economic sectors performing positively, led by the automotive industry, general manufacturing, construction, agriculture and services sector. To return to that trajectory, it remains imperative that government stays the course in its economic policy reform agenda, focusing on scaling up public investments to improve capacities and operational efficiencies of critical economic infrastructure whilst also not neglecting economic transformation imperatives through sector and industry-wide transformation plans.

In complementing these national efforts, the provincial government will continue to provide targeted resource and regulatory support to sectors of the provincial economy deemed to have high growth potential. I will expand on these later.

FISCAL OUTLOOK AND STRATEGY

Defining the fiscal challenges we are encountering as a country, Minister Godongwana in his Budget Speech said, **“the size of the pie is not growing fast enough to meet our developmental needs”**.

Madam Speaker, the prolonged periods of minimum to moderate economic growth for the country have translated into fiscal slippages in national tax revenue collections and other fiscal targets.

The reality we must contend with is that fiscal resources continue to dwindle while the demand for services is rapidly increasing. This reality has been with us for some time now, necessitating national government to implement fiscal consolidation measures to achieve sustainability.

Just between 2013/14 and 2023/24 financial years, the province lost a cumulative total of **R33.925 billion** due to fiscal consolidation.

In the 2024/25 financial year, transfers from national government amount to R92.8 billion, which is made up of Provincial Equitable Share (PES) allocations of **R78 billion** and conditional grants allocations of **R14.7 billion**.

We are pleased with the increase in conditional grants from the 2023/24 revised estimates of **R13.8 billion** to **R14.7 billion** in 2024/25, with the major increases seen in the Provincial Roads Maintenance Grant, National Tertiary Service Grant, Health Facility Revitalisation Grant and Education Infrastructure Grant.

Total provincial payments amount to **R95.4 billion** and include funding for provincial priorities mainly to address Education and Health budget pressures as well as the economic development

intervention for the inclusive economic growth. This results in a deficit of **R2.5 billion** in 2024/25. The province will use the **R1.7 billion** of its own receipts and take **R802.1 million** from its reserves to finance the deficit.

The national government has also provided reprieve to provinces by allocating funds for the carry-through cost of the public service wage bill. An amount of **R2.7 billion** in 2024/25 financial year and **R8.7 billion** over the 2024 MTEF has been added to the province, mainly for health and education in that regard. The allocation for the carry-through costs was supplemented by an additional **R1.5 billion** in 2024/25 financial year and **R4.8 billion** over the MTEF post the Medium-Term Budget Policy Statement, owing to the fact that the initial allocation for the cost-of-living adjustments was insufficient.

Whilst the Provincial Equitable Share has increased by **R13.5 billion** over the 2023 MTEF, the actual net increase is **R5.3 billion**, mainly to respond to the compensation of employee pressures emanating from the wage agreement in the education and health sectors. The net increase is as a result of **R7.9 billion** reduction that has been implemented by National Treasury as part of the fiscal consolidation measures at the national level due to the fiscal challenges.

Our strategy will therefore align to that of National Treasury, to continue with implementation of fiscal consolidation measures in an effort to find a balance between revenue and expenditure.

These include:

- Vigorous implementation of the turnaround plans at the departments of Health and Education
- Intensifying the use of Zero-Based Budgeting as well as the implementation of the Performance Expenditure Reviews recommendations to align spending with strategic outcomes and service delivery priorities and eliminate inefficiencies on expenditure whilst strengthening allocative efficacy.
- Continuing with the implementation of the cost containment measures by prioritising funds for key service delivery areas rather than on non-core items, whilst also improving governance and oversight in the province.
- Reduction of utilisation of consultants.
- Limiting growth of Compensation of employees through moderate salary adjustments, containing non-core public sector personnel expenditure, and strengthen effectiveness of Provincial Coordinating Management Team (PCMT).
- Accommodating any new policy priorities and spending plans through budget baseline reprioritization.

- Ensuring that infrastructure projects are properly planned, integrated and delivered on time within budget to reduce cost overruns and the variation orders.
- Curbing Medico-Legal claims at the department of health and legal claims in other departments, including the consequence management on the wrongdoing.

As part of our fiscal strategy, the province continues with the implementation of the findings and recommendations of the own revenue research study that was conducted for new sources of revenue as well as efficiencies of the existing revenue sources. These revenue sources will contribute an additional **R34.3 million** in 2024/25, increasing to **R50.8 million** in 2025/26 and **R59.5 million** in 2026/27.

The bulk of revenue potential is under the Department of Public Works and Infrastructure and work has continued with rental collections from government owned properties. The province is in the process of appointing students that will gain practical training from this deployment as part of the studies to assist with the recovery of rental from the leased properties in the 2024/25 financial year. We are reviewing the legislation to make it easier for developers to lease government owned properties and thereby contribute to provincial economic growth.

We continue to plead with government departments and public entities to support these efforts to enable provincial government

to grow enough revenue so the province can afford to fund its priorities, particularly the economic growth initiatives.

The budget we are tabling today is the key statement of the policy of government to outline the Budget Priorities and Medium-Term Expenditure Framework (MTEF) in line with Provincial Development Plan and the Medium-Term Strategic Framework.

It is anchored on the following policy priorities:

- Accelerating economic recovery and reconstruction
- Protecting the social wage
- Strengthening the capacity of the state to deliver effectively and efficiently.

EFFORTS TO SUSTAIN ECONOMIC RECOVERY AND INSPIRE GROWTH

Madam Speaker, the 6th term of administration saw government embarking on a multipronged approach to sustain economic recovery and inspire growth. The approach included mobilization of public and private sector investment, delivery of public infrastructure and providing support to key sectors of the economy and business.

The EC province has attracted investment inflows totalling **R173 billion** since 2019. These investments cover various sectors

that are significant to the economy of the province, providing much needed jobs for the people of the Eastern Cape. It is important to highlight that many of these investments are long term, and their implementation and returns may be realised in the medium to long term.

Leveraging Provincial Economic Assets for Local Industrialization

Madam Speaker, the provincial government continues to leverage on provincial industrial assets and spaces for local industrialization through the investment and trade support on its two special economic zones.

The investments that these SEZs have accumulated over the years host a combined 83 businesses and have 14000 people in their employ.

We are delighted by the pipeline of investments in these SEZs as they forecast a positive economic trajectory for the province. In the current year, the East London Industrial Development Zone (ELIDZ) has reported a **R20.3 billion** pipeline investment value. There are more than 5 600 potential employment opportunities expected from the pipeline investments.

We want these SEZs to invest in ICT infrastructure, so they remain competitive in the business here in South Africa and abroad. Two

of ELIDZ ICT projects, the development of a data centre and a manufacturing incubator, are nearing completion.

We appreciate the support given to these SEZs by the Department of Trade, Industry and Competition (DTIC). Since 2019/20, DTIC has transferred a total of **R298.8 million** for top structures to settle or expand operations for several investor companies in the ELIDZ.

The provincial government was able to reinforce with a total of **R538.6 million** between 2020/21 and 2023/24 financial years to cover operational costs at the Zone. For the 2024 MTEF, a total of **R294.2 million** will be allocated to ELIDZ to fund their operational activities for investment attraction into the province.

We are excited by the **R3 billion** investment by Stellantis Group to build a state-of-the-art car manufacturing plant at Coega SEZ. This investment will bring a lot of business and job opportunities in the province considering that localisation of automotive parts is estimated at 30%, and the plant is expected to be completed by 2025.

The **+\$5 billion** Green Ammonia Project in the Coega SEZ is another source of joy for the province. The investment is expected to produce an anticipated 950 000 tons of green hydrogen and ammonia per annum when fully operational by the end of 2028.

This project positions the province in the good light for the Just Energy Transition.

For the Stellantis investment project, DTIC committed **R950 million** for 2023/24 and 2024/25 financial years, for the construction of top structures. The Provincial government is also set aside a total of **R65 million** over the 2024 MTEF period to cover the operational costs at the SEZ.

Efforts to establish Wild Coast SEZ in Mthatha are gaining traction. It is currently operating as an Industrial Park as we await feedback from Minister Patel on our application for SEZ designation of the Zone following the investment pipeline of **R1.7 billion** that has been secured. We are resolute in establishing this SEZ. It is a progressive decision that the province has taken to deepen and broaden the economic footprint towards the eastern side of the province.

Meanwhile, a service provider has been appointed to install the bulk infrastructure. We are allocating **R21 million** for 2024/25 and **R55.9 million** over the 2024 MTEF to Coega Development Corporation for operationalisation of the Wild Coast Industrial Park.

Auto Industry

Madam Speaker, the relationship between the auto sector and Eastern Cape government has strengthened during the 6th administration, with Eastern Cape Auto Industry Development Centre Eastern Cape (AIDC-EC) at the centre of it.

It is through that strong bond that we have witnessed growth of the industry in the Eastern Cape, notwithstanding many challenges that the industry has experienced and continues to experience.

With direct links to global value chains, the auto sector in the province continues not only to be a major driver of manufacturing activity and employment in the province, but it also serves as a critical source of export earnings for the country, platform for skills and technological transfer; and links the provincial economy to major global industrial trends and emerging innovations.

To date, the industry employs about 55 000 people and hosts about 118 world class component suppliers, with a combined investment revenue of **R22 billion** put into our economy by Mercedes Benz South Africa, Volkswagen, Isuzu and Ford in the last five years.

We are delighted to note that the operationalisation of the **R11.2 billion** by BIAC SA and IDC has started. To date, IDC has invested **R1.2 billion** with BAIC SA investing **R2.7 billion** in phase one of the project.

The Stellantis Group is the latest to join our shores with an investment of **R3 billion**, a feat that solidifies the Eastern Cape as the hub of the automotive sector. The ongoing investments by these car manufactures are a show of confidence and a pledge of commitment to our economic growth efforts and objectives.

Our province is ready to attract more investments from this industry with the intention of creating more jobs. We are therefore mandating the AIDC_EC to work closely with Coega Development Corporation (ECD), East London Industrial Development Zone (ELIDZ) and Eastern Cape Development Corporation (ECDC) to attract new Original Equipment Manufacturers (OEMs) into our province going into the future, especially OEMs that are producing electric vehicles.

We must, however, embrace and be responsive to global developments within the sector, in particular the emergence of new energy vehicles (NEVs), if we are to remain a competitive player.

The White Paper that outlines our strategy to transition towards a broader new energy vehicle production and consumption in South Africa and the introduction of an incentive allowance for new investments in energy vehicles are a step in the right direction by national government. We are monitoring these developments with keen interest.

Agricultural Production and Agro-processing

Honourable Speaker, there is no denying of the Eastern Cape's potential to being the food basket of the country due to our comparative advantage in agriculture. The province accounts for a significant share of the country's livestock, milk, wool and mohair, and horticulture production. We want to build from the efforts we have made at a policy and implementation level to realise this potential.

Over the 6th administration, the government invested an amount of **R11.5 billion**, mainly to fund the Agricultural Producer Support, Veterinary Services, and Agricultural Education and Training programmes. The sector commitment to these important initiatives has helped to drive sustainable growth and development in the agricultural industry, ultimately benefiting both farmers and consumers alike.

The introduction of the Agriculture and Agro-Processing Master Plan (AAMP) by government, which promotes the inclusive growth, competitiveness, transformation, employment, and food security, will enhance the strides and commitment of government in supporting the agricultural sector in the province. The plan is linked to the Agriculture and Economic Transformation Strategy that the Department of Rural Development and Agrarian Reform (DRDAR)

developed and implemented from 2017/18, which is aimed at commercializing small holder farmers.

We are investing **R7.7 billion** over the 2024 Medium-Term Expenditure Framework (MTEF) to DRDAR, of which **R2.4 billion** has been allocated for 2024/25 financial year, to support initiatives contained in the Agriculture and Agro-Processing Master Plan. Included in the 2024 MTEF allocation is funding for import substitution of agricultural commodities such as soya beans, canola sunflower and poultry, to drive inclusive and sustainable agriculture development in the Eastern Cape.

Madam Speaker, it is important that I speak to the efforts the Eastern Cape government is making to address challenges around the **food security**.

The provincial government will over the medium-term intensify its household food security programme, with special focus on providing food production inputs to women, youth, people with disabilities and military veterans. Targeted support measures include food production packs to poverty-stricken households that consist of seeds, seedlings, fertilizers and agro-chemicals, and climate smart boxes; and support to emerging farmers to enhance their production and participation in the grain, fodder, and horticulture production value chains. These interventions will also be linked to youth and

farmer skills development initiative in order to ensure communities are equipped with relevant agricultural and non-agricultural skills and the programme will target the wards that were identified under the Integrated Provincial Poverty Strategy at the beginning of the current 6th Administration.

Furthermore, provincial government is currently finalising a Model for the procurement of agricultural food products, targeting school nutrition, patient food and food parcels programmes.

The Model also aims to systematically integrate small-scale farmers and aggregators into the agricultural value chains to mainstream government procurement. This model has the potential to open-up additional market opportunities for many smallholder farmers and agro-processors within the Eastern Cape province, enabling enterprise development and fostering rural development.

Film Industry

Madam Speaker, the Provincial Economic Development Strategy that is under review is considering including the Film and Creatives Industry as one of the key sectors of the Eastern Cape economy. This is due to the rapid emergence of the sector in supporting economic growth and job creation in the province.

The **R39 million** worth of financial support that government injected to the industry in the current term of administration, through the Film Investment Fund, has positioned the Eastern Cape province as a preferred destination for hosting local, national and international film productions. The support to film projects contributes to the growth of the film industry, realising significant multiplier economic impact and investment.

For 2024/25 and 2025/26 financial years, the provincial government is allocating **R24 million** to ECDC to fund, support and revitalize the film industry. We are very intentional in these efforts because we want to see local talent, young people who have passion and love for film, growing to become film ambassadors in the Eastern Cape and beyond.

Support to Small Business

Speaker, the Micro, Small and Medium Enterprises (MSMEs) sector remains a crucial player in the development of our economy and employment creation. At the time when the economy is not performing at the level that we all desire, it is important that government intervenes to keep small businesses afloat so they can continue to play their role in the economy.

It is worth highlighting that 56 per cent of the province's goods and services budget went to Eastern Cape MSMEs in the last five

years. Provincial departments spent a total of **R76.7 billion** on goods and services, with **R46.8 billion** spent on the Eastern Cape based suppliers. Of the **R46.8 billion**, **R38.8 billion** was spent on MSMEs, with Eastern Cape MSMEs benefiting to the tune of over **R21.7 billion**.

The current government support measures for the sector aim to assist MSMEs to participate informal market value chains, targeting specific products for local and export markets.

Government's broad policy framework for the sector includes formulating and rolling out legislative and policy reforms for the sector, institutionalising one-stop-shops to ease regulatory burden on MSMEs, providing loans and blended finance, business infrastructure support, and facilitating market access through product certification, testing and quality assurance.

Furthermore, concerted efforts to prioritise cooperatives, township and rural enterprises, especially those owned by women and the youth continue to be a common feature of government support. Within the province the main funding instruments for the sector include the Isiqalo Youth Fund, Economic Development Fund and Loan Finance at ECDC, Local Regional Economic Development (LRED) Fund and the Agri Blended Finance Scheme.

You will recall, Speaker, that provincial government allocated **R100 million** to the Economic Development Fund at ECDC during 2022/23 financial year. Thus far, **R81 million** has been allocated to six approved programmes, with the balance being rolled over to the 24/25 fiscal period.

The six approved programmes cut across sectors that are seen as key to the province's rapid industrialisation, job creation and poverty alleviation agenda. The fund has been able to leverage external funding participation in the six funded programmes from the private sector to the value of **R78 million**. Through these programmes, 685 jobs have been created; and a combined total of 196 MSMEs and rural enterprises have benefited thus far.

The provincial government has for the 2024/25 financial year allocated **R30 million** for the continuation of the Fund, with eight more programmes expected to be supported. We have earmarked eight private sector institutions to augment the funding, which should include at least one commercial bank.

We note the difference the Isiqalo Youth fund continues to make by creating an enabling environment for young entrepreneurs to thrive. We have allocated R70 million over the 2024 MTEF for the continuation of Isiqalo Youth Fund.

The LRED fund at the Department of Economic Development, Environmental Affairs and Tourism has been allocated an amount of **R13.6 million** in 2024/25 and **R37.3 million** over the 2024 MTEF, to support small businesses in the province.

Over the 2022/23 financial year, the provincial government allocated **R25 million** to the Agri Blended Finance Scheme at Eastern Cape Rural Development Agency (ECRDA) as an incentive to provide financial loan and non-financial support to emerging farmers, social enterprises, and small businesses in the province. To date, a total of 16 farmers were approved to the value of **R15.2 million**.

Support to Youth Programmes

Madam Speaker, youth are major beneficiaries of the support we are giving to MSMEs. I must however add that government support to youth also involves education, learnership and internship programmes, bursary schemes and employment.

In the investments we have made to the education sector between 2020/21 and 2023/24, an amount of **R75.2 billion** was specifically allocated to youth education. For 2024 MTEF, we have set aside an amount of **R63.485 billion** for youth education.

In addition to the above, the province has invested in various youth programmes over the 2024 MTEF which include youth in sport

amounting to **R212.2 million** and youth in business amounting to **R164 million**.

Madam Speaker, as a point of emphasis, this province has invested in youth employment in the following programmes:

- An amount of **R4 billion** spent through the Presidential Youth Employment Initiative between 2020/21 and 2023/24.
- A total of **R105.1 million** has been spent from 2021/22 to 2023/24 on Accelerated Professional and Trade Competencies Development Programme (APTCOD) aimed at developing artisans and professional skills in the province. An additional of **R167 million** has been allocated over the 2024 MTEF to continue with the APTCOD as well as artisans.
- An amount of **R9.2 billion** was spent on Interns, Learnerships and Expanded Public Works Programme (EPWP) from 2020/21 to 2023/24 with a total of 73 144 youth employed. A total of **R5.9 billion** has been allocated for 35 439 youth to be employed over the 2024 MTEF.

These are the opportunities that the Eastern Cape government has created for the youth of the province.

Supporting the delivery of Economic Infrastructure

Madam Speaker, we have observed government taking a lead in the delivery of economic infrastructure in the Province, from electricity, logistics, industrial, digital and other infrastructure. This is critical to supporting the economy and bringing in private sector investment.

Energy Generation

Speaker, the focus of the entire country is on stabilizing energy security so we can reignite the economy.

There are various plans by the Eastern Cape Provincial Government, its public entities as well as private sector in the province to invest in renewable energy to mitigate the impact of electricity outages in the province.

The plans on the table include, amongst others:

- Enable small-scale embedded generation.
- Enable utility scale generation projects in conjunction with the upscaling of Eskom Transmission Grid Capacity in the Province.
- Development of battery energy storage systems.
- LNG gas to power.
- Green hydrogen, wind and solar energy.

the execution of those plans, several energy related projects are currently being implemented or close to implementation in the province in partnership between government, its public entities and private sector. These include:

- Eskom Transmission division will open around 790 MW additional grid capacity for new generation to Eastern Cape wind farms by 2025;
- Around 293 MW on various wind energy projects in Eastern Cape that are in the construction stage. This include Coleskop, Wolf Wind Farm and Msenge Emoyeni;
- Around 547 MW wind energy projects are near the construction, and these are Mpofu Wind Farm, Hartebeeshoek, Msobomvu Wind Farms and Umoyilanga Risk Mitigation Facility;
- Bushveld Energy planning vanadium battery electrolyte in East London; and
- Hive Hydrogen SA green ammonia project in Coega SEZ where operations are expected to begin in 2026.

The Provincial government is also focusing on supporting the enabling conditions for utility scale energy project development which ultimately unlocks the growth in sustainable energy in the province. This includes unlocking challenges related to land tenure

and spatial planning, general permitting, vulture challenges, grid infrastructure, construction support, and many others.

We therefore call on the private sector to come and support these initiatives so we can keep our economy afloat.

Logistics Infrastructure

Equally important for stimulation of the economy is the delivery of a road infrastructure that is conducive to business.

With the investment of **R8 billion** so far, we note and appreciate the great work and progress made in strategic road infrastructure implemented by SANRAL in the province. These include the N2 Wild Coast Road Construction, including Msikaba and Mtentu bridges, the upgrading of the R63 section between Fort Beaufort and Alice, the upgrading the R67 from Swart Kei River to Komani, the construction of the N2 Breidbach and Belstone interchanges, the N2 Ndabakazi interchange and road upgrades in N2 to Makhanda. These and other projects have had massive financial and jobs benefits for the ordinary citizens and small businesses of our province.

We are aware that SANRAL is planning to spend **R60 billion** on roads projects here in the Eastern Cape in the next five years, and we are looking forward to that.

It is important to highlight that all these investments in the economic infrastructure are as a result of lobbying and mobilising by the government of the Eastern Cape.

Through this budget, the province is reinforcing the work that is being done by SANRAL in constructing, fixing, and maintaining our local roads. In 2024/25 an amount of **R512.9 million** has been added to the Provincial Roads Maintenance Grant, increasing the grant from an amount of **R1.5 billion** to **R2.1 billion**.

The grant is earmarked for 11 projects that will see upgrading of gravel roads to surface standard. These include phase 4 of N2 to Sipepetu Hospital, phase 3 of Willowvale to Dwesa via Msengeni and R72 to Hamburg.

The grant will also be used for ongoing maintenance of paved roads across all 6 districts and two metros on, including major rehabilitation of Butterworth to Centane, N2 to Ntabankulu, N6 to Molteno and N6 to Ilinge, and also to ensure ongoing maintenance of gravel roads across all 6 districts and 2 metros including re-gravelling and blading.

Lastly, the grant will be used to support the Welisizwe Bridges Programme where we are targeting 19 rural bailey bridges in the coming financial year.

Total budget for the Department of Transport is **R5.7 billion** in 2024/25 financial year and **R16.6 billion** over the 2024 MTEF.

ENHANCING REFORMS TO SUPPORT PROCUREMENT AND INFRASTRUCTURE DELIVERY

Honourable Speaker, we welcome the introduction of new infrastructure financing and delivery reforms by National Treasury with an intention to optimize the infrastructure value chain to be effective and efficient.

These include reviewing of institutional arrangements and governance for catalytic infrastructure to create clearer mechanisms for accountability, cooperation and coordination, and the introduction of several new financing instruments, such as infrastructure bonds and concessional loans.

Direct allocations of the public sector for capital and infrastructure budgets will always remain limited, falling short of fully financing the fiscal gap necessary to adequately maintain and build the required infrastructure assets to sustain a higher economic growth path and facilitate greater access to services.

Over the medium-term, government will therefore be simplifying and streamlining the current regulatory and financing regime for financing strategic and economic infrastructure investments. The reforms will seek to provide for a greater clarity and transparency

about roles and responsibilities of existing infrastructure agencies in government whilst also seeking to expand the scope of the private sector in financing economic infrastructure. More in particular, the institutional framework for public-private partnerships will be simplified with the expectations that such policy reforms immediately crowd-in private capital.

As the Province of the Eastern Cape, we fully welcome such reforms as our numerous past attempts to access economic infrastructure funds from national government have fallen short due in part to high regulatory hurdles and prequalification criteria when projects are assessed. We are in agreement that, indeed, through these reforms, comes greater efficiency gains and infrastructure delivery.

Speaker, in 2016, government developed and implemented the Local Economic Development Procurement Framework (LEDPF), with an intention to stimulate economic activity, preserve and to create jobs within the province.

The initiatives of the province to promote the achievements of the LEDPF and localization are largely hampered by the limitations placed by current legislation and litigation. In this regard, the new Public Procurement Bill that is being introduced by National Treasury will ease the ability of the province to implement these initiatives.

The Bill introduces set asides for categories of persons previously disadvantaged by unfair discrimination, small enterprises, small enterprises in a specific geographic geographical area and co-operatives; locality; pre-qualification; sub-contracting; and designation of commodities for local production and content. These provisions of the Bill will go a long way in us achieving the targets of the LEDPF and localization. The LEDPF will therefore be revised to align to the Bill.

SPENDING PLANS

Madam Speaker, let me now detail how we are allocating our equitable share and conditional grants.

Since the dawn of democracy, Honourable Members, this government has been consistent in investing to the poor and marginalised, proving beyond reasonable doubt that, indeed, we are a caring government. With all the fiscal challenges we have experienced and continue to experience, we have made sure we protect the social wage.

We have been to every corner of the Eastern Cape, transforming public and social infrastructure such as schools and hospitals.

We remain committed in that course as it also creates a lot of job opportunities in communities and enhances the source and amount

of income, in turn leading to better living standards. The building of public infrastructure offers a huge financial and jobs benefit to small businesses and the unemployed during the construction, especially youth and women and therefore contributing to decent life.

Speaker, between 2020/21 and 2023/24, we invested over **R153.2 billion** to the **Department of Education** to transform the sector, including addressing education infrastructure challenges, ensuring that Learner Teacher Support Material is provided, and that School Nutrition Programme continues to feed our children at schools. The modern schools that MEC for Education keeps on unveiling and the ever-improving matric outcomes are clear returns of the investments that this government has been making to the sector.

To continue with the good work that we have been doing, we are allocating a total amount of **R132.3 billion** to the Department of Education over the 2024 MTEF, of which **R42.4 billion** is allocated for 2024/25.

An amount of **R5.6 billion** is allocated for Education Infrastructure Grant over the 2024 MTEF, to further develop school infrastructure. The grant has increased by an amount of **R65.7 million** in 2024/25 from an amount of **R1.7 billion** to **R1.8 billion**, while the National School Nutrition Programme Grant increased by **R27.2 million** from **R1.7 billion** to **R1.7 billion**.

The Scholar Transport Programme is another critical vehicle to accessing quality learning, especially for rural learners. Through this programme, provincial government ensures that deserving learners from quintile 1 and 3 schools who live within a 5-kilometre radius to areas of learning are provided with safe and reliable scholar transport services.

Over the 2024 MTEF, a total of **R2.2 billion** has been allocated to the Department of Transport for the provision of scholar transport, with **R725 million** allocated for 2024/25 financial year. The two departments involved in this programme must improve on governance and efficiency in terms of providing credible data in the number of kilometers of roads and routes, as well as the capacity of vehicles.

To develop our children holistically and lay a groundwork for lifelong learning, a **R3.6 billion** has been allocated for the rollout of the Early Childhood Development Programme (ECD) over the 2024 MTEF. The programme supports around 86 814 children between the ages of 0 – 4 years in the province.

The final adjustments to the Department of Education's baseline include an additional amount of **R1.1 billion** in 2024/25 financial year and **R3.5 billion** over the 2024 MTEF to cover the carry-through cost of the public service wage bill.

For the **Department of Health**, we invested over **R112 billion** between 2020/21 and 2023/24 for provision of medicines at hospitals and clinics, appointment of doctors and nurses, building of state-of-the-art hospitals, and ultimately improving the health profile of the Eastern Cape.

For 2024 MTEF, we are allocating **R93 billion** over the 2024 MTEF to the Department of Health to continue with these services, of which **R30.1 billion** is allocated for 2024/25 financial.

There have been notable improvements in their grant allocations. The National Tertiary Services Grant increased by an amount of **R107.7 million** in 2024/25 from an amount of **R1.1 billion** to **R1.2 billion**, while the Health Facility Revitalisation Grant increased by **R72.9 million** from **R716.9 million** to **R789.9 million**. The District Health Programmes Grant is kept at the baseline allocation of **R3 billion**.

Final adjustments to the department's baseline include an additional amount of **R598 million** in 2024/25 and **R1.8 billion** over the 2024 MTEF for wage agreement.

I must highlight that provincial government continues to roll out its health turnaround plan that seeks to promote financial sustainability within Health. The plan is work in progress and is targeting to reduce medico-legal payouts, introduce health services optimisation,

digitalisation of health services through e-health and strengthening of primary health and community health programmes.

Speaker, government has a critical role to play in promoting Social Cohesion and safety in communities, with departments of Social Development, Human Settlement, Community Safety, Sport, Creation, Arts and Culture and Community Safety playing a key role.

As such, we invested **R10.9 billion** to **Social Development** between 2020/21 and 2023/24 to transform our society by building conscious and capable citizens through the provision of integrated developmental social services, with families at the core of social change. To continue with these services, we are allocating **R9.2 billion** to Social Development over the medium term, with **R2.9 billion** of that amount allocated in 2024/25 financial year.

For provision of descent housing to the poor and marginalised, government invested **R9 billion** to the Department of **Human Settlements** between 2020/21 and 2023/24. We are allocating **R2.3 billion** in 2024/25 and **R6.9 billion** over the 2024 MTEF to build more descent housing units for the needy.

An amount of **R1.5 billion** is set aside for the Human Settlements Development Grant, while R361.4 is for the Informal Settlements Upgrading Partnership Grant.

DSRC has been allocated **R3.2 billion** over the medium term for development of sport, to provide support to the creative industry and to support library functions at municipalities. Community Safety has been allocated **R433.9** million over the medium term to respond to crime and Gender Based Violence and Femicide in the province.

Speaker, through this budget, we are also providing support to governance structures and public institutions that are mandated to enhance the functioning capacity of government.

In this regard, the Department of Cooperate Governance and Traditional Affairs is allocated **R3.4 billion** over the medium term to provide support to municipalities, kingdoms, and traditional councils.

We have also allocated an amount of **R705.4 million** in 2024/25 and **R2 billion** over the 2024 MTEF to Provincial Legislature to perform their oversight function on the work that is done by provincial government.

The Office of the Premier has been allocated over **R1 billion** in 2024/25 and **R3.3 billion** over the 2024 MTEF to fund amongst others, integrated youth development, provincial ICT programme, the monitoring and evaluation programme and human resource management.

We have allocated an amount of **R478.2 million** in 2024/25 and **R1.5 billion** over the 2024 MTEF to Provincial Treasury to continue to support provincial departments and municipalities to ensure sound financial and resource management.

The Department of Public Works and Infrastructure has been allocated **R2.6 billion** in 2024/25 financial year and **R7.9 billion** over the 2024 MTEF, mainly to improve the infrastructure delivery capacity of provincial government. The department is a nerve centre for infrastructure planning, coordination, investment, and delivery for the Eastern Cape. Key to their functions is optimal utilisation of productive assets through optimal utilisation of the State Asset Portfolio to increase direct domestic investment (DDI) and foreign direct investment and also ensuring sustainable infrastructure investment.

STRENGTHENING GOVERNANCE AND ACCOUNTABILITY

Honourable Members, it is vital that we consolidate the good progress we are seeing in audit outcomes to build the build the Eastern Cape we want. The government has made good governance a cornerstone of this democracy. As a key characteristic of good governance, accountability means that we reflect on the progress we are making in managing the state resources, using the audit outcomes, as a composite proxy of the many indicators that one can consider in measuring the maturity of the financial management.

We are coming from an era where none of the provincial departments and entities had achieved clean audit opinions. Through enforcement of the audit improvement plan, improved from have moved from only five auditees that attained clean audit in 2019 to 15 clean audits in 2023, a clear testament that the current administration takes governance as vital cog of service delivery.

We are observing a similar trend at the local government sphere. The disclaimers were reduced from an average of 4.8 in the 5th administration to an average of 3.5 in the 6th administration.

There were a few clean audits in the 5th term compared to the 6th administration particularly on the last year of the previous term where there was only one clean audit whilst the 4th year of the current term registered 4 clean audits, and this trend has been maintained throughout the current term.

Overall, MFMA Audit Outcomes improved over the current term, although a lot still needs to be done to improve weaknesses in the internal controls and financial management.

Speaker, trends are showing steady improvement in conditional grants performance by both the province and municipalities, during the current term of administration.

For the province, the under-expenditure on Conditional Grants has decreased from **R641 million** in 2019/20 to **R309 million** in 2022/23 financial year. Also, funds that the province lost to the

National Revenue fund on Conditional Grants decreased from **R119.5 million** in 2019/20 to **R62.7 million** in 2022/23 financial year.

For municipalities, we had lost **R3.3 billion** to the National Revenue Fund between 2019/20 and 2022/23 through rollover and stopping process. We attributed that to external factors such as of COVID 19, the Russia Ukraine war and slow down on the macro-economy.

However, an amount of **R1.6 billion** was reallocated back to the province in municipalities that are performing better.

The unspent funds had reached **R716.4 million** in 2021/22 while stopped funds had reached **R344.9 million** in the same year. Through collaboration between the province and local government through engagements of MECs for Finance and CoGTA and Mayors, we have managed to reduce stopped and unspent funds. In 2022/23 financial year, the province returned **R479.2 million** and **R52.6 million** in unspent and stopped funds respectively. More pleasing are the reports that indicate that there will be no stopping of funds on Municipal Infrastructure Grant for 2023/24 as all municipalities have spent over 60% of their budget by December 2023.

We equally encourage municipalities that were affected by national disasters to improve spending on disaster funds. Government has set aside total amount of **R944 million** since 2021/22 to fix municipal

infrastructure affected by disasters. Of that amount, **R658.5 million** was allocated in 2023/24 to recover municipal infrastructure that was affected by disasters in the recent past.

Speaker, the seven municipalities that have been supported to apply to participate in the Municipal Debt Relief Programme coordinated by the National Treasury have all been approved. The municipalities were supported due to huge Eskom arrears totaling **R2.9 billion** as at 31 March 2023. The supported municipalities are Makana, Dr Beyers Naude, Amahlathi, Raymond Mhlaba, Walter Sisulu (WSLM), Enoch Mgijima and Inxuba Yethemba.

The payment arrangement is over a period of three years, subject to meeting the conditions set out in MFMA Circular 124. They write off a third of the total debt each year over a period of three years. The Provincial Treasury and CoGTA must work together to monitor compliance with the conditions set out.

CONCLUSION

The words of British broadcaster and former politician Nigel Farage explain our situation better, Honourable Speaker. He says, **“we shouldn’t measure everything in terms of GDP figures or economics. There is something called quality of life”**.

The quality of life of the people of South Africa and the Eastern Cape has improved as proven by Stats SA report of Census 2022.

The 7th term of administration awaits us. We amassed enough evidence to prove our ability and capability to change the lives of the people of the Eastern Cape.

Let us work together towards consolidating the gains that we have achieved during this term to Build the Eastern Cape We Want. There is no new money, and therefore we must show continuity on the good things we have been doing and exercise financial prudence. If we unite in support of the fundamentals of this budget, we are destined to deliver to the next administration an Eastern Cape that has a strong economy, stable public finances and protected social wage.

Somlomo, eli lityeli lokugqibela sidakanca oluhlahlo lwabiwo-mali kwesisigaba sesithathu sorhulumento. Ndifuna ukwenza amazwi ombulelo kwi Nkulumbuso ye Phondo uOscar Mabyane. Ndiyabulela Diya ngesikhokhelo esithe ngqo nesignagungqiyo othe wasibonakalisa ukusukela ngo 2019. Kogxa bam abangamalungu esigqeba, ndiyabulela ngenkxaso enithe nayibonakalisa ngexesha siphethe lomsebenzi wokwenza impilo zabantu base Mpuma Kapa ngcono. Kuwe Somlomo kwakunye namalungu walendlu, ngakumbi ikomiti ejongene nezimali, ndiyabulela ngokumane nisingqwanqwada nisibonisa indlela apho sithe saphazama khona ngenjongo yokuphucula indlela esisa ngayo inkonzo ebantwini.

Okukugqibela, ndibulela umphathi weSebe leziMali Umnumzana uDaluhlanga Majeke kwakunye nesigqeba sakhe, nabasebenzi bonke besebe ngomsebenzi omhle abathe gqolo ukuwenza, ndiswele imilo eliwaka.

Kubantu beliphondo, abaxhasi kwakunye nabo sisebenzisana nabo kulendlela, enkosi ngokusinyamezela nangokusebenzisana nathi. Inde lendlela, ifuna abomeleleyo. Ndifuna ukuthi nje, Siyabuya!

Thank you very much Honourable Speaker.

APPROPRIATION BILL, 2023 (EASTERN CAPE)**SCHEDULE A (PER DEPARTMENT)**

VOTE	DEPARTMENT	AMOUNT R'000
1	Office of the Premier	1 069 189
2	Provincial Legislature	706 009
3	Health	30 106 843
4	Social Development	2 972 172
5	Public Works and Infrastructure	2 624 555
6	Education	42 441 422
7	Cooperative Governance and Traditional Affairs	1 109 925
8	Rural Development and Agrarian Reform	2 451 774
9	Economic Development, Environmental Affairs and Tourism	2 130 722
10	Transport	5 737 449
11	Human Settlements	2 383 899
12	Provincial Treasury	478 236
14	Sports, Recreation, Arts and Culture	1 043 363
15	Community Safety	144 840
TOTAL		95 400 398

Notes



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