



EASTERN CAPE
**MAIN BUDGET
SPEECH**
2023/24



Province of the
EASTERN CAPE
PROVINCIAL TREASURY

EASTERN CAPE BUDGET SPEECH

Mr. Mlungisi Mvoko

MEC for Finance

14 March 2023

Honourable Speaker;

Honourable Premier;

Honourable Members of the Executive Council;

Honourable Members of the Eastern Cape Provincial Legislature;

Executive Mayors and Mayors;

Traditional leaders;

Religious Leaders;

Leaders of Chapter Nine Institutions;

Political parties present;

Organised Labour;

Business fraternity;

Director General and all senior government officials;

Our Esteemed Guests;

Members of the media;

Ladies and Gentlemen;

Good morning, Molweni, Dumelang, Goeie more...

Madam Speaker, let me take this opportunity to also recognise members of the public who are watching and listening to us through different broadcasting channels, including television, radio and social media. We present this budget today to advance their interests.

INTRODUCTION

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

The 2023 Estimates of the Provincial Revenue and Expenditure;

The 2023 Estimates of the Provincial Entities Revenue and Expenditure;

The 2023 Appropriation Bill; and

The 2023 Gazette

Honourable Members, we table this Budget under subdued economic times that are characterized by an uneven recovery, resulting to high levels of unemployment, high cost of living and constrained business environment.

This time requires an agile, responsive and efficient government, and a government that is accountable to its people.

Our immediate task is to **advance the interests of our people** by responding to challenges of youth unemployment, infrastructure and low performance of sectors of great potential as springboards of recovery and growth.

As this 6th term of government administration nears the end, the 2023 medium term presents yet another opportunity to consolidate efforts the province has put to maintain and rescue the provincial economy from the severe effects of the COVID-19 pandemic, the international fluctuations affecting food and related prices, the energy crisis and other attendant matters.

For 2023/24, specifically, significant efforts and government resources will be directed towards bolstering and strengthening economic recovery initiatives, including investing in infrastructure and business and attracting and enhancing private sector investment in the province.

This Budget is therefore prepared to set the Eastern Cape government on the right path to achieving our priorities and **advancing the interest of the people**. Let us complement it with the administration that has the right attitude, that has willingness to collaborate, and an administration that places good governance and accountability at the heart of service delivery.

ECONOMIC OUTLOOK

Honourable Speaker, our economy as the Province is affected by the global and national economic circumstances.

Current growth forecasts for 2023 indicate that world economic growth will likely be lower to 2.9 per cent, particularly across several major economies including the United States and European Union with the projection of 1.4 and 0.7 per cent of growth in 2023, respectively.

The prolonged war between Russia and Ukraine will further negatively affect global energy and food supplies, leading to higher prices.

Whilst the Country's economy grew by 2 per cent in 2022, it is still not enough to drive growth and create the much needed employment opportunities. The real GDP growth for the 2023 medium term is estimated at 1.4 per cent.

The Province's growth is expected to be 1.7 per cent in 2022 with an average growth of 1.2 per cent over the medium-term. In line with the Provincial Development Plan, we must still reach about 5 per cent growth to make any meaningful impact to the economy.

Albeit some jobs gain in quarter three and four of 2022, the unemployment in the Province remains unacceptably high at 42.4%,

The Province recorded an increase of 20 000 employed persons between quarter 3 and quarter 4 of 2022. Year on year, by end of quarter 4 of 2022, there were 133 000 net additional jobs created in the province.

This positive trend is attributed to Agriculture, Manufacturing and Construction sectors. The outlook for provincial Agriculture is particularly very positive, following recent strong performances by some components within the sector.

To sustain the Agriculture sector's recovery and ensure inclusive growth, it is becoming ever more critical to expand and sustain links between emerging agriculture and mainstream agri-value chains. Later on, I will dwell on efforts to achieve this.

Manufacturing has also been consistent in driving the positives we are seeing in the economy, especially in the Auto Sector. In the period between 2018 and 2022, the Original Equipment Manufacturers (OEMs) that we have in the Province - Isuzu, Volkswagen, Mercedes Benz and Ford - created approximately over 10 000 employment opportunities in their manufacturing component.

Formal manufacturing in the province employed a total of 167 000 workers, representing a net gain in employment for the sector of 52 000 jobs when compared to quarter 4 of 2021. These numbers could have been more, if it wasn't for weaker global demand, constraints in domestic supply chain and logistics, and load shedding.

The positive trends in Construction are mainly due to increased capital outlays and infrastructure expenditure by government. By end of quarter 3 of 2022, construction activity in the province is estimated to have increased by 3.1 per cent, following an acceleration in construction works. With major pipeline investments that government has made in the sector, we expect much improvement in the medium term.

FISCAL OUTLOOK

Madam Speaker, our fiscal position remains tight, owing to the constrained state of the economy and the resultant budget losses we experienced in the recent past.

These conditions require us to continue with our balancing act in catering for our APEX priorities and sufficient resourcing for economic recovery, reconstruction and relief efforts.

It is in consideration of these motives that our budget for the 2023 Medium Term Expenditure Framework (MTEF) will be underpinned by the following principles:

- Resourcing economic development initiatives whilst protecting social services.
- Strengthening government capacity to implement infrastructure projects and deliver services; and
- Encouraging good governance and transparency to realise value.

Honourable Speaker, we are pleased that national government will not be implementing any budget cuts in the coming MTEF, which affords us some breathing space and a slight improvement in the provincial fiscus.

It is a story of good progress that, for the first time since 2013, the Province has nominally gained R6 billion in its fiscus for 2023/24 and about R12.2 billion over the MTEF, albeit the losses we had experienced in the past outweigh the new gains.

All these positives give evidence that the government's fiscal consolidation strategy is yielding benefits in the current economic conditions. We therefore shall continue with that strategy.

The strategy will include continued implementation of cost containment measures by prioritising funds on key service delivery areas rather than on non-core items, whilst also improving governance and oversight in the province.

We will continue to internalise within government, the implementation of the Zero Based Budgeting and Expenditure Performance Review models as to align spending with strategic outcomes and service delivery priorities, and eliminate inefficiencies on expenditure whilst strengthening allocative efficacy.

Honourable Members, in the 2023/24 financial year, the Province's total fiscal envelop is R89.6 billion, which is made up of Provincial Equitable Share (PES) allocations of R73.2 billion, conditional grants of R14.6 billion and R1.6 billion of Provincial own receipts.

Total provincial payments amount to R91.6 billion, which represent a budget deficit of about R2 billion, when considering total receipts.

We have then added R2.7 billion from the provincial reserves to cushion the deficit.

This however will pose a liquidity risk in future, if we do not improve on provincial revenue collection to support our fiscal deficits.

Honourable Members, our lead departments for revenue enhancement - Departments of Public Works and Infrastructure, Transport, Health and Economic Development, Environmental Affairs and Tourism (DEDEAT) - must come to the party. It is through their efforts that the Province would adequately fund its priorities and the budget pressures we are experiencing.

In accordance with the recommendations of the revenue research study that was conducted for new sources of revenue and efficiencies of existing revenue sources, the Province is projected to collect R7 billion by 2030, annually.

We are gradually working towards reaching these targets through these new sources of revenue that were identified by the study. To this end, we are targeting to increase our revenue with R26.1 million in 2023/24, R37.4 million in 2024/25 and R37.5 million in 2025/26 as part of the revenue enhancement. The bulk of this additional revenue is from the Department of Public Works and Infrastructure as a result of the lease income from properties that were awarded to the private sector investors and property developers. Further to this, the leasing space on state-owned properties in respect of telecommunication sites and the installation of billboards and digital screens have resulted in the increase. The department will continue to make more lease properties available as presented at the Property Investment Conference that was held last year.

EFFORT TO SUSTAIN ECONOMIC RECOVERY AND INSPIRE GROWTH

Madam Speaker, only a growing economy will enable us to respond to the challenges of today. With the continued implementation of the Provincial Economic Reconstruction and Recovery plan, we are seeing gradual but uncertain economic recovery after the COVID-19, and amid disasters and other economic shocks.

All these economic shocks have had a devastating impact to business, with most experiencing cash flow challenges and some closing down, resulting to loss of jobs and threat to livelihoods.

We want to use this budget to **advance the interests of our people** through massive support to business and improving our infrastructure for greater investment opportunities.

Investing in Business

Honourable Members, the people of this province will remember that, during the medium term budget last year, I made an undertaking that the provincial government would be establishing the **Eastern Cape Economic Development Fund** (ECEDF) in 2023, with the aim of anchoring economic development objectives of the Province.

That Economic Development Fund has now been established and will be rolled out in the coming medium term, and Eastern Cape Development Corporation (ECDC) will be the implementing agent for this Fund.

It will address funding gaps in the Province, especially in high potential growth sectors.

Unlike other funding instruments, this Fund will focus on loans and/or blended finance for commercially grounded enterprising ventures, particularly by SMMEs and the informal business sector.

This Fund will also focus on seed funding and partnership development with private sector with the aim of matching rand on rand funding, linked to resource leveraging relating to identified Eastern Cape priority sectors and catalytic economic development projects.

Structured loans and/or equity finance for large-scale projects and/or enterprising ventures, focused on priority sectors and industry activation will also be considered.

An amount of R100 million has been allocated to kick start this programme during the first year of its implementation, 2023/24 financial year. We are making a clarion call to the private sector, including the banking sector to join hands with government in making this initiative a success.

Over and above the ECEDF, the Province will continue with other funding mechanisms such as **Isiqalo** and **Local Regional Economic Development (LRED)** funds, and the loan finance and business support programme at ECDC. For these funds, a total amount of R270.6 million over the medium term has been allocated, to support MSMEs in the Province.

Of this amount, R100 million has been allocated to the Office of the Premier for continued support towards youth owned enterprises over the medium term.

An amount of R43.8 million over the MTEF is allocated to DEDEAT for LRED. I must indicate that there are capacity issues that need our attention, to enable us to improve performance of this Fund.

Lastly, we allocated R126 million, over the medium term, to ECDC for loan financing and business support. This is indeed **a story of good progress.**

Leveraging on Investment to sustain growth and create jobs

Madam Speaker, the Provincial Investment Conference held towards the end of last year demonstrated that the Province has a compelling investment value proposition, as we announced 10 new investments totaling R46.8 billion.

These will lead to the creation of additional employment opportunities during construction and operation phases. Of these newly announced investments, projects worth over R1.3 billion are underway, with 1 198 jobs to be created.

Since the start of the 6th term of government administration, R171.4 billion worth of investment has been secured, and has created 21 664 direct jobs opportunities.

The provincial entities, which are mandated to improve the economic standing of the Eastern Cape, will continue to drive these investment opportunities and projects, with Coega Development Agency (CDA), East London Economic Development Zone (ELIDZ), ECDC, Automotive Industry Development Centre (AIDC) and Eastern Cape Parks and Tourism Agency, leading the pack.

Honourable Speaker, **COEGA** has been allocated R1.8 billion over the MTEF, through the Budget Facility for Infrastructure, for the rollout of the bulk water infrastructure and support towards the construction of a new bulk sewer connection pipeline in Nelson Mandela Metro. This will save the residents of the Metro from the water challenges that they are experiencing currently. This will also ensure that there is adequate water provision and sewer control in the area to retain and attract investment.

We are providing **ELIDZ** with an additional allocation of R58.6 million in 2023/24 for the refurbishment of the data center as well as the installation of ICT infrastructure and equipment. The establishment of a Tier 3 rated data centre within the ELIDZ will service ICT needs of the Province.

A total of R378.2 million has been allocated to the Zone over the medium term, mainly for operational costs.

Honourable Members, we are on course for the operationalization of the **Wild Coast Special Economic Zone** in Mthatha. It was initially conceptualized as an SEZ by the Department of Trade, Investment and Infrastructure (DTIC) in line with Chapter 5 of the SEZ Act, but was not granted full designation in 2022 due to insufficient investment commitments to the Zone. As a result, it had remained as an Industrial Park whilst work to ensure that it reaches the SEZ status was intensifying behind the scenes.

We have now accumulated sufficient investment commitments, and the re-application for SEZ designation status for the Wild Coast SEZ has been submitted to DTIC, and we are confident of a positive outcome.

The investment commitments for the Wild Coast have increased from R1.2 billion to R1.7 billion. A total of 43 construction jobs have been created to date through the Phase 1 of the project, entailing fencing.

An amount of R15 million has been set aside in 2023/24 for COEGA to continue with operationalizing the Wild Coast SEZ. This is **a story of good progress**, especially for the people of the eastern side of the Province.

Madam Speaker, our efforts to recover **tourism as an enabler for economic growth**, post COVID period, are starting to yield results. Through ECPTA, the Province has been busy with infrastructure upgrades in many of our reserves, and we have been using digital platforms to

market our Province. Through all those efforts, there has been a total of 2.8 million domestic tourists visiting the Province, as at the end of 3rd Quarter of 2022/23, with a total of R90.3 million in revenue generated.

To assist these efforts, Provincial Government has allocated R690 million over the medium term to finance operational costs at ECPTA.

Honourable Members, one of the sectors that contribute immensely to economic growth and job creation in the Province, the **Automotive Sector**, is transitioning to electronic vehicles, and we can't be left behind. If we don't align ourselves with the demands of this transition now, we could see calamity in the jobs front.

To retain our comparative advantage in the sector, we should have a clear plan on how we are going to implement infrastructure and supportive projects that are demanded by this evolution, including the installation of electric vehicle charging stations, the skills set and promotion of renewable energy projects.

I am however happy that the engagements on these issues have started between us and captains of the industry, the business and universities, through our entity, **AIDC Eastern Cape**.

In his State of the Province (SOPA) Address, Honourable Premier Mabuzyane announced **the establishment of an auto sector aftermarket programme that will benefit 300 panel beaters and mechanics in our province. In this regard**, the provincial government has allocated to the AIDC an additional funding amounting to R3 million in 2023/24 for the development of beneficiaries of this programme, to enable them to acquire accreditation, equipment, technical skills training as well as working premises for accessing insurance.

To enhance operation at AIDC, we have allocated them R31.6 million in 2023/24.

Honourable Members, it exciting to realise benefits in the investment that we have made to the **Film Industry**. At the begging of the current financial year, Provincial Government injected financial support to **ECDC** for the film industry, to ensure that the creative industry is able to stimulate economic activity, drive transformation, create jobs and entrepreneurial opportunities within the province. Also, we did this deliberately to attract productions so they expose the Eastern Cape as both a film and a tourism destination of choice.

The telenovela, Gqeberha: The Empire, is one good story of progress that illustrates our great efforts to advance the interests of the youth. It is pleasing to witness such a good support in the telenovela. We must get used to seeing familiar faces in our screens.

We are again allocating an amount of R18 million to ECDC to cater for film infrastructure and promotion, working with ACPACC.

Economic Infrastructure Delivery

Madam Speaker, the recent SOPA Address by Honourable Premier reiterated our drive and commitment for delivery of economic infrastructure, as it is our lever to maximise job creation, economic growth and transformative development in the province.

Considering the historic infrastructure backlogs in the Province, a deliberate, focused and urgent support is really needed from national government. We appreciate the number of big infrastructure projects that are currently being implemented by national government in the Province, as they are set to create much needed jobs, but also change the lives of our people for the better.

The **N2 Wild Coast Road** that links the eastern side of the Province and Kwazulu Natal will have significant economic benefits in terms of logistical support, regional economic development and tourism, especially for the OR Tambo and Alfred Nzo regions. National government has invested R4 billion into this project. The expected reductions in travel times and transport costs as a result of this project will improve the overall competitiveness of agricultural and industrial sectors within the province.

It is estimated to create 8000 direct jobs and up to 28 000 indirect jobs during its construction phase.

The national government once again committed to the **Mzimvubu Water project**. We are pleased that R8 billion has been committed to this project, and the construction of Ntabelanga Dam will commence later this year. This is a **good story of progress** for the Province.

Honourable Speaker, the **energy crisis** is receiving attention at national government, and we hope for a swift turnaround of events, especially with the appointment of the new Minister responsible for Electricity.

We cannot overemphasize the severe impact this crisis has on the economy in the Province, with businesses suffering the most.

The off-the-grid household connectivity programme that we implemented at Waterblink village in Raymond Mhlaba Municipality is one solution that can be considered by national government to ease off pressure from the national grid. It is a combination of a solar panels and wind farms renewable energy project that is independent from the national grid.

Honourable Speaker, we are making a **good progress** on the provincial **broadband project** that is targeting to connect at least 2700 key government sites based on a broadband-as-a-service model.

Between 2021 and 2022, 762 cumulative number of sites were connected, at the value of R176.3 million. We plan to have connected 1200 sites by end of June this year.

For the 2023 MTEF, we are allocating R350.3 million to the Office of the Premier for the connection of 1 450 targeted sites.

Strengthening Infrastructure Delivery

Honourable Speaker, in the delivery of the infrastructure, we want to entrench a collaborative approach that is underpinned by the District Development Model to explore areas of integration and linkages within the three sphere of government, with special focus on provincial projects, municipal projects, programmes and plans.

The focus is to ensure that the infrastructure funds are utilised such that there is value created on the ground. These efforts take into account the current disinvestment and under performance that we are observing in the infrastructure delivery space. To improve capacity in the space, the Province is also prioritizing to invest in the transversal and inter-sphere capacity building, particularly on planning and execution, focusing on contractors, professionals as well as oversight capacity to ensure that the Gross Capital Formation is not negatively affected.

We have strategically placed the Department of Public Works and Infrastructure to be our 'Nerve Centre', and an amount of R2.5 billion in 2023/24 and R7.7 billion over the medium term is allocated to the department for this purpose.

I must add, Honourable Members, that there are other risks that we have identified that pose threat to both our fiscus and development.

High incidents of cable theft, railway destruction, vandalism of public infrastructure such as schools and hospitals are a huge fiscal and developmental risk in the country and in the Province. More collaborative effort between state institutions and civil society must be realised.

To circumvent all these risks and inefficiencies, we encourage good governance and transparency, and projects must be completed on time and within budgets, if we are to realise value.

BUDGET STRATEGY AND SPENDING PLANS

Madam Speaker, our budget strategy and spending approach is guided by the Provincial Development Plan, the Provincial Medium Term Strategic Framework, Executive Council Lekgotla resolutions and the recent State of the Province Address.

At the core of our priorities is education, as it is one of the tools we use to build and transform our socioeconomic standing as a country. As such, we are allocating an amount of R41.1 billion to the **Department of Basic Education to improve provincial education outcomes**.

Of that amount, R28.3 billion in 2023/24 and R89.144 billion over the MTEF is set aside to fund the Post Provision Norms, including the appointment of school based educators for critical subjects, posts for substitutes, special intervention and curriculum and growth.

Also, R2.5 billion has been made available over the 2023 MTEF for the annual procurement of textbooks and stationery for all learners in Grades R to 12.

Additional to Education's baseline, an amount of R2.5 billion over the 2023 MTEF has been allocated to address budget pressures in compensation

of employees, while an amount of R3.9 billion over the 2023 MTEF has been allocated for the Cost of Living Adjustment in the Department.

To deal with school infrastructure backlogs, the Department has allocated R1 billion of the total budget of R2 billion for the School Infrastructure Backlogs Grant, which is the indirect grant managed by the National Department of Basic Education.

Madam Speaker, the 6th term of government administration has seen the implementation of the Presidential Youth Employment Initiative Programme (PYEI), which was implemented as the Basic Education Employment Initiative.

Since the implementation of this Initiative in the 2020/21 financial year, over R3 billion has been allocated, benefitting 132 565 thousand unemployed youth.

The next phase will be rolled out in the 2023/24 financial year and it has a budget allocation of R1 billion, and is targeting to benefit 40 100 unemployed youth. This is **a story of progress**, considering the rate of unemployment in the Province.

Madam Speaker, we believe that a healthy nation is a productive nation. As such, the **Department of Health** has been allocated an amount of R28.1 billion to continue with their efforts of improving the health status of the Province.

An additional amount of R967.7 million in 2023/24 financial year and R3 billion over the 2023/24 MTEF has been allocated for the compensation of employees and service backlogs, including antiretroviral therapy, TB, medicine and other goods and services. Some of these funds will be ring-fenced to deal with medico-legal aspects in the ruling of the Noyila case.

Honourable Members, our turnaround strategy at the Department of Health is beginning to yield positive outcomes.

This is after we identified a number of challenges that are found in the health care system.

At the core of these challenges are the medico legal claims that are draining provincial coffers, leaving Health with serious cash flow challenges.

The multipronged strategy's main purpose is to steer provincial health services into becoming more comprehensive and balanced in responding to individual patient, family and community health needs.

It is looking at improving efficiencies across the system focusing on these pillars: Optimisation of Budget; Increase Income Streams; decrease losses and manage risk; Digitilisation and Efficiencies and Cost Saving.

These measures, in a nutshell, seek to address the department's cost of employment, their infrastructure and their supply chain processes. They also seek to decrease clinical risks, deal with fraud and corruption, digitilisation of systems and widen their revenue sources.

We are happy now that, through the implementation of the strategy, the following has been achieved:

- The provincial government has curtailed the bleeding of funds from the health budget through upfront and lump sum medico-legal settlements by launching two critical legal defense strategies - the Stay of Writs and public health defense medico-legal strategies. The Noyila public health defense judgment that found in favour of Health is an outcome of collaborative work by OTP, Provincial Treasury and Health.

- A 96% reduction for in-year irregular expenditure to under R3.4 million in 2022/23 from R104 million in 2021/22 due to improvements in SCM systems and controls.
- The provincial health department has re-prioritized its budget and made available R544 million over the MTEF towards maintenance and acquiring much needed health machinery and equipment.
- The Health department is currently progressing well with its digitalization program and has rolled out HMS2 to 19 hospitals, registered over 5million patients; admitted more than 300,000 patients to wards and processed over 600,000 out-patients. The system also includes the e-Liability and e-PAIA systems so that facilities have live data pertaining to the medico-legal risk.
- Of the 2941, mostly health professional, posts in the Department's annual recruitment plan, 1 938 appointments have already been processed.

Although it is still early days, this is **a story of good progress** for Health, as this will progressively address most of the Department's challenges, thus improving service delivery.

Madam Speaker, the Province continues to resource programmes that are aimed at achieving social cohesion amid Gender Based Violence, the high rate of crime and other social ills.

The Department of Social Development has, in this regard, has been allocated R2.8 billion to protect the social welfare of our people.

Of that amount, R15.7 million is set aside for the rollout of social behavioral change programmes to assist with crime prevention. These programmes seek to address risky and harmful social behaviors. We have also allocated R15.7 million over the 2023/24 MTEF for

departmental Gender Based Violence initiatives, mainly for the provision of psychosocial and victim empowerment services.

We have also allocated R115.1 million in 2023/24 to **Community Safety** to bring about social cohesion in our communities. These funds will be directed towards crime prevention mobilization across hotspot areas in the province.

We also believe that sport and recreational activities have a role to play in curtailing some of these violent behaviors. We have therefore allocated R993.3 million to the **Department of Sports, Recreation, Arts and Culture** to develop, promote and transform the talents of especially the young people, including at school level.

Honourable Members, transport infrastructure is critical support to our economic growth efforts and ambitions. Quality roads and other transport infrastructure enable any government to attract investment as they create a friendly environment for business boom.

In this regard, we are allocating R5.6 billion to the department of **Transport** to, among other things, continue with the construction and resealing of provincial roads, including roads that connect to economic and social amenities.

Of that amount, R2.5 billion has been allocated to continue with phased implementation of Wild Coast Meander Route, upgrading of a road to Siphethu Hospital, upgrading of R61 road via N2 to Clackeburry and construction of Middleburg Integrated Traffic Control Centre Phase 1 Menties Road and N9 Intersection.

SANRAL is already assisting us with the implementation of five key projects i.e. the N2 Msikaba Bridge, N2 Nqadu to Mbokotwana, R63 Fort Beaufort to Alice, N2 Green River to Buffalo River, R58 Lady Grey to

Barkley East and R61 Baziya to Mthatha Airport at the value of R4.9 billion.

In his SOPA, Honourable Premier Mabuyane committed to the construction of bridges that are under the Welisizwe Programme. To get this programme running, we are committing R470.2 million to the Department in 2023/24, targeting 26 rural bridges.

Honourable Speaker, the Province is beginning to take advantage of the comparative advantage it has on agriculture. This entails various **food security** programmes that will cater for both household and commercial side.

We have earnestly engaged in developing a programme that is geared towards procurement of agricultural food products from local farmers and aggregators, leveraging on the needs for school nutrition, patient food and food parcels. The programme encompasses strategies to be applied for procuring such products within the province. This Programme will be implemented in the new financial year, and its successful implementation will go a long way in addressing the challenge of food security and job creation. The Department of Health is already engaging their procurement processes to give effect to this Programme.

For 2023 MTEF, government has invested R5.1 billion for School Nutrition Programme, R483.8 million for patient food and R16.4 million for food parcels. These are our efforts to achieve food security, using our own resources.

We no longer want to see our funds being mainly spent on general retail with not much trace in the province in terms of economic benefit.

With this approach now, we want to build a value chain whereby the primary production from the province is converted into secondary

production and to the market. This will ensure that local farmers are ignited once the demand has been determined and thus improve the employment opportunities. Any positive move towards food security is a **story of good progress**.

Honourable Speaker, I must add that the 6th term of government administration has made investment to the value of R799 million in the past three years to support grain, red meat and citrus producers, led by the **Department of Rural Development and Agrarian Reform**.

We are allocating R237.7 million for 2023/24 and R2.3 billion over the medium term to DRDAR to continue with this support.

Madam Speaker, the influx of people in the urban areas from rural areas is a major problem that is facing the Province. This problem creates continuous demand for social housing units in the urban areas.

There is a great need for improved spatial planning programme between Human Settlements, Rural Development and Agrarian Reform, Corporative Governance and Traditional Affairs and other affected institutions as part of the plan to avert this prolonging problem.

To continue providing an integrated and sustainable human settlement to communities, however, we are allocating R2.5 billion to the **Department of Human Settlements**.

Honourable Speaker, the Eastern Cape is one of the provinces that is prone to **natural disasters**.

In order to upscale current and future disaster responses, the Province has set aside an amount of R60 million which has been ring-fenced in the Provincial Revenue Fund for immediate responses to any future disasters.

This amount is in addition to the 2 per cent allocation of the total infrastructure budget of each department that is set aside towards disasters and climate change.

For 2023/24, an amount of R122 million is added to the Department of Transport's Provincial Roads Maintenance Grant for the carry through costs of repairs of provincial roads that were damaged by the floods.

We have also allocated R124.1 million to Education for the reconstruction and rehabilitation of schools damaged by floods, whilst R83.2 million has been allocated to Human Settlements for homes affected by floods.

SUPPLY CHAIN MANAGEMENT INITIATIVES

Honourable Speaker, the support and promotion of Eastern Cape based suppliers remains a cardinal pillar in stimulating economic activities in the Province. For the past three financial years, the provincial departments spent a total of R44.9 billion on the procurement of goods and services.

Of this amount, R25.7 billion, which constitutes 58%, was spent on Eastern Cape based suppliers. The Province will continue with its efforts to implement the Local Economic Development Procurement Framework and apply more strategies to realise its objectives. This is a story of good progress.

We know that for our suppliers to keep afloat, we must pay them within the prescribed 30-day period. Currently, out of the 14 departments, 12 are paying within 12 days on average, with only Health and Education that are struggling to pay on time. Bulk of our problem on this matter is located at Health, who account for 90% of the unpaid invoices. With our successes in relation to the Noyila Case that prevents upfront and lump sum medico-legal settlements, it is envisaged that the liquidity challenge at Health will

be progressively addressed, thus enabling the department to pay its creditors.

Honourable Members, one of the objectives of the South African Government is to support Designated Groups to ensure that they also benefit from government procurement. To this end, the Provincial Government will continue to support the Eastern Cape based suppliers, with a special focus on designated groups.

The recently promulgated Preferential Procurement Regulations also gives impetus to the ongoing support to designated groups, through application of specific goals as incorporated in the Supply Chain Management policies of the various government institutions in the province.

These institutions have been guided in the compilation of their policies, taking into consideration the objectives of the Reconstruction and Development Plan (RDP) of 1994, the Eastern Cape Vision 2030 Provincial Development Plan, and the Local Economic Development Procurement Framework (LEDPF).

The implementation and adherence to procurement plans remains one of the focus areas. The development of procurement plans is now aligned to the budget process.

In the next three financial years, the Provincial Treasury will embark in the process of automation of supply chain management processes. This will ensure that tasks are performed with minimal human intervention or interaction, and will improve turnaround times, accuracy and compliance, amongst others.

INVESTING ON OVERSIGHT, TRANSPARENCY, AND ACCOUNTABILITY

Honourable Speaker and Members, as we reported during the MTBPS last year, our efforts to improve governance and accountability in the Province is showing a steady progress, as evidenced through recent audit outcomes.

We are now putting an increased effort to the Departments of Health, Education and Transport, to ensure that they also jump into the bus of those who registered unqualified audits.

Provincial department and entities must focus on implementing the Audit Improvement Plans so we don't regress as a collective.

Honourable Members, indeed, we must invest on oversight, transparency and accountability to eliminate inefficiencies in the system. I want to, once again, appeal to Executive Authorities, to implement consequent management where transgressions have been committed, if we are to come out of current challenges.

Likewise, there has been progressive improvements on the number of municipalities that adopted unfunded budgets in the current municipal financial year which has reduced from nine to seven municipalities in 2022/23.

We must support municipalities to improve their audit outcomes to unqualified status so we achieve more than eight that had improved audit outcomes during the 2021/22 financial year.

One of our major challenges is having majority of our municipalities in financial distress, which affects their financial sustainability. Causes for

this is poor revenue collection and poor implementation of the Cost Containment measures.

Our poor performance in infrastructure delivery is largely seen at municipalities, against high levels of service delivery backlogs. We continue to underspend on infrastructure grants whilst our roads are dilapidating, provision of electricity is in crisis mode and water & sanitation challenges are at our doorstep.

As a result, the Province continues to lose conditional grant funding due to this underspending and funds returned to the National Revenue Fund.

Provincial government will however enhance measures to assist municipalities improve the situation, through the risk adjusted strategy. We will work with them to identify additional revenue streams to improve revenue collection.

I also wish to implore us to pay municipalities for the services that they render. A consolidated debt owed to municipalities by 31 December 2022 was R32.1 billion, with households accounting for R23.8 billion, R6.4 billion by the business and R1.5 billion by organs of state.

Support and guidance is provided to Municipalities to improve procurement for infrastructure projects by implementing the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM).

CONCLUSION

Honourable Speaker, we must continue to improve in the work that we do, and be accountable to the public that has entrusted us with a responsibility to lead.

We are now just a year before the national elections 2024, and we can expect added pressure for government to deliver quality service.

The 6th term of government administration was a unique one, as the government had to use its resources responding to numerous economic shocks, including the COVID-19 pandemic, July 2022 riots, electricity crisis, recurrent disasters and labour unrests.

We must however continue to demonstrate fortitude and resilience at all material times, and consolidate our **stories of good progress**, using this budget to **advance the interests of the people** we serve.

At all costs, let us exercise good governance and transparency to realise value in our service delivery journey.

Lastly, I wish to thank the leadership of Premier Mabuyane and the support from all EXCO members during this budget process.

To Team Treasury, under the stewardship of HOD Majeke, I am genuinely thankful to your dedication, commitment and precision to mould an ever-difficult budget.

Thank you very much Madam Speaker.

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

VOTE	DEPARTMENT	AMOUNT R'000
1	Office of the Premier	1 208 377
2	Provincial Legislature	607 951
3	Health	28 139 339
4	Social Development	2 833 704
5	Public Works and Infrastructure	2 503 875
6	Education	41 128 250
7	Cooperative Governance and Traditional Affairs	1 050 901
8	Rural Development and Agrarian Reform	2 358 376
9	Economic Development, Environmental Affairs and Tourism	2 000 800
10	Transport	5 689 887
11	Human Settlements	2 535 202
12	Provincial Treasury	454 989
14	Sport, Recreation, Arts and Culture Community Safety	993 394
15	Community Safety	115 179
TOTAL		91 620 224



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