

2013 Budget Speech

Honourable Speaker,

Honourable Premier,

Honourable Members of the Executive Council,

Honourable Members of the Legislature,

Honourable Mayors,

Honourable Members of the House of Traditional Leaders,

Distinguished Guests,

Ladies and Gentlemen,

And all Eastern Cape citizens, watching in different districts as well as the public viewing sites - “good morning”!

Honourable Speaker, I consider myself honoured to be presenting this penultimate budget of our five-year term. In her state of the Province Address, the Honourable Premier enjoined us to embrace the National Development Plan particularly its stated objective of writing a different story in the years ahead, a story where-in every citizen is concerned about the wellbeing of all

other citizens, and the development of the country implies the simultaneous development of everyone who lives here.

Honourable Speaker, the budget I am presenting to this august house was informed in its preparation by the desire to make, even brighter, our collective destiny notwithstanding the challenging environment in which we live. I should upfront express my gratitude to the many concerned citizens of our province who have made many suggestions for consideration in finalizing this budget. It is indeed a testimony of our solidarity and commitment to our collective future.

Honourable Speaker, the year 2012 was in many respects a challenging one. As if the global economic downturn was not enough, South Africa experienced extreme volatility in the mining sector in the form of industrial action affecting most, the Platinum mines. While still reeling from the mining strikes, mother-nature also played havoc on us, with the result that the Eastern Cape suffered from devastating floods that destroyed much of our ailing infrastructure. We regret the tragic losses of lives during some of the events and sympathize with those left destitute because of the devastating effects of floods particularly in our province.

Honourable Speaker, not all was doom and gloom as we also remember the jubilation we felt when the oldest political party in the continent and the current ruling party reached its Centenary year. If there is any single example of sound planning and effective management of the economy overcoming adversity, South Africa's performance has been sterling as the country still recorded positive GDP growth of 2.7%.

Honourable Speaker, the 2013 Budget is presented when the world around us seems to be engulfed in turmoil. It is a time of uncertainty in which our government faces enormous challenges in the economic and social fronts.

The Budget I present today is crafted with the underlying key proposals:

- First, we must protect the inroads we have made in improving the lives of our people through providing a social safety network;
- Second, we must continue to build faith in the institutions of our province;

- Third, we must maintain fiscal discipline and promote value for money in all our endeavors in providing services to our communities;
- Fourth, the vast natural resources and talented human resources of our province must be mobilized in a manner that is closely aligned to our growth and development objectives;
- Fifth, we must continue to invest in the critical physical infrastructure that will unlock our province's productive potential and improve both economic opportunity and quality of life; and
- Sixth, our investment in the social sector must ensure that our entire population has ready access to high quality social services. It is equally important to mainstream the objective of environmental sustainability, and in particular, the implications of climate change in all our public policies and across all sectors of our economy.

Honourable Speaker, for all of this to be realized, the leadership in this House today, in Civil Society, Labour, Business and beyond must set the tone for everyone else to follow and ensure that every decision made must be consistent with and never

deviate from keeping our province on the path to a brighter tomorrow for all its people.

Global Economy

Honourable Speaker, as we walk the difficult path of development, we must be mindful of the realities of our circumstances and those of the changing global economy. The budget proposal that I am tabling today, like last year's, has been crafted against the backdrop of global economic uncertainty. This uncertainty highlights the downside risk of the entire South African economy. The global developments are also being transmitted to our economy through a dampening effect on foreign capital inflows.

Domestic Economy

Honourable Speaker, whilst cognisant of the global situation we should acknowledge the resilience and the positive growth rate of our economy while larger developed economies have recorded negative growth rates. Despite the difficulties in the fiscal conditions, the South African government at large has managed with commendable success, to engage in a sensible fiscal

consolidation based on the twin principles of prudence and enterprise.

This sensible management of the government's fiscal situation has not been easy nor has it been achieved without hiccups or some painful trade-offs. Thus, sticking to over-arching and desirable priorities inevitably involves curtailing expenditure in some other areas.

Honourable Speaker, this is the same message from the National Development Plan which has now been accepted as an important overarching and cross-cutting plan for South Africa's development. The plan will help SA to chart a new course by focusing attention on the development aspects that will broaden access to quality education, effective and efficient public health and transport systems, as well as economic growth and job creation.

Honourable Speaker, our provincial plan will focus more on harnessing our provincial specific attributes in line with the NDP. The broad view is that government should shift the balance of

spending towards programmes that help people improve their own lives and those of their children and the communities they live in.

Macroeconomic performance

Honourable Speaker, the modest performance of the South African economy is still far below target as to afford us the ability to address our challenges. We would require at most a steady 5% growth rate of the economy to create sufficient job opportunities in order to reduce the unacceptably high level of unemployment. The country's need to implement the NDP as a lasting strategy for entrenching robust economic growth that generates job opportunities remains urgent. The downgrading of our sovereign rating means that although we can still borrow to finance our needs, this will be at a higher cost.

Honorable Speaker, for the first three quarters of 2012, the provincial economy grew at an *average annualised rate* of 2.2%. Despite modest economic gains, certain sectors of the provincial economy have performed reasonably well and these include mainly Agriculture and Construction. The Agriculture sector

recorded an average annual growth of 4.5% followed by Construction at 4.1% for the first three quarters of 2012.

Provincial manufacturing which is dominated by the auto industry managed to modestly grow at 2.3% per annum over the same period. Some of the reasons for the sector's modest performance include a low growth in manufactured exports and subdued vehicle sales particularly within export markets. The manufacturing sector managed to generate more than 19 000 jobs in 2012. This picture suggests that we should double our efforts to grow the provincial economy to higher levels.

Review of the 2012 Budget Implementation

The implementation of the 2012 budget had a positive impact on our provincial economy.

Infrastructure spending

Honourable Speaker, in the recent past we have been criticized for our failure to spend our infrastructure allocations. I am happy

to report very drastic improvement in this area, most notable in both Education and Health.

- A significant reduction in outstanding payment blockages has been made through the implementation of the Interdepartmental Accounting Model (IDA) whereby the Department of Roads and Public Works pays service providers on behalf of Education. This has resulted in a significant improvement in spending of 70.35% at the end of February 2013 as compared to 40% at the end of February 2012. The Department of Health also recorded a significant improvement in infrastructure spending of R1,061 billion or 76% of its infrastructure budget at the end of February 2012 as compared to the same period in 2011.
- In addition, both Health and Education are also implementing the Infrastructure HR Capacitation framework in order to improve institutional capacity to implement more infrastructure projects in the new year.

Honourable Speaker, the Centralized Project Management Unit (CPMU) was established to improve infrastructure delivery in the province. This unit has made significant strides thus the improved infrastructure delivery and performance in the 2012/13 financial

year. The total provincial infrastructure spend at the end of February 2013 was recorded at R5.4 billion or 73,5% of the total adjusted infrastructure budget. This is an improvement when compared to the February 2012 expenditure of R3.7 billion.

Education outcomes

Honorable Speaker, we must acknowledge the excellent work done by our schools that is evident in the steady improvement of the ANA results as well as the 2012 Matric 2012. We have also recorded improvement in the provision of the Teacher Learner Support materials and the department is finalizing a process of providing ICT connectivity to all schools.

We also provided uninterrupted school nutrition, which fed approximately 1.7 million children; scholar transport which benefited approximately 54,000 children; and delivered Learner Teacher Support Materials to schools on time.

Healthcare services

A significant improvement has been observed in the manner in which the department is managing and accounting for the

resources it is entrusted with. In addition, the Eastern Cape province has done relatively better than expected in health outcomes. The department has worked relentlessly to improve health sector indicators such as:

- The infant mortality rate has improved from 75 to 70 infants per 1000;
- The number of patients who have access to Anti-Retroviral Treatment has increased from 188 544 to 224 800 in 2012;
- The number of facilities that offer Anti-Retroviral Treatment has increased from 580 2011 to 780 in 2012, 200 of which have been accredited.

We also acknowledge some challenges with the implementation of the 2012 budget being:

- There has been notable improvements in health infrastructure conditional grant spending, however, we must acknowledge the inefficiencies that still persist as spending on grants has not resulted in significant improvements in infrastructure delivery. In order to deal with this challenge, certain innovations were sought – the conditional grant for health infrastructure and the NHI pilots were consolidated

into the Health Facility Revitalization Grant. This will improve the flexibility and efficiency of our grant system going forward.

- We have experienced challenges with the planning, coordination and the capacity required to strengthen infrastructure delivery. Coordination between the three spheres of government is vital as it ensures that the relevant sphere of government provides project requirements such as bulk infrastructure timeously. We seek to strengthen coordination as it will improve the delivery of key infrastructure projects in future.
- However, we note and appreciate the inroads made by appointing qualified specialists and planners to address both planning and capacity issues going forward.
- The challenges around administrative reporting to national became evident when, in certain instances, EPWP funds allocated to the province were not forthcoming. The Executive has been closely monitoring this situation to ensure that much needed funds are received timeously and spent appropriately.

The Medium Term Outlook

2013 Budget Framework

Honourable Speaker, the 2013 Equitable Share allocation takes into account the results of the Census 2011 data that indicated a reduction in the estimated provincial population that resulted in the province's Equitable Share decreasing by a total of R5.1 billion over the MTEF.

Honourable Speaker, to mitigate against budget pressures because of the aforementioned revisions to the provincial Equitable Share, R1.2 billion has been allocated to the province over the MTEF, with an additional R299.6 million being allocated to the province in 2015/16. However, it should be noted that the funding to mitigate against the results of the Census 2011 will cease in 2015/16 and the province needs to have a plan in place to absorb the impact of the reductions going forward.

The Education Infrastructure Grant's budgeted growth in spending will remain high at 20% or R23.8 billion over the 2013 MTEF even though its MTEF allocation has been reduced. Although spending

on the Schools Infrastructure Backlogs Grant was low in 2012, we did manage to secure much needed funding over the MTEF to build more schools for our children.

Honourable Speaker, the Human Settlement Development grant has been updated with data from Census 2011, which show large shifts in the need for housing towards larger urban centres. Full funding will be allocated in 2013/14, and half the allocations will be allocated to provinces in 2014/15 and 2015/16. This will allow us to build houses for our communities.

Healthcare Services

Honourable Speaker, health-care provision cannot only be judged in terms of resource allocation, but by also improving access and health outcomes. Coupled with this is the need to improve administration systems to support the provision of quality healthcare. Hence the focus in 2013/14 will be on strengthening the implementation of the Supply Chain Management Reforms in order to improve the service delivery platform of the department.

Improving the provision of health-care to our people remains a priority and R4.4 billion is allocated over the MTEF for the continued fight against HIV, Aids and TB.

Poverty reduction and job creation

Honorable Speaker, a central focus of government's public policy revolves around poverty reduction and creation of decent jobs. The level of unemployment especially among our youth is one of our biggest challenges. Accordingly, this administration is accelerating strategic measures to create jobs and foster inclusive growth.

The national government has made available the jobs fund wherein the Eastern Cape's participation is driven through the Department of Economic Development and Tourism (DEDEAT). Additionally, allocations of capital budgets worth R5.2 billion to Human Settlements, Health, Education, Roads and Public Works in 2013 alone will have a positive effect on job creation and enhanced economic activity.

Honorable Speaker, the allocations for capital expenditure for the 2013 MTEF exceeds R20 billion, a staggering figure indeed for our province. Over the medium term, we will work tirelessly to improve our institutional capacity and ensure that we fully implement this capital budget.

Further, there are additional capital expenditure plans through state owned enterprises in the province. These will include continued Ngqurha Port expansion, improvements in the East London Port, a refurbishment of the N2, R72 and other roads by SANRAL.

While every effort is being made to support industries in distress and create jobs, our economy lost 69 000 jobs in the last quarter. Our mission over the medium term is to soldier on and intensify our efforts in job creation and support to small businesses. As such, funding for SMMEs over the MTEF amounts to R110.6 million. Furthermore, R108 million is set aside in 2013/14 for the erection of a wind tower manufacturing company; agro-processing and forestry projects as well the revitalization of strategic industries in an effort to create jobs and eradicate poverty in the province.

Tourism

Honourable Speaker, tourism remains one of the sectors in which the Eastern Cape has a significant comparative advantage given our vast and unique endowment of nature. It is anticipated that the sector's contribution to the economy will grow considerably in the future given recent gains. This is an industry that employs large numbers of people - assisting us to realize the key objective of job creation. As such, the Eastern Cape Parks and Tourism Agency has been allocated a total of R110.7 million over the MTEF for tourism related programmes.

Improved administration in the Education sector

Honourable Speaker, education is an important prerequisite for long term growth and reducing inequality. A social compact between communities, parents, teachers and learners is required for us to achieve the full potential of the education sector.

We acknowledge the commitment made by all stakeholders involved to deal with the movement of excess educators as well as the progress made to date. Together, we can deal with the remaining challenge of matching excess educators' profiles to the

post requirements and provide quality education for our children. Over the MTEF, funding will be allocated to HR related projects such as continued personnel verification and improved records management that will be done jointly with the national department.

Agricultural Development

Honourable Speaker, one of this Administration's main priorities continues to be the revitalization of the agricultural sector.

- As such, the Food Security programme has been allocated R119.2 million over the MTEF period through the Ilima/Letsema conditional grant with particular focus on crop production or ploughing.
- In order to boost agricultural production in the province, R442.2 million has been allocated over the MTEF for agricultural infrastructure that focuses on the revitalization of agricultural colleges and farm infrastructure.
- Support will be provided to commercial enterprises as well as Agri-Businesses with the aim of accessing markets.

Local Government

Honourable Speaker, the Eastern Cape communities, towns and metros are places where our people live and work, raise their children, and want to retire in dignity and security. Each council is responsible for delivering services that are central to the everyday lives of our people. Therefore, the functionality of the local governance system has to be strengthened in order to avoid compromising local service delivery.

Honourable Speaker, some of our district municipalities tasked with the provision of bulk infrastructure have been facing challenges in this regard and we welcome the support from National government through the provision of financial resources. This will make it possible for the Department of Human Settlements to provide much needed social housing to our communities, and as such, funding has been allocated over the medium term for over 50 000 housing units across the province.

Honorable Speaker, we are aware that the department of Local Government is continuing to support struggling municipal councils with technical capacity and guidance. In addition, Provincial

Planning and Treasury will enhance the roll-out of the CFO support programme in municipalities, which is allocated R38.7 million over the MTEF. This will provide much needed capacity in this sphere of government. We also welcome the recognition by the Honorable President of the challenges of our district municipalities and the promise to assist from national government.

Efficiency, effectiveness and curbing corruption

Budgeting is not only about expanding expenditure on constructive and necessary activities, it is also about rooting out waste, promoting cost-efficiency and phasing out ineffective spending. R51.6 million is allocated over the MTEF for the provision of technical support in Health and Education to improve operational efficiency. We have also put measures in place to minimize the impact of baseline reductions due to Census 2011 as follows:

- The introduction of measures to shift the budget focus towards core service delivery items;
- Provincial departments to complete their personnel headcount and verification in the 2013/14;

- Effective and proper sick leave management by departments, including dealing with incapacity and other related cases;
- Departments to revisit their service delivery models and streamline the duplication of functions and support staff;
- Corruption is the scourge that eats away at the integrity of our government. The Eastern Cape province pioneered a policy to prohibit public servants from doing business with government. We will intensify the implementation of this policy in the medium term. We welcome moves by National government to legislate this prohibition. Our government's ability to effectively promote pro-poor growth is dependent on the efficacy of its public financial management practices. Transparency and accountability are cardinal principles upon which this Administration continues to manage its finances.

Other Considerations

Honourable Speaker, our efforts to shift expenditure from consumption towards investment spending resulted in a 2% top-slicing from departmental baselines. Furthermore, improvements in monitoring public entities resulted in the collection of revenue

which was previously retained. A portion of these funds will be used specifically to fund programmes and projects that we believe have the potential to generate economic activity and create jobs for our people:

- First, improving the provincial road network, especially the refurbishment of access roads to rural schools. Honorable Speaker, I received a heartwarming letter from Ntsikelelo Jadezweni who works with rural schools around Dutywa telling us of leaners in Siyibane Senior Primary School who often have to be dropped off half way to their school by their scholar transport due to the poor condition of their access road. These scholars have to walk considerable distances to complete the trip to school. In addition, their scholar support material is forced to be delivered half way to their school and leaners have to then carry it over their shoulders to their school due to the bad conditions of their access road. I am sure you all agree that this is a barrier to our schooling system and hence, the intention to address it during the medium term.
- Second, the extension of the scholar transport programme will be prioritized; and

- Third, support to the IDZ's as and when required in lieu of requirements for setup costs required by foreign investors. We have been informed that many a times investors who could have settled in our IDZ's have located elsewhere due to our inability to overcome this hurdle.

In addition Honourable Speaker, a portion of these funds will be set aside to create a buffer for the anticipated fiscal cliff that the province may experience during the outer year of this MTEF period. It must be mentioned that these funds will remain in the Provincial Revenue Fund and it is anticipated that they will be allocated during the Adjustment Estimates on submission and careful evaluation of credible and sound business plans and the capacity to deliver.

The Main Appropriation Bill

The total provincial budget amounts to R59.2 billion and it is allocated as follows:

Office of the Premier is allocated R458.1 million in 2013/14 totalling R1.4 billion over the MTEF for the following:

- Provincial human resources management and development;
- Tackling corruption and fraud in the public service through its public service transformation agenda; and
- Implementation of the Disaster Recovery Project and Data lines.

Provincial Legislature is allocated R409.5 million in 2013/14 totalling R1.2 billion over the MTEF to:

- Broaden public participation in public administration; and
- Strengthen government oversight.

Provincial Planning and Treasury gets R374.8 million in 2013/14 totalling R1.1 billion over the MTEF for:

- Strengthening of financial management in provincial departments and municipalities,
- The continued provision of technical hands-on support in the departments of Health, Education, Roads and Public Works; and
- Continued support to the Provincial Planning Commission.

The Department of Sport, Recreation, Arts & Culture is allocated R715.1 million in 2013/14 totalling R2.3 billion over the MTEF for:

- Renovations of museums to preserve our living heritage;
- Promote Arts and Culture through its support to the Eastern Cape Provincial Arts Council;
- The provision of accessible library and archives services;
- Sport Tourism; and
- The construction and renovation of sporting facilities.

The Department of Safety and Liaison is allocated R69.9 million in 2013/14 totalling R218.2 million over the MTEF for:

- Oversee the effectiveness and efficiency of the South African Police Service (SAPS) in the province;
- Ensure effective social crime prevention; and
- Intensifying the fight and elimination of violence against women and children.

The Department of Local Government and Traditional Affairs is allocated R840.8 million in 2013/14 totalling R2.5 billion over the MTEF to:

- Support and capacitate institutions of Traditional Leadership;
- Intensify hands-on support to municipalities focusing on financial and human resource management to improve audit outcomes; and
- To support municipal planning to ensure improved access to essential services.

The Department of Health is allocated R16.5 billion in 2013/14 totalling R51.8 billion over the MTEF for:

- The completion of the Cecilia Makhiwane Phase 3 project which will provide a nursing training college and accommodation;
- Implement supply chain reforms to improve audit outcomes; and
- The rollout of a GenExpert machines used in improved diagnostic test for TB.

The Department of Education is allocated R26.9 billion in 2013/14 totalling R85.8 billion over the MTEF:

- For the delivery of quality education to Grades R to 12;
- Monitoring and supporting learner performance and achievement in basic education in accordance with curriculum delivery standards;
- Improving the capacity of educators, school managers and school governing bodies; and
- The provision, maintenance and rehabilitation of education infrastructure and facilities.

The Department of Social Development is allocated R2 billion in 2013/14 totalling R6.3 billion over the MTEF for:

- The implementation of the Child Justice Act;
- Reduce substance abuse and social crime;
- Improve the quality of life of people with disabilities;
- Absorb social worker graduates; and
- Support NGOs in the province.

The Department of Roads and Public Works is allocated R3.6 billion in 2013/14 totalling R11.3 billion over the MTEF for:

- For the construction and maintenance of surfaced roads;
- Repair of flood damaged roads;
- The provision of office accommodation for provincial departments; and
- Continuing construction of capital projects.

The Department of Rural Development and Agrarian Reform is allocated R1.7 billion in 2013/14 totalling R5.3 billion over the MTEF for:

- The promotion of viable and profitable farming business enterprises;
- Improved access to affordable and diverse food;
- Rural job creation linked to skills training and promoting economic livelihoods;
- Implementation of the Rural Development Strategy; and
- The provision, maintenance and rehabilitation of various agricultural infrastructure including irrigation schemes and dipping tanks.

The Department of Economic Development, Environmental Affairs & Tourism is allocated R1 billion in 2013/14 totalling R3 billion over the MTEF for:

- Attraction and retention of manufacturing businesses in diversified priority sectors in the two industrial development zones;
- Enhancing support to SMMEs and Co-operatives throughout the Province;
- Increased focus on agro-processing, especially in rural areas; and
- Attraction and retention of manufacturing businesses in diversified priority sectors in the two industrial development zones.

The Department of Transport is allocated R1.5 billion in 2013/14 totalling R4.7 billion over the MTEF for:

- The advancement of the delivery of Public Transport while aiming towards the implementation of a provincial transport master plan;
- The enhancement of Traffic Management;
- The enhancement of revenue administration capacity; and

- The provision of capacity for the management of government fleet services.

The Department of Human Settlements is allocated R2.8 billion in 2013/14 totalling R6.1 billion over the MTEF for:

- The facilitation of the provision of accommodation units within the gap market for people earning between R3 500 and R12 000;
- The human settlement grant will be spent on the completion of over 50 000 housing units; and
- The urban settlements development infrastructure grant will target improving bulk infrastructure in Buffalo City and Nelson Mandela Bay Metros.

Conclusion

In conclusion, Honorable Speaker, I would like to assure the people of the Eastern Cape that when crafting this budget, we had two goals in mind:

- i. Intensifying Basic Service Delivery to the people; and
- ii. Intensifying infrastructure delivery to generate economic activity and create jobs for our people.

Honourable Speaker as I had mentioned earlier, the economic environment domestically and in the globe is depressed and unfavorable. It calls for leadership and prudence in the utilization of available resources. As we navigate through this challenging period, trade-offs are inevitable. Whilst there is political will and administrative technical capacity within government, it is through a social compact with Civil Society and our communities that we could guarantee success and a better future for all the people of our province.

Let me take this opportunity to thank the Premier, the Executive Council and Members of the Cabinet Committee on the Budget who share with me the collective responsibility for the overall integrity and coherence of the Budget.

Also, I would like to say a special thank you to the Provincial Planning and Treasury team for putting together this budget and its related publications.

Honorable Speaker, allow me the opportunity to table the Estimates of Provincial Revenue and Expenditure for the 2013

MTEF; the Estimates of Public Entities Revenue and Expenditure for 2013/14; and the 2013 Appropriation Bill.

I thank you!