



EASTERN CAPE
BUDGET SPEECH
2017/18



Province of the
EASTERN CAPE
PROVINCIAL TREASURY

**EASTERN CAPE 2017 PROVINCIAL
BUDGET SPEECH
HONOURABLE S. SOMYO - MEC FOR FINANCE**

2 MARCH 2017

Honourable Speaker,
Honourable Deputy Speaker,
Honourable Premier,
Honourable Members of the Executive Council,
Honourable Members of the Eastern Cape Legislature,
Leadership of State Owned Enterprises,
Traditional Leadership,
Religious Fraternity,
Leaders of Labour,
Business Leaders,
Director General, HODs and Senior Government Officials
Distinguished Guests
Uluntu lwaseMpuma Koloni luphela, Molweni

Somlomo silapha ngale njikalanga kuleNdlu ibekékileyo sizokothula intetho yohlahlo lwabiwo Mali yePhondo leMpuma Koloni yonyaka mali ka 2017/18. Sikwenza oko ngenzame zokufezekisa iminqweno yabantu beliphondo equka ukufumana imisebenzi, iinkonzo zempilo, imfundo ekumgangatho ophezulu, nobomi obungcono jikelele kubantu bephondo nentsapho zabo.

Honourable Members, this year marks the Centenary Celebrations for the late former ANC President Oliver Reginald Tambo, who led the struggle for our liberation during the most vicious times of the apartheid government. Comrade O.R. was an embodiment of the values of unity and solidarity hence the governing party has correctly dedicated this year to celebrate his life under the clarion theme of “Unity in Action” to move South Africa forward.

The enormity of the task that lies ahead is too great to adequately fathom, but if we are united we can emerge victorious. It is for this reason that we ought to draw inspiration from the sharp mind of Comrade OR Tambo in the January 8th Statement of 1980 where he said:

“The need for the unity of the patriotic and democratic forces of our country has never been greater than it is today. Our unity has to be based on honesty among ourselves, the courage to face reality, adherence to what has been agreed upon, and to principle.”

On the 17th of February 2017, the Honourable Premier issued unifying directives and called for enhanced cooperation between government, labour and business.

This Budget is in tandem with this visionary outlook and is equally aligned to the broad priorities as outlined in the State of the Province Address (SOPA). Put differently, it is an expression of the vision in numbers.

The budget we are presenting today reflects the work we are doing to improve the lives of our people and also expresses what we intend to do over the MTEF to **advance radical economic transformation and delivery of quality services to our people**. It is a budget that is aimed at reshaping the economic landscape of the province, to address the triple challenges of unemployment, poverty and inequality faced by our people.

As the ANC-led government we can state without fear that we have laid a firm foundation to fulfil the vision that Oliver Tambo spoke about. Despite the enormity of challenges, we pride ourselves for continuous improvements to better the lives of our people. Since 1994, 75 % of households are now having access to piped water and 85,4 % have access to electricity.

Honourable Speaker, the Institute of Race Relations states that living conditions in South Africa have significantly improved with the number of households with formal housing having increased by 131.3 % since 1996 translating into 1042 houses built every day. This is just to highlight a few in many achievements.

Simanxadanxada!

ECONOMIC OUTLOOK

Honourable Members, while the global economic environment remains undefined, indications are that we have entered a period of recovery. The International Monetary Fund is anticipating a 3.4 % global economic growth for 2017, a slight improvement from the 3.1 % estimate for 2016.

The weak global and domestic economic environment has had a knock-on effect on the levels of economic activity in our province. Quantec 2016 reported that provincial economic growth is likely to have contracted in the third quarter by 0.3 % following an expansion of 2.3 % in the second quarter of 2016. The sectors which are mostly affected by the decline were manufacturing, wholesale and retail. We are however optimistic that the National Economy would break the 1.3 % forecast by National Treasury and set the province on an upward economic trajectory.

Honourable Members, from the last quarter we have noted the positive strengthening of the rand which has even reached highs of about **R12.80 to the US Dollar by last week of February 2017**. This is largely due to the fact that South Africa managed to escape from being downgraded to junk status by the credit rating agencies. The firming of the rand has also been positively affected by the recent improvements in trade following the modest increase in commodity prices as we shift into global commodities up cycle.

This will have positive spin-offs for our economy. A strengthened rand will off-set consumer inflation and increased fuel costs associated with rising commodity prices.

It will also enable the import of cheaper priced capital goods and inputs for our build programme and manufacturing industry.

Honourable members, without economic growth we will not be able to generate the levels of revenue required to sustain our infrastructure investments and social programmes. We must as a province, across all sectors and among all stakeholders, become seized with the responsibility of growing our investment and output.

Here we must work hand in hand with the private sector to reduce costs of doing business and address constraints to business expansion. We will also prioritize addressing barriers to entry for black-owned start-ups and entrepreneurs. This is in line with our stated objectives of radical economic transformation and inclusive growth. Without increased levels of economic participation, our economy will remain stagnant.

It is this course that would guarantee sustainable jobs for the people of our province, in particular the youth. It will also create a fertile ground for businesses to grow leading to an overall improvement in the quality of life for our people. We are committed in addressing the challenge of unemployment which in turn causes poverty and inequality.

We hear you, we see you, we live amongst you, and we know your daily experiences.

BUDGET STRATEGY

Honourable Members, since the commencement of this term of government, there has been a decline in the provision of equitable share from the National Fiscus. This means that the **Provincial government has to continue doing more with less.**

As if this was not enough, we had to sustain a further 1 % drop in our budget as a direct result of the adverse economic environment which also had an effect on the National fiscal envelope. However we have proactively devised means of mitigating against these budget cuts through the implementation of a budget strategy that entails the following focus areas:

1. Fiscal Sustainability
2. Strict implementation of cost containment measures
3. Containment of the Provincial Wage Bill
4. Increase in Own Revenue Generation; and
5. Rationalisation of Public Entities

Fiscal Sustainability

Honourable Speaker, to contain the impact of the budget reduction, non-core service allocations have not been increased, but are either kept at existing expenditure ceilings or reduced to fund critical frontline services. Programmes targeting the reduction of waste and inefficiencies in spending initiatives within provincial departments and entities will be continued. In addition, we will still pursue curtailment of the growth in the provincial wage bill.

Cost Containment Measures

Honourable Members, you will remember that in the previous budget we committed to implement cost containment measures throughout government in order to mitigate against the tight fiscal envelope. We have since realised savings of **R723.4 million** in 2016/17 from these initiatives. This has afforded an opportunity for government to redirect these savings towards core service delivery and economic growth initiatives.

Tomas Bert Lance, who was the Director of Office Management and Budget in Jimmy Carter's administration once explained that **"the trouble with government is fixing things that aren't broken and not fixing things that are broken."** We are adopting a simple motto of **"If it ain't broke, don't fix it,"** hence we are continuing with the implementation of these cost containment measures.

Containment of the Wage Bill

Honourable Members, as a major driver of the provincial expenditure, the continuation of rebalancing the provincial wage bill remains a key requirement over the medium term.

The objective of this focus is to ensure that the expenditure on Compensation of Employee's (COE) budget does not crowd out all other expenditure particularly on core service delivery. Currently, the Eastern Cape Provincial Government employs 144 571 public servants who constitute 64.6 % **(R48.1 billion)** of COE costs, a decrease of 0.4 % from the 2016/17 main budget.

To this end the centralization of the approval of posts to be filled will still remain with the Provincial Coordinating Monitoring Team (PCMT) residing in the Office of the Premier. We require precision to finalise such processes.

Own Revenue Generation

Honourable Members, creativity and innovation is required in challenging times. It is thus a requirement for the provincial government to supplement its fiscus through generation of own revenue.

The improvement in projected own revenue is due to the implementation of revenue enhancement strategies at the key revenue generating departments, namely Transport, Health, Roads and Public Works and Economic Development, Environmental Affairs and Tourism.

The Department of Rural Development and Agrarian Reform has been included as another key revenue contributor over the MTEF in respect of the sale of livestock, agricultural products and veterinary services.

At the end of December 2016, we have collected **R1.220 billion**. In the 2017/18 financial year we are projecting to collect an amount of **R1.501 billion**.

This goes a long way in our attempt to balance and expand our budget.

Rationalisation of Public Entities

Honourable Speaker, as part of the decisions we took to maximise efficiencies and strengthen governance structures of all provincial entities, the rationalisation of public entities is being implemented.

As alluded to by the Minister of Finance, Honourable Pravin Gordhan in his Budget Speech last week, Public Entities **“play an important part in restructuring and strengthening of our economy”**. Moreover, in light of the fiscal austerity constraints and declining transfers from national fiscus, a need to cut operational costs has also been identified as one of the measures to improve efficiencies.

BUDGET FRAMEWORK

Honourable Members, the Eastern Cape Provincial Government finances its budget through National Transfers (Provincial Equitable Share and Conditional Grants) and Provincial Own Receipts.

The projected receipts for the 2017/18 financial year are **R74.646 billion**, which consists of:

- Equitable Share of **R61.847 billion** which accounts for **82.9 %** of provincial receipts,
- Conditional Grants of **R11.297 billion** which accounts for **15.1 %** , and
- The Provincial Own Receipts of **R1.501 billion** which accounts for **2 %** .

Honourable Members, our provincial fiscal policy over the 2017 medium term will focus on giving greater impetus to raising the level of regional economic growth through improved capital investment, supporting enterprise development, promoting primary agriculture production, agro-industry development and ensuring efficient and effective service delivery at municipal level.

The bulk of our budget is allocated towards social sector, which accounts for 89.1 % **(R60.956 billion)** of our total budget. This is in line with assertions made by Minister Gordhan of our continued commitment to address social rights which are the basis of the vision of a better life for all.

EDUCATION AND HEALTH

In the words of Oliver Tambo: “The children of any nation are its future. A country, a movement, a person that does not value its youth and children does not deserve its future”.

The essence of what OR Tambo spoke about is captured in a tip that we received from Buyiswa Bala when she says: **“We congratulate our government for the role they have played to improve part of our education. I appeal to our government to improve poor conditions of schools in our townships and rural areas.”**

Honourable Members, the concerns of Ms. Bala are valid and that is why when we commenced this term, we highlighted that the systemic challenges in our basic education are symptomatic of socio economic challenges that mainly manifest themselves in the classroom.

To address these, we are allocating **R32.989 billion** to the Department of Education in 2017/18 and **R105.673 billion** over the MTEF in line with Transformation Plan to advance the resourcing and delivery of quality education in our province

Our focus is on creating a conducive environment for teaching and learning to take place in order to empower learners with the requisite skills to become productive citizens. Our support to quality education is through:

- Provision of qualified teachers,
- Adequate and timely distribution of Learner Teacher Support Material (LTSM)
- School infrastructure
- School Nutrition and Scholar Transport

We are making sure that there is a Teacher in front of a Learner. Of the 54 747 posts in terms of Post Provisioning Norms (PPN), 52 712 posts were filled at the end of December 2016. An amount of **R22.455 billion** is allocated in the 2017 academic year in terms of Educator Post Provisioning Norm to improve the quality of teaching and learning in our public schooling system. This amount is projected to grow to **R72.804 billion** over the MTEF.

Makubekho ooTishala phambi kwabantwana besikolo.

The sufficient and timely delivery of Learner Teacher Support Materials (LTSM) is a pre-requisite for the achievement of quality education outcomes. We have thus allocated an amount of **R595.8 million** in 2017/18 and **R1.7 billion** over the MTEF to purchase stationery and textbooks for quintile 1 to 3 schools.

Honourable Members, as you are aware our government has consistently advocated for a pro-poor agenda where in the well-being of children from poor households is safe guarded at all times. The National School Nutrition Programme has been allocated an amount of **R1.149 billion** in 2017/18 and **R3.643 billion** over the MTEF to benefit about 1.7 million learners from Quintile 1 to Quintile 3 schools as well as qualifying learners in quintile 4 and 5.

Honourable Members it is our considered view that getting the basics right at the Early Childhood Development (ECD) phase is a right approach of ensuring that learners grasp the curriculum concepts from an early age. We are making great strides in ensuring universal access to ECD. An amount of **R639.6 million** is allocated in 2017/18 and **R2.031 billion** over the MTEF.

A number of issues including the migration of parents to urban centres are adversely affecting rural schools.

This however is not deterring us from our obligation of adequately resourcing schools in our province, especially previously disadvantaged schools. We are allocating **R1.636 billion** in 2017/18 and **R4.720 billion** over the MTEF to build and resource school infrastructure including hostels such as Healdtown, Hillside, Makaula SSS, Riebeeck East and Thubalethu Secondary School.

Honorable Speaker, Sinomtha Saba was speaking during the Post Budget breakfast of the Minister of Finance and she said: **“I am very concerned about the issue of transport in the Eastern Cape rural areas where kids don’t have access to transport to get to school. They walk long distances and there is a high risk of danger such as rape...”**

We have noted her concerns and we can assure her that we are gradually improving access to scholar transport for learners in our province. We are allocating an amount of **R491.7 million** in 2017/18 to benefit 72 121 learners. This is an increase of 7121 from the previous financial year.

HEALTH

Honourable Members, the Office of the United Nations High Commissioner for Human Rights says, “Our health is a matter of daily concern. Regardless of our age, gender, socio-economic or ethnic background, we consider our health to be our most basic and essential asset”.

As highlighted by the Honourable Premier during the tabling of the State of the Province address, the maternal mortality rate has reduced. The prevalence of HIV/AIDS for people between 15 and 49 years of age has reduced as a result of enhanced ARV distribution. The TB treatment success rate currently stands at 83.6 % . Without a doubt this indicates that the health profile of the province is on a sound footing. We are allocating to the Department of Health an amount of **R21.707 billion** in 2017/18 and **R70.163 billion** over the MTEF to ensure that our people continue to receive quality health care services.

The Comprehensive HIV/AIDS and TB Programme, receives an allocation of **R2.040 billion** in 2017/18 to continue with the rollout of our HIV/AIDS and TB Programmes.

Honourable Speaker, without a capacitated workforce in health, our noble efforts of improving the health profile of the province will be undermined. We are allocating an amount of **R10.479 billion** in 2017/18 for health practitioners including doctors, nurses and specialists.

When patients arrive at our health service facilities they should find a conducive environment that is characterised by adequate infrastructure amongst other things. We are thus allocating an amount of **R1.444 billion** in 2017/18 towards the provision of health facilities such as the upgrade of Cecilia Makiwane Hospital Phase 4C, EMS Training College in Port Elizabeth, the construction of a new hospital in Mjanyana, and refurbishment and rehabilitation of water and sanitation at Tafalofefe Hospital.

Honourable Members, Medico legal claims against the Department have remained one of the most significant contingent liabilities and this has unfortunately increased over the years.

However, this is a concern against the tight fiscal envelope wherein resources are not utilised for service delivery due to these litigation costs. Initiatives such as purchasing of incubators for infants in distress, strengthening of electronic document management and patience records, and conducting community awareness and training programmes are allocated an amount of **R 43.2 million** over the MTEF.

Human Settlements

Honourable Speaker, at the centre of our struggle for freedom was the restoration of the dignity of our people which was premised on the creation of habitable and safe living conditions. Through the Department of Human Settlements we have and will continue to provide our people with quality human settlements which would guarantee dignified social and economic livelihoods.

We have not only built 11 000 quality houses by the end of December 2016 but have also created more than 15 000 employment opportunities targeting our youth and women.

Abantu baphaya eKenton-on-Sea, eDeberha eNgcobo, abase Thaba Chicha eLusikisiki kwakunye nama Gqala omzabalazo eKomani bangangqina ukuba urhulumente ufikile kwindawo abahlala kuzo wabutshintsha ubomi babo.

An amount of **R2.239 billion** is allocated in 2017/18 to the Department of Human Settlements and **R6.902 billion** over the MTEF to continue building adequate housing for our people in line with the Freedom Charter principle which states that **“There Shall be Houses, Security and Comfort”**.

Social Cohesion

Honourable Members, I am quite certain that all of us have at some time in our lives experienced the love and warmth of grandparents within our family units. We should all be concerned and take particular interest on how our current society relates to older persons. Their abuse is not in line with the value system of “respect your elders so that your days in life can be prolonged” that many of us subscribe to.

It is for this reason that government is allocating **R180.8 million** in 2017/18 and **R575.3 million** over the MTEF to ensure the provision of care, support and protection for older persons. We will continue to fund 2163 older persons who will access residential facilities and 15 352 older persons who will access Community Based Care and Support Services. Of this amount **R115.4 million** is allocated over the MTEF for frail care services.

We are equally concerned by the rate of substance abuse that is eroding the moral fibre in our communities. This is a fight that government alone cannot win; hence we call on families, leaders of society including business to support our efforts of implementing integrated prevention programmes that are aimed at curbing substance abuse targeting in and out of school youth. An amount of **R76.9 million in 2017/18 and R263.8 million over the MTEF** is allocated for these interventions.

Honourable Speaker, through the Department of Social Development, we are allocating **R80 million** in 2017/18 and **R253.8 million** over the MTEF to fund 10 978 persons with disabilities who will be accessing community based rehabilitation services. The most vulnerable groups of our society, the youth and women are not left out of this budget. We are allocating **R83.2 million** in 2017/18 and **R264.9 million** over the MTEF to fund youth skills development programmes and women livelihoods initiatives.

Honourable Speaker, the Department of Sports, Recreation, Arts and Culture is allocated an amount of **R177.6 million** in 2017/18 and **R580.6 million** over the MTEF for the advancement of sport and recreation in the province.

An amount of **R203.8 million** is allocated for cultural affairs in 2017/18 and **R620.9 million** over the MTEF to continue with the implementation of programmes that are aimed at promoting and developing creative industries, transforming heritage landscape, promoting a culture of reading and lifelong learning, and promoting multilingualism with a view of contributing towards the attainment of a cohesive society.

An additional, **R75 million** is allocated for the Oliver Reginald Tambo Centenary celebrations and legacy therefore which includes the Memorial Lectures, Oral History Conference, OR Tambo Marathon, OR Tambo Choral Music Festival and upgrading of the Nkantolo Road from R61 to OR Tambo Garden of Remembrance.

BOOSTING INVESTMENTS AND CREATING JOBS

Honourable Speaker, our approach to radical economic transformation is premised on inclusivity that brings on board every community in our province. As per our effort to create employment, closing the gap of inequality and addressing poverty, the Economic Sector is allocated an amount of **R10.209 billion** in the 2017/18 financial year and **R31.699 billion** over the MTEF.

We have adopted a Provincial Economic Development Strategy (PEDS) which we will implement in earnest during the next financial year. As indicated in the SOPA this will see an enhanced focus on the six economic sectors where the province has comparative advantage namely;

- Agricultural Development
- Tourism
- Automotive Industry
- Light manufacturing
- Renewable Energy
- Oceans Economy

It is our overarching vision that we create an enabling economic infrastructure which will see the rapid modernization of our economic centers whilst attracting new investors into the remote areas where our people live.

The ELIDZ and Coega together with the ECDC remain key institutional pillars of our economic strategy. The fact that 18 216 permanent jobs were created through their efforts in the current financial year bears testimony to their strength of attracting investors and creating work opportunities.

We pride ourselves that our IDZs currently host an investment value estimated at **R37 billion**. It is for this reason that we ought to manage the SEZ Act transitional process with speed and due diligence. We are allocating **R140 million** to assist our IDZs towards full compliance with the SEZ Act and building necessary infrastructure to advance industrialisation.

For the province's pride, Department of Economic Development, Environmental Affairs and Tourism should get closer to these entities in ensuring stable governance and provincial ownership.

REVITALIZING AGRICULTURE AND AGRO-PROCESSING

Somlomo, ifuthe lesithwakumbe sembalela esigqugqisileyo kunyakaophelileyoliyathomalala. Kungokosinethembalokuba ingeniso yezolimo kuqoqosho lwephondo izakunyuka.

The agriculture sector had already experienced positive growth of 1.2 % in the 3rd Quarter of 2016. The Department of Rural Development Agrarian Reform is allocated **R2.205 billion** in 2017/18 and **R6.991 billion** over the MTEF to implement our Agricultural Economic Transformation Strategy which is aimed at commercializing agriculture in rural communities focusing on crop and livestock production.

An amount of **R506.1 million** in 2017/18 and **R1.578 billion** over the MTEF is allocated to enhance food security in the province. The Comprehensive Agricultural Support Programme (CASP) receives an allocation of **R248 million** in 2017/18 and **R807.9 million** over the MTEF for crop production, farm infrastructure projects and revitalization of the Agricultural Colleges.

In addition an amount of **R257 million** is allocated for the implementation of the new agricultural strategy and to increase grain production, citrus fruit, deciduous fruit, vegetable and animal production.

Honourable Members, the RED Hub programme which we have implemented successfully in Mqanduli, Ncora and Lady Frere continues to be the flagship programme for primary agriculture production.

We are now establishing a new RED Hub in Tshabo, here in the Buffalo City Metro with an allocation of **R64.4 million** over the MTEF. **URhulumente wenu ufikile ke Mandlambe makuyiwe emasimini.**

Honourable Members, if we are to effect radical change in the economy of our province and free the youth from unemployment, we must encourage them to participate in the agricultural sector.

They do not have to look outside the province for inspiration; we have here in this province 28 year old Dairy farmer Tshilidzi “Chilli” Matshidzula who has converted the farm, Little Barnet, into a dairy farm with an annual turnover of **R14.5 million**.

Nothing could be more inspiring than his words when he accepted the Young Farmer of the Year Award where he said: “The award is an honour and a privilege. I believe it will go down in history as an inspiration to a lot of kids who are still at school, particularly the ones that went through the same (challenges) that I did. There are a lot of kids out there, especially black kids, who carry the perception that farming is more for white people.” Mr Matshidzula is here with us today.

ROADS INFRASTRUCTURE

Honourable Members, large parts of our province are still facing backlogs in roads infrastructure. To advance radical economic transformation, an efficient and integrated road network that serves as a catalyst for social and economic development and underpinned by improved rural access must be achieved. We have made unprecedented investments to turn the entire Eastern Cape roads network into a construction site.

We are allocating **R2.338 billion** in 2017/18 and **R6.958 billion** over the MTEF for roads infrastructure delivery in the province. This will see the continuation of projects such as the Sabalele road, Isiphethu Hospital road Phase 2, Magusheni road Phase 1, Isilimela Hospital road and Centane to Qholorha Phase 2.

An additional amount of **R261 million** in the 2017/18 financial year and **R566 million** over the MTEF is allocated to the Department of Roads and Public Works.

We must however highlight that our efforts to upgrade our roads network is being undermined by cost factors which are highly exorbitant compared to other provinces. The Provincial Treasury is undertaking an assessment of how we can address this phenomenon in order to ensure better returns on our investment given the constrained fiscus.

SMALL TOWN REVITALIZATION PROGRAMME

Honourable Speaker, we have taken a decision to revitalize small towns by focusing on essential infrastructure such as the provision of electricity, water and sanitation in various identified small towns. This programme aims to rekindle the Local Economic Development (LED) through the training of young professionals including the beneficiation of local business in their respective areas.

The coordination of the small towns revitalization programme will be done through the Office of the Premier and an amount of **R136.5 million** is allocated in 2017/18 and **R584.4 million** over the MTEF for this purpose.

Kubantu base Dikeni, eKirkwood, eLibode, eNgqeleni, eMt Ayliff, ePort St Johns, eMt Fletcher, eNtabankulu nase Mbizana, imeko yedolophu zenu izakuphucuka kakhulu emva kolutyalo mali.

SOCIO-ECONOMIC INFRASTRUCTURE

Honourable Speaker, in preparation for this budget our people provided us with inputs on how we can improve our social infrastructure. We are aware of the backlogs in services such water and sanitation which we still have to deliver to our communities.

At the beginning of this term we adopted an Infrastructure Delivery Framework in-order to improve infrastructure service delivery challenges. In 2015, we prioritised and funded a number of social infrastructure projects in KSD Local Municipality, Ntabankulu Local Municipality, Joe Gqabi District Municipality, Chris Hani District Municipality and Mbhashe Local Municipality.

We are pleased with the progress made in municipalities in terms of social infrastructure which has improved the lives of our people. We will continue to provide the necessary support by allocating an amount of **R333.1 million** towards the Social Infrastructure Programme wherein major beneficiaries amongst others will be the R61 by-pass KSD, Tombo road leading to Silaka Nature Reserve in Port St John and Mbashe LM roads.

We are also allocating **R90.8 million** to Provincial Cogta as a short term intervention for the electrification programme in targeted rural communities. Furthermore, an assessment is underway in Queenstown under Enoch Mgijima LM to identify the magnitude of the electricity challenges that are hampering businesses operations. A similar process will be replicated in the Cofimvaba-Engcobo corridor working with Chris Hani DM to address socio economic infrastructure challenges.

UNLOCKING THE POTENTIAL OF SMMES IN THE PROVINCE

Honorable Speaker, during the pre-SOPA Business Engagement Sessions, organized by the Office of the Premier, it became clear that many of our local businesses, especially those headed by youth, women and persons with disabilities, are feeling left out in the economic agenda of the province.

This is a genuine concern and we are already implementing the approved Local Economic Development Procurement Framework (LEDPF) to change the status quo. Since April 2016, Government departments spent **R10.3 billion** on goods and services. Of this amount, **R 4.8 billion** or 47 % was spent on suppliers located in the Province.

For 2017/18, Provincial departments have budgeted **R13 billion** for goods and services expenditure and Provincial Treasury will monitor and support departments to ensure at least 50 % of this budget goes to Eastern Cape based suppliers.

Furthermore, Provincial Treasury recently awarded a three year Transversal Term Contract for protective clothing wholly to Eastern Cape based manufacturers.

This process will be further enhanced by our SCM reforms and the revised Preferential Procurement Policy Framework Act to be implemented by 1 April 2017, which makes it compulsory for all contracts above **R30 million** to sub-contract 30% of work to small or black owned enterprises where feasible.

Honourable Speaker, equally important is the development of skills and sustainable youth enterprises as part of the radical economic transformation agenda.

We will set aside **R120 million** to cater for this demand once credible business plans are in place. Honourable Members, we urge SMMEs to register on the Central Supplier Database to enable them to do business with government, while also strengthening government's ability to better monitor the payment of creditors within a 30-day period in order to ensure that SMME's cash flows and financial sustainability is improved.

BUILDING AN EFFICIENT, EFFECTIVE AND DEVELOPMENT-ORIENTED PUBLIC SERVICE

Honourable Members, last year in this august house the Auditor General presented the Provincial Audit Outcomes which were a positive indication of the improvement in the governance and systems of our provincial administration. For the first time since the dawn of democracy, 13 out of 14 of our departments achieved unqualified audit outcomes.

All 10 of our provincial public entities received unqualified audit reports with 6 of them attaining a clean audit opinion. Moreover together with the Auditor General we will work on mitigating areas of potential mismanagement especially irregular, fruitless and wasteful expenditure.

Honourable Speaker, municipalities play a critical role in the provision of basic services to our communities. They are the first point of contact between government and our people, as such, we are fully supporting the implementation of the Back-to-Basic programme which is aimed at revitalising and strengthening the performance of the local government sector.

Yes, we have made phenomenal progress in the past five years, and we agree that more still needs to be done to improve the performance and governance in local government, in particular on improving financial management. The implementation of Municipal Standard Chart of Account (MSCOA) will commence from the 1 July 2017 as announced by the National Treasury. The benefits of MSCOA include standardisation of all local, provincial and national government reporting, modernisation of financial management through updated systems in order to improve transparency as well as accountability leading to a high level of service delivery.

As part of promoting public participation, promotion of ward based planning and improvement of community engagements, Operation Masiphathisane is allocated an amount of **R23.8 million** to roll out the programme.

When we say we need to build capabilities in the local government sphere we also mean the capacitation of our Traditional Leaders with resources so that they can effectively perform their statutory and customary obligations. We are allocating an amount of **R308.2 million** in 2017/18 and **R980 million** over the MTEF.

Honourable Members, we have begun rolling out our Provincial Broadband Strategy that seeks to enhance seamless interconnectivity to improve government services. For this purpose, we are allocating **R694.9 million** over the MTEF, of which **R218.3 million** is allocated in 2017/18 financial year. This project will be implemented in Head Office and in all the 6 Districts of our province; that is OR Tambo, Chris Hani, Alfred Nzo, Joe Gqabi, Sara Bartman and Amathole including the two Metros

Honourable Speaker, it is primary that the Executive is properly given the necessary oversight by the responsible Chapter 9 institutions and the Legislature. This is so that we ensure that our government is guided by highest ethical standards and principles of public service. The oversight institutions are also important in ensuring that there is value for money in the utilization of public resources.

An amount of **R509.217 million** has been allocated in 2017/18 and **R1.594 billion** over the 2017 MTEF period for Legislature to deepen democracy.

CONCLUSION

Honourable Speaker, we are only left with three years before the end of this term. Our pace of delivery should be characterised by a sense of urgency. In our hands lie the hopes and dreams of more than 7 million citizens who call this province their home. In OR Tambo's memory we dare not fail their quest for a better life.

I must indicate that putting together this budget was a daunting task. Going into 2017/18 financial year the most important factor is our ability and capability to deliver on our undertakings to our people through the implementation of key programs funded in this budget.

Let me express my sincere appreciation and gratitude to the Honourable Premier for his guidance, leadership and support, my Cabinet Colleagues whom we have debated and engaged extensively in preparing this budget. A word of gratitude also goes to the Chairperson and the Portfolio Committee on Finance.

The preparation of this budget involved inputs and efforts of many people. I would like to thank the people of our province for their tips, the Provincial Treasury team led by the HOD Mr Daluhlanga Majeke, government officials, my Office Staff for their support and dedication. Lastly, but not least I would like to thank my family for their continued support during this period.

Honourable Members, it will be remiss of me to close this budget without joining the country in commemoration of the unfortunate sinking of the SS Mendi in 1917. This tragic event led to the death of 646 people with black people, mostly from our province, numbering 607 of those who passed on. These were conscripted people who were taken as slaves and forced to fight a war that was not their own. Their sacrifices inspired the generations who led the final assault on apartheid and ultimately won us the democracy we enjoy today.

It is for this reason that I borrow from the renowned Xhosa Poet S.E.K Mqhayi in his work titled **Ukuzika KukaMendi**:

Awu! Zaf'int'ezinkulu zeAfrika!

Isindiwe le nqanawa, 'de yazika,

Kwaf'amakhalipha, amafa nankosi,

Agazi lithetha kwiNkosi yeeNkosi.

Ukufa kwawo kunomvuzo nomvuka

Ndinga ndingema nawo ngomhla wovuko,

Ndiggame njengomnye osebenzileyo,

Ndikhanye njengomso oqaqambileyo.

Makube njalo!

Honourable Speaker, allow me to table the 2017/18 Budget for the Eastern Cape Province. I table the Appropriation Bill, Estimates of Public Entities Revenue and Expenditure as well as Estimates of Provincial Revenue and Expenditure and Provincial Gazette.

I thank you!

2017/18 Allocations per Department

| VOTE | DEPARTMENT | AMOUNT R'000 |
|--------------|--|-------------------------|
| 1 | Office of the Premier | 857 638 |
| 2 | Provincial Legislature | 509 217 |
| 3 | Health | 21 707 165 |
| 4 | Social Development | 2 632 799 |
| 5 | Roads and Public Works | 5 090 773 |
| 6 | Education | 32 989 055 |
| 7 | Co-operative Governance and Traditional Affairs | 1 205 049 |
| 8 | Rural Development and Agrarian Reform | 2 205 432 |
| 9 | Economic Development, Environmental Affairs and Tourism | 1 069 558 |
| 10 | Transport | 1 843 704 |
| 11 | Human Settlements | 2 631 398 |
| 12 | Provincial Treasury | 724 522 |
| 14 | Sport, Recreation, Arts and Culture | 900 944 |
| 15 | Safety and Liaison | 94 808 |
| Total | | 74 462 062 |



CONTACT INFORMATION

Private Bag X0029, Bhisho, 5605
Tel 040 101 0157 | Fax 040 101 0707
nomawethu.skoti@ectreasury.gov.za
www.ectreasury.gov.za