



EASTERN CAPE

# BUDGET SPEECH

2019/20



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

# **EASTERN CAPE 2019/20 PROVINCIAL BUDGET SPEECH**

**HONOURABLE L.O. MABUYANE - MEC FOR FINANCE**

**5 MARCH 2019**

Honourable Deputy Speaker,  
Honourable Premier,  
Honourable Members of the Executive Council,  
Honourable Members of the Eastern Cape Legislature,  
Executive Mayors and Mayors of our Municipalities,  
Esteemed Traditional and Religious Leaders,  
Leaders of political formations, in particular the governing party  
Leadership of Chapter Nine Institutions,  
Public Service Commissioner,  
The Director General of the Province and HODs,  
Leadership of State Owned Companies,  
Leaders of Labour,  
Business Leaders,  
Our Esteemed Guests,

**Abantu balapha eMpuma Kapa, nabo abaphulaphule konomathotholo nababukele kuFacebook nakuTwitter kwilizwe lonke jikelele, Molweni, Good Morning, Goeie More, Dumelang.**

## **INTRODUCTION**

**Somlomo Obekekileyo, sisabele ikhwelo lakho lokuba sizokunyathela kulendlu yoQingqo-Wiso Mthetho yePhondo ngawo lomhla wesihlanu kule nyanga yoKwindla. Lena ke yinyanga yebhaqolo, amabolosa, imithwane noo senza.**

**Silapha namhlanje kweli gumbi lathiywa ngesithwalandwe uTata u Raymond Mhlaba, u “Vulindlela” u “Ndobe” siphelokwa lifuthe lale nyanga yoKwindla, ngenjongo zokwabela amasebe kaRhulumente kwingxowa mali yephondo yoNyaka-mali ka 2019/20, ukuze akwazi ukuqhubeka nomsebenzi wokuhambisa iinkonzo kuluntu lonke lweli leMpuma Kapa.**

**We will also table the Appropriation Bill, Estimates of Public Entities Revenue and Expenditure, Estimates of Provincial Revenue and Expenditure and the Provincial Gazette.**

Honourable Speaker, it was on the 25<sup>th</sup> of January in 1987 when the late President of the ANC, Oliver Tambo allayed the fears of the world community at Georgetown University in the USA, by declaring that when it assumes power, the ANC will: **“seek to create a united, democratic non-racial non-sexist society and pursue a vision of a South Africa in which black and white shall live and work together as equals in conditions of peace and prosperity.”**

The Budget we are tabling remains informed by this vision, as it is a fundamental goal of the National Democratic Revolution. This 2019 budget focuses on consolidating the work done during the ending fifth term of government and sets out clear plans for the future, as articulated by our 2030 vision in the Provincial Development Plan. We are also taking into consideration the views of our people who give us sound advice through the Tips for Oscar communication platform. As a listening government we have heard their voices. Our budget is therefore founded on two principles:

- Firstly, it directs us to prioritize the poor and the vulnerable, and
- Secondly, it sets a new paradigm to grow an all-inclusive economy.

Honourable Speaker, the mission to satisfy the basic needs of our people does not start with this 2019 MTEF Budget and will not end with it. It is a mission that started 25 years ago across five administrations. During this journey we have had more successes than challenges.

At this point, let me acknowledge the role that has been played by former Finance MECs who led Provincial Treasury since 1994. We salute Professor Shepard Mayatula, Mr Enoch Godongwana, Mr Billy Nel, Mr Mcebisi Jonas, Hon. Phumulo Masualle and Hon. Sakhumzi Somyo for their contributions in leading this institution which has a huge task of managing the provincial fiscus.

In his State of the Province Address last month, Premier Phumulo Masualle had this to say: “notwithstanding perennial challenges of a constrained global and domestic economy, a tight fiscal environment, and a long drought season, the provincial economy has made a positive contribution towards the betterment of the lives of our people.”

Somlomo, we agree with the Premier. During this 5<sup>th</sup> administration in particular, we have continued to develop schools and clinics in communities where there were none before. We have built roads to link villages to towns and eased the burden of mobility for our people.

We have provided water and electricity to communities who thought these basic human rights were a preserve of the privileged few. We have sustained the provision of quality housing to many of our people as the Freedom Charter directed us and restored their dignity. And indeed we have developed infrastructure to bring government services closer to our communities in line with our commitment of putting people first.

Statistics South Africa concurs that the work we have done over the past five years has improved the standard of living for our people. It confirms that between 2014 and 2017, more than 84 000 additional household units were provided access to clean water by our municipalities and that more than 93 000 households received access to electricity in our province.

We know some might be tempted to down play our record of development, and we would like to offer a friendly advice to them. They must take heed of the wise words of Kwame Nkrumah when he said: **“Those who would judge us merely by the heights we have achieved would do well to remember the depths from which we started.”**

In a Lecture to celebrate the Centenary of the African National Congress and the leadership role of Oliver Tambo at the University of FortHare in 2012, former President Thabo Mbeki warned us against the self-serving political propositions that **“the 1994 political victory wiped out our country’s colonial and apartheid socio-economic slate clean.”**

Therefore, we must not be shy about celebrating our successes, as they far outweigh our challenges. However, we do not have the luxury to bask in this glory for too long. The Freedom Charter’s call for the people to share in the country’s wealth remains a challenge.

Our budget for the 2019 MTEF responds to this reality and calls on us to break the cycle of underdevelopment in our province by **stimulating the economy to Grow the Eastern Cape.**

## **ECONOMIC OUTLOOK**

**Somlomo sikuthetha oku sisazi ukuba isimo soqoqosho kweli lizwe lethu, nakwi hlabathi jikelele sisebuthathaka.**

National Government and President Cyril Ramaphosa in particular is fixing what has gone wrong in our SOEs as they are the window through which investors look at our country’s economy. All of us must support his efforts not only with words but with our deeds.

We now have policy certainty in our country and investors are already seizing the opportunities of an all-inclusive growth path.

Honourable Speaker, our country is part of a global economy and by implication negative developments in the global economy will also affect our national and provincial economy. We must work together to shield our economy from any possible aftershocks from the current geo-political impasse between the US and China, the EU and UK.

With these developments in mind, National Treasury projects a GDP growth rate of 1.5 percent in 2019 which will grow to 1.7 percent in 2020 and slightly improve to 2.1 percent in 2021. This slow growth rate means a tighter fiscal envelop for our country and a shrinking equitable share for our province. We must work smart with the limited resources at our disposal all other things being equal for us to Grow the Eastern Cape Province.

## **The State of the Eastern Cape Economy**

What I have just shared with the House falls within the national and global economic context. The question we must ask ourselves is what is the State of our provincial economy?

Our provincial economy is not at the desired growth levels. However, our economy has all the hallmarks of reaching growth levels of 3 percent that we achieved before the 2008 global economic down turn.

It remains anchored on the automotive sector which has created **9500** jobs in our province in 2018 according to Stats SA's labour market survey. The jobs prospect for our province in the sector looks bright as Volkswagen, Mercedes Benz, Isuzu and BAIC ramp up operations following their combined **R27.1 billion** investments to increase productive capacity in their plants.

Other key sectors of our provincial economy such as manufacturing, construction, transport and community services gave us a combined 51 000 jobs year on year. However, we are concerned by negative 16 000 year on year jobs output of the agricultural sector despite its 7.3 percent positive output growth in the 3<sup>rd</sup> quarter of 2018.

## **A STRATEGY FOR INCLUSIVE GROWTH IN A CONSTRAINED ECONOMIC OUTLOOK**

Honourable Speaker, we are in pursuit of a panacea to address the challenges we have just highlighted, which include Fiscal Consolidation and the economic recovery plan.

Fiscal Consolidation is a very strong, bitter medicine to drink and we have no other choice but to drink it. **Kakade amaXhosa athi iyeza eliphilisayo lelikrkrayo.** But what does this Fiscal Consolidation medicine entail?

Well, it means we will continue to minimise expenditure on non-core items. We will reprioritize budgets towards core services and job creation. We will enhance the revenue generation potential of our departments and public entities. Equally important, we will continue efforts to manage the personnel budget and expenditure.

**Mr Mawande Naki** wrote to us and said: **“The cost cutting measures are great but they may have a negative impact on Health.”**

**Akunjalo Mnumzana uNaki**, the implementation of these measures will not affect the provision of services to our people as departments reprioritized funds from non-core items for the next 3 years. **Akuzobakho kushota kwamayeza kumaziko ethu empilo, yaye iinkqubo ezifana neyokutyiswa kwabantwana ezikolweni azizokuphazamiseka ngenxa yalemiqathango.**

The bold decision we took at the beginning of this 5<sup>th</sup> term to enhance our own revenue sources has paid dividends with **R5.509 billion** generated in the last three years. There are other avenues that we will pursue, such as claiming for services rendered to patients who are covered by medical aid and hospital insurance policies. Patients who are on medical aid and those who can afford must pay in public health care facilities, to resource the provision of quality health care services for the poor.

In the 2019/20 financial year, we project own revenue generation to be **R1.453 billion** and **R4.509 billion** over the MTEF.

The study we commissioned through the University of Fort Hare to look at maximizing own revenue collection in our province is also presenting us with exciting prospects to grow our own revenue generation base to **R7.6 billion**. In this regard, we are dedicating the 2019/20 financial year to internalize the processes of implementing the recommendations of the study.

## **MEDIUM TERM EXPENDITURE FRAMEWORK**

Let me now deal with our fiscal framework for the next 3 years and outline how the provincial government will invest the money. Our Total Budget for 2019/20 is **R82.198 billion**, reflecting a 2.7 percent increase compared to the revised estimate of **R80.066 billion** in the previous budget. This is made up of **R68.824 billion** of equitable share, **R12.078 billion** conditional grants and **R1.453 billion** of our Provincial Own Receipts.

Since the 2011 census our equitable share weighted average has decreased from 14.9 percent to 13.2 percent and this led to a budget shortfall of **R19.8 billion** which covers the period 2013/14 to 2021/22. On the main, this is based on the outward migration of people to other provinces.

We have strongly raised our views in national platforms that there is a need to review the equitable share formula, as it is an unjust policy that condemns rural provinces especially the previously disadvantaged into a sustainable state of underdevelopment. In the Budget Speech Minister Tito Mboweni said: **“The periodic review of the formula to assess its continued appropriateness and equity continues in 2019.”** We welcome this announcement by the Minister of Finance.

We are insisting that the policy should take into account developmental needs of rural provinces and poverty component as other possible measures for equitable share allocation.



While this process is unfolding, let me remind the House that in 2021, Stats SA will conduct a census to count the population of the country. It is critical for all our people to participate in this process as it is a measure that is used for government policy formulation and planning.

Honourable Members, let me also share with the House how we have survived and managed to continue with our developmental trajectory with the budget shortfall of **R19.8 billion** caused by this formula. Our secret has really been our ability to maintain fiscal discipline, thus we have been able to invest **R9.2 billion** from our own reserves to ease the impact of the budget shortfall during this 5<sup>th</sup> term of government.

A positive decision to augment our equitable share is the reprioritization of 0.5 percent from all departments to set up a provincial stimulus package of **R1.115 billion** over the MTEF.

## **A realistic plan to grow the Eastern Cape Economy**

As you can see Honourable Speaker, our fiscal outlook is unpredictable and our equitable share is diminishing in real terms. We must supplement it with a concrete economic growth plan.

We bring before this House and the people of our province today a realistic plan to **stimulate the economy to grow the Eastern Cape**.

- Firstly, we will embark on a skills revolution,
- Secondly, we will drive investment promotion across sectoral spectrum to attract investors to grow the provincial economy that must benefit all our people,
- Thirdly, government will continue to invest on socio-economic infrastructure,
- Fourthly, we will unlock the potential of key sectors to diversify our economy,
- Fifthly, we will continue to transform the Agricultural Economy,

- Six, we will offer structured support to SMMEs, and
- Lastly, we will establish **Isiqalo Youth Fund** for young entrepreneurs.

## **Embarking on a skills revolution**

Honourable Speaker, to achieve an all-inclusive economic growth in our province, we need skills that are required by the economy and a healthy workforce. The provincial government, together with the education sector is currently working with various industry organisations based in the province to identify and develop critical digital and industrial skills to be included in the curriculum of our tertiary institutions. With this in mind, our government continues to budget for the Apex priorities of Education and Health as it has done consistently in the past 25 years.

Our National Senior Certificate benchmark is showing good progress between 2015 and 2018. The 70.65 percent achieved by the matric class of 2018 is now our baseline and we should build on it by doing three things:

- **Eyokuqala, kukwakha ulawulo oluqilima kwizikolo zethu,**
- **Eyesibini, kukuhanjiswa kwezixhobo zokufunda nokufundisa ezikolweni ngexesha eli lilo,**
- **Eyesithathu, kukumilisela intsika zokufundisa, nokufunda ngenjongo zokuphucula izinga lezefundo kuzo zonke izigaba.**

In this regard, the Department of Education is allocated **R36.328 billion** in 2019/20 and **R114.413 billion** over the MTEF which is the biggest share of our budget to consolidate the gains we have made on the provision of basic education. We are making targeted investments in the following critical areas:

- Early Childhood Development is resourced with **R602 million** in the 2019/20 financial year and **R2 billion** over the MTEF to continue the rollout of universal accesses to ECD schooling.

- **USisi Linda Bolani usicebise ngelithi masivale izithuba zengqesho zooTishala. Sikuvile Sisi Linda**, the core business of teaching is allocated **R26.012 billion** in the 2019/20 financial year to ensure that there is a teacher in front of every learner.
- We are creating a conducive environment for teaching and learning by investing **R2.166 billion** in 2019/20 to resource more than 5 000 public schools with LTSM, school furniture and other daily essentials.
- We are also equipping our teachers and Early Childhood Practitioners through training so that they can be able to teach new concepts with an allocation of **R770.296 million** over the MTEF.

**Somlomo, namalungu ahloniphekileyo, isigqibo sethu sokutyisa abantwana ezikolweni ngenjongo zokulwa indlala nokubagcina kumagumbi okufunda ixesha elide sinemiphumela emihle.** Not only are learners able to concentrate in class, we are also advised that there is improvement in school attendance. In essence the ANC led government was correct to implement this programme in 1994. We are allocating **R1.278 billion** in the 2019/20 financial year and **R4.050 billion** over the MTEF to provide nutritious meals to 1.6 million learners in more than 5 000 schools in our province.

It is also within the same context that we introduced the Scholar Transport Programme for our learners who walk long distances to school. We are investing **R570.449 million** in the 2019/20 financial year and **R1.763 billion** over the MTEF to ensure that 81 000 learners are transported to school every day and on time.

**Mevrou Spreker, ons belleging in gesondheids dienste, het die kwaliteit van lewe van ons mense verbeter.**

When investors knock at our door, they will find a healthy workforce. Men and women in our province are now living longer than they were in 2014 with Stats SA reporting that life expectancy for females has improved from 62 years in 2011 to 65 years in 2016. While life expectancy for males also improved from 56 years in 2011 to 58 years in 2016.

We are also encouraged by the 18 percent improvement on cervical cancer screening in our health facilities. The number of patients receiving ART improved and now stands at 452 000 compared to 361 000 in 2016.

We attribute all these phenomenal improvements in our health outcomes to the resourcing of our health facilities with human resources, and provision of essential supplies. As we speak our province has the 4<sup>th</sup> highest ratio of medical practitioners per 100 000 uninsured people in the country.

In this budget, we are investing **R25.189 billion** in 2019/20 and **R79.731 billion** over the MTEF which is the second biggest share of our budget, for the Department of Health to build on the successes of the fifth term of government and continue to provide universal health care services to our people. **Sityala imali kwezinkonzo zilandelayo:**

- **Imali eyi R2.397 billion kunyaka mali ka 2019/20 ne R8.028 billion kuleminyaka mithathu iya ekulweni isifo sengculaza nomhlaza.**
- We also allocating **R3.626 billion** in 2019/20 and **R11.462** over the MTEF for specialized health services that are offered in Nelson Mandela Academic Hospital, Frere Hospital, Livingstone and Fort England Hospital.
- National Health Laboratory Services receives **R1.006 billion** in the 2019/20 financial year and **R2.932 billion** over the MTEF for blood testing, to detect illnesses that are associated with diabetes, high blood pressure and cancer.
- **Amaziko ethu ezempilo kufuneka abenamayeza ngalo lonke ixesha. Sifaka imali eyi R1.899 billion kulonyaka mali ne R6.506 billion kuleminyaka mithathu yokuthenga amayeza.**
- **Kanjalo sifaka imali eyi R1.393 billion kulonyaka ka 2019/20 ne R4.358 billion kuleminyaka mithathu yokuqinisekisa ukuba izithuthi zonyango olungxamisekileyo ziyafikelela ebantwini ingakumbi phaya ezilalini.**

All of this work Honourable Speaker, will assist us to arrest the pressure that is exerted on our health budget by the issues of medico legal claims. This issue is a concern to us and **Mr Sivuyile Mange** also raised it in his tip to us saying **“ligations are collapsing the very services that are meant for the majority of citizens”**.

As we speak, in the 2018/19 financial year **R630 million** that should benefit our communities has been paid to settle claims benefiting a few individuals who are even defrauded by their unscrupulous lawyers. **Siyawuvala lomthombo ugendawo**. MEC Sauls - August this is your Thuma Mina; the Health sector must push for the finalization of the State Liability Bill as it proposes structured payments over time when government is found liable. Secondly, we will strengthen the legal team and law enforcement agencies to deal with fraudulent claims. We have asked the Department of Health to centralise the processing of medico-legal claims.

Lastly, we will continue to capacitate our health facilities with both human resources, and modern ICT equipment. Already in 2018/19 financial year we appointed 1554 health professionals for maternal services and equipped our health facilities with lifesaving modern technology. Our health professionals must provide health care with diligence, care, and avoid conduct that leads to legal claims.

Somlomo, the Department of Health and Education account for a combined 75 percent of our total budget. In this 2019 MTEF, we will ensure beneficiation of local businesses from the Goods and Services Budget we are allocating to the Department of Health and Education through take off-agreements. On the Scholar Transport programme, we are already sustaining the businesses of taxi operators and the jobs of their drivers. We want to do the same with the billions we spend on Hospital Linen, LTSM, School Furniture, Logistics and Warehousing, School Nutrition and Hospital meals. All of these items should be procured from primary producers here in our province to put impetus in creating local industries and therefore create jobs.

## **Growing the economy to benefit all our people**

Honourable Speaker, let me now turn to how we are going to attract investments to the province. Late last year President Cyril Ramaphosa embarked on a bold plan to attract **R1 trillion** worth of new investments for our country. Through the efforts of our President, our province received new investments worth a combined **R6.4 billion** from various companies, which include Nestle, Multi Choice, Aspen, Yekani Technologies and SAB. The leadership of these companies is here today and we wish to express our appreciation to them for choosing the Eastern Cape as the home of their investments. Today we want to assure you that your investments are safe with us.

These investments will create jobs for our people and we are also eager to see the participation of black owned SMMEs in the value chain beneficiation of delivering these world class products and services.

Our thirst for more capital investments is not yet quenched; hence, we will submit an Investment Book to the Presidency with bankable projects targeting the following sectors: agriculture, manufacturing and textile, tourism, energy, oceans economy and the creative arts.

Our two special economic zones continue to attract large scale foreign direct and domestic investments in our Province. They are also becoming centres for innovation, manufacturing and industrialisation. As we speak, more than 7000 workers report for duty every day to service 43 investors in the Coega SEZ, and 3800 workers report for duty every day to service 30 investors in the EL SEZ.

These numbers are remarkable and give us more reasons to expedite the development of the Wild Coast Special Economic Zone in the OR Tambo District, which has a potential to change the economic outlook of the eastern part of the province. We are happy to report to this august house that the Department of Environmental Affairs has in the past week granted EIA approval for Phase 1 of the Wild Coast SEZ.

In the 2019 MTEF, the DTI is allocating **R1.203 billion** to the East London SEZ to build infrastructure for confirmed potential investors in the Zone. **Asisonganga zandla ke nathi siliphondo, kuba siphosa i R359.7 million esivivaneni kuleminyaka mithathu ukuncedisa lomsebenzi.**

We are also allocating an additional amount of **R90 million** over the MTEF from the stimulus package to Coega Development Corporation to support its efforts of attracting more investors to the province. In recognition of this role and in line with the provisions of the SEZ Act, we are committed to correct the baseline funding of the Corporation for the MTEF. This will also include funding considerations for the Wild Coast SEZ.

Honourable Members, as we embark on investment promotion, our provincial government and municipalities must make it easy for investors to do business in the Eastern Cape, than in other parts of the continent. If we allow red tape to frustrate business, fight each other, delay decision making, we will lose the investments to places where things are done in order. Let us get our house in order for the province to grow. Decisions must be taken to fast-track development that will deliver value for the Eastern Cape.

### **Investing on infrastructure development.**

Honourable Speaker, without adequate socio-economic infrastructure, our plans to attract investors will not fully materialize. We must have an appetite to develop infrastructure and turn our province into a construction site. There are billions of rands trapped in public sector owned commercial and industrial property which must be unleashed in this MTEF starting now.

During this term, our government invested **R39.604 billion** on infrastructure development in our province. We have seen progressive improvement on expenditure from 97 percent in 2014/15 to 99.7 percent in 2018/19. This improvement on expenditure is meaningful to us, as it is matched by the value for money we see in most of the projects we implemented at a ward level where our people reside.

Through our phenomenal work on education infrastructure development, we have been incentivised with additional funding of **R230.183 million** in this Financial Year which was not spent by other provinces, of which Honourable Speaker, we will request you at an appropriate time to convene a special sitting of this house for the consideration of the second adjustment for Education.

**Umzila wethu mhle kwaye uyacaca. Ukuhamba kulandlela yase Sabalele e Cofimvaba akusafani nakuqala kuba ngoku ine tar yaye ibanzi.** Our people are now travelling on a surfaced R61 with two-way bridges.

The people of Buffalo City Metro can attest to the fact that Cecelia Makhiwane Hospital is a new state of the art facility and that they are receiving specialized care at their doorstep.

**Ukanti abantu base Mbizana, kulo Tata u OR Tambo bangangqina nabo ukuba impilo yabo isezandleni ezingcono kuba sisilungisile isibhedlele sabo iSt Patricks sasibeka kumgangatho ophezulu. Sifikile nase Aliwal North sazakha I ofisi ezizokugcina amasebe ka rhulumente kwindawo enye ukwenzela abantu bakuthi bangahambi imigama emide xa befuna iinkonzo. Yiyo lento sizakuqinisekisa ukuba ne Bisho Precinct iyenziwa kule term sizakuyiqala ukunika isidima ku Rulument wethu nakubasenzi baka Rulumente.**

Mevrou Spreker, in Koukamma produseer ons mense van Sarah Baartman Distrik melk in die splinternuwe Wittekleibos Melkery wat ons ANC Regering, gebou het.

**Ndiyabona Somlomo ingathi uninzi alundivanga uba ndithini, ndibona lungaqhwabi. Ndithi, phaya eKoukamma kwisithili sase Sarah Baartman abantu bakuthi basenga iikomo ezivelisa ubisi, kwisakhiwo esitsha kraca esakhiwe nguloRhulumente ukhokhelwe ngu Khongolose.**



**Ngumsebenzi oncomekayo lona. Yiyo lonto sisonyusa isabelo mali sokwakha iziseko ezingundoqo, sisisusa kwi R7.977 billion sisisa kuR8.291 billion kulonyaka mali ka 2019/20.** These resources are allocated for projects across sector departments.

**Singayitsho into yokuba kwisabelo salo esiyi R1.656 billion kulonyaka mali ka 2019/20 ne R4.639 billion kuleminyaka mibini ilandelayo iSebe Lezempilo elikhokhelwa ngu Mphathiswa u Helen Sauls-August lizokwenza umsebenzi phaya eSt Elizabeth Hospital eNgquza Hill, Khutsong Hospital eMatatiele, nakwamanye amaziko empilo kuquka neZiko loQeqesho leeNkoko eziNgxamisekileyo eNelson Mandela Bay.** We are also investing in renovations on a number of hospitals and clinics including SS Gida in Qoboqobo and Mjanyana Hospital.

With their allocated **R1.589 billion** in the 2019/20 financial year and **R4.839 billion** over the MTEF the Department of Education led by MEC Mvoko will continue to build schools in our province with more focus dedicated on building Hostels as part of our efforts to rationalize schools and enhance learning. This is in response to an advice by Honourable Gqobana on Tips for Oscar that “we must prioritise building hostels in the school rationalisation programme.”

The people of Raymond Mhlaba Municipality can confirm that Thubalethu High School and the historic Healdtown Boarding Schools are no longer the eyesore they were in the recent past, as we have invested more than **R120 million** in hostel accommodation facilities for the two schools. The people of Cacadu and Alfred Nzo can confirm that renovations are being done at Freemantle Boys High School and Makaula Senior Secondary School Hostels respectively.

Of critical importance Honourable Speaker, an additional **R1.362 billion** indirect grant in 2019/20 and **R3.942 billion** over the MTEF from national government is to eradicate infrastructure backlogs, such as mud schools, water and sanitation.

This is in line with the SAFE initiative (Sanitation Appropriate for Education) that was announced by President Cyril Ramaphosa, to ensure the safety of teachers and learners through the eradication of pit latrine toilets.

The Department of Public Works led by Honourable Majodina, will use their allocated **R257.302 million** budget in 2019/20 and **R817.343 million** over the MTEF to implement among other projects the upgrade of Botha Sigcau Building in KSD, conversion of Mary Theresa Nurses Home into Offices in Umzimvubu, construction of Mount Fletcher Cluster Offices in Elundini, extension of Komani Office Park and construction of additional office space at Komani Hospital in Enoch Mgijima.

**Somlomo uYanga Sawa uthi ucela sijonge imeko yendlela zasemaphandleni. Isebe leZothutho, lizokusebenzisa isabelo salo esiyi R2.220 billion ne R6.467 billion kuleminyaka mithathu yokwakha iindlela ezizokwenza kubelula ukuya kumaziko empilo, awokhenketho, nokuhamba kwezithuthi zempahla, nezoluntu. Ezindlela ziquka nezo zisezilalini.** We will buy a yellow fleet and deploy it to all the Districts so that the gravel roads that are used by our people are maintained regularly for seamless travelling.

As we pursue large scale investments for our province, we must equally pay attention to issues of human settlements. Development attracts work seekers and our government should plan ahead for that. During this fifth term, our government has built more than 58 000 housing units and created more than 54 000 jobs.

MEC Madikizela, in the 2019/20 financial year we are allocating **R2. 023 billion** and **R6.169 billion** over the MTEF to the Department of Human Settlements to continue providing homes and multipurpose facilities that can be used to offer one stop shop service points for government programmes to communities, especially in rural areas. **Owakho uThuma Mina ke Ngutyana kukwakha iMulti Purpose Community Centre kwi komkhulu lase Lwandlo 'lubomvu eNtabankulu.**

**Kolu hlahlo lwabiwo mali, iR889 million siyibekela ukwakha izindlu ezilalini kuba siyayazi izindlu kwamanye amakhaya zikwimeko emaxongo.** We are also allocating **R353.726 million** for the Department of Human Settlements to address challenges of informal settlements in our province.

**Kuba sifuna ukusondela ngamandla kwezolimo, iSebe leZolimo elikhokhelwa ngu Mphathiswa uNqatha lizokusebenzisa iR190 million kulonyaka mali ne R500.376 million kuleminyaka mithathu ekwandiseni nasekuphuculeni imveliso equka umbona, intlanzi, inyama, iziqhamo, no boya. Yabona ke Sisi Ntosh Faku ingcebiso yakho yokwakhiwa kweshedi zokuchebele iigusha izokufumana kwesisabelo mali.**

Somlomo, Mawande Naki again asked why is government paying R50 for a bottle of water that costs R5 at the shop? **“Uqhubeka athi masixube nentloni noko ntozobawo, kungacaci uba umntu ufuna uvuka esisityebi.”**

This phenomenon of price escalation is not confined to Goods and Services. It is also evident in infrastructure projects. The price index for Goods and Service is currently in place to set guidelines on pricing. We will also implement effective use of norms and standards to regulate infrastructure costs. The issue of Myolwa Primary school is regrettable and we are investigating the matter to avoid such occurrences in the future.

Somlomo, in the spirit of Cooperative Governance we have set aside **R49 million** for Eskom to complete the work at Makaula Sub-station and ensure that 15 200 new electricity connections are realised in Mt Frere and Matatiele bringing us closer to the target of making sure that every household receives electricity in the Eastern Cape.

To derive maximum impact from our infrastructure investment we must address two critical issues which relate to Integrated Infrastructure Planning and Development, and the destruction of existing infrastructure during protests.

Over the years our infrastructure development has been hampered by poor planning, implementation and to some extent inadequate monitoring and evaluation. We must say that we have turned the tide and have received more than **R612million** over this fifth term in additional Funding and Incentives for Education and Health planning and reporting. We will now capacitate the Department of Public Works with the right skills to carry out its mandate. In this regard, we are allocating **R887.102 million** and **R2.835 billion** over the MTEF to employ the right technical skills at the Department of Public Works.

As we do that, we must address the fact that while we make 5 steps forward on infrastructure development, some in our communities take us 10 steps back by destroying the infrastructure that is meant to improve their lives.

On a positive note, the Expanded Public Works Programme which is anchored on the maintenance of infrastructure continues to support our unemployment and poverty relief efforts. We are allocating **R157.225 million** in 2019/20 to the provincial infrastructure departments to create 108 000 jobs through the Expanded Public Works Programme.

## **Tapping into the National Infrastructure Fund**

Honourable Speaker, in a tight fiscal environment such as the one we are in, where the public purse is constrained against higher demands for social services, government and the private sector must meet halfway to fund capital projects. It is in the interest of both government and the private sector to invest in our economy to create jobs and dismantle inequality.

In his Budget Speech the Minister of Finance, Honourable Tito Mboweni announced that government is setting up a National Infrastructure Fund that will accelerate **R526 billion** worth of projects through partnerships with DFIs and the private sector. As a province we must ready ourselves to submit bankable project business plans for capital funding.

However, there are two tests we must pass as a province if we are to benefit from this Infrastructure Fund. Firstly, we must have a meeting of minds with our traditional leaders and communities to speedily address land tenure issues as they are hampering development. **Abantu bephondo lethu bafuna imisebenzi.** The only way they can get jobs is through the implementation of infrastructure projects that would attract investors.

Secondly, there must be transparency when development initiatives are planned, and our communities should be engaged honestly on issues of beneficiation and jobs.

The development of our province rests on the understanding and receptiveness of our people towards the importance of development of our communities, as much as it is the responsibility of government to develop them.

## **Unlocking the potential of key sectors to create jobs**

**Somlomo akukho mlingo ozakusikhulula kwezingxaki sinazo zoqoqosho. Yaye nokusoloko sicela amalizo kuzakusihlelisa.** In his “Eighteenth Brumaire of Louis Bonaparte”, Karl Marx said: **“Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past.”**

We must write our own history under the **“existing circumstances that are given and transmitted from the past”** and create a brighter future for our province.

The DEDEAT Group as a custodian of economic development in the province is allocated **R1.481 billion** in 2019/20 and **R4.581 billion** over the MTEF to drive us towards an inclusive economic growth path that is premised on job creation and SMME beneficiation. The tourism sector is one of our game changers.

The responsibility of protecting the flora and fauna in our nature reserves, our unspoilt coastline and nature-orientated tourism offerings give our province a competitive edge. The ECPTA is henceforth allocated **R215.119 million** in 2019/20 and **R678.575 million** over the MTEF to forge workable partnerships and collaborations to grow our tourism sector.

We are also investing **R336.060 million** in 2019/20 and **R1.054 billion** over the MTEF for conservation efforts in the province including fighting poaching of rhinos and plant species as they are a key component of our tourism products.

Honourable Speaker, I want to concur with the views of the Premier in the State of the Province Address that during this term “we set out to develop and transform the Eastern Cape economy through which we would be able to address the triple challenge of poverty, unemployment and inequality.”

To continue this progress, we are setting aside **R1.1 billion** over the MTEF to stimulate the provincial economy with **R339.4 million** allocated in 2019/20. **Mr Andile Stofile**, with this investment we are answering your plea for us to invest in agriculture value chains, oceans economy, tourism and energy sectors. **Mr Buntu Bam** suggests on Twitter that we must establish a Provincial Investment Envoy to realise the aspirations of many projects in the Investment Book and we are in agreement.

We are also adding the development of the film industry as our province is well known for its talent in the creative arts. In the next three months we would be seized with the task of evaluating **R182 million** worth in business plans that have been submitted for consideration to the provincial stimulus fund.

## Transforming the Agricultural Economy

Somlomo, we are all in agreement about the potential of the agricultural sector in our province. The tips we have received on this subject matter are insightful. **Mr Loyiso Mhloli** makes a valid point saying “**a study must be conducted to find out why some of our people are not tilling their land**”. This is a food for thought.

In the 2019 MTEF we will take practical steps to make the **Eastern Cape Green** with agricultural products and process them within our province. Through our **R2.319 billion** investments to DRDAR during this term, we begun a process of transforming small holder farmers from subsistence farming to commercialization in sub sectors of maize production, horticulture, red meat production and aquaculture. This, we are doing in partnership with community groups such as Matatiele Maize producers who have already exported maize to Vietnam.

The Department of Rural Development and Agrarian Reform is allocated **R2.340 billion** in the 2019/20 financial year and **R7.380 billion** over the MTEF to support and enhance the productive capacity of small holder farmers in the sub-sectors of grain, citrus, deciduous fruit, red meat and aquaculture, including the provision of veterinary services. **Mr Lundi Mgcina** says we must develop orchards to give permanent jobs for our people. Our investment on agriculture is definitely meant for that Mr Mgcina. We must add that the provincial government will support the establishment of a Veterinary School in Fort Hare and the establishment of District Mechanisation Centres and Weather Stations.

## Offering structured support to SMMEs

Honourable Speaker, during this term of government we opened up opportunities for SMMEs in our province through the implementation of the Local Economic Development Procurement Framework.

Today, we want to tell the business community in our province that in the 2019/20 financial year we are setting aside **R7.229 billion** (50 percent) of our total Goods and Service budget of **R14.458 billion** for their exclusive benefit. In addition, **R2.487 billion** (30 percent) of our total infrastructure budget of **R8.291 billion** is also available for them to compete in line with our local economic development policy.

That is not all, in his Budget Speech Minister Tito Mboweni announced other investments that national government is setting aside to benefit entrepreneurs in our country. These are:

- **R19.8 billion** for industrial business incentives, of which **R600 million** is allocated for the clothing and textile competitiveness programme.
- **R1.1 billion** for the Jobs Fund to complement private sector job creation.
- **R481.6 million** to expand the small business incubation programme.
- **R3.7 billion** to assist emerging farmers seeking to acquire land to farm, and
- **R3 billion** from the Land Bank to support smallholders.

**Mr Mphumzi Sizani** says we must make funding accessible to people in the villages. We agree with you Mr Sizani. In this regard, work will start soon to ensure that our entrepreneurs access these funding streams to grow our economy and create jobs. We are encouraged by the testimonies of business people such as **Ms Ncebakazi Sobai** who says **“Government has invested in me and I have moved from being a hawker to commercialising my business.”**

Honourable Speaker, our support for SMMEs will be meaningless without addressing their concerns on late payments by government departments. Through the Tips for Oscar, NAFCOOC has reminded us that there are still SMMEs that have outstanding payments for more than 90 days, resulting in retrenchments and closure of businesses.



In response, we will roll out a public sector invoice tracking system which will allow SMMEs to submit and track their payments through a user friendly App linked to all government departments in the Eastern Cape.

## **Dedicated support for youth development**

Honourable Speaker, we are a youthful province. More than 33 per cent of our population is between the ages of 15 and 35. Worryingly, most of them are seating at home with their qualifications. **USisi Nolusindiso Nonkondlo iyamtya naye lemeko kuba uthi abantwana bahleli nezidanga emakhaya mabanikwe uqeqesho. Sisi Nolusindiso** this budget assures graduates that they made a right choice by going to University and to TVET Colleges and they have a role to play in the task of **stimulating the economy to grow the Eastern Cape.**

Our support for the Youth is anchored on two pillars which are:

- Training and skills development, and
- Funding for Youth Owned Enterprises

We are investing **R1.799 billion** in 2019/20 and **R5.600 billion** over the MTEF for the placement of graduates in internships, doctor's community service, EPWP and other youth programmes. This will assist us to create skilled workers for both the public and private sector.

Some of our graduates and young people in general want to use their acquired knowledge to open their own businesses. We cater for them too in this budget with a set aside of **R50 million** from the stimulus package to establish the **Isiqalo Youth Fund** for start-ups. In our government procurement spend of Goods and Services and Infrastructure we will be biased towards youth owned businesses. A dedicated team from DEDEAT and ECDC will also ensure that Youth owned businesses are assisted to get a share of the national government set asides for entrepreneurs.

## **STRENGTHENING SOCIAL COHESION THROUGH THE PROVISION OF SERVICES**

Honourable Members, as I mentioned earlier that 62 % of our populace lives in rural areas. The caring government of the ANC decided to lessen the burden of their transportation costs. We are continuing with this funding by allocating **R532.865 million** in 2019/20 and **R1.678 billion** over the MTEF to ensure that operators continue to transport our people especially in rural areas.

Linked to the provision of transport for our people, is the need to address fatalities on our roads. In an ideal world we could say the buck stops with the motorist. However, many of our motorists make deadly errors of judgment that come back to bite the fiscus, so we cannot trust them to stop the buck.

We must therefore continue to promote safety on our roads, hence we are allocating **R352.686 million** in 2019/20 and **R1.123 billion** over the MTEF for visible traffic control and enforcement. That said, we need drastic behavioural change on our roads and it starts with every individual motorist.

### **Provision of social services to vulnerable groups**

Let me now share with the House how our budget serves the broader context of social cohesion which is premised on supporting vulnerable groups of our society, such as the older persons, persons with disabilities, youth and women. During this ending term we funded 1868 residential facilities and community based care programmes benefiting 15 000 older people.

In the 2019/20 financial year, **R3.020 billion** and **R9.452 billion** over the MTEF is allocated to the Department of Social Development which is led by MEC Dyantyi for social services.

- **R278 million** over the MTEF is availed to ensure that our grandparents enjoy a dignified ageing in the old age homes.

- **R105 million** over the MTEF is set aside to fund more than 23 000 persons with disabilities to ensure that they have access to quality rehabilitation services. In addition, government will affirm the participation of persons with disabilities in employment and business opportunities.

The Department of Social Development will also avail funding for youth development programmes.

Somlomo, Karl Marx once said: “**the education of all children, from the moment they can get along without a mother’s care, shall be in state institutions**”. We agree with Karl Marx, thus **R404 million** in 2019/20 and **R1.280 billion** is allocated over the MTEF to ECD and partial care. Somlomo, we are also bringing relief to our female learners by allocating **R22.815 million** for the Sanitary Dignity Project to benefit learners in quintile 1 and 3 schools.

Honourable Members, we have a ticking time bomb of substance abuse in our province. During this term we invested funds on the Teenage Against Drug Abuse programme which benefited more than 80 000 children under the age of eighteen and 37 000 people over the age of eighteen. These are shocking numbers, and more worryingly is the fact that our University students are falling into this trap. The Department of Social Development will work with other social partners to find solutions to these social ills.

Linked to the issue of social ills is the need for visible policing to clamp down on drug dealing and none compliant alcohol traders. We are allocating **R105.499 million** in the 2019/20 financial year and **R331.772 million** over the MTEF to the Department of Safety and Liaison to promote safer communities in our province.

**Somlomo ezemidlalo, ezobugcisa ne nkcubeko zingasihlangula kwezinye zezingxaki sinazo zichapazela abantu abatsha. Sinemizekelo emihle yabantu abatsha ababeke iphondo lethu emanqwanqweni abafana nembethi manqindi uZolani Tete.**

There are also patriots who are asking “**what can we do for our country, instead of what our country can do for us**”. **UBawo uNgumbela no Bawo uDan Pasiya ngabanye babo**. Our government will continue to partner with these compatriots to keep the youth busy with productive activities.

In the 2019/20 financial year, we are allocating **R983 million** and **R3.095 billion** over the MTEF to the Department of Sport, Recreation, Arts and Culture DSRAC led by MEC Thunyiswa to produce more sporting icons and support arts and culture events that are meant to ensure social cohesion and celebrate who we are, such as the National Arts Festival in Makhanda Municipality and Isingqi Sethu Cultural Festival in OR Tambo.

We are expecting the MEC for DSRAC to lead the process of establishing a Provincial Film Commission as a matter of urgency so as to unlock our film sector potential as part of the lucrative creative industry.

**Somlomo, lamatile tile sizama ukuwenza funeka enzenke phaya ekuhlaleni phantsi kooMasipala. Sityala imali eyi R1.009 billion kulonyaka ka 2019/20 ne R3.195 billion kuleminyaka mithathu ukuze iSebe elijongene nobambiswano kuRhulumentu nemiba yoBukhosi likwazi uku lungisa indlela yokusebenza. Imali eyi R342.309 million kulonyaka mali nezakukhula iye kuR1.116 billion kuleminyaka mithathu izokuncedisa abantwana begazi ekwenzeni umsebenzi wabo.**

The sustainability of Makana Municipality water challenge is being addressed. The Department of Water and Sanitation has allocated **R237 million** for the James Kleinhans water treatment facility, of which **R80 million** is allocated in the 2019/20 financial year. National Government, Provincial Government, Local Government and social partners are working together to find a permanent solution to the water and sanitation challenges in Makhanda.

Somlomo, our municipalities must be capacitated to discharge their mandates. In this regard we will heighten our support in Municipalities in the areas of Supply Chain Management, Infrastructure Development, Financial Management and Revenue Collection.

Our constitutional democracy is founded on three arms, the Legislature, the Judiciary and the Executive. We must salute the Members of the Legislature for their oversight work during this term. After the elections, new Members will be sworn in to continue the work of the Legislature. We are therefore allocating **R541.734 million** in the 2019/20 financial year and **R1.694 billion** over the MTEF to the Provincial Legislature to deepen our democracy. We have committed to assist the Legislature to improve their security and ICT system.

## **ENHANCE CAPACITY OF THE STATE TO DELIVER**

Honourable Speaker, the plans and the budget we have just shared with you have to be implemented by warm bodies who are fit for purpose. When there are weaknesses in any of us, the wheels of government grind to a halt. We must fix our weaknesses to keep the wheels of government moving forward.

We are availing **R973 million** in the 2019/20 financial year and **R2.743 billion** over the MTEF to the Office of the Premier to marshal the Provincial Administration forces towards our vision of Growing the Eastern Cape.

The fourth industrial revolution is upon us, the inevitable is unavoidable and it provides us with an opportunity to find innovate new ways of solving developmental challenges. We must applaud the finalisation of legal challenges around the Broadband Initiative as this project is crucial for connectivity in our province. We are allocating **R213 million** in 2019/20 and **R632.5 million** over the MTEF to continue the rollout of the broadband project. Moving forward, we will ensure the participation of SMMEs in the ICT sector in line with the Provincial LED Framework.

As alluded by the Premier in the SOPA, work is continuing on the implementation of the Small Town Revitalisation Project. We are allocating **R262 million** in 2019/20 and 2020/21 for this project.

## **Striving for clean governance**

Honourable Speaker, we must tighten our control systems in Supply Chain Management to prevent corruption in the public service and in the private sector. Corruption is disloyalty to our nation. **Akho buthandazwe kwaphela ekubeni imali yabantu bakuthi.** We will invest human resources in government departments and municipalities to detect and prevent corruption.

## **Forward ever, backwards never on audit outcomes**

Honourable Speaker, the next term of government will consolidate the phenomenal work that the fifth term has achieved on stabilizing our performance on audit outcomes and pay more attention to Education and Health. Poor audit outcomes will be a thing of the past and consequences will be effected on poor performers. Treasury is answering this Thuma Mina call, thus **R440.930 million** in 2019/20 and **R1.352 billion** over the MTEF is allocated to Provincial Treasury to do what they do best and that is to provide technical support for prudent management of financial resources in our province.

**Xa ndiyisonga Somlomo**, let me thank the Premier for his guidance and the Executive Council for their support in the process of preparing this Budget. The Chairperson and Members of the Portfolio Committee on Finance for their keen interest and the oversight they will conduct on this Budget.

The DG and HoDs for their constructive participation in the MTEC Hearings. A special word of gratitude goes to Team Finance led by HoD Majeke and his Executive Management Team for guiding the process to the latter. I reserve my profound words of appreciation to the unsung heroes and heroines of Team Finance, a very vibrant and serious group of employees whose skills and abilities must be fully utilised to Grow the Eastern Cape.

This Budget process has been very challenging. At times I found myself waking up in the middle of the night trying to balance the needs of our people with the resources we have at our disposal. In that process I unintentionally disturbed the peace at home. **Mandibulele uSapho lwam ngokunyamezela nenxaso yalo ngelixesha.**

## Conclusion

Somlomo, at 10am this morning we entered this Raymond Mhlaba Chamber and tabled before the House a realistic plan to Grow the Eastern Cape. We have demonstrated how we will mitigate the subdued economic outlook without compromising core service development. We laid down a bold plan with clear directives of what must happen where and how. We attached rands and cents to this plan with the knowledge that money can never be enough to address societal challenges. However, if all of us use these allocated resources prudently and solely for their intended purpose, five years from now, our province would be in a better shape than it is today in terms of poverty, unemployment and inequality.

So what should characterise the 2019 MTEF for us to make real impact with this budget? Former President Thabo Mbeki's words at the farewell of Former President Nelson Mandela in the National Assembly in 1999 resonate with the posture we must adopt. We also believe that in the 2019 MTEF:

We must nurture our talents, and not our corruption.

We must communicate morality, and not our evils.

We must advance knowledge, and not our doctrines.

We must advance civilisation, and not abuse.

We must move further from being known as Home of Legends and Be the Legends, we must aspire to Be *Proudly* Eastern Cape.

**Ngokwenza oku siyokwazi ukuyinyuka lentaba kudala siyijikeleza. Si-nethemba lokuba uTata uOliver Tambo namanye amanyange alo Rhu-lumente ukhokhelwe yi African National Congress ayokuzibamba izan-dla zethu kulomsebenzi, yaye azibambe angaziyeki side sifike encotsh-eni yentaba apho ingomso eligcono likhoyo.**

**Makubenjaloo!!!**



**APROPRIATION BILL, 2019 (EASTERN CAPE)  
SCHEDULE A (PER DEPARTMENT)**

<b>VOTE</b>	<b>DEPARTMENT</b>	<b>AMOUNT R'000</b>
1	Office of the Premier	973 083
2	Provincial Legislature	541 734
3	Health	25 189 632
4	Social Development	3 020 607
5	Public Works	2 365 265
6	Education	36 328 510
7	Co-operative Governance and Traditional Affairs	1 009 712
8	Rural Development and Agrarian Reform	2 340 324
9	Economic Development, Environmental Affairs and Tourism	1 481 960
10	Transport	4 974 537
11	Human Settlements	2 443 382
12	Provincial Treasury	440 930
14	Sport, Recreation, Arts and Culture	983 069
15	Safety and Liaison	105 499
<b>Total</b>		<b>82 198 245</b>



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