



EASTERN CAPE
**MAIN BUDGET
SPEECH**
2022



Province of the
EASTERN CAPE
PROVINCIAL TREASURY

EASTERN CAPE 2022 BUDGET SPEECH

Mr. Mlungisi Mvoko

MEC for Finance

08 March 2022

Honourable Speaker,

Honourable Premier,

Honourable Members of the Executive Council,

**Honourable Members of the Eastern Cape
Provincial Legislature,**

Executive Mayors and Mayors,

Traditional leaders;

Religious Leaders,

Leaders of Chapter Nine Institutions,

Leaders of State-Owned Companies,

Political parties present,

Organised Labour,

Business fraternity,

**Director General, HoDs and Senior Government
Officials,**

**Our Esteemed Guests,
Members of the media,
Ladies and Gentlemen,**

Good day, Molweni, Dumelang, Goeie Middag...

Madam Speaker, let me also take this opportunity to recognise members of public who are watching and listening to us through different broadcasting channels, including social media. This is their budget.

INTRODUCTION

It is with great honour and privilege that I table before this esteemed House:

- **The 2022 Estimates of the Provincial Revenue and Expenditure;**
- **The 2022 Estimates of the Provincial Entities Revenue and Expenditure;**
- **The 2022 Budget Policy Statement; and**
- **The 2022 Appropriation Bill.**
- **The 2022 Gazette**

The copy of the Gazette, detailing transfer payments to Municipalities, Schools and hospitals is already available on the Government Printers Website.

Honourable Members, we meet here today after a resounding State of the Province Address by Eastern Cape Premier, Hon. Oscar Mabuyane. He has once again provided leadership and a clear Programme of Action. Our task now is to align budget with the provincial priorities that he has set.

We do this under constrained economic conditions, owing to the historic structure of the economy and the recent COVID-19 pandemic, that has had a negative impact to our economy. In spite of this, we remain committed to addressing our service delivery shortcomings.

We once again make a call to each government institution to make great effort and strategic choices that would advance our strides for service delivery and achieve our clarion call of 'a better life for all'.

ECONOMIC OUTLOOK

The Eastern Cape economy in the third quarter of 2021 declined by -1.8 per cent, emulating the -1.5

per cent contraction of the national economy during the same quarter. We observed a decline in many of our sectors of the economy in Q3 of 2021. Agriculture declined by -13.4 per cent, Manufacturing by -4.1 per cent, Wholesale & Retail Trade by -6.6 per cent and Transport and Communication by -2.9 per cent.

However, we were encouraged by the reported growth in the 1st and 2nd quarter of 2021/22, in spite of the 3rd quarter economic performance having declined. We are consequently optimistic of the growth trajectory as we forge ahead.

Likewise, the recovery of both national and provincial economies is anticipated over short to medium-term; propelled mainly by higher commodity prices, higher domestic and global demand for agriculture produce, particularly citrus, pineapples, and deciduous fruit, and manufactured exports.

Nationally, the Real GDP growth of 2.1 per cent is projected for 2022. Over the next three years, GDP growth is expected to average 1.8 per cent. Correspondingly, the Eastern Cape economy is projected to moderately grow at 1.8 per cent in 2022 and average at 1.3 per cent growth in 2023.

FISCAL FRAMEWORK

Honourable Speaker, our fiscal environment remains constrained, owing to a number of factors including slow economic recovery and high expenditure in 2020/21 and 2021/22 financial years that was as a result of countering the effects of COVID-19 on public health, livelihoods and the economy.

Even though operating under such a fiscal framework, we are however living in hope that the increases on tax revenue collections, as reported by national treasury, will be sustained to have positive yields into our fiscal space.

Honourable Members, the total receipts for the Eastern Cape for 2022 is **R87.673 billion**, and is estimated at **R260.166 billion** for the full 2022 Medium Term Expenditure Framework (MTEF).

Of the **R87.673 billion**, **R86.081 billion** is national transfers, which is made up of **R72.230 billion** of the Provincial Equitable Share (PES) allocations and **R13.850 billion** for conditional grants. The Province is projecting to collect **R1.591 billion** of own receipts.

The equitable share formula was reviewed for 2022/23 financial year, and an amount of **R557.610 million**

was added to our baseline due to adjustments from the impact of new data updates in the PES formula.

The equitable share formula is heavily based on population stats. Therefore, the more a province loses its population, the more it loses on its equitable share allocation.

In lights of this, we encourage the people of the Eastern Cape to be vigilant and be counted during this period of Census 2022. Being counted will have a great equitable share benefit for the government and the people of the Eastern Cape

Madam Speaker, the Provincial Equitable Share was adjusted over the 2022 MTEF with a total nominal increase of **R9.621 billion**. This increase is a result of continued engagements with various intergovernmental platforms in mobilising the much needed resources for Education and Health.

Significant to note is that the total provincial payments for 2022/23 amount to **R86.428 billion**, and this reflects a budget deficit that we fund through own provincial receipts. The bulk of this year's budget goes to the social cluster in the amount of **R69.808 billion**, **R13.649 billion** to the economic cluster and **R2.9 billion** to the governance cluster.

Fiscal risks

Honourable Speaker, The Minister of Finance in national budget speech indicated that the national gross debt is projected to increase from **R4.35 trillion** to **R5.43 trillion** in 2024/25, which constitutes 69.5 per cent of GDP in 2021/22 and increasing to 75.1 per cent of GDP in 2024/25. This is a reality that all of us must contend with, especially the continued budget deficit that the country is seized with from year to year, which has a direct impact on our financial resource allocations as the province.

This House will recall that we lost **R54 billion** from the 2013 /14 financial year up to the 2021 MTEF. The amount that was lost to PES alone in the 2021 MTEF amounted **R28.245 billion**, which the government had to reprioritise due to the government wage freeze and fiscal consolidation. We should be worried that the Compensation of Employees (CoE) accounts for 65.4 per cent of the total provincial budget in 2022/23. This leaves 34.6 per cent for the provincial government to fulfil its mandate of delivering services to the people of this province.

Madam Speaker, just to go back to the matter of the Provincial Equitable Share that was adjusted over the 2022 MTEF, resulting to us receiving an amount of **R9.6 billion**. The funding received accounts for the wage agreement and, to a greater extent, to cater for spending pressures in the Department of Education and Health, as well as Social Development. The budget pressures and other incidences that we continue to experience in Health and Education put a strain in our already depleted envelope, which is impacting negatively on our resolve to fund economic growth in the province.

Measures to Improve Liquidity Position

Madam Speaker, I think it is important that I allay some fears by talking to some of the measures that we are taking to improve the liquidity position of the province.

In each term of government, we are always faced with challenges of one form or another from the departments of Health and Education. As Provincial Government, supported by the Legislature, we are addressing these challenges.

Although currently experiencing a challenge of limited fiscal space to maneuver, I believe we are on the right

path to addressing the challenges in these departments, with the strong leadership from our Honorable Premier.

From the perspective of Health in particular, we have elevated the interventions that we embarked upon in the recent past to deal decisively with the issue of the medico-legal claims, which accounts for the biggest part of these challenges. In addition to this, we are working with the department to improve efficiencies across the system focusing on these pillars: Optimisation of Budget; Increase Income Streams; decrease losses and manage risk; Digitilisation and Efficiencies and Cost Saving.

These measures, in a nutshell, seek to address the department's cost of employment, their infrastructure and their supply chain processes. They also seek to decrease clinical risks, deal with fraud and corruption, digitilisation of systems and widen their revenue sources. They are currently being implemented, with the participation of national government - in particular departments of Health, Justice, Public Service and Administration as well as National Treasury.

During the course of this year we will unpack some of these measure to some level of details. For the time

being, I would call on everyone who shows genuine concern on the challenges from these departments to be patient as we deal with them.

THE 2022 BUDGET CORE MESSAGE

Honourable Speaker, the 2022 medium-term main policy priorities are economic recovery and fiscal consolidation, as we tread these uncharted territories. This budget is characterised with budget reprioritisation, balancing the liquidity of the Provincial Revenue Fund. This therefore means, we cannot do everything we want at the same time.

This is why I always encourage all departments and entities to become ambassadors to mobilise resources through the district development model platform, national intergovernmental structures and partnering with the private sector initiatives, as to utilise each and every rand in most efficient, effective and economical way. The idea here is for the revenue to outperform expenditure.

Lastly, as we deploy a range of fiscal and monetary measures to avert the effects of the COVID-19 pandemic and limit economic damages, it is critically

important that each institution make strategic choices that would advance our strides for service delivery and achieve our clarion call of ‘a better life for all’.

ENABLING ECONOMIC RECOVERY AND JOB CREATION

Madam Speaker, at the top of our immediate agenda is the consensus effort to grow the economy and create jobs, especially after the economic devastation caused by the COVID-19 pandemic.

To achieve this, Provincial Government endorsed an economic reconstruction and recovery plan, aimed at supporting business sector towards saving jobs and surviving during the COVID-19 pandemic. The core of this plan is to improve investment on economic infrastructure and setting up an industrial base for manufacturing, to enable equitable and inclusive transformation, digitalization and public finance.

To improve our competitiveness in the delivery of infrastructure, we have appointed COEGA Development Cooperation to coordinate our infrastructure delivery programme and assist with packaging of our infrastructure projects.

This arrangement is also aimed at enhancing our chances of getting funding from sources such as the Budget Facility for Infrastructure and Sustainable Infrastructure Development Symposium, including the private sector.

Honourable Speaker, Tourism is one of the sectors that contribute massively to our GDP, due to the beauty and potential that we possess as a Province. It was however one of the sectors that was hit hard by the COVID-19 related restrictions and regulations. Due to our confidence in that potential and the contribution it has made to our economy over the years, we identified Tourism as an enabler to achieve our economic growth and job creation objectives.

We are moving ahead with Phase 2 of the 32-kilometre-long Hluleka Nature Reserve Road. The route is part of the Wild Coast Meander route that provides access to the tourist destination of Hluleka Nature Reserve. It links the communities along the route with the St Barnabas Hospital. The project is currently at procurement stage and an award is expected to be made in April 2022. A budget of **R15 million** has been allocated to this project in 2022/23. All this work, we are doing to attract potential tourists, both domestically and abroad, as this will benefit our economy and job creation.

As an enabler for economic growth, we have allocated **R4.951 billion** to Department of Transport for 2022/23 and a total of **R15.068 billion** over the 2022 MTEF to, among other mandates, improve our roads infrastructure.

In this regards, we continue with the implementation of our roads flagship projects, including two-phased upgrading of the 20-kilometre-long Clarkbury Road between N2 and R61, with a total allocation of **R40.568 million** allocated over the 2022 MTEF. Phase one of this project is under construction and Phase 2 is currently at tender stage and is expected to be awarded during May 2022.

We also continue with the upgrading of the 12 kilometre road stretch from Sterkspruit to Mlamli Hospital with a total allocation of **R94.402 million** allocated over the 2022 MTEF. This project is inclusive of 4 bridges.

To ensure affordable public transport for people in the most rural areas, an amount of **R637.196 million** has been allocated in 2022/23 and a total of **R1.976 billion** over the 2022 MTEF, for our people to have access to subsidised bus passenger services.

Honourable Members, the Eastern Cape commands the biggest footprint of auto sector in South Africa, boasting four of seven OEMs that are operating in South Africa and up to 118 major component manufacturers. Our manufacturing base accounts for 6.8% of Gross Domestic Product (GDP). To support the sector's economic drive, we are allocating an amount of **R93.9 million** over the 2022 MTEF to ECDC's subsidiary, AIDC.

Honourable Members, just like the auto sector, Agriculture is one of the sectors of our economy that have performed well over the years, also owing to our comparative agri-land advantage. In this regards, the Province is allocating **R2 328 billion** for 2022/23 and **R7.095 billion** over 2022 MTEF to Department of Rural Development and Agrarian Reform (DRDAR) to provide a sustainable agricultural sector, rural livelihoods and food security for our people.

Their focus for this year include commercialisation of agriculture value chain to industrialise and transform the agriculture sector, to enhance infrastructure development to enable economic growth and to address agri-entrepreneur skills development in line with the Province's job creation, economic transformation and education, skills and health priorities.

From their total budget, we are allocating **R134.871 million** in 2022/23 and **R411.446 million** over 2022 MTEF to improve agriculture infrastructure in order to support commercialization of all commodities in the province.

We are also allocating an amount of **R263.380 million** in 2022/23 and **R829.320 million** over the 2022 MTEF to improve productivity of crop production by providing inputs and mechanisation services. Additionally, support will be provided to 370 livestock enterprises to enhance herd productivity through distribution of improved genetic material to smallholder and communal farmers.

Madam Speaker, at the heart of South Africa's economic reconstruction and recovery plan is the goal of building a new, fast growing, and more inclusive economy; propelled by greater levels of public and private sector investment.

The Province continues to embark on a sustainable economic recovery through our very own SEZs. As part of our support, the Province is allocating **R19 million** in 2022/23; **R19.836 million** in 2023/24 and **R20.729 million** in 2024/25 to CDC as their operational expenditure.

The East London Industrial Development Zone (ELIDZ) continues with its strides in positioning the zone as the investment destination in the Eastern Cape. At the end of the third quarter of the 2021/22 financial year, an investment amount valued at **R20.5 billion** had already been recorded for 85 potential investors, and this will create 10 059 job opportunities. For this financial year, an amount of **R37 million** is allocated to ELIDZ for auto sector manufacturing incubator. The other **R37 million** will come from Department of Trade Industry and Competition, another commendable example of strategic sourcing of funding.

Honourable Members, we are enroute to resuscitating Eastern Cape Development Corporation (ECDC) to optimal performance. We view ECDC as one entity that can transform our economic standing as a Province. Its main support mandates in that regard relates to property development and modernisation, investment promotion and development financing.

Although under a constrained fiscal environment, the Province is providing funding to ECDC in the amount of **R179 million** for 2022 MTEF. The funds are earmarked for the recapitalisation of the loan support for SMME and

Co-operative sector benefit, and support the property modernisation and development in the province. Another share of it is for the film industry support, aimed at ensuring that the creative industry is able to stimulate economic activity, drive transformation, create jobs and entrepreneurial opportunities within the province.

I must reiterate Madam Speaker that, this is the start to positioning ECDC at the forefront of our economic recovery plan and job creation. We are confident in the new leadership and the turnaround strategy that they have presented, that indeed we are now going to see an ECDC that we all desire.

Honourable Members, we have in the recent past provided funding to support youth enterprises with start-up capitals, in the form of Isiqalo, through a Stimulus Fund. This fund was initially designed as a once off mechanism to boost a struggling economy. We still believe that there is still a need to continue with this sort of financial support, considering that the economy has not reached satisfactory levels to support small business. This is a subject that we will consider, and a pronouncement in this regard will be made during the Adjustment Budget.

Also Honourable Members, as we open up industries and opportunities to ignite economic growth and job creation, we also understand that there is an urgent need for business support in the form of capital investment. For far too long, there has been an outcry over the lack of financial instruments to assist the emerging businesses. In an effort to address this, provincial government is now at an advanced stage of establishing a Development Fund Framework. We will expand on this in the next budget.

Honourable Members, the revitalisation of the Eastern Cape State-owned industrial parks remains a key priority to enable re-industrialisation of sectors in the province for economic growth and job creation. In this respect, both Aggressive Infrastructure Investment and Energy Security are among the highest implementation priorities. We have so far reached different levels of our phased infrastructure upgrades in various industrial parks that are found in the Province. With the support of Department of Trade, Industrial and Competition, these industrial parks will soon be ready for business.

Honourable Members, we are forging ahead with the infrastructure development for the establishment of the

agro processing sector development in the Wild Coast region towards regional economic development and agriculture sector development. The DTIC contributed an amount of **R29.715 million** for a cumulative period of three financial years and the business case was found to be viable, leading to establishment of PMO by the DEDEAT to start planning. The PMO was further funded by over **R80 million** through the Stimulus Fund facility over a period of three financial years.

In addition, the DEDEAT allocated in 2020, an amount of **R37.600 million** of capital expenditure for perimeter security fencing for the industrial estate, which is situated adjacent to the Mthatha Airport. Late in 2021, the DTIC further approved an amount of **R49.974 million** for construction of bulk infrastructure, which is projected to commence in the 2022/23 financial year.

We are aware that this project is not complete and the Project Management Office needs funding to continue with its work to attract investment to where DTIC will consider SEZ designation. We will make announcement in regards in the adjustment or MTEF budget. Once operational, the Wild Coast SEZ will give the economy of the eastern side of our province

a competitive advantage, considering that these kind of initiatives were only found at the border and the western side of our province.

Honourable Members, in the 2022 MTEF, provincial government will undergo Supply Chain Management reforms that seek to promote timeous delivery of services but also ensuring quality and value for money. During the MTBPS in December 2021, I highlighted the observation of the bad habit where departments would rollout their procurement plans very late in a financial year, which sometimes would lead to underspending, fiscal dumping or poor service delivery.

To address this, departments are now obligated to finalise their procurement plans a year prior to the year of implementation, and also align them with budget. I am glad to report that some departments have already embarked on the procurement processes for goods and services that will be required in the 2022/23 Financial Year. There is a strong drive to bring other departments on board. In this regard, support is being provided to selected departments on an intervention basis. It is our objective to reach a stage where departments would have finalised the procurement processes for all

contracts in the year prior to actual expenditure. This will not only ensure spending of allocated budgets but will also ramp-up service delivery.

This initiative will improve the spending performance of departments to leverage their purchasing power, reduce costs and improve their overall performance.

KEY ALLOCATIONS TO PROVINCIAL PRIORITIES

Madam Speaker, despite the current economic conditions, we remain committed to deliver on our Apex Priorities. Consequently, we continue to channel the bulk of our provincial equitable share to respond to spending pressures in Education, Health and Social Development sectors.

Education and Skills

For 2022/23 financial year, we are allocating **R38.559 billion** to the Department of Education to Improve Access to Quality Basic Education. In this regard, we are allocating **R4.668 billion** to the department's National School Nutrition Programme over 2022 MTEF. For 2022/23, we are allocating **R1.494 billion** to benefit **4 941 schools** in

the province, with over **1.6 million learners** expected to benefit.

We continue to support the department's provision of adequate Learner Teacher Support Material at schools. As such, we have set aside an amount of **R2.130 billion** for 2022 MTEF period, with **R654.075 million** allocated in 2022/23 for the annual procurement of textbooks and stationery for all learners in Grades R to 12.

To support the Province's strategy to improve grade 12 results, we are allocating **R302.301 million** to the department over the 2022 MTEF to assist underperforming schools to improve matric results. Of this funding, **R96.491 million** is for 2022/23.

Honourable Members, we have made available an additional funding in the amount of **R1.153 billion** in 2022/23, **R975.012 million** in 2023/24 and **R1.016 billion** in 2024/25, to address cost pressures that are experienced by Education.

We are also adding **R1.006 billion** in 2022/23 financial year and **R1.011 billion** for 2023/24 to the department to continue hiring education assistants as part of the Presidential Employment Initiative.

Early Childhood Development Function Shift

Madam Speaker, the Early Childhood Development (ECD) function shift from the Department of Social Development to the Department of Education has been concluded. In that regard, we have added an amount of the **R221.152 million** in 2022/23, **R221.865 million** in 2023/24 and **R231.826 million** in 2024/25 to the baseline of Education to ensure seamless education system.

Additionally, an Early Childhood Development grant of **R199.459 million** in 2022/23, **R199.728 million** in 2023/24 and **R208.697 million** in 2024/25 has also been allocated to Education, also in support of the function shift.

Improving Health Care

For the past two years, the government has been grappling with the COVID-19 pandemic, necessitating government to reprioritise a large budget to its response strategy, putting a further strain on our fiscal environment.

Despite such constraints and challenges, the provincial government, through the Department of Health has

remained committed on delivering on its constitutional mandate of ensuring progressive universal access to health care, inclusive of reproductive health services.

We have therefore allocated **R81.922 billion** over the 2022 MTEF to the Department of Health, of which **R27.362 billion** is allocated for this financial year. Of this year's allocation, an amount of **R1.567 billion** is allocated for Health infrastructure and a total of **R4.692 billion** over the 2022 MTEF period, for maintenance and repairs, upgrades and additions and rehabilitation and refurbishment for health facilities, including new infrastructure assets.

Furthermore, included in the departments' allocation is additional funding of **R951.606 million** in 2022/23 and **R1.994 billion** over the 2022 MTEF, to continue support against the COVID-19 pandemic, vaccination programme and to reduce the impact of budget reductions on essential medical goods and services at hospitals.

Madam Speaker, the Province has the responsibility to transform our society by building conscious and capable citizens through the provision of integrated

developmental social services, with families at the core of social change.

A total amount of **R8.480 billion** has been allocated to the Department of Social Development over the 2022 MTEF, of which **R2.788 billion** is allocated for 2022/23.

From this allocation, an amount of **R31.732 million** in 2022/23 and a total of **R100.214 million** over the 2022 MTEF has been allocated to strengthen and intensify Gender Based Violence programmes and Psycho – Social support services to victims of crime and violence.

To fight poverty and sustainable livelihoods, we are putting **R14.439 million** in 2022/23 and a total of **R45.600 million** over the 2022 MTEF to fund food security and nutrition initiatives.

FISCAL SUSTAINIBILITY

Honourable Members, whilst we put all our efforts into accelerating the economic recovery, it is equally important that we collectively subject ourselves to a fiscally sustainable path that will generate long lasting impact.

This time calls for everyone to join in the path of fiscal consolidation, if we are to find balance between our spending and income. Our spending is already higher than our income. We should be utilising Own Provincial Revenue for other developmental projects, and not to cover budget deficits.

To achieve this will require sound fiscal and public expenditure control.

One of the measures that the Province is implementing is the reprioritisation of departmental baseline budgets to respond to the anticipated upsurge in service delivery demands post Covid-19 lockdowns. Optimal responses in this regard will entail, among other things, departments conducting periodic expenditure reviews on key service delivery programmes and expenditure items, adopting reforms to curb excessive costs and waste in procurement.

Similarly, we must ensure that infrastructure projects are delivered on time and within budget.

We also must ensure strict monitoring and enforcement of all adopted cost containment measures and expenditure controls on non-core items, and effectively

make use of the modern solutions that are brought by latest technology.

Honourable Members, the Province also continues with the enhancement of provincial own revenue to reinforce our fiscal muscle, emanating from the outcomes of a research that identified the Departments of Public Works and Infrastructure (DPWI), Transport, Health and Economic Development, Environmental Affairs and Tourism (DEDEAT) to implement the new sources of provincial own revenue.

These sources are in the main in respect of:

1. The rental and lease of state-owned properties by charging market related rent by DPWI;
2. The efficient collection of license renewals at registering authorities through an online system and the collection of traffic fines and at weighbridges for overload control by the department of Transport;
3. The Department of Health is implementing an online collection system from hospitals; and
4. The expansion of Limited Pay-out Machines by the Eastern Cape Gambling Board under DEDEAT.

Departments have in this regard prepared their revenue 3-year plans and are already in their first year of implementation. If implemented correctly, this will have a great fiscal benefit for the Province.

GOOD GOVERNANCE AND ACCOUNTABILITY

Madam Speaker, the lack of good governance and accountability generally being displayed by state organs has lowered our economic growth capabilities, just as it has lowered our service delivery capabilities.

There is no better time for state organs to rid itself of unethical conduct, including corruption.

We have successfully removed all conflicted officials who have done business with the state from the Central Supplier Database, a practice that painted this government in a negative light in the recent past. We are also cleaning our system of those who are potentially conflicted by registering their companies on CSD.

The Provincial Government will not hesitate to institute consequence management should there be officials that are found to have done business with the State.

Honourable Speaker, with the negative economic outlook and increasing demand on public services, it is evident that allocations alone will not be adequate in accelerating the development of our province. A high level of discipline is no longer an option but a precondition for this budget to have the desired effect.

While we are making progress in addressing developmental challenges, more effort is still needed towards better management of resources. In this regard, government will continue to strengthen governance, notably the capacity of Internal Audit, Risk Management and Audit Committees.

The pervasive weaknesses in management systems, including poor planning, underspending of conditional grants, wastage and irregular expenditure must be eradicated.

A decisive leadership across sectors is required to promote a culture of accountability, where poor performance and irregularities, which sometimes camouflage corruption, is not tolerated.

One of the indicators we use when measuring good governance is the audit outcomes. We are pleased to report that there has been a slight improvement in our

audit outcomes, with four of the fourteen departments, from two, having now received clean audit outcomes, seven received unqualified audit opinions with findings, while three received qualified audit opinions during the 2020/21 audit period.

The Departments of Sports, Recreation, Arts and Culture and Cooperative Governance and Traditional Affairs are the two that improved from unqualified with findings to clean audits. Increased support is being given to move the only three qualified departments - Education, Health and Transport- to unqualified audit in the medium term.

We are also encouraged by the performance of the Public Entities. Of the eleven that we have in the Province, seven received clean audit outcomes and four were unqualified with findings.

Government will continue to support improvements in this area, hence we call on Accounting Officers to keep to the basics, as outlined in the Provincial Audit Improvement Plan. Key to these is to do accounting routines timeously, apply correct supervision and continuous training of the teams involved in these processes, so that nothing is left to the time of the audit when the pressure builds up.

The other critical aspect is the focused oversight by all those charged with this responsibility, hence the call for Audit Committees to have audit improvement featuring strongly in their plans to complement the work done by Provincial Treasury and the Legislature.

Through a collaboration of efforts by the Office of the Premier, Provincial Treasury and Cooperative Governance and Traditional Affairs, we continue to give support to our municipalities.

We are slowly making progress in reducing the scale of unfunded budgets. Although we have reduced them from 14 in 2020/21 to 9 municipalities during the 2021/22, we are targeting to achieve zero unfunded budgets by 2024/25 budget year. This would bring municipalities in the province to 100 per cent funded budgets and will be a step towards municipal budget sustainability.

Provincial Treasury will continue to monitor and intensify support to municipalities that are in crisis including those that are under Sec 139 of the Constitution. Let me take this opportunity to remind councillors and officials that we expect financially responsible budgeting, expenditure and revenue management to improve financial health of municipalities.

Work is underway on providing assistance to municipalities to eliminate wasteful, fruitless and irregular expenditure.

All municipalities in the province have established the Disciplinary Boards to address financial misconduct in our municipalities. This would assist to bring officials and Councillors to account for any financial misconduct and to restore good governance in managing financial affairs of the municipal Councils. Provincial Treasury will continue working with CoGTA & SALGA to build capacity to Municipal Public Accounts Committees (MPACs), as a key player in the Unauthorised, Irregular, Fruitless and Wasteful Expenditure value chain, to address conditions that result in the slow investigation of UIFW expenditure

The slow spending patterns on conditional grants remain another area of concern. Eastern Cape is one of the provinces which continue to incur heavy financial losses as a result of rejected rollovers and stopping and re-allocations. As a province that rely mainly on conditional grants to implement our infrastructure expansion programmes, these losses require urgent attention.

CONCLUSION

Reflecting on a similar situation we are now facing, American Author, Grant Cardone once said: “No economy, no matter how bad, can hold down a goal that is followed by enough action.”

Honourable Members, in the midst of economic constraints and changing world certainties, if we remain resolute to our goal of a ‘better life for all’ and act with dedication, integrity and purpose, utilizing all funding at our disposal in the most prudent manner, we will prevail.

The hopes and aspirations of our people shall never ever be in vain. We have committed ourselves to defeat all the odds; to achieve sustainable human development in our lifetime.

As I conclude Madam Speaker, we appreciate all hands placed at the disposal of our Provincial Government to crystallise this budget. The leadership of Premier Mabuyane and the support from all EXCO members and this august Legislature, has always been the dependable fountain of strength that we value so dearly.

Team Treasury under the stewardship of HOD Majeke, we are genuinely thankful to your dedication, commitment and precision to mould an ever difficult budget.

Amade ngawetyala, sondelelani kengoko zidweshana namaqobokazana wakowethu.

Ndiyabulela!

APPROPRIATION BILL 2022 (EASTERN CAPE) SCHEDULE A PER DEPARTMENT

| VOTE | DEPARTMENT | AMOUNT |
|--------------|---|-------------------|
| | | R'000 |
| 1 | Office of the Premier | 963 592 |
| 2 | Provincial Legislature | 571 146 |
| 3 | Health | 27 362 251 |
| 4 | Social Development | 2 788 194 |
| 5 | Public Works and Infrastructure | 2 584 294 |
| 6 | Education | 38 559 185 |
| 7 | Co-operative Governance and Traditional Affairs | 1 007 859 |
| 8 | Rural Development and Agrarian Reform | 2 328 201 |
| 9 | Economic Development, Environmental Affairs and Tourism | 1 338 282 |
| 10 | Transport | 4 951 120 |
| 11 | Human Settlements | 2 448 031 |
| 12 | Provincial Treasury | 427 316 |
| 14 | Sport, Recreation, Arts and Culture | 990 731 |
| 15 | Community Safety | 107 969 |
| Total | | 86 428 171 |



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