



EASTERN CAPE  
**POLICY SPEECH**  
2022/2023



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

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2022/2023 POLICY SPEECH**

**HONOURABLE MEC MLUNGISI MVOKO**

**16 MARCH 2022**

**Honourable Speaker,**

**Deputy Speaker,**

**Honourable Premier,**

**Honourable Members,**

**Senior Government Officials,**

**Distinguished guests,**

**Ladies and Gentlemen,**

**Molweni,**

## **INTRODUCTION**

Honourable Speaker, today I table in this House the Vote 12 Budget of the Eastern Cape Provincial Treasury for the 2022/23 financial year.

This year's Budget Vote takes into consideration the fiscal and governance concerns that were highlighted during the State of the Province Address and the Budget Speech for the 2022/23 financial year.

In the recent past, our economy has been vulnerable, and was further compounded by the impact of COVID-19. This economic shock and others before it, poses a challenge and has necessitated adjustments in Provincial Treasury strategies and plans as we forge ahead.

As set out in our 2020-2025 Strategic Plan and in line with our mandate, we will continue to provide strategic and technical leadership in the allocation, management and utilisation of financial resources in order to improve the quality of life in the province.

We remain steadfast in our envisioned goal of achieving a better life for all.

The 2022/23 financial year represents the third year of the five year planning cycle towards realising our strategic priorities outlined below as set out in our 2020 – 2025 Strategic Plan.

- **Fiscal Consolidation**
- **Supply Chain Management Reforms**
- **Infrastructure Support, and;**
- **Governance and Accountability**

## **FISCAL CONSOLIDATION**

With the economic outlook still highly uncertain and the economic activity restricted to contain the spread of coronavirus, appropriate measures had to be taken to stabilise provincial finances. Budget ceilings were implemented by reprioritising funds to key service delivery areas from the non-core items in line with agreed sector priorities, whilst also improving governance and oversight in the province.

The department will continue to implement the zero based budgeting and expenditure performance

reviews to improve provincial spending outcomes whilst strengthening allocative efficacy.

The constrained economy necessitates Provincial Treasury to put in place measures that promote fiscal discipline as well as revenue enhancement strategies in the province.

PT working with National Treasury is continuing with the work on the review of the Equitable Share Formula. It is important that the Formula is responsive to differences especially in poor and rural provinces. As part of this Formula review related to the Health component, provinces like the Eastern Cape have benefited from work done so far.

## **Managing the Wage Bill**

The wage bill continues to pose a challenge to the fiscus. Spending ceilings are being maintained through various measures that include tight management of the Compensation of the Employees (CoE) in the province. PT participates in the Provincial Coordinating Monitoring Team (PCMT) where posts are validated against service delivery models and organograms.

Service delivery models and organograms are also validated in an effort to manage compensation of employees. We support the exercise that is undertaken by the Office of the Premier to assist provincial departments to review their organisational structures. This exercise assists provincial government to improve Human Resources efficiencies and rightsizing organograms to ensure they are fit for purpose. This exercise also ensures that the human resource capacity is allocated to key service delivery areas.

## **Zero-Based Budgeting and Public Expenditure Review**

Honourable Speaker, we will continue with the implementation of zero based budgeting that we introduced in 2020 to help align spending with strategic outcomes and service delivery priorities. This will assist in eliminating inefficiencies on expenditure whilst strengthening allocative efficacy.

The Department is continuing with the Public Expenditure Review exercise to assess the extent to which departmental policies influence spending on

cost drivers so that it can inform more efficient future resource allocation. Also part of the Performance Expenditure Review exercise is an intention to cut down on the use of consultants to realise savings.

## **Turnaround interventions**

The provincial government has endorsed a turnaround plan for departments of Education and Health to curtail the fiscal surge.

This is fully supported by the Provincial Treasury in order to enable sustainable resource management for the province. It is on these grounds that we have intervention teams with Department of Health being the first one to have enjoyed the support. We are replicating this kind of support to Education.

The work we are doing to support the Department of Health is beginning to show encouraging signs in terms of cash outflows and halting exponential growth in the number of cases that we have begun to see in the past three years. The sustainable way to deal with this issue, though, remains the improvements in the levels of health care. Hence we call on all that are trusted with this responsibility to help in this regard.

As I indicated in the Budget Speech last week, the turnaround plan that we are rolling out in the Department of Health is exploring opportunities for efficiencies across the operational systems, including payroll management, supply chain management system, service optimisation as well as automation of key business processes. These efficiencies and others will help us deal decisively with the abnormal accruals, with visible benefits in reducing the creditor payment period.

Included in the Provincial Appropriation Bill is funding specifically and exclusively set aside to mitigate the scourge of medico-legal claims.

### **Provincial Own Revenue**

Honourable Speaker, the constrained fiscal environment that has created limited space to manoeuvre further forces us to strengthen our strategies to collect revenue. In the 2022/23 financial year, Provincial Treasury will continue supporting the four revenue departments (Public Works and Infrastructure, Health, Transport and Department of Economic Development and Environmental Affairs) to maximise the collection of



the much needed revenue as outlined in their revenue plans.

## **Rationalisation of Public Entities**

Honourable Members, the implementation of the rationalisation of public entities report is in full swing, after it was presented to the EXCO and approved for implementation.

Measures have been put in place to closely monitor the implementation of the project in order to maximise economic benefits to the province.

Provincial Treasury will continue to support the rationalisation whilst the Office of the Premier (OTP) is taking over the next stage of the project to deal specifically with legislative mandate of this process.

In line with this, we are committed to strengthen the Eastern Cape Development Corporation (ECDC) as a strategic vehicle for provincial economic growth and job creation plans. For the province to excel we must continue to improve governance in public entities. PT together with the OTP will implement a Remuneration

Framework for Members of Boards as support to departments with public entities in appointing the correct skills at Board level.

Engagements with provincial departments through Top Management, OTP, Clusters, Project Steering Committee Meetings, and Project Management Office within the departments will continue to support this project to finality.

## **SUPPLY CHAIN MANAGEMENT REFORMS**

Honourable Speaker, the drive to implement Local Economic Development Procurement Framework (LEDPF) remains one of the key focus areas of the Provincial Treasury support to provincial departments to promote local content and procurement opportunities for local suppliers.

The intention is to ensure maximum retention of provincial fiscal spend in the province and to stabilise vulnerable and declining sectors as a result of the economic crisis and de-industrialisation. Furthermore, the implementation of the Framework will assist to protect and safeguard productive capacity of existing

industries and retain current jobs. Key to that will be to expand and increase the productive capacity of SMMEs and Cooperatives in the province.

The department, working in conjunction with DRDAR and DEDEAT is supporting Department of Health with the procurement of agricultural products for patient food that is to be supplied by provincial farmers. The farmers will supply their primary products to food processing facilities that are being established throughout the province. Health is in the process of issuing a bid in this regard. Education is also targeted through this initiative for School Nutrition.

The implementation of invoice tracking application that assists suppliers to enquire about the outstanding invoices online is ongoing. The drive to improve procurement efficiencies through transversal contracts, capacitation of suppliers on opportunities available to enable Small, Medium and Micro-Enterprises (SMMEs) to do business with government, including administrative support and registration on the Central Supplier Database (CSD) and LOGIS continued throughout the financial year.

Currently, Honourable Members, sixty per cent (60%) of the Province's procurement spend benefits local suppliers, and we commit to continue supporting departments to maintain the threshold in the 2022/23 financial year. The provincial departments are implementing the LEDPF on both open bids and quotation basis and have awarded contracts to local suppliers.

To improve procurement efficiencies, we will continue to identify a number of opportunities for transversal contracting, capacitation of suppliers on opportunities available to enable SMMEs to do business with government, including administrative support and registration on Central Supplier Database (CSD) and LOGIS.

We will intensify our efforts in monitoring the implementation of the procurement plans to eradicate delays in service delivery. The Price Index for high-volume low-value items has been updated in order to ensure we pay market related prices for commodities. Departments and public entities are continuously reminded to negotiate market related prices to ensure that value for money is derived.

## **INFRASTRUCTURE SUPPORT**

Honourable Members, infrastructure delivery is at the centre of the Province's plans for growth stimulation. In this regard, we will continue with the implementation of Infrastructure Delivery Management System (IDMS) that promotes and institutionalise the implementation of well-defined infrastructure processes in order to achieve effective infrastructure delivery in all spheres of government.

Ongoing support is being provided to departments to implement the Framework for Infrastructure Delivery and Procurement Management (FIDPM) and align infrastructure projects to the District Development Model to strengthen integrated infrastructure planning, procurement and delivery across the infrastructure value chain.

Other than the promotion of the multisector approach, the infrastructure planning process is also based on a regionalized approach in the Eastern Cape which cuts across the various Sector departments, taking into account the comparative advantage of the Province.

Using the B5 checklist, which reflects the regionalized approach, projects are thus to be packaged per region with all associated supporting projects and sectors involved, so that the projects are able to deliver as optimally as possible. The regional approach has already been customized into the Provincial Infrastructure Delivery Management System (PIDMS). Project selection involves a comprehensive planning checklist which includes social, environmental, economic and financial aspects and a standard implementation readiness tool which links the project data to the project cash flows and contractor grading capabilities. In addition, the Province is also utilising the joint site visits which includes the various spheres and related projects. The aim is to check the impact of the integration on the ground.

## **GOVERNANCE AND ACCOUNTABILITY**

Honourable Members, good governance and accountability are vital ingredients in the service delivery value chain. We are in continued interaction with departments to entrench this key aspect of their service

delivery within their business operations, through the implementation of the Financial Management Accountability Framework. This exercise will ultimately institutionalise discipline in the management of public resources and ensure that departments and entities move towards sustainable financial maturity. Where there are breaches of the Accountability Framework standards, Provincial Treasury will continue to escalate them to the Executive Authorities of departments.

We observed an improvement in the 2020/21 provincial audit outcomes compared to the previous financial year. In this regard, four of the fourteen departments, from two, have now received clean audit outcomes, seven have received unqualified audit opinions with findings, while three have 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 opinions 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.

Honourable Speaker, ongoing financial management support is being provided to provincial departments and municipalities, including mSCOA implementation in municipalities. The Provincial Treasury support to municipalities is spatially referenced and aligned to district development model and municipal integrated development plans.

Provincial Treasury conducted virtual engagements with municipalities to monitor audit action plans and assess effectiveness of the internal controls. The objective of these engagements was to provide municipalities with early warning signals to alert on the matters that can potentially lead to undesirable audit outcomes or regressions in the province. It is notable that in the last municipal audit, there were eight (8) improvements in municipal audit outcomes in the province and only one (1) regression.



The province has formulated a strategy to support municipalities to improve audit outcomes on the implementation of differentiated approach.

Out of the thirty-six (36) delegated municipalities, twenty-seven (27) municipalities were assessed to be funded in terms of section 18 of the MFMA. This was an improvement from the funded position reported during the 2021/22 MTREF draft tabled budget assessment. All the municipalities that adopted unfunded budget turn around plans to ensure that they address the root causes which lead to them adopting unfunded budgets. These turn around plans were monitored on a monthly basis.

## **CONCLUSION**

As I conclude Honourable Speaker, I must stress that corrupt activities and inefficiencies that are found in the system are eating away all the gains that we have made as this democratic government. There is persistent decay of provincial and municipal infrastructure, despite the deployment of fiscal and monetary resources to address these matters, year in and year out.

As custodian of the Provincial purse, the Provincial Treasury will continue to ensure accountability for resources allocated to service delivery institutions.

Our efforts, thoughts and initiatives must inspire confidence and high probability of revival of our system of economies in broad terms. We have a reason therefore to discharge our responsibilities in a manner that is immensely developmental in nature. No short-cuts shall sustain us. We do not need to be grossly conservative but be measured and calculative in our approaches as the regression has been systemic and deep-rooted.

We have transitioned the Age of Hope not without the glimpse of potential pitfalls ahead of us but with the certainty that no hurdles are taller than our determination to succeed as a society. As we borrow from former President Thabo Mbeki, ***“Gloom and despondency have never defeated adversity. Trying times needs courage and resilience. Our strength as a people is not tested during the best of times”***.

We shall prevail!

To fuel this resolve, I am tabling the Annual Performance Plan, together with the following budget allocations that are required in the 2022/2023 financial year:

## BUDGET AND PROGRAMME ALLOCATIONS

<b>PROGRAMME</b>	<b>R</b>
Programme 1: Administration	R175 316 million
Programme 2: Sustainable Resource Management	R81 510 million
Programme 3: Asset and Liabilities	R26 692 million
Programme 4: Financial Governance	R87 105 million
Programme 5: Municipal Finance Governance	R56 693 million
<b>TOTAL</b>	<b>R427 316 million</b>

We commit to use these resources economically to finance the commitments we have outlined above.

I would like to thank all the Members of the Executive Council of the Eastern Cape as led by the Honourable Premier Mr. Oscar Mabuyane for the guidance and support. The same gratitude goes to all the oversight committee members who have ensured that we execute our mandate optimally.

Lastly, I want to thank the Head of Department, Mr. Daluhlanga Majeke and team Treasury for doing a sterling job of ensuring that our Department is able to discharge its responsibilities diligently.

The hopes and aspirations of our people rest in your shoulders.

I thank you.



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