



## PROVINCE OF THE EASTERN CAPE

### Department of Economic Development and Environmental Affairs

#### Policy Speech for 2008/09

MEC Mbulelo Sogoni

March 2008

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#### 1. Introduction

Madam Speaker;

Honourable Premier and Members of the Executive Council;

Honourable Members of the Provincial Legislature;

Distinguished Ladies and Gentlemen

I thank you for the opportunity and honour to stand in this House to present the Policy Speech of the *Department of Economic Development and Environmental Affairs* for the 2008/09 Financial Year.

We draw our inspiration from President Thabo Mbeki's 2008 State of the Nation Address. And we agree with him when he says, "*At the centre of our economic programmes is, and should always be, the consideration whether their success is helping to improve the quality of life of all South Africans, acting as an important weapon in our War on Poverty and accelerating our advance towards the attainment of such objectives as the reduction of unemployment and advancing the goal of health for all*".

By that statement, the President reminds us all - government and society as a whole - that all government programmes and plans should reflect a sense of loyalty and commitment on the part of government to the people's mandate to work together for ***A Better Life for All***. And reaffirming the need for all to work together, the 52<sup>nd</sup> National Conference of the African National Congress correctly pointed out that "People acting collectively in the spirit of human solidarity must shape the patterns of economic development".

For her part, the Premier presented, in her State of the Province Address, the Provincial Growth and Development Plan (PGDP) as "the key driver" of our socio-economic transformation initiative. The plan requires my department *to promote sustainable and shared economic growth and development* through carefully selected programmes. It also enjoins us to pursue the objectives of attaining an annual economic growth rate of between 5 and 8 % and halving unemployment by the year 2014.

Also the President has announced the national Apex Priorities. Among these priorities are:

- ★ Further accelerating *economic growth and development*;
- ★ Speeding up the process of *building the infrastructure* we need to achieve key economic and social goals;
- ★ Improving the effectiveness of *interventions directed at the Second Economy*, and towards poverty eradication.

My department's role is, of course, to act as the provincial champion for these priority areas. To this end, we will work together with other departments of the Economic Growth and Infrastructure Cluster.

## **2. The Economic Context**

As I predicted in my policy speech last year, the Eastern Cape economy has sustained its growth momentum of previous years, breaking through the 5% level and landing at

**5.2%** growth rate for 2006/07, slightly below the national average of 5.3% for that year. The Gross Domestic Product by region (GDP-R) figures for 2007/08 will no doubt confirm this trend. Indeed, according to Statistics South Africa, the province's GDP-R grew by 5.3% in the last quarter of 2007, much to the surprise of many economists. Although seasonal factors might have been at play, the fourth quarter's growth performance does indicate resilience, particularly in the manufacturing sector.

In the Eastern Cape, the *manufacturing sector* grew by an impressive **5.7%** (compared to 3.3% in 2005/06), out-performing the national manufacturing sector, which grew by 5.2%. The *Finance, real estate and business services sector* grew by a whopping **8.5%** in 2006/07 (from 5.1% in 2005/06), mirroring national performance. The *Electricity, gas and water sector* posted a growth rate of **3.7%** in 2006/07 (up from 0.4% in 2005/06). Although nationally the *general government services* sector declined, in the province the growth rate increased to **4.2%** in 2006/07, up from 3.8% in 2005/06.

However, the growth rate of the provincial *construction sector* slowed down to **6.5%** in 2006/07, down from 11.2% in the year before, this despite the sector having recorded very high levels of growth nationally, from 12.4% in 2005/06 up to 14.7% in 2006/07. Given that the high levels of growth posted nationally are accounted for by public sector infrastructure investment, the sector's slow down in the provincial decline is worrying.

The **agriculture sector** in the Eastern Cape suffered a significant degree of contraction, recording a negative growth rate of 8.2%, a far cry from a peak of 24% annual growth rate achieved earlier in the decade. This decline reflects the vulnerability of the sector in the face of volatile global prices and changing weather patterns.

Growth in both the *wholesale and retail trade, hotels and restaurants* **and** the *transport, storage and communication sectors* of the provincial economy declined slightly, from 5.8% in 2005/06 down to **5.1%** in 2006/7 **and** from 4.1% to **3%** in the corresponding period, respectively, reflecting a similar trend in the national economy.

These figures might be pointing towards the slowing down of growth of both the national and provincial economies. This should not be a cause for concern: GDP growth rates tend to follow a cyclical pattern, with periods of strong growth followed by periods of a downturn. Since 1996, the province's economy has been growing at an average annual rate of 2.7%, while the corresponding figure for the national economy has been 3.2%. Fortunately, these rates are still far below the growth rate of 5.2% recorded for the year 2006/07.

Although the global economic climate seems to be worsening with the high and rising petroleum prices, our growth prospects are unlikely to be adversely affected. On the one hand, our reserve levels are relatively high, our monetary policy has remained cautious and prudent, and our public finances have never been stronger. All this should stand us in good stead, and help us weather the storm. On the other hand, the huge public infrastructure spending planned for the 2008/09 to 2010/11 MTEF period should help prop up demand and stave off any major downturn for our economy.

Nonetheless, uncertainties remain, not least those associated with sustainable energy generation. However, short-term plans are in place to minimise the impact these might have on our economy's growth prospects. Furthermore, government is working with relevant partners and stakeholders to build more energy generation capacity in the medium to long term.

### **3. Highlights and Challenges: 2007/08**

I now wish to present some achievements of my department for the 2007/08 financial year, in order to provide some context to the allocated budget for the 2008/09 financial year.

- Working with the Eastern Cape Socio-Economic and Consultative Council and the Department of Trade and Industry, our Department has tabled in the Executive

Council the final draft of the Provincial Industrial Development Strategy, with final approval expected early in the new financial year.

- The Department completed the first draft of the Provincial Co-operative Strategy, developed in line with the National Co-operative Strategy. The final draft, expected by June 2008, will be submitted to the Executive Council for approval.
- The process of commercialising key Provincial Parks has been started by the Department, and has progressed satisfactorily during the year. The Department has also concluded arrangements for the acquisition of more land in order to increase the area under protection in the province.
- The Department successfully hosted the Provincial Tourism Summit and the 2010 Tourism Readiness Conference; and the Province also played hosts to the World Tourism Day Celebrations event for 2007. Because of the importance we attach to the resolutions flowing from the summit and conference, the department has allocated R100 million to cater for tourism safety, tourism training and skills development, and the beautification of the immediate environment of the stadia and subsequent maintenance of this environment as legacy beyond 2010. Part of this allocation will serve to step the campaign to encourage non-hotel accommodation establishments to be graded.
- Under the leadership of the Office of the Premier and the Cluster, my Department participated in the efforts to establish the Mzimvubu Development Zone as well as the Special Purpose Vehicle [ASGISA-EC (Pty)Ltd] to manage and coordinate development initiatives within the zone. This, we believe, will help turn the economy of the eastern region of the Province around. In particular, it will contribute towards the creation of a *modern agro-industrial economy* in the Mthatha and surrounding areas.
- The Department continued its support to the automotive industry by financially assisting the Auto-motive Industry Development Centre (AIDC) and the highly successful South African Automotive Week (SAAW) held in Port Elizabeth in October 2007. The SAAW focussed national and international attention on the role and importance of the motor and motor components industry in the Province.

- The Department also introduced interactive platforms with municipalities and public entities aimed at enhancing accountability on programme performance and budget achievability. These forums also discuss measures for improving economic planning and better alignment of programmes.
  
- The Department's Environmental Affairs component launched the highly successful "green scorpions" programme to control environmental crime and enforce compliance requirements. The recent Appeals Court ruling, which was in our favour, has greatly strengthened our resolve to put a stop to land grabs and the activities of unscrupulous developers in the Wild Coast. We are now taking the fight to environmental crime syndicates, which have for some time now been robbing museums, as well as private and state game reserves, of highly valued rhino horns.
  
- The Department's efforts to finalise the Environmental Impact Assessments (EIA's) submitted in terms of the Environment Conservation Act, 1989 (ECA) have borne fruit; **333** files were concluded between April and December 2007. Most of the remaining files are awaiting outstanding information from developers and other key organs of state for conclusion. The target of the department is to eliminate all ECA applications backlog by the end of **September 2008**. The department has already issued notices of withdrawal to applicants whose applications lack information necessary for conclusion.
  
- Worthy of note, the Department has worked to improve financial management within its public entities. As a result nearly all of them received unqualified audit opinions for the 2006/07 financial year. And the department itself moved from the disclaimer in 2005/06 to a qualified report in 2006/07.
  
- The process of consolidating the mandate of the Eastern Cape Tourism Board and the Eastern Cape Parks Board was commenced but progress has been slow and that work will spill over to the 2008/09 financial year.

#### **4. DEDEA's Public Entities**

During the 2007/08 financial year the Department concluded comprehensive *Shareholder Compacts* with each one of its Public Entities in order to ensure that these entities commit to the development objectives of the Provincial Government, and account to the department. As part of the compact, the department pledged to provide strategic leadership and support to the public entities.

The Department has taken measures to ensure that vacancies in the Boards of its Public Entities are filled more speedily, and has been insistent on vacant key management positions, particularly the posts of Chief Executive and Chief Financial Officers being filled in a timely manner. Departmental representation on the Boards was reviewed, and in the 2008/09 financial year, their roles and responsibilities will find expression in their performance contracts.

As is the case with financial management, service delivery performance within the department and its public entities is improving, although there is need and room for improvement. Our collective efforts are indeed yielding results.

Under the guidance of the department, all our Public Entities reviewed their *Strategic Plans* in order to strengthen their alignment to the overall goal and policy direction of the department. The review also aimed at ensuring that their programmes are in fact a direct response and contribution to what the department seeks to achieve. However, the fine tuning of these strategies and plans will continue into the 2008/09 financial year, with a view to continually improving them.

We are pleased to briefly report on the performance and plans of our Public Entities. Their achievements demonstrate what is possible when they work in concert with government with a view to building a dynamic provincial economy that will secure a better life for all.

#### **4.1 Eastern Cape Development Corporation (ECDC)**

The ECDC made considerable gains during 2007/08, particularly with respect to its initiative to strengthen the integrity of the institution.

On the governance front, the ECDC received an *unqualified audit report* for the first time in the agency's history, and for this we commend the concerted effort of the Board and management. The organisation's restructuring process has been finalised and programmes are now mostly aligned with the ECDC's strategic mandate as a development finance institution.

At the programme or service delivery level, the ECDC is undertaking or supporting a number of projects and initiatives.

- ⇒ A R45 million blueberry project in Stutterheim, aimed at employing 5 000 people at maturity. The erection of associated infrastructure is already underway, and this is poised to provide a valuable and necessary catalyst for further economic growth in this small town.
- ⇒ Intervention, together with the Department of Agriculture, to revive the pineapple industry. In addition to this, consideration and an announcement will soon be made on a possible co-funding arrangement that, if concluded, will result in a R264 million no-waste pineapple agro-processing operation in Bathurst. The undertaking will ensure that, as a matter of priority, the existing 1 500 farm jobs are secured, and that more jobs could be created as farmers regain confidence in the 100 year old industry and start planting pineapples again.
- ⇒ A strategic project implementation undertaking on behalf of provincial government in the development of the Ugie / Maclear Forestry and Timber Cluster, and more specifically, in the Steinhoff / PG Bison project in which the provincial government has spent **R97,2 million** in the past two years for the upgrading of municipal infrastructure and the provision of bulk services. A further **R37,4 million** in funding will be made available in the 2008/09 financial year.

- ⇒ Strategic management of the Magwa Tea Estate to ensure that, through the **R26,7 million** assistance provided by the department, production does not come to a halt. As a result, jobs that would otherwise have been lost are being saved. Although the Executive Council has assigned lead role to the Department of Agriculture in the 2008/09 financial year, ECDC, together with relevant stakeholders, developed a medium to long term sustainability plan for the project. The plan addresses such areas as infrastructure rehabilitation, multi-crop production, agro-processing operations and marketing strategy. It also takes into account the Executive Council decision to promote the consumption of Magwa tea in the domestic market, particularly in the public sector.
- ⇒ Establishment of partnerships with relevant Departments to develop, grow and harness the aqua- and mariculture potential of the province. Towards this end, the national Department of Environmental Affairs and Tourism has announced a R100 million allocation for mariculture projects in each Coastal Province.
- ⇒ Establishment of partnership with the Department of Transport and other stakeholders, to assist with the setting up of the AB350 bus company which would enable bus drivers to offer commuters subsidised transport services. We are convinced that this initiative will go a long way in reviving the bus industry in the province.

My department has allocated a budget of **R262,3 million** for continued funding support to the Eastern Cape Development Corporation in the 2008/09 financial year.

#### **4.2 Eastern Cape Tourism Board (ECTB)**

I am glad to report that the Eastern Cape Tourism Board received an *unqualified audit opinion* in 2006/07 confirming that financial management at the tourism authority of the province has improved.

The Tourism authority has also been making its presence felt within its sphere of activity, and this was demonstrated by their active participation and valuable input at the

recent municipal ***Growth and Development Summit (GDS)*** process. Thanks to their input, all stakeholders now agree that tourism development can play a strategic role in developing our largely rural province. This underscores the relevance of the PGDP and the need to ensure better alignment with municipal Integrated Development Plans.

Under the auspices of the department, the ECTB also took part in organising the highly successful 2010 Readiness Conference and the Tourism Sector Summit.

As the tourism authority of the province, the ECTB has been actively participating in the 2010 Provincial Co-ordinating Committee. They have also been championing a campaign to get our non-hotel accommodation establishments graded by the South African National Grading Council. In this regard, we are pleased to report that, despite grading being a voluntary exercise, **599** establishments, out of the 922 accommodation establishments registered with the ECTB, were graded as at the beginning of February 2008.

My department has allocated a budget of **R23, 5 million** for continued funding support to the Eastern Cape Tourism Board in the 2008/09 financial year.

#### ***4.3 Eastern Cape Parks Board (ECPB)***

The ECPB also demonstrated improvement in their financial management as confirmed by the *unqualified audit opinion* they received for the 2006/07 financial year.

At the service delivery level, the ECPB has made some significant achievements in the 2007/08 financial year.

⇒ The parks commercialisation programme has started in earnest with the approval of an R80 million investment in **Mkhambathi** project for which construction work is scheduled to start in **June 2008**. We are proud that local communities, as owners of

the land and direct beneficiaries of the project, are fully participating in the project. We expect that the initiative will increase the revenue for the ECPB.

- ⇒ The Parks authority's 2010 Strategy has been approved and launched. It clearly shows how the agency will go about ensuring that essential infrastructure is rehabilitated, and how they would develop accommodation and other tourist facilities. The authority plans to upgrade identified accommodation facilities to 3-Star graded accommodation establishments that offer better levels of service. This would strengthen competition with privately owned game reserves, to the benefit of tourists.
  
- ⇒ In recognition of their capabilities, ECPB was named the implementing agent for a US\$ 6.5 million UNDP/GEF-funded Wild Coast Project. The project is aimed at strengthening community *co-management arrangements* as the best vehicle for managing biodiversity in areas with complex land tenure systems and competing land uses.
  
- ⇒ The authority has also participated in the Rhino exchange programme with Zambia and Namibia, and has re-introduced six black rhinos into the Baviaanskloof at a cost of R2.6 million.
  
- ⇒ In line with our plans to expand areas under conservation, the authority has acquired more than **five thousand hectares of land** for conservation purposes **at a cost of R6 million**, and the department is set to further increase the land area under conservation by **2%** by the end of March 2009 in pursuit of the national target of 8% by 2014.

My department has allocated a budget of **R100 million** for continued funding support to the Eastern Cape Parks Board in the 2008/09 financial year.

#### **4.4 Eastern Cape Gambling and Betting Board (ECGBB)**

The Eastern Cape Gambling and Betting Board received an *unqualified audit opinion* for the 2006/07 financial year, an achievement it has made every year since its inception.

At the service delivery level, the performance of the ECGBB has been no less impressive.

- ⇒ A total amount of more than **R67.3 million** was collected between April and December 2007 as gambling taxes and fees from the gambling industry in the Province, which amount exceeded the initially projected target by R1million.
- ⇒ The ECGBB oversaw the successful opening of the *Queens Casino* in Queenstown (Zone 3) in December 2007, and the construction of the casino's hotel is expected to be completed by March this year. So far, 143 jobs have been created in the Casino, and the Queens Casino consortium has a 30% BEE local active participation. And final Request For Proposals (RFP) for the Casino licence in Zone 5 (Wild Coast Area), whose current license expires in 2009, has been issued.
- ⇒ Participation by previously disadvantaged persons in the gaming industry has been expanded through the *Limited Payout Machine Industry* largely focussing on creating jobs and promoting Black Economic Empowerment. By December 2007, the gross gaming revenue generated by this industry from a total of 180 active sites with 978 active machines was **R1, 6 billion**. The gambling tax revenue collected and put into the Provincial Revenue Fund amounted to more than **R6.8 million**.
- ⇒ In regulating the gambling industry in the Province, the ECGBB implements the policy of Responsible Gambling by excluding gamblers who cannot control their habit. To date, a total of **2 781** people have been declared as unable to control their gambling habit, and have thus been excluded.

My department has allocated a budget of nearly **R20, 7 million** for continued funding support to the Eastern Cape Gambling and Betting Board in the 2008/09 financial year.

#### **4.5 Eastern Cape Liquor Board (ECLB)**

The ECLB received a *disclaimer of audit opinion* for 2006/07, confirming that from a governance and financial management point of view, there is need and room for improvement.

At the service delivery level, the ECLB reported significant achievements for 2007/08.

- ⇒ Nine district offices at Aliwal North, Cradock, Grahamstown, East London, Kokstad, Mthatha, Port Elizabeth, Queenstown and Uitenhage are now fully functional. This will ensure that client service points for the receipt of applicants and inspections of premises are accessible.
- ⇒ The ECLB has, in partnership with the Department of Safety and Liaison, embarked on a *Safer Taverns Strategy* to eliminate violence in taverns and to curb alcohol-related crime, particularly in the context of the 2010 FIFA World Cup.
- ⇒ A public education campaign has been conducted to address the negative socio-economic effects of alcohol abuse. The campaign has focused on the areas of gender-based violence, road fatalities and injuries, and negative health effects, culminating in the launch of *Liquor Awareness Month* in November 2007 in Motherwell in the Nelson Mandela Metropolitan Municipality.

My department has allocated a budget of **R23, 1 million** for continued funding support to the Eastern Cape Liquor Board in the 2008/09 financial year.

## **4.6 Eastern Cape IDZ Programme**

The Industrial Development Zone (IDZ) Programme in the Eastern Cape continues to play the vitally important investment facilitation, revenue generation and job creation roles. The programme is aimed at providing world-class infrastructure and services for manufacturing enterprises.

Both our IDZs continue to demonstrate impeccable financial management as confirmed in the *unqualified audit opinion* received by these entities in 2006/07.

Consultation by the Department of Trade and Industry (**the dti**) still continues to examine institutional arrangements pertaining to the IDZ programme, including the entities' current and future funding and accountability arrangements, and support for IDZ project implementation.

### **4.6.1 ELIDZ**

The East London IDZ received funding support in the amount of R113 million from the department for the 2007/08 financial year, and this was later adjusted to R192 million for the development and construction of *factory superstructures*, as well as for certain *centralised tenant services facilities* within the IDZ.

Much of the development expenditure occurred in the ELIDZ's **Automotive Supplier Park** which has been established as a modern complex of export manufacturing factories and attendant services facilities, including shared and centralised logistics.

⇒ A major achievement for the ELIDZ for the 2007/08 year was the securing in July 2007 of a permanent Operating Permit in compliance with the IDZ Programme Regulations.

- ⇒ In December 2007 new investments, worth some R165 million, were announced bringing the number of *confirmed* investors in the country's first operational IDZ to **fourteen**, raising the total projected value of their investments to some **R920 million**. The investments also added a further 195 direct manufacturing jobs to raise the job creation potential of all investments in the ELIDZ to a total of some 1 313 jobs, of which approximately **600** are already existing.
- ⇒ The ELIDZ joined forces with government to tackle skills shortages by project managing learnership programmes under the auspices of the Office of the Premier and the National Skills Fund. A total of **68 learners** have been engaged in the programme, which aims to produce skills in the auto component manufacturing area.
- ⇒ In March 2007, deeds were registered for sub-zones 1A, 1B, and 1C, with further registration of Zone 1D taking place in June 2007. By end December of that year, the ELIDZ was able to confirm ownership of over **430 hectares** which include land envisaged for development as part of Phase 1 of the ELIDZ project.

My department has allocated a budget of **R119, 9 million** for continued funding support to the East London IDZ in the 2008/09 financial year. This amount is aimed at providing infrastructure and to support the IDZ to invest in the development and commissioning of *various basic and value-added services*.

#### **4.6.2 Coega Development Corporation (CDC)**

The Management of the CDC continues to perform impressively in promoting the Coega IDZ as a preferred investment destination.

- ⇒ To date, **twelve investors** have signed up to locate in the IDZ, raising the value of investment to over **R30 billion**. By December 2007, a total of **four** investors were operational in the Coega IDZ in various manufacturing categories including construction, food processing and motor vehicle components. The year ended on

a high note with the announcement of a R39 billion possible investment by PetroSA in an oil refinery plant.

⇒ The CDC continues to build infrastructure in the Coega IDZ, and so far **6 500 hectares** of the IDZ has been transformed into an *attractive Industrial Estate* with world class infrastructure and facilities, which have attracted global blue chip companies. In this regard, we are happy to report that preliminary estimates show that the value of land in the Coega IDZ has almost **quadrupled** the more than R2 billion of government investment, thus dispelling the notion earlier created by pessimists that the programme was bound to fail.

⇒ A total of **20 000 jobs** had been created by December 2007, of which **4800** were permanent.

⇒ Like the ELIDZ, the CDC has made a major contribution toward the provision of skills identified as critical for the successful realisation of accelerated and shared growth. The Corporation has trained more than **5 500** people since it started its training programmes at a total cost of about R20 million. Of this number, **5 028** have been successfully placed in relevant positions in the economy, thus contributing significantly to employment in the Province.

⇒ The *CDC Consulting Services* continues to play a pivotal role in the provision of critical infrastructure in the Eastern Cape Province. Projects in their portfolio include work done in support of the following Provincial Departments:

❖ Department of Health

★ *Cecilia Makiwane Hospital*

★ *Frere Hospital*

★ *Forensic Mortuaries*

❖ Department of Education

★ *Building of schools through the Expanded Public Works Programmes*

❖ Department of Environmental Affairs and Tourism

- ★ *Vus'ubuntu Cultural Village and Information Centre in Cradock.*

Although the CDC will not receive budgetary allocation from the Provincial fiscus in 2008/09, provincial government will continue to play its leadership and supportive role in the unfolding industrial revolution in our own province, the Eastern Cape.

With the *Port of Ngqura* scheduled to open in April 2009, many of the existing investors will start with their construction works during 2008, whilst others will receive their environmental authorisation soon to allow them to also commence construction.

Accordingly, there will be *substantial top structure development* taking place in the Coega IDZ this year. The Coega Aluminium smelter is one among other top structure facilities scheduled to be built this year. The CDC will also service zones beyond the 6 500 hectare *Core Development Area* for investors in the *Chemicals and Mariculture Clusters*, among others.

## 5. 2008/09 Budget Priorities

The Department's budget has increased from R757,9 million in 2007/08 financial year to **R872, 4 million** in 2008/09, an increase of **15,1%**.

Our approach will be to deploy these resources to continue with and intensify the work we announced in the 2007/08 Policy Speech, since most of our programmes are of a long term nature. To further consolidate the programme gains, an amount of **R 549, 5 million or 63%** of the total departmental budget is allocated as transfer payments to Public Entities. Compared to the original budget of 2007/08 financial year the amount reflects an increase of 29.8%. However compared to the adjusted budget the allocation declines slightly due to the R106,7 million once-off allocation in that budget.

Our intervention in the economy this year will be within the framework of our new Provincial Industrial Development Strategy, as well as the soon to be completed Provincial Co-operatives Strategy. In this regard, **R5 million** has been set aside for the development of industrial action plans and for commencing implementation of the co-operatives strategy. Our plan is to provide support to **at least thirty** co-operatives in the new financial year.

The provincial industrial action plans when finalised will enhance our chances of securing funding from the R2.3 billion allocated by the national government towards *industrial policy initiatives*.

Furthermore, **R100 million** has been allocated to kick-start the mostly agricultural programmes ear-marked for implementation in the Mzimvubu Development Zone.

In collaboration with the Department of Agriculture, and in the context of the **Rural Development Strategy** process to be championed by our department, we will continue with our efforts directed towards the establishment of an Eastern Cape **Bio-Fuels capability**.

As we may be aware, national government has recently identified and approved a set of 10 services, namely, computer equipment & consumables; advertising, media & communication; clothing & textile; cleaning services & supplies; furniture & décor; stationery supplies & printing; event coordination & management; maintenance and repairs; travel coordination & shuttle services; and food perishables that will be sourced from the local Small, Micro- and Medium Enterprises (SMMEs).

Through the Provincial Treasury, all departments and public entities of the provincial government have been directed to produce procurement plans in a manner that gives effect to the cabinet resolution of promoting the local economy through government's procurement. It is important to note that in the 2008/09 financial year, Goods and Services budget accounts for R7,5 billion or 19,6% of the provincial budget. The budget for Goods and Services, together with a portion of transfers that will be used to procure goods and services by public entities, will constitute a significant and much-needed intervention to stimulate our provincial economy with emphasis on rural development.

In the same period, our department has also allocated **R 32 million** for Local Economic Development programme in support of municipalities.

I am also pleased to announce that the department and the ECDC are working with relevant municipalities, and plans will soon be finalised to again put productive use the unused and / or under-utilised factories in Mthatha, Butterworth, Queenstown, Whittlesea, Dimbaza and Fort Jackson. In terms of this programme, vacant land has been audited and will be transferred to municipalities for development, and dilapidated factories are to receive facelift and be recapitalized in support of local economic development initiatives of the municipalities. The former TRANSIDO infrastructure is currently being assigned to the municipalities as well.

On community level job creation, we are equally pleased to announce that the department has completed the development of plans to absorb **1000 people** into the environment sector of the Extended Public Works Programme by April 2008, with the intention of taking an additional **1000 people** by October of the same year.

## 6. Conclusion

Without doubt, the magnitude of the tasks presented in this Policy Speech far exceeds the capabilities we have in the department to carry them out, and notwithstanding our rigorous campaign to fill funded vacancies, the department still seeks to acquire specialised skills to build considerable economic planning, as well as programme implementation and coordination capacities.

Although the international economic environment looks less promising, as alluded to earlier on in my speech, we – the department, government and people of the Eastern Cape -- should accept the challenges presented as an opportunity for us to work together to realise *a sustainable and shared economic growth and development* of our dreams. As the President said, now is the time for “all hands to be on the deck...” for the love of our province and her people.

In this regard, I would like to express my sincere thanks to all those who have sustained my hopes and aspirations during the closing financial year. In particular, my thanks go to my family, the Premier and EXCO, the Management and staff of the Department, the Boards and Management of the Department’s Public Entities, the Members of the Portfolio Committee and all our social partners, who have all supported us during the year and have contributed immeasurably to the humble achievements of our department. It is my hope that you will continue to give much valued support in the year ahead.

The allocation of the resources for 2008/09 among the Department’s Programmes and Public Entities is indicated the attached ***Annexure 1***.

Madam Speaker, I am pleased to table in this House the MEC’s 2008/09 Policy Speech, the Department’s and all our Public Entities’ Strategic, Annual Performance and Service Delivery Improvement Plans.

I thank you.

## Annexure 1

Source	Amount (R'000)
Treasury Funding (Equitable Share)	872,432
<i>of which is Departmental Receipts</i>	<i>101,644</i>
Tax receipts (Casinos, Horseracing & Liquor Licences)	97,172
Non-tax receipts (Sale of goods and services)	4,201
Interest/financial transactions	256

As indicated in the Departmental Strategic Plan and the Budget Statement No 2 for Vote 9, the overall budget of **R872,432 million** is allocated to the Department's operating Programmes, as follows:

Programme	Amount (R'000)	% of Budget
Programme 1: Administration	191,859	22,0
Programme 2: Economic Development	518,175	59,4
Programme 3: Environmental Affairs	162,398	18,6
<b>TOTAL</b>	<b>872,432</b>	<b>100,0</b>

Summary of information regarding payments by economic classification and transfers to public entities and local government in 2007/08 is indicated below:

<b>1. Summary of payments by economic classification</b>		Amount (R'000)
<b>Payments</b>		
<b>Current payments</b>		<b>181,674</b>
Compensation of employees	109,397	
Goods and services	72,277	
<b>Transfers and subsidies</b>		<b>683,665</b>
To Local Government	32,000	
To Provincial Agencies & Funds		
To Departmental agencies and accounts	549,565	
To Non-profit institutions	102,100	
<b>Payments for capital assets</b>		<b>7,093</b>
Machinery and equipment	7,093	
<b>TOTAL PAYMENTS</b>		<b>872,432</b>

### 2. Summary of Transfers to Public Entities and Local Government

Public entity / application	Amount (R'000)
<b>ECLB (Eastern Cape Liquor Board)</b>	<b>23,137</b>
Liquor Administration	23,137

<b>ECTB (Eastern Cape Tourism Board)</b>		<b>23,540</b>
Tourism Development and Promotion	23,540	
<b>ECPB (Eastern Cape Parks Board)</b>		<b>100,000</b>
Parks management	100,000	
<b>ECDC (Eastern Cape Development Corporation)</b>		<b>262,288</b>
Promotion of SMMEs	75,000	
Investment, Marketing and Industrial Promotion	17,000	
Trade Development	6,000	
AIDC	6,888	
SEDA	6,000	
Steinhof/PG Bison	37,400	
Special Projects	14,000	
ASGISA related projects	100,000	
<b>ECGGB (Eastern Cape Gambling and Betting Board)</b>		<b>20,690</b>
Regulation and Administration of Gambling	20,690	
<b>Coega Development Corporation</b>		<b>0</b>
Operating Costs and Infrastructure Development	0	
<b>East London IDZ</b>		<b>119,910</b>
Operating Costs and Infrastructure Development	119,910	
<b>Non-profit organisation</b>		<b>100,000</b>
2010 Projects	100,000	
<b>National Business Initiative (NBI)</b>		<b>2,100</b>
Coaching and mentoring	2,100	
<b>Local Government</b>		<b>32,000</b>
LED projects in approved IDPs	32,000	
<b>TOTAL</b>		<b>683,665</b>