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East Cape's embattled municipalities owed R32bn

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Thirty-two-billion rand — that is the consolidated amount owed to financially embattled municipalities in the Eastern Cape by households, businesses and state institutions.

The figure was revealed by finance MEC Mlungisi Mvoko during his budget speech yesterday.

He said one of the big challenges faced by the Eastern Cape government was that a majority of the province's municipalities were in financial distress.

Mvoko was speaking at a virtual legislature sitting, where he delivered the province's 2023/2024 budget speech, second adjustment budget and appropriation bill.

The budget for the 2023/2024 financial year is R91.6bn, which represents a deficit of about R2bn, forcing the government to tap into its provincial reserves to fund the deficit with an additional R2.7bn. Mvoko said further support to municipalities was required to improve their audit outcomes, noting that eight municipalities had showed an improvement in the 2021/2022 financial year.

He attributed the poor audit outcomes to low revenue collection and poor implementation of cost containment measures.

"Our poor performance in infrastructure delivery is largely seen at municipalities, against high levels of service delivery backlogs," Mvoko said.

"We continue to underspend on infrastructure grants while our roads are dilapidating, provision of electricity is in crisis mode, and water and sanitation challenges are at our doorstep."

As a result, the province continued to lose conditional grant funding due to this under-expenditure.

This, he said, led to funds being returned to the national revenue fund.

To this end, the provincial government is set to enhance measures to assist municipalities to avert the problem through a risk-adjusted strategy.

"I also wish to implore us to pay municipalities for the services that they render."

Nelson Mandela Bay is one of the municipalities that has continued to receive qualified audit outcomes for several consecutive years, with its revenue collection falling far below its projections.

At the beginning of this year, the city's revenue collection rate was sitting at a low 60.7%, far below the targeted 79%.

Of the R15.2bn owed to the metro by residents and businesses, R7.2bn was owed for water by December last year.

Mvoko said other threats to both the fiscus and development were the high number of incidents of cable theft, destruction of railways and vandalism of public infrastructure, including schools and hospitals.

"To circumvent all these risks and inefficiencies, we encourage good governance and transparency, and projects must be completed on time and within budgets, if we are to realise value.

"Our fiscal position remains tight, owing to the constrained state of the economy and the resultant budget losses we experienced in the recent past," he said.

Mvoko said it was good news that the national government was not implementing any budget cuts in the medium-term expenditure framework.

This provided some breathing space and a slight improvement in the provincial fiscus, he said.

Allocated funding for government departments:

- Office of the Premier — R1,208,377,000;
- Provincial legislature — R607,951,000;
- Health — R28,139,339,000;
- Social development — R2,833,704,000;
- Public works and infrastructure — R2,503,875,000;
- Education — R41,128,250,000;
- Co-operative governance and traditional affairs — R1,050,901,000;
- Rural development and agrarian reform — R2,358,376,000;
- Economic development, environmental affairs and tourism — R2,000,800,000;
- Transport — R5,689,887,000;
- Human settlements — R2,535,202,000;
- Provincial treasury — R454,989,000;
- Sport, recreation, arts and culture — R993,394,000; and
- Community safety — R115,179,000.

Mvoko said he tabled the budget under subdued economic times that were characterised by an uneven recovery which resulted in high levels of unemployment, a high cost of living and a constrained business environment. However, one of the sectors that contributed to economic growth and job creation was the automotive sector, which was now transitioning to electronic vehicles.

"We can't be left behind. If we don't align ourselves with the demands of this transition now, we could see calamity on the jobs front," he said.

"To retain our comparative advantage in the sector, we should have a clear plan on how we are going to implement infrastructure and support projects that are demanded by this evolution, including the installation of electric vehicle charging stations, the skillset and promotion of renewable energy projects.

"I am, however, happy that the engagements on these issues have started between us and captains of the industry, business and universities, through our entity, AIDC Eastern Cape."

An amount of R3m has been set aside for an auto sector aftermarket programme to assist 300 panel beaters and mechanics.

He said it was exciting to see benefits from investments made in the film industry.

"At the start of the current financial year, the provincial government injected financial support to the [Eastern Cape Development Corporation] for the film industry, to ensure that the creative industry is able to stimulate economic activity, drive transformation and create jobs and entrepreneurial opportunities within the province.

"Also, we did this deliberately to attract productions so they expose the Eastern Cape as both a film and a tourism destination of choice.

He said the telenovela, *Gqeberha: The Empire*, was a good story of progress.

"It illustrates our great efforts to advance the interests of the youth.

"It is pleasing to witness such good support in the telenovela.

"We must get used to seeing familiar faces on our screens."

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'Real issues not addressed' — opposition

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