



**economic development
& tourism**

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



the debt Policy & Budget Speech 2020/2021

Mr PS NGOMANE (MPL)
MEC: Finance, Economic Development
and Tourism



Let's grow the economy of Mpumalanga together



VOTE 6: POLICY AND BUDGET SPEECH 2020-2021 PRESENTED BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR PETRUS SIMON NGOMANE, MPL, DURING THE VIRTUAL SITTING OF THE MPUMALANGA PROVINCIAL LEGISLATURE, CITY OF MBOMBELA LOCAL MUNICIPALITY

Tuesday, 23 June 2020

Salutations

Honourable Speaker;
Honourable Premier;
Honourable Deputy Speaker
Chief Whip of the Majority Party;
Leader of the Official Opposition Party;
Colleagues in the Executive Council;
Honourable Members;
Director-General in the Office of the Premier;
Head of the Department of Economic Development and Tourism;
Chairpersons of Boards of our Public Entities and CEOs;
The people of our Province;
Ladies and gentlemen.

San'bonani!

Introduction

1. Madam Speaker, it is said that ***Hope is the thing with feathers; That perches in the soul; And sings the tune without the words; And never stops at all.***
2. I have borrowed this quote from American poet, Emily Dickinson, to try to instill hope, that we shall surely overcome the current economic meltdown, brought about by the ravaging COVID-19 pandemic.
3. The impact of this pandemic is huge, but **we must stay positive, and see it as a temporary setback.** We must remain hopeful that it shall surely come to pass!
4. Flowing from the words of President Cyril Ramaphosa, when he addressed the nation last week, another **epidemic we are facing is the assault, rape and killing of women and children,** by the people who should be protecting them.

5. This must stop immediately. On behalf of real men – because real men do not abuse, rape nor kill women and children – I **denounce such barbaric and heartless acts**; as this cannot happen in our name! **As men, we should be the refuge** for women and children, and not their killers.

Economic Outlook

6. Madam Speaker; the **emergence of the COVID-19 pandemic has undoubtedly changed our lives**; it has altered the way we operate, and the way we are doing business.
7. Clearly, a new economy is developing out there, where it will be **normal to work from home and remotely** – like we are doing today – and where e-commerce and on-line shopping, for example, will become part of our DNA.
8. On the downside, the economic lockdown due to this pandemic, has, and continues to **impact negatively on our economy**. In fact, no economy has been spared by this pandemic, the world-over. To this end, the International Monetary Fund has projected **global growth to fall to at least minus 3%** this year; and this is a downgrade of more than 6% from January 2020.
9. This so-called Great Lockdown is the **worst recession since the Great Depression of the 1930s**, and far worse than the global financial crisis and the recession of 2008/2009. As a result, the **world's two (2) largest economies are struggling**, and this will impact negatively on the world, and the South African economy.
10. The Chinese economy for example, where the coronavirus originated, **recorded a contraction of almost 7% in the first quarter of 2020**. Economic activity also contracted significantly in Europe, and also in the United States. The USA recorded a huge increase in unemployment, with millions of job losses over the last 3 months.
11. The outlook of the South African economic also remains very fragile; with a **negative growth rate of around minus 7% to 9%** expected this year. As a result, it is forecast that **approximately 1.6 millions jobs will be lost** in our country this year.
12. Indications are that industries, such as **trade (including tourism), as well as manufacturing, transport, communication and construction**, will suffer the most losses.

13. We also did our own research in the Department, and it has revealed that **our Province will record a negative growth rate of between 5% and 7% this year.**
14. The most economic sectors and industries to be affected, in this regard, will be **construction, trade (including tourism) and manufacturing.**
15. However, **agriculture will be the least affected** due to the demand for agricultural products, and because Mpumalanga is an important contributor to the food basket of South Africa.
16. **Mining, and more specifically coal mining, will not experience a huge negative growth rate** this year, because many of the coal mines were operational during the lockdown period, so as to provide coal to Eskom, to keep the lights on.
17. We remain very concerned that our **tourism industry – which is our gold mine and a significant economic contributor and job driver – will also be seriously affected.** According to our Department's On-line Provincial Business Survey, as at the end of May 2020, about **95% of businesses in the tourism industry had experienced a decrease of more than 50% in their turnover.**
18. Almost **50% of these businesses have laid-off their employees** for a short-term, and **32% have, so far, laid-off their staff permanently.** Around 50% of the businesses, **mostly in the tourism industry,** had also indicated that they were not confident that their businesses will continue operating throughout the COVID-19 pandemic period.
19. Consequently, our **efforts in dealing with the triple challenges of poverty, unemployment and inequality** will move significant steps backwards. The **unemployment rate is, thus, expected to increase to around 40%** this year, and the **poverty rate to more than 50%** (lower bound poverty line).
20. Accordingly, around **100 000 jobs are expected to be lost in the Province** this year, with almost 50% of these losses being in the **construction and trade (which includes tourism, the small business and informal sector).**

Our Interventions

21. We therefore, have a daunting task – as the Department mandated to steer economic growth initiatives and activities in the Province – of **facilitating the reversal of such negative impact,** more than before. In this regard, we are

currently **consulting all stakeholders**, and even forming new partnerships with the private sector, like the financial industry, to revive the economy of the Province.

22. Honourable Speaker; Honourable Members; our main priority area during the 2020-2021 financial year, will therefore, continue to be on **Economic Transformation and Job Creation**.
23. Thus, in our quest to transform our economy and create jobs, we intend to **continue implementing massive economic infrastructure projects**.
24. Work on the **Mpumalanga International Fresh Produce Market will continue** under facilitation by our Public Entity, MEGA, as this is a multi-year project. For the 2020-2021 financial year, we have allocated an amount of **357 million, 183 thousand Rands to continue implementing the project**.
25. Considerable progress have been made in constructing the top structures at the Market, which commenced in November 2018.
26. For example, **Building 14 – the Consumer Substation – is currently at 85% completion, whereas Building 15 which is the Intake Substation is at 80% completion**.
27. Overall, the average progress on the construction of the top structures is 17% complete, given that progress on other buildings is still relatively low. Our anticipation is that **all top structures would have been completed by the end of September next year**.
28. The establishment of the Nkomazi SEZ has long been in the pipeline; hence we are now fast-tracking the process. In this regard, we will through MEGA, **establish and capacitate the SEZ Entity; appoint its Board; continue to capacitate the SEZ Programme Management Unit (PMU); and finalise the land development process**.
29. So far, we have appointed key personnel for the SEZ PMU, including the **Project Coordinator**; and have **allocated 35 million Rands** towards the project, in the current financial year.
30. We further intend to **finalise statutory requirements** to pave the way for the **establishment of the Forestry Industrial Technology Park**.

31. Attracting foreign direct investment into the Province is one of the major responsibilities given to MEGA; hence we aim **to increase trade and investment to the tune of at least 200 million Rands** during this financial year.
32. In addition, we will **increase funding for SMMEs and cooperatives** by disbursing loans to the value of 16 million Rands, through MEGA; and will further facilitate additional loans by working closely with strategic partners, such as banks, and other developmental finance institutions.
33. MEGA has also made provision of **6,4 million Rands for housing loans**.
34. Honourable Speaker; we want MEGA to achieve financial sustainability, and our plan, in this regard, is to **generate at least 45 million Rands** through its property portfolio.
35. With regards to reviving our tourism industry, we are currently collaborating with the private sector to come up with the **Provincial Tourism Recovery Plan**, which will also propose the **Provincial Tourism Relief Fund**, aimed at assisting the thousands of tourism SMMEs.
36. We are cognisant of the deteriorating condition of our tourism infrastructure; hence we will continue with the work of upgrading such infrastructure in order to improve visitor experience. To this end, we have **secured funding to the tune of 65 million Rands** from the National Department of Environment, Forestry and Fisheries, to complete upgrades at our MTPA-managed nature resorts and tourism facilities.
37. We will also **commission a feasibility study for the Tourism Train Project**, in order to diversify our tourism product offerings. Overall, the MTPA will **continue to promote and market our Province**, as a tourist destination of choice, by **conducting various activations**, aimed at boosting domestic tourism and international arrivals, amongst others.
38. We will further **develop the Provincial Tourism Bill** during the current financial year, to enable us to holistically regulate the tourism industry in the Province.
39. And in continuing to fulfil its conservation mandate, the MTPA will **utilise technology to protect our endangered species**, like the rhino, for posterity, amongst others.

40. With regards to licensing of gambling activities, we will commence with the process of **awarding the fourth Casino license in the Province**, through our Public Entity, MER.
41. We anticipate the process to extend to the 2021-2022 financial year, owing to the national lockdown currently in place. Once licensed, it is expected that the new casino will unlock further economic growth and development in our Province, through the creation of tourism infrastructure, generation of additional fiscal revenue, and the creation of job opportunities for our people.
42. Overall, MER will **continue to regulate the gambling and liquor industries**; heighten enforcement on compliance to liquor license conditions; and even **collect applicable gambling levies and liquor license fees** due to the Provincial fiscus.
43. We further remain resolute in protecting consumers from unscrupulous business practices; hence we will install and operationalise the **electronic Consumer Case Management System**.

Budget Allocation (per Programme)

44. Madam Speaker; the Plans we have tabled today, require funding to be realised. Accordingly, **Vote: 6 – Department of Economic Development and Tourism** is proposed to be allocated an amount of **One billion, 353 million, and 68 thousand Rands** to fund these Plans during the 2020-2021 financial year, which is broken down as follows:
 45. **Programme 1: Administration**
An amount of **112 million** has been allocated to Programme 1 (Administration) in order to, amongst others, continue to provide political policy directives; administrative, financial and other support functions to the overall Department.
 46. **Programme 2: Integrated Economic Development**
In order to continue to provide support and to develop small businesses and cooperatives, amongst others, Programme 2 (Integrated Economic Development) has been allocated an amount of **663 million, 804 thousand Rands**.

Included in this amount, is an amount of **241 million, 803 thousand Rands**, to fund the requirements of our implementing agent, **MEGA (Mpumalanga Economic Growth Agency)**.

47. **Programme 3: Trade and Sector Development**

An amount of **24 million, 481 thousand Rands** has been allocated to Programme 3 (Trade and Sector Development) to amongst others, fund our plans aimed at developing and growing our economic sectors, and increasing investment into the Province.

48. **Programme 4: Business Regulation and Governance**

Programme 4 – Business Regulation and Governance – has been allocated an amount of **120 million, and 92 thousand Rands**, to continue with the sterling work of ensuring compliance with applicable business legislations in relation to liquor, gambling, business in general, and to protect consumers from unfair business practices.

Included in this amount, is a total amount of **98 million, 769 thousand Rands** to enable the **Mpumalanga Economic Regulator (MER)** to continue to implement part of our legislative mandate, relating to regulating the liquor and gambling industries.

49. **Programme 5: Economic Planning**

In order to continue to provide economic planning and analysis services to the Province, Programme 5 – Economic Planning – has been allocated an amount of **19 million, 540 thousand Rands**.

50. **Programme 6: Tourism**

And lastly, Tourism – Programme 6 – has been allocated an amount of **413 million, 151 thousand Rands** to continue to grow the sector, and to promote Mpumalanga as the tourist destination of choice.

Included in this amount, is an amount of **407 million, 588 thousand Rands** to fund the requirements of the **MTPA (Mpumalanga Tourism and Parks Agency)**.

51. Madam Speaker; Honourable Members; the total amount proposed to be transferred to our three (3) Public Entities is **748 million, 160 thousand Rands**; and this represents almost **55, 3 percent** of the total budget allocation to the Department.

52. As the Executive Authority of the Department, I now request the House to consider and approve the total budget allocation of **One (1) billion, 353 million, and 68 thousand Rands** to fund the requirements of the Department and its implementing agents, for the financial year ending March 2021.

Conclusion

53. As I close, may I take this opportunity to express my gratitude to the **Honourable Premier, and the leadership of the African National Congress** in the Province, for affording me the opportunity to lead this all-important Department.
54. My appreciation also goes to my **colleagues in the Executive Council; the Chairperson and Members of the Portfolio Committee** on Premier's Office; Finance; Economic Development and Tourism, for their support.
55. Many thanks to the **Head of Department; Chairpersons and CEOs** of our Public Entities; and their dedicated teams. My thanks also go to my family for their support and understanding.
56. Madam Speaker, in a speech he delivered in 1958 at a public meeting, organised by the South African Congress of Democrats in Johannesburg, during the dark and inhumane days of apartheid, the then **President General of the African National Congress, iNkosi Albert John Mvumbi Luthuli** said, and I quote:
57. ***"The difficulties may be great, but nothing has beaten man if he has striven ... We often say that what we are doing, we do for posterity ... [So, let's] Go [forward] in faith and believe in the sanity of posterity"***, unquote.
58. Indeed, let us go forward, believing that we shall overcome the current unfortunate economic meltdown.
59. As a Department, we strongly believe in partnering with the private sector, in order to revive our ailing economy. We cannot do it on our own.
60. ***Let's grow the economy of Mpumalanga together!***

Ngiyabonga!



economic development & tourism

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