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WE WORK HARD TO DELIVER



**economic development  
& tourism**

MPUMALANGA PROVINCE  
REPUBLIC OF SOUTH AFRICA



# *Policy & Budget* *Speech 2017/2018*

**MR SE KHOLWANE (MPL)**  
*MEC: Finance, Economic Development  
and Tourism*

"TOGETHER MOVING SOUTH AFRICA FORWARD"



**SPEECH BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, HONOURABLE SE KHOLWANE (MPL) DURING THE OCCASION OF THE TABLING OF THE POLICY AND BUDGET OF VOTE 6 (ECONOMIC DEVELOPMENT AND TOURISM) FOR THE 2017/18 FINANCIAL YEAR AT THE MPUMALANGA PROVINCIAL LEGISLATURE, CITY OF MBOMBELA**

**25 May 2017**

- Honourable Speaker and Deputy Speaker;
- Honourable Premier, Mr. DD Mabuza in absentia;
- Honourable Members of the Executive Council;
- Honourable Members of the Provincial Legislature;
- Executive Mayors and all Councillors;
- Chairperson and Members of the House of Traditional Leaders;
- Director-General, Mr. Thulani Mdakane, Heads of Departments; and all government officials;
- Chairpersons of Boards and CEOs of the Public Entities, with your indulgence Hon Speaker, I wish to take this opportunity to congratulate and welcome the newly appointed CEO of MTPA, Mr BJ Nobunga and also thank Mr Abe Sibiya for holding down the fort in the absence of a CEO;
- Representatives of Labour, Business, Civil Society and the Media;
- Esteemed guests;
- Ladies and gentlemen.

**The Context**

In honouring the memory of Oliver Reginald Tambo, our march towards a better future and National Democratic society is still on course.

OR Tambo remains an incredible source of inspiration, even in the darkest hour, an accomplished intellectual of his stature will never die in the hearts and minds of our people.

If we were to carry out a Political paternity test of the Constitution of the RSA, we will certainly find DNA traces of OR Tambo's leadership anchored on universal human rights.

It is a progressive coincidence that this Policy and Budget speech is tabled on the 25<sup>th</sup> May a day declared by the African Union as Africa Day because the African Organisation of Unity (AOU) a precursor to the African Union (AU) was formed on the 25<sup>th</sup> May 1963, a day which gives an opportunity to the 53 member states to recommit to the universal human rights underpinned by the total emancipation of humanity.

Regrettably, we are tabling this budget at the height of human rights violations, particularly the violent abuse of women and children by people who are supposed to love and protect them.

This kind of barbaric behaviour is a direct reversal and betrayal of the soul of the liberation struggle led by OR Tambo, Nelson Mandela, Robert Sobukwe, Charlotte Maxeke, Steve Bantu Biko, Joe Slovo, Albertina Sisulu and many more of our heroes and heroines.

This visionary call was clearly articulated by OR Tambo on the occasion of the 8<sup>th</sup> Conference of Heads of State of non-aligned countries, when he said:

Open quote *“Bearing in mind that victory once attained has to be defended and consolidated.”* Close quote

Our victory against racist apartheid misrule must be defended and consolidated through Constitutional democracy.

We are enjoined by the Constitution of the Republic of South Africa underpinned by four (4) generations of human rights, including the socio-economic rights of every citizen in this country, to improve the lives of all citizens and free the potential of each person.

The ruling party has admitted upfront that while we have made significant progress to advance other fundamental generations of human rights, in particular civil and political rights, the reality is that the majority of our people are still languishing at the bottom of the socio-economic ladder.

We are also aware that the stubborn triple challenge of unemployment, poverty and inequality continue to stand between us and the envisaged future premised by Vision 2030 and the National Development Plan (NDP).

It is our conviction that the implementation of the Nine Point Plan would move the country forward, towards the vision articulated in the NDP with a particular bias to the poorest of the poor and the working class.

Evidently, we require a capable developmental State to drive an inclusive and robust economic growth that is able to create a significant number of new jobs.

Honourable Speaker, let me hasten to point out that the rollout of the Nine Point Plan has not been easy due to the current global economic challenges.

## **Economic Outlook**

South Africa's economic growth is expected to remain lower than world growth prospects and to lag behind other emerging and developing economies.

We remain at risk of credit and investment rating downgrades, which in all probability will impact negatively on growth, and consequently on employment, poverty and inequality rates.

However, it is encouraging that the International Monetary Fund has revised South Africa's economic growth from 0.8 to 1.0 percent this year, rising to 1.6 percent in 2018, largely driven by higher commodity prices, the drought conditions that have largely abated and improved electricity supply.

It is expected that Mpumalanga's performance will be in line with the national growth expectations in 2017 at a growth rate in the order of 1 percent.

Honourable members, It is evident that our economy has endured a protracted period of low economic growth in a global environment that remains unfavourable although now seemingly entering a slow recovery.

It is therefore essential that we get our fundamentals right so that we may reap the full benefits of a global economic upswing.

In this regard, the Department seeks to, amongst others, strengthen partnerships with its various stakeholders and remain true to its mission of driving economic growth that creates decent employment and promotes sustainable development through partnerships.

Hence, there is a need for a Provincial multi-constituent discussion forum (not a bargaining forum) consisting of government, organised labour, business and civil society, to advance economic issues in the Province.

I humbly urge all of our social partners to play their rightful role through this platform, to collectively affirm and shape the provincial economic and development trajectory.

In this respect, we have already identified eight (8) priorities to facilitate radical economic transformation which covers inter-alia Integrated Planning and development, economic intelligence through research and analysis, trade and investment, inclusive growth underpinned by sector development strategy, focus on enterprise development to support SMMEs and cooperatives, of equal importance is the provision of thought leadership by DEDT as a shareholder to four (4) public entities to provide a single window of coordinating and strategic alignment and oversight of provincial public entities.

## **TRADE AND SECTOR DEVELOPMENT**

Honourable Speaker,

During the 2016/17 financial year, we committed to place the Provincial economy on a growth trajectory to change the lives of our people for the better.

We pointed out that, for us to realise the targets of the Mpumalanga Economic Growth and Development Path (MEGDP), there will be a need to expand our industrial base, focusing mainly on beneficiation, agro-processing and value chain development.

To this end, the department has completed studies on the three (3) Industrial Centres (regions) of Competence.

Without going into detail, the findings of the Agriculture and Forestry and Petrochemicals Industrial Technology Parks have the potential to boost the provincial economy and thereby creating much needed jobs.

The Mining and Metals technology park requires further analysis due to the challenges currently facing the steel industry and other related dynamics.

R3.9 million is provided in 2017/18 to address all statutory compliance requirements for the further development of the Petrochemicals and Forestry Industrial Technology Parks.

Furthermore, the Industrial Technology Parks also include incubation. We have assessed our incubators, namely Furntech, Mpumalanga Steel Initiative (MSI) and Mpumalanga Tooling Initiative (MTI).

We are in the process of establishing a Centre of Excellence that will house the MSI, MTI and Welding Institute under one roof to enhance the incubator programmes.

Let me take this opportunity to extend my gratitude to the leadership of Steve Tshwete Local Municipality for availing land for this initiative. The Department has set aside funds amount to about R2.3 million for further development of the identified site.

Furthermore, we are still pursuing the establishment of Special Economic Zones (SEZs) in Nkomazi and Steve Tshwete municipalities.

The Nkomazi SEZ is in the designation process and we hope the Minister of Trade and Industry will grant designation soon since the submission has already been lodged.

The Steve Tshwete SEZ is still under pre-feasibility study which will be concluded within this financial year.

Following the Honourable Premier's announcement regarding the restarting of Evraz Highveld Steel's Structural Mill in his 2017 State of the Province Address, I am glad to confirm that the official launch of the said restart will take place on the 06<sup>th</sup> of June 2017.

We will also actively support the recommissioning of the Plate Mill and other portions of this facility, with a view of assisting prospective operators to access incentives under the Black Industrialist Programme administered by the Department of Trade and Industry.

### ***Trade and Export Strategies***

Honourable Speaker,

We informed this August House last year about the intention to review Provincial Trade and Export Strategies given that the Province has taken a posture of rigorous industrialisation.

I am pleased to report to Honourable Members that the review of the Trade and Investment Promotion Strategy including its Implementation Road Map has been completed. This Plan will go a long way to support the implementation of our sectoral plans in the context of the Mpumalanga Industrial Development Plan (MIDP).

To this end, through MEGA, we will be hosting a Mpumalanga Investor Conference from 20 to 22 June 2017 at the Kruger National Park, and the aim is to showcase the vast opportunities for investment across various strategic sectors - mining, agriculture, infrastructure, manufacturing and tourism - in the Province.

Our choice of venue, the Kruger National Park, is informed by our tourism growth plan to give both domestic and international visitors / investors a memorable *Mpumalanga tourism experience*; a place that boast a spectacular array of archeological richness, enchanting landscapes and historical battle sites that smoothly blend to make this Region the eternal wonder that the Province of the Rising sun and the tourism heartbeat of Africa and diaspora is known for.

### ***Green Economy***

Honourable Speaker,

The transition to a low carbon and sustainable economy can create large numbers of green jobs across many sectors of the economy.

We need to tap into the rich natural resource base at our disposal in order to alleviate poverty, protect the environment and support resource efficiencies in our Province.

To this end, we hosted a successful roundtable on the green economy in August 2016 which has assisted the department to finalise the Green Economy Development Plan (GEDP).

As part of implementing this plan, we will commence with the process of piloting three small scale biogas projects in the three (3) Districts of the Province and conclude detailed project plans for other initiatives to leverage the Province's natural resource endowments.

## ***Creative Industry commission***

The Department is charged with the responsibility of establishing the Creative Industry Commission in the Province.

The Commission will facilitate and oversee the development of the creative industry with specific focus on professional development and building the artistic capacity in film, music, performing arts, craft, visual arts and dance amongst others.

R9 million has been set aside for the establishment of the Commission and to provide support to some of the initiatives that are ready with their business plans in 2017/18.

## **SUPPORT TO SMALL BUSINESSES AND COOPERATIVES**

Honourable Speaker,

Small, Medium and Micro Enterprises (SMMEs) contribute a significant percentage of jobs in South Africa, and together with the Cooperatives the sector is a critical “vehicle for transformational revolution” in our economy.

Studies indicate that access to funding is one of the many impediments for small businesses and cooperatives to enter the main stream economy.

Last year MEGA approved loans to the value of R83,6 million to 61 entities in manufacturing, food services, property development, mining and agricultural sectors to mention but a few.

In the 2017/18 financial year MEGA will disburse loans valued at R45 million and facilitate loans amounting to 80 million rand by working closely with the banks and other development finance institutions.

We have concluded an agreement with Standard Bank in which we expect to disburse in excess of R1 billion over the next 5 years focusing on the provision of support to SMME's, Cooperatives, agricultural enterprises and home buyers.

During the 2017/18 financial year we will review the SMME Strategy to incorporate the revised preferential procurement regulations and critical aspects of the Social Enterprise Development Model for the built environment to guide government support programmes for growth of the small businesses and cooperatives.

The Social Enterprise Model seeks to bolster local economic development by enabling our people to participate and derive economic benefit in the construction of various infrastructure projects (the actual building of government subsidized housing units, roads, etc.) in their respective localities within selected municipalities in the Province.

The Department and MEGA, working closely with the Department of Public Works, Roads and Transport and the Department of Human Settlements (DHS), will be responsible for coordinating the enterprise development aspects of this model.

An amount of R10 million has been allocated to MEGA to provide financial and non-financial support to SMMEs and Co-ops in taking advantage of the opportunities that this model presents.

As announced by the Honourable Premier Mr DD Mabuza during his State of the Province Address, the Executive Council has resolved that, in order to bring meaning to radical economic transformation, the nutrition needs of government departments and entities should be served through a new model that will support the development of agriculture in the Province.

An amount of R10 million has been set aside to support SMMEs and Cooperatives in the implementation of this Nutrition programme.

A dry run (i.e. testing on a very limited scale) of the Nutrition Programme commences today. I plead with local communities to work closely with and take advantage of opportunities the Programme provides. Over the next few weeks we will be engaging with communities to roll out the Programme and secure their participation, related to the delivery and distribution of the fresh produce beyond the dry run phase.

We will continue to collect data on existing enterprises (SMMEs and Cooperatives) to enhance our ability to plan and implement sustainable interventions that have high socio-economic impact.

R2.5 million has been set aside to support young entrepreneurs through the incubation programme to represent the province at the SAB national kick start competition.

A further R6.7 million has been allocated to support SMME's towards product certification through the South African Bureau of Standards.

## **Rejuvenation of township businesses**

### ***Tyre initiative***

The primary objective of our township and rural economic development approach is to transform townships and villages from labour and consumption reserves into thriving productive investment hubs.

R3 million has been apportioned to continue with the implementation of the agreement with Sumitomo Rubber SA (Dunlop) to support SMMEs and Cooperatives in the tyre businesses which contribute to the development of township economies.

### ***Sanitary towel plant***

Honourable Speaker,

Working together with the Social Cluster Departments and DFI's, we have set aside R1.5 million to support the sanitary towel initiative of the youth-led Ntirhisano Sanitary Worker Cooperative to fully commission a *sanitary pad manufacturing plant* in Bushbuckridge.

We will further support the Cooperative with business development and access to markets to ensure sustainability of the enterprise.

### ***Broad based economic empowerment***

The NDP advises that overcoming the challenges in the present model of BEE requires the state to align all legislation and codes and charters that flow from the BBBEE Act.

To this end, one of the key priorities for the 2017/18 financial year is to re-establish the BBBEE Advisory Council which will amongst others advise government, facilitate partnerships between organs of state and private sector and review progress in the realization of radical economic transformation.

We will continue to support provincial enterprises to access incentives offered through the Black Industrialists Programme, and utilise the Advisory Council, advocates for transformation in all sectors of the economy.

## **SUSTAINABLE TOURISM DEVELOPMENT**

Honourable Speaker

We hold a firm view that tourism has the potential for job creation and advancing transformation in the tourism sector.

It is therefore fitting that Mpumalanga will host the 2017 National World Tourism Day on the 27<sup>th</sup> September during "*the Year of Sustainable Tourism for Development*" as declared by the United Nations,.

We have developed a yearlong programme building up to heritage month and the National World Tourism Day working closely with sister departments, especially Culture, Sports and Recreation.

It must be noted that this is the second time since the dawn of democracy that Mpumalanga Province, *the Province of the Rising Sun* is hosting this prestigious event which clearly demonstrates the prowess of our tourism products.

In keeping with this theme, the Provincial Government will focus on completing various infrastructure upgrades to provide a compelling experience for both domestic and international tourists in the Province.

With regard to the revitalisation of Pilgrims Rest and Umgwenya (Waterval Boven) as World Tourism and Heritage destinations, we can report that the Executive Council resolved that the Department should drive the process of revitalising the economies of these two towns, which are reliant on tourism.

The Department will collaborate with all social partners to restore these towns to their former glory, noting that these projects present a good opportunity for Public Private Partnership.

An amount of R4 million has been allocated to undertake conceptual planning, commercial feasibility and environmental/heritage conservation for both towns whilst continuing with the upgrading of existing infrastructure.

Our flagship tourism projects in Blyde River Canyon have now been registered with National Treasury to pave the way for commencement of process of securing private sector investment.

Our desire is to give our tourists best of two worlds in one province – the glamour of established tourism spots as well as the best of our township experience during the tourism month.

When opening the 2017 Tourism Indaba, President Jacob Zuma challenged all nine (9) to collectively increase tourist arrival by about five (5) million in the next five years.

We will use the current bilateral agreements with the BRICS partners and other regions of the world to explore opportunity for exchange programmes and joint marketing to increase tourists and attract investment to further improve our tourism sites for the benefit of all our people.

We have thus started the process of implementing the core elements of the memorandum of understanding that Mpumalanga Tourism and Parks Agency signed with The Ural Tourism Association in Russia last month.

The MOU sets out a framework for cross-selling of tourism packages between our region and to establish joint marketing campaigns to be rolled out for the duration of the Co-operation Agreement.

We will explore opportunities for the establishment of a tourism airlift route between Moscow and Mpumalanga province to increase the number of tourists coming to Mpumalanga from the Russian market.

The ANC government is committed to working with neighbouring countries to develop the region as an easy to traverse destination.

Accordingly, we agreed with the Tourism Ministries of Mozambique and Swaziland to devolve the implementation decisions on the TriLand Brand Initiative to the level of entities as part of our measures to fast track joint marketing and crowding in of tourism investments in our regions.

Honourable Speaker,

The story of our struggle for freedom and the routes that map the path travelled by Africa and South Africa's liberation heroes must be preserved for tourism familiarisation trips and to remind future generations about our journey to democracy.

To keep the historical narrative and experience of our struggle alive, we launched the first phase of the Mpumalanga Liberation Heritage Route last year.

The second phase of the project which encompasses the Ehlanzeni and Nkangala regions will be finalised this year, and thus complete the path of liberation as experienced in Mpumalanga.

We will this year review the Mpumalanga Tourism Growth Strategy and develop the new tourism policy framework and legislation to regulate the sector.

We will amongst others continue to use the targeted state procurement to support new entrants to effect radical transformation of the tourism sector in the Province. Among other strategic priorities, we must deal decisively with the artificial barriers to entry.

This is in the centre of our mandate to create an enabling environment through advancement of responsive economic policies, regulations and promotion of good governance.

## **BUSINESS REGULATIONS AND GOVERNANCE**

### *Consumer Protection Services*

Honourable Speaker

In this regard, Hon Speaker our Consumer courts in the Province have *raised the bar*.

During 2016/17 Mpumalanga Consumer Courts made precedent-setting judgments, ensuring that consumers are protected against unscrupulous business practices.

For example, in the Lifoloane case, the Court ordered that Lifoloane's Audi Q5 which caught fire after being in possession thereof for a period of six months be repaired or replaced by the supplier.

Due to the swift intervention of the Mpumalanga Consumer court, Mr Cindi was offered a new vehicle to replace his Ford Kuga that had set alight. It be noted that this was a precedent judgement as it was well before the national outcry.

During the 2016/17 financial year the Consumer Protection Services recouped an amount in excess of R6 million and put back into consumers' pockets.

The performance of Courts in protecting consumers in the Province has not gone unnoticed nationally; it came as no surprise when one of our presiding officers, Professor Maseko, was appointed as the Executive Chairperson of the National Consumer Tribunal. As they say, Wise people always come from the East.

We wish him well in further protecting consumers not only in the Province but in the country as a whole.

### *Business Regulation services*

In a bid to further stimulate economic growth and development, through the creation of tourism spin-offs, job creation and the generation of additional fiscal revenue for the Province, the Mpumalanga Gambling Board (MGB) granted five (5) Bingo licences and two more are still being considered.

MGB has also completed a feasibility study for the establishment of a horse racing track in Mpumalanga, the results of which, are currently being scrutinized.

As part of the measure to streamline and introduce efficiencies, the Executive Council (EXCO) approved the merger of Mpumalanga Liquor Authority (MLA) with Mpumalanga Gambling Board (MGB) into one public entity.

The process of merging the two entities is at an advanced stage. We have already submitted the Mpumalanga Economic Regulator (MER) Draft Bill, 2017 to the Legislature for processing and hope that we will have founding legislation by the end of the second quarter to start regulating all economic activities under one roof.

We will continue to promote responsible gambling and enforce mechanisms to curb negative social ills that are associated with gambling addiction and alcohol abuse within our communities.

In 2016/17 MGB collected approximately R93 million in revenue as compared to the R90 million collected in the 2015-16 financial year, this translates to an increase of 4% in revenue year on year.

## **GOVERNANCE**

## **Thought leadership by department; implementation by entities**

The National Development Plan requires us to clear the lines of accountability between the Department and public entities and implement change management strategies to ensure seamless implementation of the recently concluded organisational review.

Having embarked on an organizational redesign process in preceding years, the Department had planned to implement the new structure by the turn of the 2016/17 financial year.

The proposed new organisational structure primarily seeks to position the Department as a thought leader that provides strategic and policy direction for its entities to then implement / execute. The proposed new organizational structure could not be implemented as its approval by the Minister of Public Service and Administration is still pending.

Noting our service delivery demands, we have since resolved to assume the envisaged the mode of operation as a thought leader.

To this end, we will tighten strategic alignment and performance oversight of entities.

This will, amongst others, entail SMART Shareholder Compacts and regular performance reporting meetings; as well as formalising the CEOs/HOD and Chairpersons/MEC forums.

In line with the departmental organisational redesign process, our public entities are undertaking entity-specific organisational re-alignment.

The primary objective is to build sustainable institutions with the requisite capabilities to drive the implementation of economic development interventions.

In this regard, MEGA is at an advanced stage of the placement and recruitment process for the new organogram, which will lead to an increased capacity to deliver to mandate.

The new organisational structure is designed to drastically enhance MEGA's capabilities in the core areas of trade and investment promotion, financing and business support for enterprise and infrastructure funding, which includes the strengthening of the Project Management Unit for strategic high impact projects.

Having outlined before this respectable house, the milestones of the past financial year and our 2017/18 priorities, we have to acknowledge that Government cannot drive the NDP priorities and Vision 2030 single handedly.

We have under the current administration forged strategic partnerships with the private sector to advance the Constitutional injunction of improving the quality of life for all citizens and to free their potential.

Our objective statement is to restructure and centrally coordinate private sector support as opposed to approaching private sector individually aggravated by ever emerging interest groups resulting in launching small isolated projects with minimal or zero impact.

On this note, we wish to highlight and call for joint investment with the private sector on four (4) specific, high impact priority areas in line with the NEDLAC Accords, namely

- **Skills development** for sustainable livelihoods which will in the short term cover skills audit, database development and skills hub;
- **Enterprise development** underpinned by robust incubation programmes and preferential procurement biased to young people, women and people with disabilities;
- **Promotion of Black Industrialists** through Industrial Technology parks and Special Economic Zones;
- **High impact Strategic Tourism projects** (Skywalk, Cable car, Bourke's Luck 5 star hotel, Revitalisation of Pilgrim's Rest and Waterval Boven).
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These game changers will help to accelerate provincial economic growth and development and much needed jobs.

## **BUDGET ALLOCATION (PER PROGRAMME): 2017-2018**

Honourable Speaker

The total amount proposed to be appropriated to Vote 6: Department of Economic Development and Tourism, for the 2017/2018 financial year is R1, 130 077 000, and is allocated to the six programmes as follows:

Programme 1 (Administration) is allocated R89, 639 000 in order to enable effective operational support to the programmes of the department and public entities.

Programme 2 (Integrated Economic Development) will receive R527, 802 000. Included in this allocation, is an amount of R436, 223 000 to fund MEGA.

Programme 3 (Trade and Sector Development) will get R29, 568 000 to create an enabling environment for productive sectors of our provincial economy.

Programme 4 (Business Regulation and Governance) will receive R104, 938 000. Included in this allocation, is R64, 507 000 to fund the MGB, and a further R21, 679 000 for the MLA.

Programme 5 (Economic Planning) is allocated R18, 758 000 to undertake various research studies to close data gaps in line with our mandate of being the principal economic thought leader in the Province amongst other priorities.

Programme 6 (Tourism) will receive R359, 372 000. Included in this allocation, is R338, 050 000 to fund the MTPA.

Honourable Speaker

Out of the total amount allocated to Vote 6, R860, 459 000 will be transferred to the four (4) Public Entities reporting to the Department.

The transfers to Public Entities thus represent just over 76 per cent of the proposed budget of the Department.

I therefore request this August House to consider and approve the proposed budget to fund the requirements of Vote 6 in the financial year ending March 2018.

## **CONCLUSION**

As I close, let me convey my gratitude to the revolutionary movement, the African National Congress, under the visionary leadership of the Honourable Premier, Comrade D.D Mabuza, for continuing to take the interest of our people to heart.

My appreciation also goes to my colleagues in the Executive Council, the Chairperson and Members of the Portfolio Committee on the Office of the Premier; Finance; Economic Development and Tourism for your continued support and guidance as we strive to turn around the economic fortunes of our Province.

To the Director General, Mr Thulani Mdakane, Head of the Department, Mr Muzi Mkhize; Chairpersons and CEOs of our Public Entities, thank you very much for your hard work and commitment to the task at hand.

To my family thank you very much for continuing to allow me to serve our people.

Together we move the economy of Mpumalanga forward.

I thank you



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& tourism**

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**Nokuthula Simelane Building (Building No. 4)**

No 7 Government Boulevard

Riverside Park Ext 2, Mbombela, 1201

[www.mpumalanga.gov.za/dedt](http://www.mpumalanga.gov.za/dedt)

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