



economic development
& tourism

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



Policy & Budget Speech 2016/2017

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

"TOGETHER MOVING SOUTH AFRICA FORWARD"



WHEN THE SUN RISES
WE WORK HARD TO DELIVER



VOTE 6: DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

POLICY AND BUDGET SPEECH (2016-2017) PRESENTED BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MR SE KHOLWANE, MPL, TO THE MPUMALANGA PROVINCIAL LEGISLATURE AT RIVERSIDE, MBOMBELA LOCAL MUNICIPALITY

Thursday, 28 April 2016

Salutations

- Madam Speaker, Honourable Thandi Shongwe;
- The Premier of Mpumalanga Province, Honourable D.D Mabuza;
- Colleagues in the Executive Council and the Provincial Legislature;
- The Director General of the Province, Mr Thulani Mdakane;
- The Acting Head of the Department of Economic Development and Tourism, Mr JS Mgidi;
- Other Heads of Departments;
- Chairpersons of the Boards and CEOs of our Public Entities;
- Social partners;
- Distinguished guests;
- Members of the media;
- Ladies and gentlemen;

Good Afternoon/ San'bonani

Tribute to the missing Lily Mine 3

Madam Speaker;

1. Today marks exactly 84 days since three (3) workers at the Lily mine in Louieville, were trapped inside an office container deep down in the belly of the earth, following the unfortunate collapse of the mine on the 5th February earlier this year.



2. These workers, just like the rest of the working class, were striving to provide for their families.
3. Our thoughts remain with the families of the missing workers during these trying times.

Honourable Speaker;

4. Despite the dark Lily mine cloud hanging over us, the Province remains a constellation of success stories, moving from strength to strength in various fronts.
5. In our midst we are graced by the presence of the newly crowned Miss Mpumalanga 2016, Elaine Mkhabela, exchanging a baton with Zamanene Nene, Miss Mpumalanga 2015.
6. We wish to congratulate the newly crowned beauty queen who will be the face of our Responsible Gambling Campaigns, under the auspices of the Mpumalanga Gambling Board, and also express my profound gratitude to her predecessors for the diligent manner in which they carried out their responsibilities entrusted to them during their respective reigns.
7. Also present is Miss Africa Tourism Universe 2015, Mpumi Lephoko – former Miss Mpumalanga 2011.
8. I must also add that the current Miss South Africa is also a product of the Miss Mpumalanga project. A special word of appreciation goes out to Miss Gugu Nyarenda from Mzimari Productions on a job well done!

Honourable Speaker;

9. This year is the 20th anniversary of South Africa's gambling industry pioneer – the Mpumalanga Gambling Board (MGB).
10. The anniversary follows soon after the election of its CEO, Mr Bheki Mlambo, as the new President of the International Association of Gaming Regulators.



11. The Mpumalanga Gambling Board, with its sustained record of good governance, continues to be a shining star.
12. We take this opportunity to applaud the former MGB Board members and the current members led by *Make* Norah Fakude-Nkuna, and all the employees under the leadership of the CEO, *Babe* Mlambo, for continuing to raise the bar – congratulations!
13. Your performance demonstrates your selfless commitment to serving the people of South Africa, who have just yesterday celebrated their 22 years of hard won freedom and democracy.
14. To give meaning to the 22nd Freedom day anniversary, our Policy and Budget Vote, guided by the National Development Plan, must progressively correct centuries-old economic injustices, which lie at the centre of our national aspirations.
15. We could not have expressed it better than an extract from the National Development Plan, and I quote:

“We the people of South Africa, have journeyed far since the long lines of our first democratic elections on the 27th April 1994, when we elected government for us all. We began to tell a new story then. We halved and renewed that story along the way.” Close quote

16. The objective story line is our national resolve to eradicate poverty, drastically reduce unemployment and socio-economic disparities by 2030.
17. The National Development Plan (NDP) re-affirms our belief that political freedom must be accompanied by economic freedom, as the second phase of transition.
18. The perspective we wish to underline through the 2016/2017 Policy and Budget Vote is that any intervention of a developmental state must bring about



fundamental change in the lives of the youth, women, people living with disabilities, and the poor working class in particular, as well as the historically marginalised in general.

19. As we begin the third decade of a democratic South Africa, there's still a strong and urgent need to radically transform our macro-economic policies, and this radical economic shift must find expression in our respective core-mandates as government departments.

The Mandate

Honourable Speaker;

20. The Ruling Party 2014 Election Manifesto with key commitments to move South Africa forward has found expression in government plans and programmes.
21. In this regard, the 2016 Local Government Election Manifesto has re-affirmed our commitment to economic freedom outlined in its basic policy documents to mobilise and lead society and has accordingly undertaken to develop and strengthen local economies, create jobs and promote job placement especially for the youth.
22. The ANC led government has a Portfolio of Evidence on the work done since 1994, and the work it is currently doing, there is therefore no doubt that it will continue to fulfil its promises and commitments to the electorate.
23. Accordingly as a department, we have:
 - Institutionalised long term planning, integration and co-ordination capacity to drive consolidated industrialisation and infrastructure development programmes for inclusive growth and job creation.



- We have engaged and called on the private sector to actively contribute to inclusive growth, investment, social development and economic transformation.
 - We continue to promote local procurement to increase domestic production encouraging all government departments to buy at least 75% of their goods and services from local SMEs and co-operatives.
 - We have taken measures to address the needs of youth and women empowerment through a multi-pronged approach that creates job placement, internship schemes and set aside procurement model.
24. The economic chapter of the NDP demands of us, as a Department, to assume a radical posture when confronting the issue of economic transformation.
25. Fundamentally, it is a chapter demanding of us to breathe life into the principle of the *Freedom Charter*: that ***“The People Shall Share in the Country’s Wealth”***.
26. This principle expects of us to ensure that the national wealth of our country, the heritage of all South Africans, shall be restored to the people, to ensure that all people shall have **equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions**.
27. Through **Outcome 4 of the ‘Outcome-based Approach’**, we are expected to facilitate, coordinate and integrate all efforts aimed at the realisation of these key strategic goals of economic growth and development.
28. We are expected to take leadership in gearing the provincial economy on an economic growth trajectory that creates huge job opportunities, and reduces poverty and inequality, drastically.



29. In this regard the **Mpumalanga Economic Growth and Development Path** and the **Industrial Development Plan** emphasise the role of partnerships to support and prioritise infrastructure investment and employment creation in our economy.
30. In brief the following targets are set:
- We have to record a growth rate of between 5-7% annually if we are to create not less than 720 000 jobs over the next ten (10) years;
 - We have to increase income levels of approximately 620 000 people;
 - We have to progressively reduce the gap between the rich and the poor (high and low income earners);

Honourable Speaker;

31. In simple terms, it means that, our economy must grow fast enough to create much needed jobs and improve average incomes and investment growth in the Province must also be scaled-up.
32. We therefore welcome the announcement by Minister of Finance, Pravin Gordhan in his 2016 budget speech for the establishment of Invest South Africa in partnership with the Private Sector to reduce the administrative costs of starting businesses, reviewing business incentives to strengthen their impact on growth, productivity, competitiveness and trade.
33. As a Province in this regard, MEGA will be hosting an Investor Conference in the third quarter of the financial year where strategic, high impact projects will be presented to a carefully selected group of investors and financiers.
34. The aim of the conference is to showcase a variety of strategic high impact Provincial projects in key sectors (agriculture, infrastructure, tourism, mining, industrial and real estate) thereby attracting both local and international investors.

Economic Outlook

Honourable Speaker; Honourable Members;

35. During the tabling of the Provincial Budget on the 8th of March this year, we elaborated quite extensively on the global and domestic outlook, therefore, it will suffice to say that this performance is, in the main, as a result of the effect of the 2008 world economic melt-down and the devastating drought we are facing domestically.
36. What matters most will be our ability to convert plans into action in our quest to deliver a better life for all.

Responding to the slow growth of the economy

Honourable Speaker;

37. Guided by the nine (9) point plan pronounced by President Zuma in 2015 and in response to the unfavourable economic climate, our strategic priorities and interventions amongst others include:

- Investment in strategic infrastructure to increase our industrial base;
- This year we will commence with the feasibility study of the second Special Economic Zone in Nkangala District Municipality around Emalahleni / Steve Tshwete Local Municipalities.
- We will facilitate and co-ordinate the development of the mining and metal technology park in Emalahleni / Middelburg region.
- A Petro-chemical industrial technology park in Secunda; and
- An agriculture and forestry technology park which includes the International Fresh Produce Market in Mbombela;



Honourable Members,

- We are happy to announce that we have already lodged an application for the designation of the first Special Economic Zone in the Province located in the Nkomazi Local Municipality.

38. **Siyaqhuba! Sishodangawe Nje Kuphela!**

39. We have also put in place measures to develop our suppliers, SMEs and Cooperatives from historically marginalised communities to enter into the supply chain of major industries.
40. Our SMEs and Cooperatives can no longer be relegated to just supplying toilet papers, stationery and catering amongst others.
41. We will therefore, also continue to exploit job creation opportunities offered by the emerging green economy sector, in this regard we have completed research on the green economy, and we are currently developing the sector implementation plan that must be completed in this financial year.
42. In the second quarter of this financial year we will convene a provincial indaba targeting particularly those individuals and organisations with ideas and expertise on renewable energy initiatives ready for implementation.
43. The primary purpose of the indaba will be to unlock low hanging opportunities whilst consolidating our medium to long term plans in the green economy sector.
44. The **Ngodwana Energy Project** is the first and, to date, the only project awarded preferred bidder status in the Renewable Energy Independent Power Producer Procurement programme in the Province.



45. We have managed to fast track the issuing of the Water Use License as this project will contribute at least **R13 billion** to our economy over 20 years with approximately **R278 million** being invested in socio-economic development in the province as a result of the project.
46. In the construction phase approximately **300 people** will be employed and Sappi will establish a community training facility. **R626 million** will be spent on BBBEE procurement with **R51 million** earmarked for SMEs and **R5million** for women owned businesses.
47. Accordingly I have already cautioned the department to align all provincial interventions with national time lines on specific areas of work, particularly funding opportunities.
48. To this end, the creation of decent employment remains our Apex priority.

Tourism Development

Honourable Speaker;

49. We have also embarked on measures to strengthen tourism as it represents a major economic growth point and is an essential job creation driver in the Province.
50. During the current financial year we will be finalizing the **Provincial Tourism Growth Strategy** to shape the future of tourism in the Province.
51. In order to improve the provincial tourism infrastructure and diversify our tourism offerings, we will be embarking on consultations with affected communities in the current financial year to fast track the implementation of tourism flagship projects such as, the Skywalk and the Cable Car in the Blyde River Canyon which will change the face of our famous Panorama Route.



52. As we committed in the previous financial-year, we have resuscitated ***the TriLand Brand Initiative*** which will now be implemented parallel and compliment the east3Route Initiative which is facilitated by KwaZulu-Natal.
53. The development of the **Liberation Heritage Route** linking Mahatma Ghandi and Pixley Ka Isaka Seme in the Gert Sibande District has now been completed, and will formally be launched in this financial year.
54. Furthermore, consultations with key stakeholders have started with a view to expanding this Route to Ehlanzeni during this financial year, followed by Nkangala in the outer year.
55. The resuscitation of the **Waterval Boven/eMgwenya and Machadodorp Cluster** continues unabated. Accordingly, we have established a multi-stakeholder Task Team led by the Department to develop a concept plan.
56. Moreover, to further optimize our tourism potential, we will continue to participate within the Cluster Departments to ensure that Pilgrim's Rest is restored to its former glory.

Honourable Speaker;

57. We have now officially **transferred the Zithabiseni Resort and Conference Centre to the MTPA** with effect from the 1st of April 2016.
58. We will however continue to support the Agency by ensuring that the Commercialisation and Recapitalisation Plans for the Resort are implemented.
59. With regards to the central co-ordination of business events in the Province, we will be establishing the **Mpumalanga Convention Bureau**.
60. The Convention Bureau will promote the hosting of Meetings, Incentives, Conferences and Events in the Province.



Strengthening support to Small Businesses and Co-operatives

Honourable Speaker; Honourable Members;

61. The significance of the small business sector in economic growth, and consequently in job creation cannot be overemphasised. The contribution of the sector is evidenced, *inter alia*, through the revenue collected by the South African Revenue Service (SARS).
62. According to the latest revenue collection figures, **more tax was collected from small businesses** than from big businesses in the 2015/2016 financial year.
63. Furthermore, it's a well-known fact that small businesses create more jobs than big businesses.
64. Given these facts, we have no choice but to **strengthen the support to small businesses and co-operatives**, in partnership with the private sector since government cannot undertake this mammoth task alone.
65. **We are in this together.**
66. Let me take this opportunity to extend my gratitude to SAB, SASOL, ESKOM, SAFCOL and SAPPI for joining hands with government in this regard.
67. We will continue to knock on your doors and the doors of other key players to partner with us in our endeavours.
68. In continuing to recognise the role being played by small businesses and co-operatives in assisting government to deal with the triple challenges, our Province will host the **International Co-operatives Day from 1-2 July** this year.
69. We thus call upon all cooperatives to make this historic event a success by attending in their numbers.



Honourable Speaker;

70. Government is also working hard to **stimulate the township economy**. We are currently in the process of finalising the Township Economy Development Strategy in this regard.
71. Coupled to this work, we have already initiated a process of revitalising enterprises involved in retail and warehouse businesses. We have made **R50 million** available to support those enterprises in these economic activities.
72. What is also worth noting is that the Department is intensifying the roll out of Broad-Based Black Economic Empowerment.
73. Furthermore, we are providing support to tyre initiatives located in different districts in the Province. We have **sponsored ten (10) tyre service centre** small businesses with **tyre, wheel fitting and repair equipment worth R1, 5 million**.
74. We are pleased to point out that the Department is in partnership with Sumitomo Rubber SA, which is trading as Dunlop Tyres.
75. We **will roll-out more of these centres** throughout the Province's townships and rural areas in this financial year and beyond, whilst ensuring that the current migrate to the **second phase** of the initiative.
76. The survival of these Centres, is however, dependent on our support, hence we urge local people owning cars, including all government departments, public entities and municipalities, to support them.
77. We will also **revitalise MEGA's industrial parks** in our townships, in order to provide affordable business infrastructure to small businesses and co-operatives, at their door step.



78. During the course of this financial year, we will convene a Black Industrialist Indaba, focusing on the patterns of ownership, management and control of strategic resources within large industrial enterprises, in partnership with the Dti and the private sector.
79. We will equally continue to **partner with the South African Bureau of Standards**, to get the products manufactured by small businesses and co-operatives tested and certified for safety and quality

Youth Support and Development

Honourable Speaker;

80. We remain resolute that we will empower our youth by providing the necessary enablers in order for them to contribute meaningfully to the economy of the Province.
81. Accordingly, as we committed in the previous financial-year, we have established the **Mpumalanga Youth Business Portal** which was launched November last year.
82. The Portal, (which can be accessed on www.mpyouthbiz.co.za.) is a one-stop **business directory for the youth** which also provides information on business opportunities that can be accessed by the youth. To-date, the Portal has recorded 12, 495 hits.
83. We will, in the current financial year, engage with the private sector to avail their business opportunities through the Portal.
84. We are also working on integrating government systems such as the **Central Supplier Database and e-Tender system** to the Portal.



Business Regulation and Governance

Honourable Speaker;

85. With regards to regulating the **provincial gambling industry**, the Mpumalanga Gambling Board (MGB), continues to perform this function exceptionally well, and this has continued to ensure public confidence and trust in lawful gambling, through strict regulation of gambling establishments, persons, third parties, fairness of games and practices.
86. In the process, the Mpumalanga Gambling Board (MGB) has managed to collect just over **R90 million on gambling taxes** in the 2015-2016 financial-year which is a significant contribution to the Province's own revenue base.
87. In order to further stimulate economic growth and development, we intend to **license 8 Bingo centres** which will culminate in the creation of tourism spin-offs and job opportunities for our people, as well as the generation of additional fiscal revenue for the Province.
88. We will also conduct a feasibility study to investigate the possibility of establishing the first **horse racing track** in Mpumalanga, with a view of stimulating tourism, unlocking job creation and additional revenue base for the Province.

Honourable Speaker;

89. **The Mpumalanga Liquor Authority (MLA)** is now a fully-fledged Public Entity, with effect from the 1st of April 2016, as committed in the previous financial year.
90. Accordingly, the Entity will in the current financial year and beyond, **continue to regulate the liquor industry** by enforcing the applicable regulations and ensuring compliance with license conditions.
91. The process to **review liquor legislation has commenced** and it is intended to **curb the negative social ills** associated with alcohol abuse; **increase community**

involvement in the liquor licensing processes, as well as **strengthening enforcement mechanisms on non-compliant license holders.**

Honourable Speaker;

92. The protection of Consumer Rights is also high on our priority list, hence we will continue to strengthen consumer education and awareness programmes; empower consumers on financial literacy; and promote a culture of saving.
93. Through the work of the **Office of the Consumer Protector and the two (2) Consumer Affairs Courts**, we were able to **resolve 1 786 reported cases** by providing the much needed redress against unscrupulous business people, who treat consumers unfairly and randomly violate their Consumer Rights.
94. In the process, we managed to **recover just over 6, 3 million Rands** on behalf of the consumers.
95. **Siyaqhuba! Sishodangawe Nje Kuphela!**

State of Governance at Public Entities

Honourable Speaker;

96. Our strategic economic policy imperatives are implemented by the four (4) Public Entities reporting to the Department, namely, Mpumalanga Economic Growth Agency (MEGA), Mpumalanga Tourism and Parks Agency (MTPA), Mpumalanga Gambling Board (MGB) and the Mpumalanga Liquor Authority (MLA).
97. In this regard, we have stabilised the governance, financing and operational environments of these Entities, and they all have appointed board members on a fixed-term period.



Organisational Development

98. The process of implementing the turn-around strategy for the Department to streamline, avoid duplications, enhance efficiencies and access to government services is continuing unabated.
99. Our aim is to strengthen our public entities in order to effectively drive execution of their mandates faster and better as their mandate is the nexus of the Provincial economic turnaround strategy.
100. The asset base of our Public Entities is vast, in this regard it requires strong monitoring and oversight by the Shareholder.
101. Accordingly, some functions will be transferred from the Department to the relevant Public Entities and Departments, and vice versa to ensure that Public Entities are **fit for purpose**.

BUDGET ALLOCATION (PER PROGRAMME): 2016-2017

Honourable Speaker; Honourable Members;

102. The priority areas and the implementation of our Programme of Action for the 2016/2017 financial-year require financial resources, in order for it to see the light of day hence we request appropriation of funds in this regard.
103. The total amount proposed to be appropriated to fund the requirements of Vote 6: Department of Economic Development and Tourism, for the **2016/2017 financial year is 994 million, 142 thousand Rands**.
104. I now table the proposed budget per Programme:



105. Programme 1 (Administration) will receive **79 million, 602 thousand Rands** in order to strengthen operational support and institutional capacity to carry out our core mandate.
106. Programme 2 (Integrated Economic Development) will receive **441 million, and 78 thousand Rands**.
107. Included in this allocation, is an amount of **384 million, 910 thousand Rands** to fund *MEGA* to fast track the migration of SME's from the second to the first economy together with all key stakeholders.
108. Programme 3 (Trade and Sector Development) will receive **24 million, 558 thousand Rand** to focus on facilitating and attracting foreign direct investment and creating an enabling environment for productive sectors of our provincial economy.
109. Programme 4 (Business Regulation and Governance) will receive **85 million, 511 thousand Rands** to create a conducive regulatory environment, facilitating the reduction of red tape and more importantly protecting our consumers from unfair business transactions.
110. Included in this allocation, is an amount of **54 million, 382 thousand Rands** to fund the *MGB*, and a further **12 million, 901 thousand Rand** to fund the *MLA*.
111. The Department's nerve centre of economic intelligence, Programme 5 (Economic Planning) will receive an amount of **14 million, 183 thousand Rand**.
112. Programme 6 (Tourism) will receive a total amount of **349 million, 210 thousand Rand**. Included in this allocation, is an amount of **345 million, 808 thousand Rands** to fund the *MTPA*.

Honourable Speaker, Honourable Members;



113. Out of the total amount allocated to Vote 6, **798 million, and One (1) thousand Rand** will be transferred to the four (4) Public Entities reporting to the Department.
114. The transfers to Public Entities thus represent just over **80 per cent** of the proposed budget of the Department.
115. I therefore request this August House to consider and approve the proposed budget of **994 million, 142 thousand Rand** to fund the requirements of Vote 6 in the financial year ending March 2017.

CONCLUSION

116. As I close, the ANC-led government has always put the needs of our people first. We are cognisant of the effects of the **triple challenges** on the lives of our people, hence we will, work with the private sector to continue to address them.
117. I thus wish to pay homage to the people-centred revolutionary movement, the African National Congress, under the visionary and capable leadership of the **Honourable Premier, Comrade D.D Mabuza**, for continuing to take the interest of our people to heart.
118. Thank you Honourable Premier, for the confidence and responsibility you have entrusted in me, to lead the economic growth trajectory of our Province.
119. My appreciation also goes to my colleagues in the Executive Council, the Legislature in general, and the Portfolio Committee on the Office of the Premier; Finance; Economic Development and Tourism, in particular, for your support and guidance as we strive to turn the Province's economy around.
120. The implementation of the Programme of Action of the Department would have not been possible without the strategic leadership of the then Acting Head of Department, **Mr Thulani Mdakane**, who is now the Director General of the



Province; the current Acting Head of the Department, **Mr JS Mgidi**; and Chairpersons and CEOs of our Public Entities.

121. Thank you very much for the sterling job that you and your teams, continue to do.

122. To my family, you continue to be my pillar of strength, and thank you very much for continuing to allow me to serve our people.

Together we move the economy of Mpumalanga forward.

Siyaqhuba! Sishodangawe Nje Kuphela!

I thank you



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