

COMMITTEE REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM:

“TAKING THE LEGISLATURE TO THE PEOPLE” HELD IN THE GOVAN MBEKI LOCAL MUNICIPALITY, GERT SIBANDE DISTRICT, 11-15 SEPTEMBER 2017 (DEDT / MEGA)

1. INTRODUCTION

Section 118 (1) (a) and (b) (i) of the Constitution of the Republic of South Africa empowers a provincial legislature to facilitate public access to and involvement in its oversight processes. In addition, sections 114 and 133 of the Constitution, read together with rules 218 and 131 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules) directs the Legislature to hold the Executive accountable for the exercising of powers and performance of functions.

In carrying out its constitutional oversight and public participation mandate, the **Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism** (the Committee) conducted oversight visits and a public hearing in the Govan Mbeki Local Municipality (the municipality) on 12 - 15 September 2017 during the “Taking the Legislature to the People” (TLP) event.

This report reflects the issues that emanated from the oversight activities during the said date, which will need further intervention of the Department of Economic Development and Tourism (DEDT) and its parastatal Mpumalanga Economic Growth Agency (MEGA).

2. PURPOSE OF THE OVERSIGHT ACTIVITIES

The Committee assessed progress on projects that are assisted by the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA). The Committee wanted to interact with project beneficiaries and ensure that the DEDT's and entity's delivery of core mandated services is fast tracked.

3. METHOD OF WORK

As per the Legislature programme, the Economic Cluster had oversight visits planned for the period 13 September 2017 at the Govan Mbeki Local Municipality. The Committee informed the department and entity about the oversight visits to be conducted and the purpose thereof. Invitations were sent to the department, management of the entity and the Municipality requesting them to be part of the visits.

- On 12 September 2017, the Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Emzinoni Stadium.
- On 13 September 2017, the Committee conducted the oversight visits at Pat Tyres trading as ACE Tyres Fitment in Embalenhle and Dalamba Victorious Trading Enterprise and Projects (PTY) LTD in Kinross.
- On 14 September 2017, the Committee conducted a Business Sector Stakeholder engagement session at the Bethal Municipal offices - Nokuthula Simelane Hall.
- Subsequently, the Committee met and considered the draft Committee report on 04 October 2017.

4. OBSERVATIONS AND COMMENTS

The Committee observed the following:

- The Pat Tyres trading as ACE Tyres Fitment project is a good story to tell; a business which consists of four (4) males handling technical work and one (1) female handling administration, who is also a Director of the business and spouse to Mr Abel Makgetha; the business is doing well despite the challenges faced in and around the project.
- The business was assisted with a loan amount of R253 000. 00 by MEGA.
- The business trades in tyre sales, fitment, patching, wheel alignment and balancing; and is located in Embalenhle Township.
- With regard to the Dalamba Victorious project, the Committee noted that it is a mini shopping mall that when fully developed, it will provide shopping platform for a supermarket outlet, restaurants, liquor store, butchery, a bank with ATM's, boutique store etc.
- The facility is being developed in three (3) phases and R6 390 000. 00 has been invested for this development by MEGA.

- There are three (3) directors namely Ms MG Dalamba, Mr K Mokonyama and Mr T Dalamba.
- The facility is located in the Kinross Township and has created temporary employment for ten (10) unskilled workers and five (5) skilled workers.

5. INTERACTION WITH THE MANAGEMENT OF THE DEPARTMENT / ENTITY, THE BENEFICIARIES AND RELEVANT STAKEHOLDERS

5.1 ACE TYRES FITMENT PROJECT

Mr Nimrode Dlamini: Business Advisor for Mpumalanga Economic Growth Agency (MEGA) gave an overview on the ACE Tyres Fitment Project.

The ACE Tyres Fitment project operates in Embalenhle Township, in a business zoned area within the Govan Mbeki Local Municipality. The business is owned by Mr Abel Makgetha; it consists of four (4) males handling technical work and one (1) female handling administration, who is also a Director of the business and spouse to Mr Makgetha. Mr Makgetha started the business in the early 1990's when he bought the land and facility and registered it in 2007 as a PTY (LTD) company.

The company trades in tyre sales, fitment, patching, wheel alignment and balancing. The business received a loan assistance of an amount of R253 000.00 from MEGA. MEGA funded the business in November 2016 to buy machinery comprising of 3D wheel linear, tyre changer, 4FD arm helper and working capital. MEGA has stated that it provides regular business advice to the business. Furthermore, MEGA stated that it has also linked the business with SEDA to assist them with non-financial support. Their market is mostly locals, municipality vehicles, police vehicles in the Govan Mbeki Municipality and local business vehicles.

Mr Makgetha has vast experience working in the tyre fitment industry boasting over 28 years of experience. He has the competitive advantage that everyone in the area knows him and the kind of work that he does and he is easily referable. The loan with MEGA requires him to pay R8470, 00 per month for the next three (3) years.

Mr Makgetha positively stated that the same service provided at a Tiger wheel and Tiger is if not better, but equal to what he provides. He had a concern that the Municipality had allowed a tyre fitment company to open in the same township which had a potential of luring away his customers.

Mr Makgetha further stated that he is pretty much breaking even at this moment in time. He mentioned that if he had contracts in place to allow him to provide his services to the private sector such as Sasol and the government that would assist him a great deal. He currently advertises his business on the local newspapers. Mr Makgetha has also urged the government to use small companies like his when conducting business so as to ensure that small businesses in the township also flourish.

The beneficiary indicated that the project is experiencing the following challenges:

- Some of the challenges that the business faces is that the area in which the premises of the business is located, makes it very difficult for vehicles to get there. It is situated in a hidden area with no signage to direct potential clients and is not easily accessible.
- Mr Makgetha had a concern that the Municipality had allowed a tyre fitment company to open in the same township which had a potential of luring away his customers.
- Another challenge stated by the beneficiary is that the business is not well marketed even on local newspapers and as a result he is not getting much response from the community.
- Mr Makgetha requested assistance with more contracts to supply to the Municipality and Provincial departments in the Govan Mbeki Local Municipality, including SAPS.
- Mr Makgetha desires to build a bigger building that can service the entire Secunda community. He therefore got a site in Ext 08 however, he does not have the capital as the Municipality requires him to pay R406 000. 00 for it.
- There is a dumping site right next to the business premises and he has requested the Municipal Councillors to assist him in this regard. Mr Makgetha further stated that there was a service provider that used to pick the garbage up but no longer does. This has resulted in rats having access in the fitment centre and destroy the cables and machinery.

5.1.1 FINDINGS MADE BY THE COMMITTEE

After the interaction with the entity and the beneficiaries the Committee noted the following:

1. The fitment centre is not well marketed and not much support is received from the community.
2. There is no adequate signage that leads to the fitment centre.
3. There is a dumping site right next to the business premises.

5.1.2 RECOMMENDATIONS MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

1. The Mpumalanga Economic Growth Agency (MEGA) must strengthen the linkage of its clients to the market.
2. The entity must ensure that sufficient signage is put up and be prioritized in the 2017/18 financial year.
3. MEGA must liaise with the Municipality and ensure that the dumping and garbage site is completely removed and the area cleaned out.

5.2 DALAMBA VICTORIOUS TRADING ENTERPRISE AND PROJECTS (PTY) LTD

Mr X Sithole: CEO for Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Dalamba Victorious Trading Enterprise and Projects (PTY) LTD.

Dalamba Victorious Trading Enterprise is a mini shopping mall that when fully developed, will provide shopping space for a supermarket outlet, restaurants, liquor store, butchery, a bank with ATM's, boutique shop etc. The facility is located in the Kinross Township and is being developed in three (3) phases. The development of Phase one (1) is in progress and retail facilities for this phase shall include a supermarket, liquor store and ATM's. The project has three (3) Directors, Ms MG Dalamba, Mr K Mokonyama and Mr T Dalamba and these owners managed to secure an equity share agreement of R6 390 000.00 with MEGA; this agreement entailed the construction and development of a shopping Centre (building).

The first phase has resulted in the creation of thirty (30) jobs excluding shareholders. Many of the employees who have been employed are from around the township. It has also created temporary employment of ten (10) unskilled workers and five (5) skilled workers. The project is reported to be contributing to women empowerment since the majority shareholder is female.

The MEC for the Department of Economic Development and Tourism (DEDT), Mr SE Kholwane, stated that the Govan Mbeki Local Municipality has the capacity to contribute greatly to the economy of this country and this project can assist in achieving that.

The Committee noted that upon the verification process of this project in August 2017, it was found that the contractor was still on site. According to the contractor, the project had begun in February 2017 and the planned completion date was end of September 2017. However, with challenges associated with bad weather and service delivery protests the project was delayed a few times but the contractor maintained that the complex would be completed within the provided timeframe.

The contractor stated that once the shopping complex is completed, it would create a convenient shopping experience closer to the local community. He continued to state that all building materials for the complex have been sourced locally within the Govan Mbeki Local Municipality. The standard practice with MEGA is to provide SMME's with a grace period of three (3) months of operation before allowing them to repay the loan. The CEO further indicated that this is a catalytic project that will drive out poverty and avail more opportunities for entrepreneurs.

According to Mr TS Dalamba, one of the Directors, a franchise agreement was established between Shoprite and the owners in which both parties agreed to utilise the land purchased for the development of a shopping complex utilising the OK Minimarket Franchise. Mr Dalamba further indicated that a funding mechanism is required for the purchasing of the OK Minimarket Franchise; MEGA then agreed to fund the construction and development of the shopping centre after consultations with the National Empowerment Fund (NEF). The understanding between MEGA and NEF was that MEGA will fund the construction of the building while NEF issued an interest of funding the purchasing of the franchise. According to Mr Dalamba, the funding required from NEF for purchasing the OK Minimarket and Liquor Franchise was R8 200 000.00.

Mr Dalamba stated that the construction of the building and purchasing of the franchise are interdependent and should thus be viewed as one single project. The financial viability of the shopping centre thus as a whole, relies on both mechanisms to be implemented simultaneously. In conclusion, the MEC indicated that should NEF not deliver according to the said plan, then an alternative measure should be put into place as MEGA has already invested in the project.

The beneficiaries indicated that the project is experiencing the following challenges:

- Mr Dalamba mentioned that MEGA has satisfied their part of the partnership and the shopping centre is currently in construction with the completion date predicated as end of September 2017. The licensing agreement from Shoprite is still valid but Shoprite is urging the owners to only operate the OK Minimarket immediately after construction completion.
- According to Mr Dalamba, the only outstanding action at this stage is the financing of the Franchise by NEF. It is thus imperative that NEF approves the funding as soon as possible. The project is a first of its kind in Kinross and has a potential of creating much needed jobs directly and indirectly, and empowering black industrialists and businesses.
- Mr Dalamba therefore requested assistance from the Mpumalanga Provincial Government and MEGA to liaise with NEF to sufficiently expedite and approve funding required for the OK Minimarket and Liquor Franchise, which will serve as a strategic vehicle in ensuring this project is fully realised.

5.2.1 FINDING MADE BY THE COMMITTEE

After the interaction with the entity and the beneficiaries the Committee noted the following:

1. According to Mr Dalamba, the only outstanding process at this stage is the financing of the Franchise by NEF.
2. The timeframe for the project completion was set for end of September 2017.

5.2.2 RECOMMENDATION MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

1. MEGA should liaise with NEF to sufficiently expedite and approve funding required for the OK Minimarket and Liquor Franchise, which will serve as a strategic vehicle in ensuring this project is fully realised.
2. MEGA must submit a progress report to the Committee on or before 11 October 2017 on the status quo of the project.

6. PUBLIC HEARING

The Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Emzinoni Stadium on 12 September 2017. The following are some key issues and challenges that were raised by the community during the public hearing.

1. The community members were in general, concerned about the slow progress in development of the economy due to the lack of sustainable employment opportunities, especially for the youth.

6.1 FINDINGS

The Committee made the following finding after the deliberations during the public hearing:

- 6.1.1 Although DEDET and MEGA have programmes and projects in the Govan Mbeki Local Municipality, there is still a need to see tangible results from the interventions and budget expenditure of DEDT in this Municipality.
- 6.1.2 There is no Local Economic Development (LED) structure in the Emzinoni community.

6.2 RECOMMENDATIONS

Based on the interactions during the public hearing, the Committee therefore recommends the following:

- 6.2.1 DEDT and its parastatal MEGA must intensify their efforts to implement its planned projects and programmes so as to accelerate the service delivery on all its funded

projects in the Govan Mbeki Local Municipality, such that there are tangible results that will truly alleviate poverty and unemployment.

- 6.2.2 The Govan Mbeki Local Municipality should launch the LED structure and run with it on a monthly basis, in order to assist the community and Municipality at large.

7. BUSINESS SECTOR STAKEHOLDER ENGAGEMENT

The aim of the Business Stakeholder Engagement Session was to engage the local business stakeholders on the enhancement of the Local Economic Development as follows:

- Economic growth
- Infrastructure development
- Job creation / reduction of high unemployment rate

The stakeholders were given an opportunity to make a five (05) minutes presentation regarding their role, social input, challenges and/or recommendations in the business Sector in the Govan Mbeki Local Municipal area including the opportunities (if any) that are available from their industries to the Business Sector.

7.1 Business Sector Engagement

The following are some key issues and challenges that were raised by the business sector during the stakeholder engagement:

BUSINESS SECTOR	ISSUES RAISED
Bethal Business Forum	<ul style="list-style-type: none"> • Mr Thando has a background in ICT and requested the implementation of policies such as the MPRDA of 2002, for the purpose of skills development and skills transfer that are much needed in their sector.
Catering Company	<ul style="list-style-type: none"> • Mr Stanley Simelane indicated that he runs his own catering company but struggles to get job opportunities as other companies are given the opportunity instead of local small businesses.
Petroleum Industry	<ul style="list-style-type: none"> • Mr Sithole wanted to find out what the plan is for the Emzinoni community as there is no gas / fuel station, especially one that will be owned by young people

	to eradicate unemployment.
Youth Organization	<ul style="list-style-type: none"> Mr Sibusiso Mdau indicated that there are a number of projects around the Emzinoni community but no enterprise development as such; he further requested the MEC to intervene in assisting the SMME's.
DVC Construction	<ul style="list-style-type: none"> Mr Ndlovu indicated that they have challenges with infrastructure, electricity and offices and requested Eskom and Sasol to assist by putting them on the Municipality database.
Printing and Embroidery Company	<ul style="list-style-type: none"> Mr Sabelo Sibiyi stated that Sasol has a social responsibility campaign in this Municipality but Bethal does not seem to benefit from that.
SMME	<ul style="list-style-type: none"> Mr Mduduzi Mahlangu raised a concern that the Municipality tends to prioritize other companies out of Bethal instead of local small businesses being appointed for contracts and projects. They too need these projects so they can be equipped with certain skills.
Beado Productions / Beading Company	<ul style="list-style-type: none"> Ms Nondumiso Nkosi indicated that her beading company has huge export potential and requested MEGA to avail any programmes that can assist them to gain intellectual property. Another concern was that there is a lack of recognition for Arts / Craft as a powerful tool to enhance economic growth in the Province and South Africa at large. Her company needs support so it can assist in job creation and overall economic development.

7.2 RESPONSE BY THE DEPARTMENT / MEGA / THE MUNICIPALITY

-The MEC indicated that ESKOM together with SASOL has created over 15 000 jobs in the Govan Mbeki Local Municipality, this was done for enterprise development, skills development and future prospects for job creation.

- Transnet and SAPPI are also availing opportunities for young people and assist them on which subjects and modules to select at High School for Tertiary level.

- The Mpumalanga Standard Bank Enterprises Development Fund was launched to assist the youth, women and men in general and provide support for their businesses.

- An Agricultural Hub will also be built in Secunda enabling small farmers to utilise it and the produce will be taken to the International Fresh Produce Market in Mbombela, and then exported internationally.
- The Govan Mbeki Local Municipality Councillors noted all concerns and challenges raised and indicated that local businesses will continue to be prioritized and assisted, for the purpose of job creation and eradication of unemployment.

The Committee moves that the House adopts the report with the above recommendations.

8. CONCLUSION

The Chairperson would like to take this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the TLP oversight visits.

In addition, the Chairperson extends a word of appreciation to the MEC Mr SE Kholwane. The HOD Mr MW Mkhize, the CEO for MEGA Mr X Sithole, senior management officials of DEDT, the Govan Mbeki Local Municipality, project beneficiaries and all other stakeholders for their co-operation during the oversight work of the Committee. The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated the Department of Economic Development and MEGA are required to investigate the observations and findings in this Committee report and implement all the House Resolutions. The report detailing progress in the implementation of all recommendations should be forwarded to the Committee by 30 November 2017 and thereafter on a quarterly basis.



**HON FV MLOMBO (MPL),
CHAIRPERSON: PORTFOLIO COMMITTEE ON
PREMIER'S OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM**

10.10.2017.
DATE

