

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

**OVERSIGHT VISIT HELD IN THE CITY OF MBOMBELA LOCAL MUNICIPALITY,
EHLANZENI DISTRICT, 08 JUNE 2018, MPUMALANGA INTERNATIONAL FRESH
PRODUCE MARKET (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 an oversight visit in the City of Mbombela Local Municipality (the municipality) on 08 June 2018.

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 the project that is assisted by the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA). The Committee wanted to 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 Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism had an oversight visit planned for 08 June 2018 at the City of Mbombela Local Municipality. The Committee informed the department and entity about the oversight visit to be conducted and the purpose thereof. Invitations were sent to the department and the entity requesting them to be part of the visit.

- On 08 June 2018, the Committee conducted the oversight visit at the Mpumalanga International Fresh Produce Market in Riverside, City of Mbombela Local Municipality, Ehlanzeni District.

4. OBSERVATIONS AND COMMENTS

The Committee observed the following:

- There has been significant progress made by the Department of Economic Development and Tourism (DEDT) as well as the Mpumalanga Economic Growth Agency (MEGA) as the implementing entity of the project, since the previous oversight visit conducted in November 2016.
- There has been a strike / protests by workers on site prior the oversight visit, due to late payment by MEGA and the main contractor.
- An amount of R 320,488,000.00 was appropriated to the development of the Mpumalanga International Fresh Produce Market (MIFPM) in the 2018/19 financial year.
- The project has established a steering committee which is called the Committee Liaison Organizers (CLO).

5. INTERACTION WITH THE MANAGEMENT OF THE DEPARTMENT / ENTITY

5.1. Mpumalanga International Fresh Produce Market (MIFPM)

Mr XGS Sithole: CEO for Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Fresh Produce Market.

The Project entails:

- The development of a world-class fresh produce market facility that will enable Mpumalanga farmers, particularly small-scale, to trade their fresh produce to local and international markets;
- Construction of a main market including associated enabling infrastructure and support facilities;
- Operation of the MIFPM to ensure financial sustainability of the market facilities;
- Provision of critical support (production, supply chain & logistics, marketing etc.) to farmers that most need it, particularly small-scale farmers.

Project Implementation:

- The project is implemented along the following work streams:
- **Project Feasibility Study:** To ascertain the social, economic and financial viability of the project. **[Completed]**

Ownership and Operations: To ensure that the ownership structure optimises the utilisation and operations of the MIFPM. **[Ownership Model Completed]**

- **Infrastructure Development: [On-going]:** The design and construction of enabling infrastructure, market and facilities to ensure the efficient and optimal trading of the fresh produce commodities sourced from the farmers.
- **Farmer Support Programme: [On-going] :** To ensure a meaningful participation all farmers, in particular small-scale farmers in the following key areas:
 - Production Planning and Management
 - Supply Chain & Logistics
 - Marketing and Demand Management

The project will be implemented in phases as indicated below:

- **Market: Phase 1**
Bulk services (water, electricity, sewer) infrastructure, roads & storm water, bulk earthworks (building platforms), ancillary buildings and the main market building (30 000 m²).
- **Market: Future Phases**
Additional ancillary buildings and expansion of the market building up to 65 000 m².

MIFPM Infrastructure: Execution Plan [2017 to 2020]

No.	Project Category	Start Date	Planned Completion	Progress	Comments
1	Bulk water pipeline			98%	Being commissioned
2	Elevated Tower			99%	Being commissioned
3	Bulk Earthworks Construction	Jan 2017	Mid-June 2018	98%	There have been delays due to on-site adverse conditions i.e. rain delays, high water table and Labour issues; Sections of the project are currently being inspected for practical completion.
4	Roads & Storm water Construction	Feb 2017	Nov 2018	60%	There have been delays due to on-site adverse conditions i.e. rain delays, high water table and Labour issues. Projected completion is by end of November 2018.
5	Main Market Buildings and Ancillary Buildings:				
5.1	Procurement	Nov 2017	June 2018	80%	Adjudication is in progress and award estimated by mid-June 2018.
5.2		July 2018	May 2020	0%	Shall commence upon award; Construction shall take about 22 months.

Expenditure: Infrastructure Development

Service Providers	2018/19 FY Expenditure	MIFPM Budget Allocation
Liviero - Bulk Earthwork Project	R 8,173,352.05	R 320,488,000.00
Liviero - Roads and Storm Project	R 22,620,791.64	
Professional Team	R 4,471,334.27	
Sub -Total	R 35,265,477.96	
Balance		R 285,222,522.04

SMME Participation – Bulk Earthwork Project:

No.	SMME Sub-Contractors	Appointed for	Value	Paid to date
1	Mlombamba Construction	Storm water #1,2 & 3	R 5,441,053.57	R 5,861,991.78
2	Daph M Trading	Storm water #4	R 4,996,746.23	R 4,369,746.23
3	Sivukile Engineering Services	Storm water #7	R 15,720,682.35	R 15,150,682.35
4	Thomas Meva		R 2,022,566.67	R -
	Total		R 28,181,048.83	R 25,382,420.37

Target	Appointed to date	% Achieved
R 31,168,032.42	R 28,181,048.83	90%

SMME Participation – Roads and Storm water Project:

No.	SMME Sub-contractors	Appointed for	Value	Paid to date
1	Khuno Trading (Pty) Ltd	Storm-water # 1	R 4,219,910.94	R 4,219,910.94
2	Siyasebenza CN Trading	Storm-water # 2	R 2,142,839.84	R 216,028.29
3	MS3 Construction	Bulk Water	R 6,029,965.53	R 4,324,856.44
4	Ntswenyane Investments and Projects	Waste Water	R 2,972,778.06	R 4,486,368.57
5	Masima Construction & Civil Works	Sewer Pump Station	R 3,889,132.80	R -
6	Nduku Nduku Trading	Kerbs and Paving	R 10,727,296.34	R 154,193.44
7	Ginosta Trading Enterprise	Gabions	R 3,391,403.10	R -
8	TBA	Guardrails	R 474,282.00	R -
9	TBA	Landscaping	R 1,900,000.00	R -
10	TBA	Road signs and Road marking	R 500,000.00	R -
	Total		R 36,247,608.61	R 14,212,559.66

Target	Appointed to date	% Achieved
R 33,547,475.01	R 33,373,326.61	99%

MIFPM - Job Opportunities Created:**2017/18 FY : MIFPM : Bulk Earthworks - MEGA/2016/13 and Roads and Storm water MEGA/ 2016/14**

Q1	Actual	Q2	Actual	Q3	Actual	Q4	Actual
April	38	July	108	October	127	January	137
May	38	August	124	November	139	February	155
June	73	September	129	December	139	March	159
Total	149	Total	361	Total	405	Total	451

2018/19 : MIFPM : Bulk Earthworks - MEGA/2016/13 and Roads and Storm water MEGA/ 2016/14

Q1	Actual
April	180
May	180
June	
Total	360

On alternative Funding sources, the CEO reported as follows:

It estimated that the project will cost about R1 800 000 000.00. Approximately R1 200 000 000.00 excl. VAT is required for the construction of Market Top structures (excluding professional fees).

- MEGA made an application for funding the top structures to the IDC.
- IDC has completed the basic assessment and is now finalizing the detailed due diligence assessment

- IDC has indicated that they want a bankable feasibility study for the project.
- MEGA together with IDC has formed a steering committee that is working on making the project bankable.
- IDC has made a commitment to assist MEGA to do the project's bankability study.
- MEGA and IDC are also in the process of identifying strategic partners who would be the market operators and co-funders of the project.
- A Co-Development Memorandum of Understanding (which includes funding of the MIFPM) with a Russian investor was also concluded.

On Farmer Support Programme, the CEO further reported that:

The Department of Rural Development, Land and Environmental Affairs (DARDLEA) have completed the following:

- Demand Analysis on prioritized commodities as identified in the feasibility study.
- The production Analysis to meet the projected demand (the potential available land and analysis of current production capabilities).
- The development of intervention plans are in progress.

5.2 The Mpumalanga International Fresh Produce Market (MIFPM) is experiencing the following challenges:

- There have been delays due to on-site adverse conditions i.e. rain delays, high water table and Labour issues.
- Sections of the project are currently being inspected for practical completion.

6. FINDINGS

After the interaction with the entity, the Committee made the following findings:

- 6.1 One of sub-contractors was invited into the meeting and indicated that they once experienced a slight challenge of not been paid for two days, hence the protests by workers. The sub-contractor including the rest, were subsequently paid after MEGA paid the main contractor.
- 6.2 A steering committee for the project has been established.
- 6.3 The first phase (bulk earthworks construction) will be completed only after the rainy season later in the current financial year.

7. RECOMMENDATIONS

The Committee made the following recommendations:

- 7.1 MEGA must ensure that the sub-contractors are paid on time to allow them to make a pay out to the workers timeously, in an attempt to avoid protests on site as this delays the completion of the project.
- 7.2 MEGA must ensure that the steering committee and all sub-contractors are present during the next Portfolio Committee oversight visit.
- 7.3 The Portfolio Committee will visit the project to assess progress after the rainy season around September / October 2018.

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 oversight visit.

In addition, the Chairperson extends a word of appreciation to the CEO of MEGA, Mr XGS Sithole and senior management officials of the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA) for availing themselves to deliberate on matters pertaining to the above mentioned project.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 31 August 2018 and thereafter on a quarterly basis.



01/08/2018
DATE

HON FV MLOMBO (MPL),
CHAIRPERSON: PORTFOLIO COMMITTEE ON
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ECONOMIC DEVELOPMENT AND TOURISM