

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

**“TAKING THE LEGISLATURE TO THE PEOPLE” (TLP) HELD IN THE DR JS  
MOROKA LOCAL MUNICIPALITY, NKANGALA DISTRICT, 17 – 21 SEPTEMBER  
2018 (DEDT / MEGA)**

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## **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, a business sector stakeholder engagement session and a public hearing in the Dr JS Moroka Local Municipality (the municipality) on 17 – 21 September 2018 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 18 to 19 September 2018 at the Dr JS Moroka 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 18 September 2018, the Committee conducted an oversight visit at the Government Nutrition Programme Distribution Centre in Siyabuswa and later conducted a Business Sector Stakeholder engagement session at the Nokaneng Municipal Office Unit Boardroom (Hall).
- On 19 September 2018, the Committee conducted an oversight visit at the Mpebatho Cooperative in Marapyane.
- On 20 September 2018, the Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Vultures FC Sports Ground.
- Subsequently, the Committee met and considered the draft Committee report on 12 October 2018.

### 4. OBSERVATIONS AND COMMENTS

**The Committee observed the following:**

- The Government Nutrition Programme (GNP) Distribution Centre, located in MEGA's Industrial Park in Siyabuswa, was launched by MEGA in the 2017/18 financial year, with an allocation of R37 000 000.00.
- The aim of the programme was to uplift up and coming farmers and SMMEs by upskilling them to be able to provide quality food in the form of vegetables and fruits to schools and hospitals and well as transportation.
- MEGA currently has three (3) distribution centres located in its properties, namely; Kabokweni, Elukwatini and Siyabuswa. A budget of R234 000 000.00 has been further allocated for the current 2018/19 financial year.
- With regards to the Mpebatho Cooperative, the Committee noted that the business specialises in brick-making and is located on the outskirts of Marapyane, with a total of seven (07) members currently (members were ten initially).

- Prior the intervention by the Department of Economic Development and Tourism, the cooperative had been assisted by the Department of Social Services with a funding of approximately R450 000.00; this was used to purchase start up material such as the site with a structure, a small brick making machine, generator, wheel barrows and cements.
- The cooperative, since its establishment in 2011, is still non-operational and experiences many challenges.

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

### **5.1 Government Nutrition Programme (GNP) Distribution Centre**

Ms Carol Nkambule: Senior Manager (MEGA-Nkangala District) gave an overview on the project.

The Government Nutrition Programme (GNP) Distribution Centre is located in the Dr JS Moroka Local Municipality in an area called Siyabuswa. It was launched by MEGA in the 2017/18 financial year, with an allocation of R37 000 000.00. The aim of the programme was to uplift up and coming farmers and SMMEs by upskilling them to be able to provide quality food in the form of vegetables and fruits to schools and hospitals and well as transportation.

According to the department, the Government Nutrition Programme (GNP) uses the massive procurement spend and government departments and entities to revitalise agriculture and the agro-processing value chain; unlock the potential of SMMEs, Co-ops, township and rural enterprise; support the development of emerging farmers; and increase local farmer production capacity in preparation for the commissioning of the Mpumalanga International Fresh Produce Market (MIFPM).

Furthermore, it was reported that the model seeks to support the sustainability of small-holder farmers (SHF), local bakeries as well as the youth transport SMMEs, while ensuring the supply and delivery of good quality fresh produce to the schools and hospitals. MEGA was mandated by the Mpumalanga Provincial Government to come up with and manage a new GNP model that will ensure inclusive participation of SHF and SMMEs in the value chains.

According to the specifics provided by MEGA, the implementation of the programme is as follows:

- Phase 1 – Which has already started in the 2017/18 financial year, involves the procurement and supply of fresh produce to 37% of the schools and 9 hospitals in the province;
- Phase 2 – Involves the procurement and supply of both the dry products and fresh produce to 37% of schools and 32 hospitals; and
- Phase 3 – Involves a scaling up of the products supplied to include meat products.

Phase 1, as reported earlier, commenced on 01 June 2017. Phase 2 of the GNP was scheduled to begin on 01 April 2018; however that date has since been extended to September 2018. The role of MEGA in this programme is to ensure that the distribution centres and operational logistics are in place to receive, store and distribute the fresh produce to the client departments as required, while utilising SMMEs and Co-ops for transportation.

The performance of Phase 1 has been reported to have been a successful one by the entity. The largest produce that has been procured the most from June 2017 to February 2018 is the cabbage, at 45% of the produce procured. The second most popular has been the butternut accounting for 27% of the produce procured in the same period. Tomatoes and onions have also been popular. The least procured vegetables include carrots, beetroot, green beans and spinach, all accounting for less than 1% of the produce procured each. There are 86635 fruits availed per week (required on Wednesday's), which is equivalent to 10 400 kg per week.

The distribution of small-holder farmers per district currently indicates that 92% of the farmers are from the Ehlanzeni District while only 6% and 2% for Gert Sibande and Nkangala Districts respectively. Ms Nkambule reported that there are a total of 11 jobs created at the distribution centres; five (5) males which is 45% and six (6) females which is 55%. The youth is standing on 91%, which involves ten (10) young people. The transport system also creates job opportunities indirectly through drivers and their assistants; eleven (11) drivers and ten (10) assistants; all drivers are reportedly male. Ms Nkambule further indicated that there are currently four (4) SMMEs servicing the Nkangala area; three (3) of the four (4) are owned by youth and approximately 10 000km's are travelled every week.

The Committee further noted that there were no beneficiaries or members of the farmers' association on the day of the visit; this was noted with great concern.

### **5.1.1 FINDINGS**

**After the interaction with the department and entity, the Committee made the following findings:**

1. There are currently four (4) SMMEs servicing the Nkangala area.
2. Phase 2 of the GNP was scheduled to begin on 01 April 2018; however that date has since been extended to September 2018.
3. All truck drivers are reportedly male.
4. The GNP is still sourcing fresh produce from commercial farmers.
5. The programme is currently supplying fresh produce to 37% of the schools within the district.

### **5.1.2 RECOMMENDATIONS**

**The Committee made the following recommendations:**

1. The entity must provide a list of the four (4) areas that are currently being serviced.
2. The entity must provide a progress report on the status of the commencement of Phase 2 of the GNP no later than 02 November 2018.
3. The entity must ensure that female drivers are offered the same job opportunities as the males for gender equality within the distribution centre.
4. In order to revitalise agriculture and the agro-processing value chain, the entity must not solely rely on commercial farmers but start to develop and source produce from local farmers.
5. The entity must provide the Committee with a list of all the schools that are currently supplied.

## **5.2 Mpebatho Brick-making Cooperative**

Mr Solly Mhaule: Deputy Director (SMMEs Enterprise Development) and Mr Patrick Khumalo: Director (Enterprise Development) for the Department of Economic Development and Tourism (DEDT) gave an overview on the Cooperative.

Mpebatho Cooperative is located in the Dr JS Moroka Local Municipality in an area called Marapyane. The cooperative is a brick-making business with a total of seven (07) members currently (members were ten initially).

Mpebatho Cooperative was established in 2011 on the basis of the needs within the community. The cooperative is intended to cater the ward 23 community as well as the nearby communities in terms of brick supply. Prior the intervention by the Department of Economic Development and Tourism, the cooperative had been assisted by the Department of Social Services with a funding of approximately R450 000.00; this was used to purchase start up material such as the site with a structure, a small brick making machine, generator, wheel barrows. The Department of Economic Development and Tourism (DEDT) later bought a bigger brick making machine for the cooperative valued at R500 000.00.

The Committee noted that Department of Economic Development and Tourism (DEDT), in its 2013/14 fourth quarter report, reported that brick-making equipment as well as other productive materials had been delivered to the cooperative during the fourth quarter. Upon the verification visit in June 2014 by the researcher, it was found that the equipment was indeed delivered; however, few materials were still outstanding. The researcher also observed that the cooperative had not been operating and was still experiencing a number of challenges.

The cooperative also informed the researcher that the department had also assisted by funding the installation of the electric transformer and organised training for the members of the cooperative, which was provided by Project Management South Africa (PMSA). Further training from the South African Bureau of Standards (SABS) had been promised to the cooperative. The researcher made the members of the cooperative aware at the time that they had to request the department to establish a market for the bricks that will be produced. The beneficiaries informed the researcher that the department had informed them that they will be providing bricks to Provincial Government projects.

In July 2018, a follow up visit was made at the premises to assess the progress and operationalisation of the cooperative. It was found that soon after the visit of the researcher in June 2014, the department had delivered the rest of the material required, which included the ramp and the pallets of the brick making machine. Soon after that, the cooperative stated that they could only operate not more than two (2) weeks before Eskom shut them down and stating

that the cooperative would have to pay R16 000.00 in electricity bills. Since 2014, the cooperative has not been able to operate nor produce the bricks it had intended to.

Mr Wynand Rampatla, the chairperson of the beneficiaries, raised a concern that among the many challenges, the machinery will continue to rust and would eventually become unusable. This would also be considered as wasteful expenditure on the side of the department.

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

- The ramp as well as the pallets of the brick making machine were not delivered as well.
- There is lack of a proper market for the cooperative.
- The cooperative is not operational due to shortage of water; Eskom debt and a kick-start capital (start up production materials such as cement, sand, concrete).
- The precinct used for production does not have a slab or shelter.
- There is no access road or signage leading to the cooperative.
- There is a need for a fork lift to load and truck to deliver bricks.
- The electricity debt is between R12 000.00 to R16 000.00.
- The Department of Economic Development and Tourism bought a JoJo tank and a stand but no borehole.
- The beneficiaries will not be able to pay back the loan even if MEGA can grant it.
- There is a need for book keeping training and maintaining of accounts.

### 5.2.1 FINDINGS

**After the interaction with the department, entity and the beneficiaries, the Committee made the following findings:**

1. The cooperative is not operational due to shortage of water; Eskom debt and kick-start capital.
2. There is lack of a proper market for the cooperative.
3. There is no access road or signage leading to the cooperative.
4. There is a need for book keeping training and maintaining of accounts.

## 5.2.2 RECOMMENDATIONS

**The Committee made the following recommendations:**

1. The entity must develop a plan of intervention as a matter of urgency and submit this plan of kick-starting the operation and productivity of the cooperative to the Committee, no later than 22 October 2018.
2. The entity must strengthen the linkage of the cooperative to the market considering that it has a potential to generate more revenue whilst assisting in job creation; and to reach the level of sustaining itself.
3. The entity must grade and maintain the access road to attract more customers and assist with the installation of signage.
4. The entity must develop and implement a skills development plan to capacitate the beneficiaries for the sustainability of the cooperative.

## 6. PUBLIC HEARING

The Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Vultures FC Sports Ground on 20 September 2018. 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 DEDT and MEGA have programmes and projects in the Dr JS Moroka Local Municipality, there is still a need to see tangible results from the interventions and budget expenditure of DEDT in this Municipality.

### 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 Dr JS Moroka Local Municipality, such that there are tangible results that will truly alleviate poverty and unemployment.

## 7. BUSINESS SECTOR STAKEHOLDER ENGAGEMENT

The aim of the Business Sector 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 type of business; role/social input/contribution to the Municipality and Province as a whole in terms of job creation and reduction of unemployment; youth involvement; challenges and/or recommendations in the business Sector within the Dr JS Moroka Local Municipal area, including the interventions they would like to see from Provincial Government.

### 7.1 Business Sector Engagement

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

BUSINESS SECTOR	ISSUE
Moretele Business Forum	<ul style="list-style-type: none"> <li>• Mr Kennedy Mohotsi Mochusi, convener of the forum, mentioned that the non-payment of suppliers is a challenge within the Municipality.</li> <li>• There is a challenge with regards to the dissemination of information from a top to bottom approach and no recognition in terms of direct communication to the business sector.</li> <li>• Mr Mochusi stated that his company once did landscaping around the Marapyane area years ago and has not been paid to date.</li> </ul>

	<ul style="list-style-type: none"> <li>• There is generally no development economically in the Municipality.</li> </ul>
Amandlamahle Holdings (PTY LTD)	<ul style="list-style-type: none"> <li>• Mr Mandla Mahlangu indicated that Katjebane is one of the poorest local communities and young people do not benefit from projects for economic development; the LED Forum is non-existent in the Municipality.</li> <li>• Requested that at least 10% of the youth should be considered for projects so they too can be graded and acknowledged as young people for upliftment of the community.</li> <li>• Mr Mahlangu further requested the Municipality to hold business workshops to assist and equip the youth.</li> <li>• Mr Mahlangu also enquired on a project of building nine (9) RDP houses that was awarded to another company by the Department of Human Settlements (DHS); however DHS has subsequently reported that there are no funds / budget to pay the company in question.</li> </ul>
Tambotie Roller Mills	<ul style="list-style-type: none"> <li>• Mr Jacob Masingi, from Maphota, mentioned that he raised funds to build an Innovation Hub and was assisted by one of the local mines. He has also developed a brick-making machine for further development of the hub.</li> <li>• He has paid money to the local chief for land but has still not received the title deed from the Municipality.</li> <li>• Mr Masingi further indicated that he wants to go back to school to further equip himself and his business so that he can open his own research centre.</li> </ul>
Ayeye Projects	<ul style="list-style-type: none"> <li>• Mr William Bigboy Kau indicated that the retail sector that he is also part of is struggling because of the influx by Somalian and Pakistani businesses.</li> <li>• He also mentioned that the local business sector needs recognition from Councilors as other companies beyond Moretele are appointed whilst they are not.</li> <li>• Mr Kau stated that they would like to be part of engagements on business forums and would appreciate information dissemination.</li> </ul>

David Range – Trading Construction and Mining	<ul style="list-style-type: none"> <li>• Mr Tshepo Mphoga requested intervention from the Department of Economic Development and Tourism; and support for them as black owned businesses to operate within the mining sector.</li> <li>• He indicated that assistance from the LED office of the Municipality is required for funding and prospecting of companies.</li> </ul>
Khumo Lerumo and Projects – Bakery and Transportation	<ul style="list-style-type: none"> <li>• Mr Patrick Mashilo complained about corrupt entrenchments from government officials.</li> <li>• He also spoke about the inaccessibility of Municipal structures and the lack of assistance when it comes to SMMEs.</li> <li>• He further stated that there is no local beneficiation in terms of the 30% threshold even in their local areas.</li> </ul>
NJ Nkosana Building Enterprise – Construction	<ul style="list-style-type: none"> <li>• Mr NJ Nkosi owns a construction company that deals with hot mix for tar roads and mentioned that his company has subsequently closed down because of the lack of job opportunities.</li> <li>• He has employed 87 registered workers.</li> <li>• His company is between Mpumalanga University and Seun Mahlangu College; offering students an opportunity to do their practicals. Mr Nkosi however cannot pay them as no job opportunities / projects are offered to them; he stated that instead service providers from Emalahleni are afforded these opportunities.</li> </ul>
Vulingqondo Innovation Hub	<ul style="list-style-type: none"> <li>• Mr Shonisani Mamelasigidi from Kameelrivier, conducts research at the hub to solicit information on which companies produce plastic bottles, plastic bags etc. in the Nkangala region and Dr JS Moroka Municipality.</li> <li>• He needs assistance to build the Innovation Hub (working in partnership with Mr Jacob Masingi) for the production of plastic bottles and collaboration with big companies such as Coca-Cola.</li> <li>• Mr Shonisani has mentioned that their company has employed 120 workers, some students, without compensation because they do not have the funds to</li> </ul>

	pay them a salary / stipend.
Catering and Tyre Company	<ul style="list-style-type: none"> <li>• Ms Francinah indicated that her company deals with catering, as well as fixing and selling of tyres.</li> <li>• She stated that from 2010 to date her company has not been afforded an opportunity to cater anywhere in the Nokaneng area; there is usually only one preferred service provider.</li> <li>• She stated that in 2013 she requested the Department of Public Works, Roads and Transport to build a bridge / access road leading to her business but nothing has been done to date.</li> </ul>
Provincial Chairperson of South African Council	<ul style="list-style-type: none"> <li>• Mr Sam Masango suggested that SMME workshops be conducted through the LED office of the Municipality, to meet and mitigate present challenges.</li> <li>• Identified the need to establish stakeholder forums and meetings within the local Municipality, wherein continuous engagements will take place.</li> <li>• Mr Masango also proposed that DEDT, MEGA, DPWRT and DHS together with the local Municipality, meet in order to compile job profiles of the companies that have challenges and who are not offered job opportunities.</li> </ul>

### 7.1.1 Responses by various departments and the Municipality:

The Acting HOD for the Department of Economic Development and Tourism, Mr NM Sebitso responded to the business sector engagement issues as follows:

- The HOD mentioned that the Department of Economic Development and Tourism (DEDT) will work closely with the Dr JS Moroka Local Municipality to resuscitate the LED Forum; and ensure that the youth is also represented.
- The HOD stated that DEDT intends to assist in respect of informal businesses as this sector has a significant role to play in the economic development of the community. Furthermore, the HOD mentioned that the Moretele Business Forum will be contacted to share projects currently running in the province, as well as meet with Mr Jacob and Mr Shonisani who are currently having challenges with the Innovation Hub.

Senior Management of the Department of Community Safety, Security and Liaison, responded to the business sector engagement issues as follows:

- The influx of non-South African nationalities is an issue of immigration within the Department of Home Affairs.

The Acting HOD for the Department of Human Settlements, Mr SD Nkosi responded to the business sector engagement issues as follows:

- It is a false report that the DHS does not have funds / budget to pay service providers; the department currently pays all service providers within 30 days.

The Executive Mayor of the Dr JS Moroka Local Municipality, Cllr WT Madileng responded to the business sector engagement issues as follows:

- The Executive Mayor reported that the Municipality will ensure that all relevant stakeholders convene the meeting through the office of the LED Manager, Mr Shabangu.
- The Municipality will continue to ensure that poverty as well as unemployment is eradicated as a matter of priority.

## **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 Acting HOD Mr NM Sebitso, senior management officials of DEDT and MEGA, the Dr JS Moroka 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 Tourism 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 16 November 2018 and thereafter on a quarterly basis.



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

17.10.2018  
DATE