

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 EMALAHLENI LOCAL MUNICIPALITY, NKANGALA DISTRICT, 12 – 16 MARCH 2018 (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 Emalahleni Local Municipality (the municipality) on 12 – 16 March 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 13 and 14 March 2018 at the Emalahleni 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 14 March 2018, the Committee conducted the oversight visits at Ramandire B&B in Jackaroo Park and J Mthimunye Beef Cattle Breeding Farm in Asvoelkrans, Emalahleni.
- On 15 March 2018, the Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Sy Mthimunye Stadium. The Portfolio Committee further conducted a Business Sector Stakeholder engagement session at the Emalahleni Council Chamber.
- Subsequently, the Committee met and considered the draft Committee report on 18 April 2018.

4. OBSERVATIONS AND COMMENTS

The Committee observed the following:

- Ms Cynthia Njana converted her house into an 8 bed roomed 3 star guest house and registered the business as a Close Corporation.
- The business was originally funded by MEGA through a loan amounting to R400 000.00 and a further R350 000.00 after the building structure failed the building inspection.
- Ramandire B&B has employed seven (7) people on full-time basis. The employees are made up of two (2) adults and five (5) youth. Their contribution to the local economy is by attracting tourists into the area.
- With regard to the J Mthimunye Beef Cattle Breeding Farm, the Committee noted that Mr Mthimunye is a local farmer and his farm is located in the outskirts of Emalahleni, in a place called Aswoelkraans.
- The land that he occupies is a result of a land claim which was awarded to him. His farm specializes in cattle breeding.

- A loan amount of R386 000.00 was granted to Mr Mthimunye by MEGA in 2010 to start the business of cattle breeding. The loan was used to purchase cattle and medicine for the cattle.

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

5.1 RAMANDIRE B&B

Mr GL Dladla: General Manager (Funding Division) for Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Ramandire B&B.

Ms Cynthia Njana, who is the sole member and manager of Ramandire B&B, converted her house into an 8 bed roomed 3 star guest house and registered the business as a close corporation. The business was originally funded by MEGA through a loan amounting to R400 000.00 and a further R350 000.00 after the building structure failed the building inspection. The loan amount was for the building while part of it was for furniture and repayable over a period of 60 months.

Ramandire B&B has employed seven (7) people on full time basis. The employees are made up of two (2) adults and five (5) youth. Their contribution to the local economy is by attracting tourists into the area.

MEGA has recently stated that the B&B has not been doing well thus far and is struggling to honour its repayment arrangements, the account is in arrears as a result thereof. The main challenge is that the B&B is not attracting sufficient number of patrons.

The Committee noted that on the day of the visit the business was indeed operational with 8 rooms on the premises with sufficient space for parking. The owner stated that even though the loan had been approved in 2008, the house was only properly finished in 2012. This implied that interest on the loan was charged from the day of approval with no grace period being offered. Ms Njana currently owes more than R1 200 000.00 including interests and regularly since 2012 makes payments hoping that one day the debt will be finished. The total repayment amount by Ms Njana is R350 000.00 to date.

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

- The owner mentioned many challenges that she faces currently. She stated that the house currently experiences leaks when it rains heavily.
- She stated that government departments hardly ever use guest houses and B&B's because they want to stay in hotels. She indicated that the use of travel agents is negatively affecting the guest house industry. She stated that legislation should be changed to allow departments to use these types of accommodation. Ms Njana had attempted to secure a contract with Eskom but was told she must have at least 20 rooms to qualify.
- Ms Njana further stated that competition is high because the Emalahleni area has over 600 guest houses on top of the many townhouses rented out for staff working for local mining companies as well as Eskom. She stated that the Emalahleni Tourism Association had met with the then HOD of DEDT, Mr MW Mkhize and forwarded such challenges but now they are not hopeful because he has left the department.

Even though Ms Njana may face various challenges regarding the B&B, there have been many achievements that have been recorded. The B&B was a finalist in the Lilizela Tourism awards, created jobs, also involved in the Tsogo Sun internship programme and came in the top 10 out of 200 candidates. The B&B also received numerous awards in terms of health and guest house management. Ms Njana has also attended various Indaba exhibitions and workshops to enhance her knowledge of the hospitality sector.

Ms Njana indicated that she wishes to pay off the loan with MEGA and bolster her marketing strategy in order to increase revenue as well as expanding her business to include catering services. She hopes in the long term she can be able to buy the block of houses around her so that she can increase the number of rooms that she has to at least 20. Ms Njana wants her B&B to include other services such as conference venues, wedding facilities, swimming pool and spa. Her other goal is to also create more jobs.

5.1.1 FINDINGS MADE BY THE COMMITTEE

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

1. The loan amount is in arrears.
2. The Ramandire B&B is not well marketed and as a result does not attract sufficient number of patrons.

5.1.2 RECOMMENDATIONS MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

1. In light of the outstanding balance, the Mpumalanga Economic Growth Agency (MEGA) must ensure that the interest does not accrue on Ms Njana's debt; should the interest continue to accrue it will exceed the capital amount. In terms of the Induplum Rule, interests should not be more than the capital. Furthermore, MEGA must submit a plan of intervention and look into reducing the current balance of the loan.
2. The Mpumalanga Economic Growth Agency (MEGA) must strengthen the linkage of its clients to the market. The department and MEGA must also consider the local establishments (B&B's, lodges) before making bookings / reservations with hotels.

5.2 J MTHIMUNYE BEEF CATTLE BREEDING FARM

Mr GL Dladla: General Manager (Funding Division) for Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Ramandire B&B.

Mr J Mthimunye is a local farmer from the Emalahleni Local Municipality. His farm is located in the outskirts of Emalahleni, in a place called Aswoelkraans. The land that he occupies is a result of a land claim which was awarded to him. His farm specializes in cattle breeding. A loan amount of R386 000.00 was granted to Mr Mthimunye by MEGA in 2010 to start the business of cattle breeding. The loan was used to purchase cattle and medicine for the cattle.

The period of the loan was supposed to have lasted from 2010 to 2017. However Mr Mthimunye faced various challenges such as a high mortality rate when his cattle arrived at the farm as high as 59 dying, possibly due to poor adaption to the new environment and he indicated that the cattle was diseased/infected and of poor health without prior inspection before delivery. MEGA has reported that the business may require intensive aftercare (non-financial) support and additional breeding stock to grow and become sustainable.

This project was visited in 2015 by the Portfolio Committee and similar challenges were faced. To date Mr Mthimunye has managed to repay R108 000.00 of his loan with an amount of R538 587.00 still outstanding including interests which accumulate each month, making it difficult to pay this instalment.

On the day of the visit, it was found that there were ten (10) female cows, one (1) bull which looked old, weary and overworked, three (3) heifers, two (2) bull weaners as well as three (3) female calves and two (2) male. In total there were 21 cattle.

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

- Upon the visit conducted in March 2018, it was found that indeed the farm still faced many challenges which had not been attended to in 2015 and needed extreme care to resuscitate production.
- The farm still does not have sufficient water to be used. The overall infrastructure at the farm is poor. Even though the farm is big enough, the poor infrastructure restricts Mr Mthimunye from doing what he would want to increase his production.
- Mr Mthimunye had attempted to create a small dam but was told he cannot do so without a water use license. Production has never picked since the death of the cattle. He has struggled to get his production to an optimal level.
- The fence is also in a terrible state. Mr Mthimunye indicated that there is a high level of stock theft in the area. When contacting the police at times they come to the scene but no cattle are ever recovered.
- Another challenge he faces are the fires which destroy the field where the cattle are meant to graze.
- He stated that in 2014/15 the Department of Agriculture had approved 30 cows and 2 bulls but they never reached his farm even though he had signed off for them. He stated that this was during the time of the former DARDLEA MEC Ms C Mashego. He made follow-ups as to why the cattle never reached his farm but to no avail.

5.2.1 FINDING MADE BY THE COMMITTEE

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

1. The Beef Cattle Breeding farm requires intensified non-financial support and Agricultural training.
2. The 59 cattle that was brought in at the time was of poor health and the process was not done in partnership with DARDLEA.

5.2.2 RECOMMENDATION MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

1. MEGA must link this cooperative to SEDA for non-financial support as well as MRTT for comprehensive training, for it to be more sustainable.
2. MEGA must implement the proposed turn-around strategy by 30 October 2018 as reported (restructuring loan agreement, adding livestock, fencing, construction of a kraal, procure firefighting equipment) and introduce the inter-departmental coordination between DEDT, MEGA, DADRLEA (Veterinary services), MRTT and other relevant stakeholders by 15 May 2018 to expedite the process of assisting Mr Mthimunye; a copy of the MoU must be submitted to the Committee. Furthermore, MEGA must ensure that Mr Mthimunye is compensated for the 59 cattle that his farm lost.

6. PUBLIC HEARING

The Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Sy Mthimunye Stadium on 15 March 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 DEDET and MEGA have programmes and projects in the Emalahleni 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 Emalahleni 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 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 Emalahleni Local Municipal area, including the interventions they would like to see from Provincial Government.

7.1 Business Sector Engagement

The session centred on the different stakeholders and private sectors creating jobs for the people of Emalahleni Local Municipality, reducing unemployment especially for the youth and developing people on small business skills development also emphasizing on the youth and women. These projects and programmes are done with the participation of the Local Economic Development Forum, of the Emalahleni Local Municipality.

The manager for LED, Mr Tefu Kadi indicated that the Municipality has since adopted a turnaround strategy that aligns itself to the IDP and is integrated within the different programmes.

7.2 INPUT BY THE MEC OF DARDLEA / LEADER OF GOVERNMENT BUSINESS

-The MEC for DADRLEA and the Leader of Government Business, Mr VR Shongwe appreciated this kind of meeting as hosted by the Portfolio Committee.

- The MEC appreciated the fact that the presentations from all sectors all address the triple challenges of unemployment, poverty and inequality.

- He mentioned however, that all sectors assured the meeting that a certain number of people have been employed but during the public hearing young people especially were complaining about the high unemployment rate. This implies more work should be put in to address this matter.

- The MEC indicated that the DARDLEA has assisted the citizens of this province through one of the best programmes called Fortune40 and it particularly benefits the youth.

- The Government Nutrition Programme is a market also used for small and commercial farmers, so that schools, hospitals and social development programmes can be supplied by this nutrition programme.

- The department is currently building 3 Agri-cultural hubs (Piet Retief, Mkhuhlu, Dr JS Moroka Municipality) for small and commercial farmers to distribute produce through the International Fresh Produce Market in Mbombela.

The Chairperson concluded the session by appreciating all presentations from the different sectors and stakeholders, including their participation in the Local Economic Development Forum. He indicated that this session has created a conducive environment for the Municipality to assist in further development of the Local Emalahleni Municipality. These developments will assist in contributing to the economic growth of the Municipality and by expansion, the country creating a better life for all citizens.

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 Acting HOD Ms SP Xulu, senior management officials of DEDT, the Emalahleni 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 31 May 2018 and thereafter on a quarterly basis.



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

19. 04. 2018

DATE