

COMMITTEE REPORT OF THE PORTFOLIO COMMITTEE ON PREMIERS' OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM IN RELATION TO THE 4TH QUARTER PERFORMANCE REPORT FOR 2014/15 FINANCIAL YEAR - DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

1. INTRODUCTION

The Portfolio Committee on Economic Development and Tourism has a Constitutional mandate, in terms of Section 114(2) (b) of the Constitution of the Republic of South Africa (Act 108 of 1996) read with Rule 218 and Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules) to oversee the performance of the Department of Economic Development and Tourism (the Department) and hold it accountable through various measures.

2. METHOD OF WORK

The Speaker referred the department's forth (4th) quarterly report to the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism for consideration and report back to the Legislature, as contemplated in rule 218 (4) of the Rules and Orders of Mpumalanga Provincial Legislature (the Rules).

The Committee met with the Department on 04 August 2015 to deliberate and scrutinize in detail the aforementioned document. The Committee then met on 18 August 2015, to consider the draft Committee report.

3. GENERAL OBSERVATIONS

The Committee observed that the Department had improved in its overall performance with a number of areas still with challenges, i.e.: infrastructure development and spending norm.

4. DELIBERATIONS ON THE 4th QUARTERLY REPORT

The HOD was requested to brief the Committee on the progress made on the implementation of the APP's strategic objectives of the 4th quarter. Thereafter the Committee interacted with the Department per programme.

PROGRAMME 1: ADMINISTRATION

The Committee noted that the department attained 31 of 44 planned targets under programme 1, which translates to 70% achievement of planned targets. The Committee also noted that the department failed to achieve two (2) of the five (5) planned targets under the Office of the MEC sub-programme. These targets were related to cluster committee and MinMec meetings just as the previous three quarters.

The Committee further noted that the department failed to achieve one (1) of the three (3) targets under the office of the HOD sub-programme. The department failed to achieve four (4) of the seven (7) planned targets under the human resource management sub-programme. The Committee also noted that the department failed to monitor the implementation of the EE plan as well as training needs analysis as well as the workplace skills plan and annual training report. The Committee asked the Accounting Officer why the department failed to monitor the implementation of the Employment Equity Plan. The Accounting Officer indicated that the department did not fail to monitor the implementation of the EE plan during the quarter. However, the appointments during the quarter under review were informed by the nature of the job that the officials were going to do.

Furthermore; the Committee enquired on how the department plans to ensure that women representation in the SMS position increases. The department indicated that it is currently busy with the process of the Organisational Development and the review of the organisational structure. The representation of women in the SMS level during the filling of the positions will be prioritised once the structure is approved and the moratorium on filling of posts is lifted.

The Committee also raised a concern that the department overspent on the Compensation of Employees; considering that the Environmental affairs section was

transferred to DARDLEA. The department indicated that the Environmental Affairs sections was transferred to DARDLEA with its budget and the cause of the over expenditure was after the Appropriation process. The department overspent on the compensation of employees' budget by R99, 000. This was due to the incorrect projection made during the second adjustment in February 2015, where compensation of employees' budget was adjusted down by R1 300 000.

Programme expenditure

Budget 2014/15	Final Budget	As at 31 March 2015	% of Budget
89 774 000	86 411 000	86 419 00	100%

The main budget for programme 1 amounted to R89 774 000 at the beginning of the 2014/15 financial year. The budget was adjusted downwards to R86 411 000. The Committee noted that the department spent its entire budget for the financial year.

PROGRAMME 2: Integrated Economic Development

Programme 2's objective is to stimulate economic growth in the province. The main budget for programme 2 was adjusted downwards to R232 250 000 and the total expenditure was R231 130 000 (100%), with an over expenditure in the 4th quarter.

Programme expenditure

Budget 2014/15	Final Budget	As at 31 March 2015	% of Budget
242 956 000	232 350 000	231 130 000	100%

The Committee noted that the department attained 35 of its 64 planned targets, translating to 55%, the Committee also noted that the department failed for the second time; to capacitate two (2) SMME's and two (2) cooperatives who participate in the mining and energy sector. The Committee enquired on why the department

encountered the same challenge that prevented it from achieving the targets in the third quarter. The department stated that the mining partnerships have not yielded any opportunities for the SMME's and the Cooperatives. The department failed to register planned number for the new SMME's and new cooperatives for all the sub-programmes due to the service depending on walk-in clients.

The Committee asked how the department will approach the above mentioned targets going into the 2015/16 financial year; considering the poor performance in the 2014/15 financial year. The department indicated that all the targets which were not achieved during the 2014/15 financial year are not going to form part of its Annual Performance Plan for 2015/16 financial year. The department is currently assisting clients on new registration and annual returns as part of its services to walk-in clients, hence there is no target set for it.

PROGRAMME 3: TRADE AND SECTOR DEVELOPMENT

Programme 3 has the mandate to support the development of industry within the key economic sectors of the province and create a conducive environment for trade and investment. The programme consists of sub-programmes - Trade and Investment Promotion, Strategic Initiatives and Sector Development as well as Office Support.

Programme expenditure

Budget 2014/15	Final Budget	As at 31 March 2015	% of Budget
17 711 000	15 375 000	14 912 000	97%

The main budget was adjusted downwards to R15 375 000. The department spent 97% of its budget for the 4th quarter and R9 630 000 on compensation of employees. The Committee asked why there was a 5% over expenditure on compensation of employees for the 2014/15 financial year. The department indicated that there was over-expenditure on compensation of employees' budget some programmes while

there an under-expenditure on others. This was mainly due to the misalignment of budget allocated per programme and expenditure incurred in line with pay-points on the PERSAL system. As at the end of the financial year; before any shifts and virements were done, the department overspent on compensation of employees' budget by R99, 000. This was due to the incorrect projection made during the second adjustment in February 2015, where compensation of employees' budget was adjusted down by R1 300 000. The department undertook to request the Provincial Treasury's approval to shift budget from savings; in other economic classification items; to cater for the R99, 000 overspending.

The Committee noted that the department attained 13 of its 24 planned targets under programme 3, which is 54 % in the 4th quarter. The department failed to commission a pre-feasibility study for the establishment of the industrial/supplier Park in Govan Mbeki Local Municipality; provide feedback on the report compiled to support the establishment of the ICC; enable infrastructure in support of the project provided as well as conducting a capacity building programme on manufacturing in Nkangala for the 2nd consecutive quarter.

The Committee requested the department to share the challenges that led to the failure to commission the pre-feasibility study for the establishment of the Industrial/Supplier Park. It was indicated that; in cooperation with the Govan Mbeki Local Municipality, the required Terms of Reference for the commissioning of the pre-feasibility study were developed and a Service Level Agreement with the Govan Mbeki Local Municipality was been developed. It however came to the attention of the department; that there was already substantial amount of information available and as such; the decision was taken not to commission a pre-feasibility study. However; the service provider will utilise the existing information as a basis. The Govan Mbeki Local Municipality had already commenced with the required procurement processes and the department would support the feasibility study with a budget of R 250 000.00.

The Committee noted that under the sector development; the department achieved five (5) of its 12 planned targets, these include, among others, the Bushbuckridge and Dr Pixley Ka Seme Agro Processing Hub; two big mass projects in Thaba Chweu Local Municipality; Capacity building for 20 incubates on fly ash beneficiation

and failure to refurbish 2 centres with machinery and equipment installed for youth cooperatives.

The department reported that:

a. Bushbuckridge Agro Processing Hub:

As part of the priorities of the department, it will ensure the re-commissioning of the Bushbuckridge Poultry Abattoir; which forms an integral part of the Bushbuckridge Agro Processing Hub.

The establishment of the fruit and vegetable processing unit, which also forms part of the hub, would be integrated into the roll-out of the Mpumalanga International Fresh Produce Market and associated Agri-hubs process; in order to ensure sustainability of the project. This would also be linked to the establishment of Agri-parks, a program currently run by the Department of Rural Development and Land Reform; which will also be integrated into the roll-out of the Mpumalanga International Fresh Produce Market and associated Agri-Hubs to ensure production for market.

b. Dr Pixley Ka Seme Agro Processing Hub:

This hub will be integrated to the establishment of the Agri-Hubs which forms part of the roll-out of the Mpumalanga International Fresh Produce Market. This is critical to ensure the sustainability of the hub; in order to ensure it has a wide variety of produce and not only process and sells which can be grown locally. In the current financial year, the Department of Agriculture, Rural Development, Land and Environmental Affairs have prioritised the agri-hubs of Bushbuckridge, Nkomazi, Mkhondo and JS Moroka Local Municipalities. The Dr Pixley Ka Seme Agro-processing Hub will thus be prioritised in the next financial year.

PROGRAMME 4: BUSINESS REGULATION AND GOVERNANCE

Programme 4's purpose is to regulate the liquor and gambling industry and to create an enabling legislative environment for business to operate; as well as

the facilitation of fair trade and effective consumer protection. Apart from Office Support, the programme consists of Business Regulation and Consumer Protection sub-programmes.

Programme expenditure

Budget 2014/15	Final Budget	As at 31 March 2015	% of Budget
82 495 000	83 129 000	82 399 000	99%

The department attained six (6) of its eight (8) or 75% of its planned targets under programme 4. The Committee noted that the department failed to monitor and evaluate the implementation of the Mpumalanga Consumer Act as well as conduct six (6) Consumer Court hearings. This was attributed to the Act not being in place and cases being resolved by the Consumer Protector Office before reaching the Consumer Court hearing. The department reported that the Provincial Consumer Act was not finalised due to the decision taken by the National Consumer Commission; that a legislative task team be established to look into all the provincial draft bills and ensure that they are aligned to the National Consumer Act. The task team is currently in place and has already had engagements with the consumer section of the department.

The department further reported the Consumer Act will be finalised once all the processes have been completed according to the APP. The final draft will be completed in the second quarter and be tabled to the legislature in the third quarter of this financial year

PROGRAMME 5: Economic Planning

Programme 5 is responsible for the provision of economic policy direction and strategies in addition to conducting research on the provincial economy to inform strategy development. The programme has the sub-programmes – Office Support, Economic Policy, Research and Development, Knowledge Management and Monitoring and Evaluation. The total expenditure for the 4th quarter was R 13 362 000 (93 %).

Programme expenditure

Budget 2014/15	Final Budget	As at 31 March 2015	% of Budget
14 989 000	14 389 000	13 362 000	93%

The department achieved one (1) of its three (3) planned targets for the 4th quarter. The Committee noted that the department failed to achieve targets pertaining to the symposium into economic chapter for the MTSF as well as the ICT Master Plan for the 2nd consecutive quarter.

PROGRAMME 6: TOURISM

Programme 6 is responsible for tourism sector policy development, regulation and compliance and promotion of sector transformation in the province. The programme consists of 3 sub-programme - Tourism Planning, Tourism Regulations and Compliance and Tourism Sector Transformation. The total expenditure for the 4th quarter was R332 828 000 (100%); resulting in an over expenditure.

Programme expenditure

Budget 2014/15	Final Budget	As at 31 March 2015	% of Budget
332 639 000	332 739 000	329 941 000	100%

The Committee noted that the department; under the Tourism Planning sub-programme; failed to compile reviewed tourism strategy. Under the Tourism Sector sub-programme; has failed to develop and implement the incubation programme for the SMME'S within the sector, due to the National Tourism Sector Codes being finalised.

The Committee also noted that the department over-spent on its budget for the compensation of employees by 5% (R2 471 000).

5. COMMITTEE FINDINGS FROM THE INTERACTION WITH THE DEPARTMENT

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

- 5.1. The department had an over- expenditure on the budget of the Compensation of Employees.
- 5.2. The department failed to monitor the implementation of the Employment Equity Plan.
- 5.3. The department's SMS positions constitute 17% of females while males constitute 83%.
- 5.4. The Department is waiting for the Ministers of Trade and Industry's approval on the application for designation; which will close the planning and establishment phase of the Special Economic Zones (SEZ). There is little progress made with regard to the commissioning of the Bushbuckridge- Agro processing hub.
- 5.5. The entity failed to capacitate 2 SMME's and 2 Cooperatives who participate in the mining and energy sector and to register the planned numbers for the new SMME's and new Cooperatives.
- 5.6. The department achieved 62% of its planned targets and spent 99% of its budget during the 4th quarter reporting.

6. RECOMMENDATIONS IN RESPECT OF THE FINDINGS

The Committee recommends the following:

- 6.1. The Executive Authority must take disciplinary actions against the Accounting Office for failure to monitor the budget on the Compensation of Employees.
- 6.2. The Accounting Officer must develop the Employment Equity Plan and develop mechanisms to fully implement and monitor the policy in the department's Organizational structure.
- 6.3. The department must finalise the process on appointments of women on the SMS positions which should constitute 50% and be in line with the Employment Equity Plan.

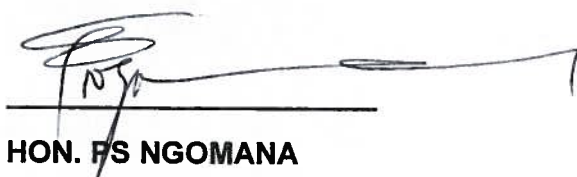
- 6.4. The Accounting Officer must submit a progress report on the commissioning of the Bushbuckridge Agro Processing Hub.
- 6.5. The Accounting Officer must ensure that the new SMME's and Cooperatives are registered and capacitated.
- 6.6. The department must put mechanisms in place to ensure that the allocated budget is spent accordingly for each quarter as well as ensure that the expenditure reconciles with the targets achieved.

7. CONCLUSION

The Chairperson wishes to express his gratitude to the MEC SE Kholwane in absentia; the HOD and the senior officials of the Department of Economic Development and Tourism for their active involvement during the deliberations with the department.

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the 4th quarter report of the Department of Economic Development and Tourism and also thanked the Legislature staff for their support and contribution towards the production of this report.

Lastly, the Chairperson requests the august House to adopt the report with its recommendations and provide a progress report by **30 September 2015**.



HON. FS NGOMANA

19.02.2015
DATE

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
PREMIER'S OFFICE; FINANCE AND ECONOMIC
DEVELOPMENT AND TOURISM**