

## **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 BUSHBUCKRIDGE LOCAL MUNICIPALITY, EHLANZENI DISTRICT, 26 – 29 JUNE 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, a business sector stakeholder engagement session and a public hearing in the Bushbuckridge Local Municipality (the municipality) on 26 – 29 June 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 25 to 27 June 2018 at the Bushbuckridge 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 26 June 2018, the Committee conducted an oversight visit at the Ntirhisano Sanitary Cooperative in Ludlow and later conducted a Business Sector Stakeholder engagement session at the Old Bohlabele Council Chamber, Thulamahashe.
- On 27 June 2018, the Committee conducted an oversight visit at the Ntila Trading and Projects (trading as Ximhungwe Spar – Retail Supermarket).
- On 28 June 2018, the Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Agincourt Sportfield.
- Subsequently, the Committee met and considered the draft Committee report on 01 August 2018.

### 4. OBSERVATIONS AND COMMENTS

**The Committee observed the following:**

- The Ntirhisano Sanitary Cooperative was initially funded by the Mpumalanga Department of Economic Development and Tourism (DEDT), Social Development (DSD), Department of Rural Development and Land Reform (DRDLR) as well as the National Development Agency (NDA) in 2012.
- The aim would be to uplift the local economy by creating jobs for the local people. The cooperative initially started with twelve (12) members but over the years lost one (1) member.
- With regards to Ntila Trading and Projects (trading as Ximhungwe Spar - Retail Supermarket), the Committee noted that Mr Machabi is a local businessman doing quite well in the retail supermarket and also for the development of the youth.
- The project was funded by MEGA during the 2011 financial year in order to establish operations in the area; it was subsequently funded by the National Empowerment Fund (NEF).

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

### **5.1 Ntirhisano Sanitary Cooperative**

Ms Immy Serakalala: Manager (Funding) gave an overview on the cooperative.

Ntirhisano Sanitary Working Cooperative is located in the Bushbuckridge Local Municipality in an area called Ludlow. It was initially funded by the Mpumalanga Department of Economic Development and Tourism (DEDT), Social Development (DSD), Department of Rural Development & Land Reform (DRDLR) as well as the National Development Agency (NDA) in 2012. It has not yet been fully operational as per the business plan of the cooperative. The project was recently transferred to MEGA from DEDT. The aim would be to uplift the local economy by creating jobs for the local people. The cooperative initially started with twelve (12) members but over the years lost one (1) member (09 females, 2 males with 4 youth). The land where the business is located was provided by the Local Tribal Authority (Chief Mnisi) and the Bushbuckridge Local Municipality provides municipal services such as water and electricity.

The NDA initially funded the cooperative with R1 000 000.00 (which was used to also procure a vehicle / bakkie for delivery purposes) and DSD with R1 000 000.00 for the construction and stipend of the members of the cooperative. There were challenges where the structure was not well built and alterations had to be made to the structure. Small Enterprise Development Agency (SEDA) has also assisted in providing training in business management and other non-financial support.

Between the year 2012 and 2017 there had been various challenges which had halted operations which range from the non-payment of stipends and contractual disagreements. Through that time, the cooperative would buy sanitary towels only to supply to the Department of Social Development and SASSA. This model was not working for the cooperative because it was costly to buy the towels than to make them as the business plan had stated. When they would approach schools they would be turned back because the costs were far too high.

In 2017, the Department of Rural Development provided R3 500 000.00 to purchase a machine for the cooperative in order for them to begin producing. An additional R1 500 000.00 was provided by MEGA.

On the day of the visit one of the members (Ms Micah Sibuyi - Chairperson of the cooperative) informed the Committee that she had just been to China in April with the service provider (Acute Consulting) to inspect and test the machine for sanitary towel production. The service provider has further reported that the machinery will be assembled, tested for operation and commissioned by 30 August 2018.

The cooperative reported that the machine will be shipped from China and is scheduled to reach South Africa before end of July 2018. They further stated that there will be a technician who will be training the members of the cooperative for a period of 30 days before returning back to China. Members of the cooperative stated that they have submitted a budget that will be needed for the start-up of the project that includes raw materials and quality management systems which comes up to around R10 000.00. The members of the cooperative further indicated that their market will have to grow further if they are to be successful and urged the government to support them in trying to access the market through departments such as the Department of Education (DOE).

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

- There is no security or alarm system installed; currently the male beneficiaries of the cooperative guard the premises during the night.
- There is no storage area for the goods that will be produced, including the sanitary towels and other smaller goods (disposable nappies, tissues; etc)
- There is no stipend given to beneficiaries at the moment.
- Other challenges which have been expressed by the cooperative include the lack of water in the area.

### **5.1.1 FINDINGS**

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

1. The machinery for sanitary towel production will be shipped, assembled, tested for operation and commissioned by 30 August 2018.
2. There is a lack of water in the Ludlow area.
3. There is no storage area for the goods that will be produced, including the sanitary towels and other smaller goods (disposable nappies, tissues; etc).

4. The cooperative is focusing mainly on sanitary towel production.

### **5.1.2 RECOMMENDATIONS**

**The Committee made the following recommendations:**

1. The entity must provide an update on the shipment of the machinery as well as the training programme scheduled for the members of the cooperative.
2. The entity, together with the Bushbuckridge Local Municipality, must assist the cooperative with access to water and/or install a borehole and a septic tank within the current financial year.
3. The entity must ensure sufficient storage space is secured for the smooth operation of the project.
4. The entity must help the cooperative to diversify on other goods that will be produced to increase their business and profit prospects.

### **5.2 Ntila Trading and Projects (trading as Ximhungwe Spar – Retail Supermarket)**

Mr Sibusiso Lekhuleni: Manager (Funding Division) for Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Ximhungwe Spar.

Ntila Trading & Projects (trading as Ximhungwe Spar) is located in the Bushbuckridge Local Municipality in an area called Ximhungwe, Kildare Village. It was funded by the Mpumalanga Economic Growth Agency (MEGA) during the 2011 financial year in order to establish operations in the area. A loan amount of R3 000 000.00 was granted on 19 February 2011. The business was co-funded by MEGA and National Empowerment Fund (NEF). MEGA's funding was for the construction of the facility and NEF funded a loan of R12 300 000 for the purchase of equipment and working capital. Spar provided start-up stock in the tune of R2 500 000.00 (0% interest). The owner contributed an amount of R1 067 862.00. The aim of the shopping complex would be to uplift the local economy by creating jobs for the local people.

Ntila Trading and Projects is a business that is owned by Mr Rex Machabi and is trading as Ximhungwe Spar. The Spar was officially opened on 25 July 2013, while the section of "Tops Spar" was opened in August 2013. The core business of this enterprise is grocery supermarket including departments such Deli, Butchery, Bakery; etc. The store has three ATMs installed by

FNB, Standard Bank and Capitec Bank, of which FNB has been recently removed for security reasons caused by an attempted ATM bombing. Other available services are SASSA grant payment system, payment of municipality utilities, DSTV, Lotto, pre-paid electricity and airtime services are also available in store to increase the traffic into the store.

The store's operating hours from Monday to Thursday are from 07h00 to 20h00 and Friday and Saturday they operate until 21h00. The business has managed to create around 60 to 65 jobs directly and about 40 or so indirect jobs in the surrounding areas. The business is operating however Spar Group took over the daily management of the business operations. Mr Machabi is currently not involved in the daily operations; the agreement is that Spar will manage the business. Mr Machabi is receiving monthly reports from Spar, on the business performance and payment of creditors MEGA and NEF.

Upon the day of the visit, the owner expressed a wide range of challenges of which he had been facing. He stated at first that the loan from MEGA was not disbursed at the same time. MEGA disbursed one portion in 2011 and another portion in 2012. This resulted in him having to sacrifice some of the things he had planned to do like the paving in front of the store. By the time the second disbursement came in 2012, building materials had increased in price and the money initially requested had become too little to cover all the areas of construction. Even on the day of the visit, the area in front of the shop is still not paved and creates challenges on rainy days because it becomes muddy and inaccessible. He also stated that the initial building did not have enough electricity / power and hence he had to procure his own transformer.

Mr Machabi had challenges with the previous manager of the store that he had employed which resulted in the mismanagement of the store which saw the store making losses. That is when Spar won a court order during 2016 to take over the store up until the debt would be paid off. He has also expressed the challenge of water in the area. He stated that there is no water in the area which means he has to spend up to R15 000.00 on water every month.

Furthermore, Mr Machabi indicated that there is no septic tank in the area and he has to appoint a service provider from far to come and remove the sewer around the complex. He stated that the rate of electricity he pays in the rural area is the same of that in the urban areas which is a challenge considering that the complex is situated in a rural area. Mr Machabi further mentioned that he pays up to R120 000.00 per month on the electricity bill.

He mentioned service delivery protests as another matter of concern because the store cannot afford to close for more than two days and there have been 3 protests so far in 2018. He also mentioned that crime was rife in the area with robberies taking place at the complex several times in 2018.

Mr Machabi indicated that once the debt is paid off to Spar he will be able to take over the shop once again. He believes he has acquired enough experience to do so. He is planning to extend the complex in the coming years to accommodate other shops (Post Office; Capitec bank; Hardware and Clothing) and create more jobs for the local residents. He stated that he currently pays around R64 000.00 to MEGA every month in servicing their loan.

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

- Theft, break-ins and robberies as there is no security or alarm system in and around the complex; and less police visibility.
- The cost of electricity is too high.
- There are a lot of service delivery protests around the complex that hinder smooth business operations.
- The previous store manager used to overstock which created financial mismanagement to date.
- The water supply is inconsistent and cost is too high compared to when the project initially started.
- The area around and in front of the shop is not paved and creates challenges on rainy days as it becomes muddy and inaccessible.
- There is no septic tank in the area and the owner has to appoint a service provider from afar to come and remove the sewer around the complex.

### **5.2.1 FINDINGS**

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

1. The water supply is inconsistent and cost is too high compared to when the project initially started. Furthermore, the cost of electricity is also high.
2. The area around and in front of the shop is not paved and thus creates challenges on rainy days as it becomes muddy and inaccessible.

3. There are cases of theft, break-ins and robberies as there is no security or alarm system in and around the complex; and less police visibility.

### **5.2.2 RECOMMENDATIONS**

**The Committee made the following recommendations:**

1. The entity must engage the Bushbuckridge Local Municipality to assist the beneficiary with consistent supply and access to water and investigate the high costs involved on both water and electricity supply. Moreover, the entity must submit a progress report in this regard not later than 20 August 2018.
2. The entity must pave and maintain the area around and in front of the shop to attract more customers.
3. The entity must ensure, through the Department of Community, Safety, Security and Liaison (DCSSL) that there is police visibility in and around the shopping complex.

## **6. PUBLIC HEARING**

The Public Hearing was jointly conducted by the Economic and Social Transformation Clusters at the Agincourt Sportfield on 28 June 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 Bushbuckridge 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 Bushbuckridge 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 Bushbuckridge 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 Bushbuckridge 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 Bushbuckridge Local Municipality.

The MMC for LED, Mr Leonard Malumane indicated that the Municipality has since adopted a turnaround strategy that aligns itself to the IDP and is integrated within the different programmes. He further mentioned that the Municipality does have an active LED Forum.

## **7.2 INPUT BY THE MEC OF THE DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT (DPWRT)**

-The MEC for DPWRT, Ms SJ Manzini appreciated this kind of meeting as hosted by the Portfolio Committee.

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

- The MEC mentioned however, that all sectors assured the meeting that a high percentage of community members 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 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 Bushbuckridge 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 Mr NM Sebitso, senior management officials of DEDT and MEGA, the Bushbuckridge 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 August 2018 and thereafter on a quarterly basis.



---

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

01. 08 - 2018

---

DATE

