

**REPORT OF THE PORTFOLIO COMMITTEE ON ON PREMIERS OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM: "PRE-TAKING LEGISLATURE TO THE
PEOPLE" OVERSIGHT VISITS HELD IN THE NKOMAZI LOCAL MUNICIPALITY,
EHLANZENI DISTRICT, 23 – 26 JUNE 2015 (DEDT)**

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 Premiers Office; Finance; Economic Development and Tourism (the Committee) conducted oversight visits in the Nkomazi Local Municipality (the municipality) from 23 – 26 June 2015 during the "Pre-Taking the Legislature to the People" (TLP) event.

This report reflects the issues that emanated from the oversight activities during the said week, which will need the further intervention of the Department of Economic Development and Tourism (DEDT), its parastatals (Mpumalanga Economic Growth Agency (MEGA) and Mpumalanga Tourism and Parks Agency (MTPA)) and the municipality.

2. PURPOSE OF THE OVERSIGHT ACTIVITIES

The Committee assessed progress on projects that are assisted by the Mpumalanga Economic Development Agency (MEGA) and Mpumalanga Tourism Parks Agency

(MTPA), the parastatals of the Department of Economic Development and Tourism. The Committee wanted to interact with project beneficiaries and ensure that the DEDT's delivery of core mandated services is fast tracked.

3. METHOD OF WORK

As per the Legislature programme, the Economic Cluster had Pre-TLP oversight visits planned from 23 – 26 June 2015 at Nkomazi Local Municipality. The Committee informed the Department about the Pre-TLP oversight visits to be conducted and the purpose thereof. Invitations were sent to the Department, management of the Parastatals and the Municipality requesting them to be part of the visits.

- On 23 June 2015, the Committee Researchers briefed the members of the Committee and Officials from Departments on the projects to be visited on. Later on the day, the Committee conducted an oversight visit to MW Mandlazi Sugar Cane Production Projects
- On 24 June 2015, the both the Social Transformation and the Economic Clusters Committees conducted public hearings at Mgobodzi Community Hall and Mbangwane Thusong Centre.
- On 25 June 2015, the Committee conducted oversight visits at Likusasa Lethu Leather Fern Production Projects.
- On 26 June 2015, the Committee conducted oversight visits at Mahhushe Shongwe Nature Reserve.

4. OBSERVATIONS

The Committee observed the following:

- The MEC and HOD for the department and the CEO of MEGA were not present at the public hearings and the oversight visits due to other commitments; however apologies were forwarded to the Committee and noted.
- Very little progress has been made by the DEDT in the Nkomazi Local Municipality, in implementing planned projects through its public entity, MEGA.

- The Committee is concerned about MEGA's lack of "aftercare" for the projects it has identified and the failure to provide its clients with accurate statements concerning the nature and progress of their repayment.
- Lack of training in business skills and provision of advice to the co-operatives.
- The Committee noted that MTPA has a plan to conduct infrastructure upgrades at the Mahhushe Shongwe Nature Reserves for current financial year (2015/16).

5. INTERACTION WITH THE MANAGEMENT OF DEPARTMENT (PARASTATALS) OF DEDT AND THE BENEFICIARIES

5.1. MW MANDLAZI SUGARCANE PRODUCTION PROJECT

Mr Sibusiso Lekhuleni, Manager: Business Development gave an overview on the Sugarcane Production Project.

5.1.1. Background:

The Entity reported that Mr. Mandlazi received a Loan from MEGA amounting to R105 063.00, to develop his farm and plant sugarcane as well as to expand it by purchasing other existing sugarcane farming businesses. Mr. Mandlazi managed to pay off his Loan from MEGA. Furthermore, MEGA offered regular business advice, facilitated the extension services from the Department of Agriculture and TSB and facilitated the supply of inputs in the farm.

Mr. MW Mandlazi (the project beneficiary of Sugarcane Production), gave an overview on the farming and outlined the following:

- That he started with cotton farming, but has shifted to sugarcane production.
- He confirmed that a Loan that he has received from MEGA and that he managed to pay it off.
- MEGA has not been available to assist the farmers.

- Mr. Mandlazi raised a concern that MEGA moved their offices to Buffelspruit therefore they are not reachable.
- The Old Offices/buildings that were used by the farmers are being sold and are going to be turned into a Lodge, which will not be good for the farm.
- The machines that they are using are very old, installed by BIC and are not are not serviced regularly. He further reported that Eskom is not charging a fair rate of which it takes a lot of the profit share and causing many farmers to give up on farming.

5.1.2. FINDINGS MADE BY THE COMMITTEE

After the interaction with the MEGA and the Farmer, the Committee found that:

- 5.1.2.1. MEGA is not reachable to people when they require their services.
- 5.1.2.2. MEGA does not follow up on the matter of offices that will be turned into a Lodge.
- 5.1.2.3. The Committee appreciated the good work done by the farmers.
- 5.1.2.4. The Committee noted that the old Offices/buildings that were used are being sold and going to be turned into a Lodge.

5.1.3. RECOMMENDATIONS MADE BY THE COMMITTEE

After the deliberations, the Committee resolved on the following:

- 5.1.3.1. MEGA must provide aftercare services to the beneficiaries which they have lend funds and ensure that the loan is used according to the business plan.
- 5.1.3.2. Financial management training and other forms training must be provided by MEGA.

- 5.1.3.3. MEGA must ensure that it links the beneficiaries to other entities in order to assist in guaranteeing that the businesses become self-sustainable.
- 5.1.3.4. MEGA should facilitate and ensure that the old Offices/ buildings are handed back to the farmers.

5.2. LIKUSASA LETHU LEATHER FERN PRODUCTION

Mrs GN Mavuso, a beneficiary on the Leather Fern Production gave an overview:

5.2.1. Background

Likusasa Lethu Farmers Association is a co-operative that produces the leather-fern Plant. The association consists of 10 members (5 males and 5 females) who each own about two (2) to three (3) hectares of the farm. The farmers started the business in 1989 with the assistance of Mr Braacks (who acted as a middle man for the association to market the business). Mr Braacks later passed on and his wife took over (She has been farming leather fern at her plot since 1998).

The former MADC assisted her with a loan of R 394 963.00 in 2011, an equivalent amount was also granted to each of the 9 farmers in the association. The Loan repayment is still not complete, however, not all the loan fund was granted had been to the clients. To this day, the farmers are paying an installment amounting to R7 230.00 per month.

Mrs Mavuso reported that they are not receiving any monthly statements in relation to their loan repayments. She further expressed a great concern over the availability of water which was cut off due to the water bill not been paid. She also raised a concern on the role played by MEGA, which does never conduct regular visits and has never provided training or any form of assistance to the farmers. She stated that the Department of Agriculture assisted them with fertilizer; furthermore, they have challenges

with replacing the nets that house the leather-fern. MEGA was requested to assist with the problem but to date, have provided any not assistance.

Mr Mike Biyela (General Manager: Business Development) responded to the concerns raised as follows:

- Acknowledged that statements were not provided to the Association due to the systems that were used before the merger of MADC and MHFCO. He further mentioned that the systems that were used before the merger were incompatible and consequently some records were lost during the merging process.
- MEGA is currently using a simple Pastel Programme which is incapable of fulfilling the banking system's needs, therefore this result in MEGA being unable to produce monthly installments. He reported that MEGA has identified an appropriate system but the budgetary funding has not been secured further promised that monthly statements will be provided and a balance of the Loan will be made available to the beneficiaries

5.2.2. FINDINGS MADE BY THE COMMITTEE

After the interaction with MEGA and the Farmers, the Committee found that:

- 5.2.2.1. The full loan amount of R384 963.00 was not granted to the beneficiaries (about 20% of the loan has been transferred); however; the association is paying an installment of R7 230.00 per month which is equivalent to 100% of the loan.
- 5.2.2.2. The association is facing challenges relating to marketing, transport to market and financial assistance to revive the production.
- 5.2.2.3. Since the merger of the three entities; MEGA has not produced monthly statements to the association relating to the loan repayments.
- 5.2.2.4. The farm has a challenge with the supply of water in the area.

- 5.2.2.5. MEGA has not been providing training or other form of assistance to the Association.
- 5.2.2.6. The fans in the building are not working and this poses both the hygienic challenge as well as inconducive working conditions to everyone. Furthermore, the infrastructure of the project is very old, including the nets for the fern plant.

5.2.3. RECOMMENDATIONS MADE BY THE COMMITTEE

After the deliberations with MEGA and the Association, the Committee resolved that the entity should:

- 5.2.3.1. Investigate how much funds were provided (transferred) to the association and transfer the remaining loan amount as a matter of urgen, in order to ensure that the association is able to address the challenges it face with regard to maintaining and sustaining the project. MEGA should reconcile all payments made including interest paid by the Association to ensure that there are no overpayments.
- 5.2.3.2. Provide the association with necessary training and skills development programmes relating to marketing, transportation of the plant as well as financial management. The programmes must be conducted on a regular basis. The entity must also link the association with potential markets that deals with the type of plant it produces.
- 5.2.3.3. i) Develop and implement efficient accounting systems that will be able to produce proper account records for the loans that are owed. Furthermore:
 - ii) Submit a detailed progress report on the implementation of the systems used by the entity in producing financial records.

- 5.2.3.4. Liaise with the local municipality to ensure that the association is assisted with the supply of water to the farm.
- 5.2.3.5. MEGA must assist the association in the procurement of services to fix the fans in the building for hygiene purposes as well as creating a conducive working environment.
- 5.2.3.6. All monies that are owed to the association must be paid out to ensure that they are able to repair the infrastructure of the project, including the old nets that need to be replaced.

5.3. MAHHUSHE SHONGWE NATURE RESERVE

Mr Sibiya (DEDT) gave an overview of the Nature Reserve.

5.3.1. Background:

Mahhushe Shongwe Nature Reserve was established on community land, where residents benefit in many ways through conservation programme initiated by MTPA. MTPA's role is to manage the nature reserve on behalf of the communities, especially the Mzinti Community.

For the 2015/16 financial year, the reserve received an amount of R18 000 000.00 from the Department of Environmental Affairs through the EPIP program for the development of the following deliverables:

- Construction of the bridge linking reserve,
- upgrading and renovation of the picket into the Office Complex,
- upgrading and renovation of reserve managers house,
- upgrading of Mthomeni recreational facility i.e. camp and swimming pool
- renovation and upgrading of store-room
- upgrading of the Guard House and the entrance gate

The entity reported that for the 2014/15 financial year, the reserve made the revenue amounting to R67 777.00. The entity anticipated that the renovation and the upgrading of the reserve will commence during the current financial year.

5.3.2. FINDINGS MADE BY THE COMMITTEE

After the interaction with MTPA, the Committee found that:

- 5.3.2.1. There was no infrastructure upgrades at the nature reserve.
- 5.3.2.2. The renovation of the entrance gate and the guard house has not been done.
- 5.3.2.3. The entity has a renovation and upgrade plan for the current financial year.
- 5.3.2.4. The entity was not certain of the commencement date on the renovation and upgrading of the nature reserve.

5.3.3. RECOMMENDATIONS MADE BY THE COMMITTEE

After the interaction with MTPA, the Committee resolved that:

- 5.3.3.1. The entity must ensure that the renovation and upgrading of the Nature Reserve (including all issues raised in the findings), commences within this current financial year. A progress report should be submitted to the Committee on a quarterly basis.

6. PUBLIC HEARINGS

The public hearings were held on 24 June 2015 at two (2) venues. Inputs from both Public Hearings were as follows:

6.1. MGOBODZI COMMUNITY HALL AND MBANGWANE THUSONG CENTRE

With regards to the Public Hearing, the Committee's findings are:

- 6.1.1. Some community's members raised concerns that there are no job opportunities within the Municipality.
- 6.1.2. A concern was raised that many people in the area have a desire to do farming; however, most do not have capital to start farming and require assistance from the government and the municipality.

6.2. RECOMMENDATION MADE BY THE COMMITTEE

The Committee resolves that:

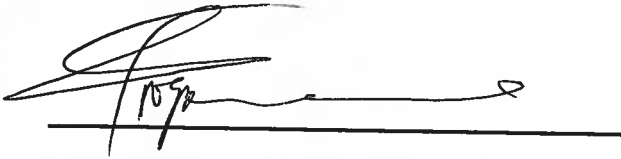
- 6.2.1. Department of Economic Development and Tourism must conduct workshop on how to form SMME's and Cooperatives to the communities.
- 6.2.2. The department and the entity must develop strategies that will assist in providing financial assistance to the existing as well as newly established SMME's and Cooperatives.

7. CONCLUSION

The Chairperson would like to express his gratitude to all the Honorable Members of the Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism for their attendance and active participation during the Pre-TLP Programme. He further wishes to thank the department, the entities and the Legislature staff for providing support to the Committee

Unless otherwise stated, the Department, MEGA and MTPA are required to investigate all the observations and findings in this Committee report and implement the House

Resolutions and provide progress reports on all issues raised to the Committee by **31 August 2015** and thereafter on quarterly basis.



A handwritten signature in black ink, appearing to be 'PS Ngomane', written over a horizontal line.

HON. PS NGOMANE (MPL)

31 July 2015

DATE

CHAIRPERSON:

PORTFOLIO COMMITTEE ON PREMIER'S OFFICE;

FINANCE; ECONOMIC DEVELOPMENT AND TOURISM