

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

**OVERSIGHT VISIT DURING THE "TAKING THE LEGISLATURE TO THE PEOPLE"
(TLP) HELD IN THE STEVE TSHWETE LOCAL MUNICIPALITY, NKANGALA
DISTRICT, 15 MARCH 2017 – RHOTOMENG BAKERY (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 rule 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 an oversight visit in the Steve Tshwete Local Municipality (the municipality) on 15 March 2017 during the "Taking the Legislature to the People" (TLP) event.

This report reflects the issues that emanated from the oversight activity 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 the project that was assisted by the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA). The Committee wanted to interact with the project beneficiary 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 TLP oversight visits planned for the period 14 - 15 March 2017 at the Steve Tshwete Local Municipality. The Committee informed the department and entity about the TLP oversight visit 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 visit.

- On 15 March 2017, the Committee conducted the oversight visit at the Rhotomeng (Bakery) Trading Enterprise.

4. OBSERVATIONS AND COMMENTS

The Committee observed the following:

- The Rhotomeng Trading Enterprise is a good story to tell; a business which is run by Mr Meshack Zwane, who is wheel-chair bound and is doing well despite the challenges faced in and around the project.
- The bakery began operating from the current owner's house in 2012.
- The enterprise was funded by the Mpumalanga Economic Growth Agency (MEGA) in March 2016 to begin a bakery business in the Mhluzi Township.
- It was loaned an amount of R182 289.00 to purchase a housing container and the loan repayment period would run for five (5) years.
- Mr Zwane stated that the enterprise is able to make just enough profit to cover the repayment to MEGA for the loan of R6000.00 as well as taking care of other operational costs.
- The enterprise provides full-time employment to six (6) individuals.
- Mr Zwane is an expert baker fully experienced in the field of baking.
- Mr Zwane stated that the relationship they have with MEGA is good and the entity is well supportive of the enterprise.
- The 'Just Coal' company is assisting the enterprise by ensuring that the facility is more user friendly and economically viable.
- The Municipality indicated that if there is a need for more space, the enterprise can be assisted so as to generate more production.

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

5.1. RHOTOMENG TRADING ENTERPRISE

Mr MW Mkhize (HOD): Department of Economic Development and Tourism and Mr M Ndaba (Business Advisor): Mpumalanga Economic Growth Agency (MEGA) gave an overview on the Rhotomeng Trading Enterprise.

The Rhomeg Trading Enterprise began operating from the current owner's house in 2012. The manager and owner of the enterprise, Mr Zwane first heard about the Mpumalanga Economic Growth Agency (MEGA) at the Steve Tshwete Local Municipality offices where the Honourable MEC for Economic Development and Tourism in the Province, Mr SE Kholwane was encouraging people to apply for loan assistance from MEGA. Mr Meshack Zwane, who is wheel-chair bound, then applied for the loan and received assistance in 2016.

The enterprise was funded by MEGA in March 2016 to start a bakery business in the Mhluzi Township. It started operating in October 2016 and subsequent to that, Mr Zwane had health challenges where he lapsed on his repayment.

The enterprise was loaned an amount of R182 289.00 to purchase a housing container which it uses for baking and as a selling point; and to acquire baking equipment as well as for operating costs. The loan repayment period would run for five (5) years. MEGA indicated that from time to time, it assesses the projects challenges, including matters such as bookkeeping and work with other stakeholders like SEDA to assist it.

The enterprise has four (4) members in its ownership which includes a person living with a disability, two (2) youth and one (1) female. The enterprise provides full-time employment to six (6) individuals. Mr Zwane is a baking expert fully experienced in the field of baking. The enterprise is located in Mhluzi Township, Middelburg.

The enterprise is well supported by the local community as a whole. It is well situated around a busy street which has a school, police station and a prison where many of their customers are from. Mr Zwane has future plans for his business. He plans to expand by building a bigger working space to allow for him to increase production.

Mr P Erasmus, COO of 'Just Coal' mentioned that their company has a responsibility to plough back into the community. They are working on this project hand-in-hand for development with the Local Government and LED of the Steve Tshwete Local Municipality. Mr Erasmus further indicated that if there is a need for more space and a priority to increase production, they can commit to assist by funding the bakery in this regard as they are there to meet the needs of the community.

The MMC for Economic Development and Finance from the Municipality, Cllr Kgalema, indicated that the Municipality currently has difficulty in giving Mr Zwane lesser rates for services, considering the bakery having new bigger machinery / equipment as there is a standard rate for township development that he and many others pay. However, the MMC further reported that their department of Finance will then redraft the agreement and assess whether or not it can be reduced.

5.1.1 The beneficiary indicated that the Project is experiencing the following challenges:

- Mr Zwane mentioned that the demand for their products was on a high but due to the small oven which is able to bake twenty (20) loaves of bread per batch, he is unable to cater as much as he would.
- The beneficiary stated that a cutting machine for the bread he produces would be beneficial as it would also increase the demand for bread even further, because more people prefer to buy bread that is already cut from the shelf.
- Mr Zwane currently cannot afford the repayment amount as he also needs to pay his employees. He therefore requested an extension on the repayment period (term) and a reduced amount on the monthly payment for Municipal rates and services.
- In addition, the beneficiary indicated that he would need transport in future to make deliveries to customers who would need bulk deliveries.

6. FINDINGS

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

- 6.1. A bread cutting machine has the potential to increase the demand for more production, as well as a bigger oven.
- 6.2. Mr Zwane is currently just managing with the loan repayment and payment of monthly Municipal rates and services.
- 6.3. Mr Zwane has future plans for his business and endeavours to supply for bigger companies and provide bulk deliveries.
- 6.4. The business relies mostly on the local Schools and Police Stations as its main market.

7. RECOMMENDATIONS

After the deliberations, the Committee resolved on the following:

- 7.1. The entity must assess the viability of the business in terms of income generation vis-à-vis cash outflow and whether or not it can assist Mr Zwane with both equipment.
- 7.2. MEGA must assess whether or not it is feasible to decrease the monthly repayment and/or increase the period (term) and liaise with the Municipality to ensure that a new agreement for monthly services is drafted for Mr Zwane. Furthermore, Mr Zwane must be provided with financial and bookkeeping skills.
- 7.3. The department of Economic Development and Tourism and MEGA must ensure that when the enterprise grows, it is sustainable as this is one of the success stories.
- 7.4. MEGA must provide Mr Zwane with non-financial support in the form of being linked to the relevant market for his products such as securing contracts with the School Nutrition Programme and supplying to prisons, hospital; etc.; as this will create more job opportunities.

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 visit.

In addition, the Chairperson extends a word of appreciation to the MEC, Hon. SE Kholwane, the HOD, senior management officials of DEDT and MEGA, the Steve Tshwete Local Municipality, senior management of Just Coal, 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 15 June 2017 and thereafter on a quarterly basis.



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

25.05.2017

DATE