

## GAUTENG PROVINCIAL LEGISLATURE

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# ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

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Monday, 14 March 2022

### ANNOUNCEMENTS

none

### TABLINGS

none

### COMMITTEE REPORTS

1. The Acting-Chairperson of the Economic Development Portfolio Committee, Hon. M J Kanyane, tabled the Committee's Oversight Report on the Detail of Vote 03 (Economic Development) of the Gauteng Provincial Adjustment Appropriation Bill [G004-2021] for the 2021/2022 financial year, as attached.



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**ECONOMIC DEVELOPMENT, ENVIRONMENT, AGRICULTURE AND RURAL DEVELOPMENT  
PORTFOLIO COMMITTEE**

**Adopted Committee Oversight Report on the Gauteng Provincial Appropriation Adjustment Bill of  
the Gauteng Department of Economic Development**

**Budget Vote 3**

**2021/2022 Financial Year**

**15 March 2022**

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## Acronyms

APP	Annual Performance Plan
AIDC	Automotive Industrial Development Centre
DED	Department of Economic Development
DDI	Domestic Direct Investment
FDI	Foreign Direct Investment
PFMA	Public Finance Management Act
FY	Financial Year
GEP	Gauteng Enterprise Propeller
GGDA	Gauteng Growth and Development Agency
GLB	Gauteng Liquor Board
GGB	Gauteng Gambling Board
GPL	Gauteng Provincial Legislature
GTA	Gauteng Tourism Agency
HOD	Head of Department
MEC	Member of the Executive Council
NDP	National Development Plan
PFMA	Public Finance Management Act
PEBA	Programme Evaluation and Budget Analysis
PSOM	Public Service Oversight Model
PWD	People with Disabilities
SMME	Small Medium and Micro Enterprises
SOM	Sector Oversight Model
TMR	Transformation Modernization Re-industrialization

The Acting Chairperson of the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee, Hon. Mpapa Kanyane, presents the report of the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee on the detail of the Gauteng Department of Economic Development Vote 3 of the Gauteng Provincial Appropriation Adjustment Bill 2021, as follows:

## **EXECUTIVE SUMMARY**

This report is tabled post the hard lockdown experienced by the country because of the Covid-19 pandemic which has had devastating effects on the South African economy and is likely to continue doing so. In addition to that, the July unrest remains a thorn in the face of the Provincial Government. This prompted Government to develop an urgent response to assist some of the ailing sectors of the economy, especially vulnerable sectors such as tourism and small businesses in both the formal and informal economy.

The Committee noted that the total appropriation of the Gauteng Department of Economic Development herein referred to as the Department showed an increase in allocation from R1 561 763 000 (R 1.561.7b) main appropriation to an adjusted amount of R1 782 911 000 (R 1.782.9b). This amounted to an increase of R 221 148 000 (R 221.1m) constituting 14.16%. This is due to additional funding from the Provincial Treasury to fund the Tshwane Automotive Special Economic Zone (TASEZ)'s infrastructure and operational costs and the Gauteng Enterprise Propeller (GEP)'s contract financing to support Small Micro and Medium Enterprises (SMMEs).

The Committee noted that the Integrated Economic Development Services (IEDS) responsible for transfers to the GEP received an amount of R89 459 000 (R89.4m), the Economic Planning responsible for transfers to the TASEZ received an amount of R184 773 000 (R 184.7m). Despite this upward adjustment the Committee remains concerned on GEP's ability to spend the allocated funds in line with supporting SMME's.

## **1. INTRODUCTION**

The Economic Development, Environment, Agriculture and Rural Development Portfolio Committee exercises oversight over the Gauteng Department of Economic Development and its entities. This includes planning, budgeting, financial management and reporting by the Provincial Department of Economic Development. In line with the provisions of the Constitution of the Republic of South Africa (1996), the Public Finance Management Act (1999) creates the basis on which oversight by Legislatures should be exercised. It clearly outlines areas of service delivery that should be reported on, including the responsibilities of officials and the role of the Legislature in cases where reports have to be tabled.

The amount of R 1 512 983 000 (R1.512.9b) allocated initially to the Department has been adjusted to R1 782 911 000 (R 1.782.9b). This is allocated to the Department for the 2021/22 financial year to serve as a centre of excellence in leading radical economic transformation, modernization and re-industrialization of the

Province's economy. Furthermore, facilitate equity, redress and access to economic opportunities and decent employment. Lastly the budget will ensure that the Province's economic profile reflects its demographic profile and practice transparent, participatory and good governance at internal levels. Furthermore, the increased allocation is intended to assist SMME's and other small businesses such as Spaza shops and informal and formal traders.

This report primarily focuses on examining whether the budget allocated for the Department and its entities is aligned to key government strategic priorities related to the 10 pillars programme. Furthermore, the report assesses whether the objectives of the Department correlate with the intended outputs as well as outcomes. The Committee intends to interrogate and assess the overall departmental performance, summary of findings per programme as well as stakeholders' submissions on the detail of vote 3.

The Gauteng Provincial Legislature's oversight methodology stipulates that when analysing the budget, the variables of the Sector Oversight Model (SOM) must be considered. Given that SOM variables are interrelated, which means that priorities, inputs (capital and current), outputs and outcomes should be considered.

## **2. PROCESS FOLLOWED**

The Speaker of the Gauteng Provincial Legislature formally referred Vote 3 of the Provincial Adjustment Appropriation Bill 2021 of the Gauteng Department of Economic Development for consideration and reporting to the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee for consideration and reporting.

In a meeting that convened on the 3<sup>rd</sup> March 2022, the Committee Researchers presented the research analysis on the Adjustment of Budget Vote 3 for discussion by the Committee. In a meeting scheduled for the 8<sup>th</sup> February 2022, the Gauteng Department of Economic Development presented on the detail of the Adjustment Budget for Vote 3 to the Committee. The Committee thus deliberated and adopted its oversight report on the detail of Adjustment of Budget Vote 3 in a meeting that was scheduled for the 10 March 2022. The adopted Committee oversight report was submitted to the Proceedings Unit for tabling and consideration by the House.

## **3. OVERVIEW OF POLICY PRIORITIES**

### **3.1 Analysis of Departmental priorities and strategic objectives**

The Department of Economic Development support the vision and mission of a radically transformed, modernised and re-industrialised economy in Gauteng, manifesting decent work, economic inclusion and equity through the following strategic goals:

- Transform Gauteng's economy radically;
- Re-industrialize Gauteng's economy;

- Capacitating the Department for efficient and effective service delivery; and
- Develop and implement programmes and projects that will:
  - ✓ Revitalise Gauteng's township economies;
  - ✓ Build a new smart, green, knowledge-based economy and industries;
  - ✓ Ensure decent employment and inclusion in key economic sectors;
  - ✓ Facilitate radical economic transformation, modernisation and re-industrialisation;
  - ✓ Include the marginalised sectors of women, youth and persons with disabilities in mainstream economic activities;
  - ✓ Establish appropriate partnerships for delivery and ensure that DED effectively delivers on its mandate.

The key cross cutting principles and outcomes that will underpin the programmes and projects of the objectives are as follows:

- Providing thought leadership to inform the economic development agenda;
- Mobilising stakeholders to partner with for economic growth and development;
- Creating an enabling regulatory environment and stimulating business practices that promote inclusive economic growth;
- Enhancing the competitive advantage of key sectors of the economy;
- Promoting and attracting trade and investment to the economy;
- Directing investment into strategic economic infrastructure; and
- Proactively linking communities to economic opportunities.

### **3.2 Strategic overview and key policy areas**

According to the 2021/22 Medium Term Expenditure Framework (MTEF) Budget Statement, the mission of the Department is to ensure radical transformation, modernisation and re-industrialization of the Gauteng economy; provide an enabling policy and legislative environment policy and legislative environment for equitable economic growth and development; development of programmes that will revitalise township economies; build a new , smart, green, knowledge based economy and industries; ensure decent employment and inclusion in economic sectors; facilitate radical transformation, modernisation and re-industrialization and establish appropriate partnerships for delivery.

In addition to this, the Gauteng Provincial Government has adopted the 10-pillar programme of Transformation, Modernization and Re-industrialization to ensure radical socio-economic transformation in the Province. The 10 pillars are as follows:

Radical economic transformation; Decisive spatial transformation; Accelerated social transformation; Transformation of the state and governance; Modernisation of the public service; Modernisation of the economy; Modernisation of human settlements and urban development; Modernisation of public transport

infrastructure; Re-industrialisation of Gauteng province and taking the lead in Africa's new industrial revolution.

In order to ensure that the 10-pillar programme is achieved, the Department will ensure that the following outcomes are achieved;

- Outcome 4: Decent employment and inclusive economic growth;
- Outcome 5: An efficient, competitive and responsive economic infrastructure network; and
- Outcome 6 Skilled and capable workforce to support an inclusive growth path.

The Gauteng Department of Economic Development's contribution to the Sustainable Development Goals is as follows:

- SDG 8 on promoting inclusive and sustainable economic growth, employment and decent work for all and
- SDG 9 on Industry, Innovation and Infrastructure

In addition to this, the Committee noted that the National Development Plan (NDP) advocates for the creation of 11 million jobs through SMME development by 2030 and resonates with the Transformation Modernisation and Re-Industrialisation (TMR) Framework. The Department through the Gauteng Enterprise Propeller (GEP), initiatives will focus on creating decent work, economic growth and sustainable communities through SMME and cooperative development.

The Medium-Term Strategy Framework (MTSF) relates to an efficient, competitive and responsive economic infrastructure network. Through the Gauteng Growth and Development Agency (GGDA), efforts will continue to drive economic growth by promoting exports, making the economy more labour absorbing through business enablement, regulatory reform; capital projects; land; trade and investment promotion; and taking the lead in Africa's industrial revolution through South Africa's participation in the BRICS group of countries (Brazil, Russia, India, China and South Africa)

The Department will continue with efforts to regulate the gambling and liquor industry through compliance, enforcement and the creation of awareness programmes. Review, development of policies and strategies will continue to ensure alignment of the Gauteng City-Region Economic Development Plan (GCR EDP), TMR and the NDP. Through sector development, the Department will facilitate large-scale skills development in industrial production centres to promote the development of small-scale industries.

The Cradle of Humankind World Heritage Site and Dinokeng Projects will continue to contribute to the inclusive growth of the economy in the North and Western Corridors through infrastructure development and jobs delivery programmes. Efforts to grow the Gauteng visitor economy will be strengthened by stimulating demand through effective tourism marketing and promotion.

Upon doing its oversight and scrutiny over the Department, the Committee will hold the Department including the entities accountable on the basis that their plans align with that of the TMR and the NDP.

#### 4. THE DEPARTMENT OF ECONOMIC DEVELOPMENT ALLOCATION PER PROGRAMME FOR THE 2020/2021 FY

The following programmes are funded under the Department in the 2021/2022 adjusted budget, Administration, Integrated Economic Development Services, Trade and Sector Development, Business Regulations and Governance and Economic Planning. The table below numbered 3 provides the summary of payments and estimates for the Department in the 2021/22 financial year.

#### TABLE 1: SUMMARY OF PAYMENTS AND ESTIMATES: GAUTENG DEPARTMENT ECONOMIC DEVELOPMENT

Table 1: Summary of Second Estimates of Departmental Expenditure 2021/22

Programmes (R'000)	Main Appropriation	Adjusted Appropriation	Variance	% Change
Administration	259 908	235 646	(24 262)	-9.33%
Integrated Economic Development Services	219 944	309 403	89 459	40.67%
Trade and Sector	852 797	806 246	(46 551)	-5.45%
Business Regulation & Governance	75 686	93 415	17 729	23.42%
Economic Planning	153 427	338 200	184 773	120.43%
<b>Total</b>	<b>1 561 763</b>	<b>1 782 911</b>	<b>221 148</b>	<b>14.16%</b>

Table 1 above provides a summary of payments of the five Departmental programmes.

The Committee noted that the total appropriation showed an increase from R1 561 763 000 (R1.561.7b) main appropriation to an adjusted amount of R1 782 911 000 (R 1 782.9b). This amounts to an increase of R 221 148 000 (R 221.1m) constituting 14.16%. The additional funding or increase received from the Provincial Treasury is allocated to fund the Tshwane Automotive Special Economic Zone (TASEZ) and the Gauteng Enterprise Propellor (GEP). The Committee implores that infrastructure projects and the support of SMME's is crucial noting the impacts of the hard lockdown during the peak of Covid 19.

Three programmes that have been received an upward adjustment namely: Integrated Economic Development Services (IEDS), the programme hosts GEP, Business Regulations and Economic Planning. The Committee noted that the Economic Planning increased by R184 773 000 (R184.7m) and followed by IEDS and Business Regulation with an increase of R 89 459 000 (R 89.4m) and R17 729 000 (R 17.7m) respectively. The Committee was informed by the Department that R 114 000 000 (R114m) has been channelled to TASEZ for infrastructure building and operational costs. **In light of this, the Committee is concerned the Department has not reported on TASEZ in its in-year reporting. Reports related to this economic zone are crucial noting that the public funds are utilized to fund this project.**

The Committee further noted that GEP has received an increased allocation during the adjustment period and of that R 86 000 000 (R86m) was for additional funding for contract financing to support SMME's. The Committee welcomes the increase however raised scepticism on the entity's ability to spend the allocation noting failures by the entity to do so during the previous adjustment budget, wherein the Covid relief fund remains unutilized to date with a myriad of reasons provided such as seeking partners to leverage on the fund. **The view of the Committee is that funds allocated to the entity should be utilized for the intended purposes and that is the support of SMME's. In addition to this, the Department should outline the planned timelines for the entire contract financing process to be effected as well as the communication channels to ensure that all the SMMEs receive feedback timeously on this project.**

**The Committee raised concerns on the entity receiving an amount of R 2 000 000 (R2m) for the implementation of the GEP Reconfiguration process, as this process has been continuously reported on by the Department from the start of the 6<sup>th</sup> Administration to date with no conclusion and adequate accountability.** Adding to the concerns is that in the previous adjustment process for the 2020/21 FY, the Committee noted that R 15 000 0000 was made available from the compensation of employees to support the GEP reconfiguration process. This process is funded under programme 5 because the Department through the branch Sector and Industry Development is located under programme 5 and is responsible for the co-ordination of the reconfiguration and review process. The project was funded in the previous financial year, however, there was a delay from the project management to roll-out the project and subject it to the procurement process. As a result, there are no expenditure details so far against this project. This project has been included for implementation in the 2021/22 FY with the current financial year to get the tender requirements ready for advertisement.

The Committee noted that the R 17 000 000 (R17m) increase under the Business Regulation and Governance remains unexplained in detail by the Department. The view of the Committee is that the Department should indicate the programmes that will be implemented through the increased amount.

The Committee noted a downward adjustment in the Administration and Trade and Sector Development of R 24 262 000 (R 24.2m) and R 46 551 000 (R46.5m) respectively. The downward adjustment under the Administration is mainly made up of a decrease in the Compensation of employees, with the aim to reprioritise the funds due to delays in filling SMS vacancies. With the decrease of funds under the compensation of employees, the view of the Committee is that the Department intends not to fill vacant position within the remainder of the financial year which is of concern as it has been always urged to fill all vacant positions in the Department including entities.

## 4.2 Transfers to Public Entities

### Changes to transfers of public and trading entities.

#### Transfers to Public Entities

(R'000)	Main Appropriation	Adjusted Appropriation	Variance	% Change
<b>Gauteng Enterprise Propeller</b>	219 944	309 403	89 459	40.67%
<b>Gauteng Growth &amp; Development Agency</b>	632 017	589 114	(42 903)	-6.78%
<b>Dinokeng</b>	38 920	38 422	(498)	-1.28%
<b>Cradle of Humankind</b>	55 395	54 701	(694)	-1.25%
<b>Gauteng Tourism Authority</b>	126 465	124 009	(2 456)	-1.94%
<b>Gauteng Liquor Board</b>	16 954	10 423	(6 531)	-38.52%
<b>Gauteng Gambling Board</b>	373	373	-	-
<b>Total</b>	1 090 068	1 126 445	36 377	3.34%

Table 2 above illustrates the appropriations for the Departmental agencies and entities

The Committee noted that the total budget for transfers agencies has been adjusted upwards from the total amount of R1 090 068 000 (1.090.0b) to R1 126 445 000 (R 1.126.4b) This translates into an increase of R36 377 000 (R36.3m) amounting to 3.34%. The increase is mainly attributed to the adjustments made to GEP as its allocation changed from R219 944 000 (R219.9m) to R309 403 000 (R 309.4m), thus translating to R89 459 000 (R 89.4m) increase constituting 40.67%.

Under GEP it was indicated that R 86 000 000 (R86m) would be channeled to contract financing whilst an amount of R3 300 000 (R3.3m) will be utilized for seed funding for a township waste economy partnership fund under the broader GEP-IDC platform, leveraging funding available under extended producer responsibility (EPR).

The Gauteng Growth Development Agency (GGDA) had its allocation adjusted downwards from an amount of R 632 017 000 (R 632m) to R589 114 000 (R589.1m) thus translating to a R42 903 000 (R42.9m) decline. This is concerning as the Department has been struggling with the implementation of infrastructure projects such as the Biopark phase 3 at the Innovation Hub and the Visitor Centre at the Constitutional Hill amongst others and no tangible rational was provided by the Department.

The Committee has always viewed and emphasized that tourism is key to employment creation and however noticeable is that the budget under the Gauteng Tourism Authority was reduced during the adjustment period from an amount of R 126 465 000 (R126.4m) to R 124 009 000 (R 124m) amounting to a R2 456 000 (R 2.4m) (-1.94%) reduction. This entity should be at the forefront of resuscitating and transforming tourism in the Province and ensuring that employment is sustained through tourism projects, be inclusive in the empowerment of the Youth, Women and PwDs within the sector as advocated by the Committee.

## 5. SUMMARY OF STAKEHOLDERS SUBMISSIONS

The Committee acknowledges that as required by the Standing Rules of the GPL, organizations/stakeholders were invited and part of the Committee proceedings. However, no stakeholders were present in those proceedings that were considering adjustment budget.

## **6. COMMITTEE CONCERNS**

### **The Committee is concerned about:**

- 6.1 Lack of reporting by the Department on the Tshwane Automotive Special Economic Zone.
- 6.2 GEP's continuous inability to spend allocations geared towards the support of SMME's, in this case the R 86 000 000 (R 86m) allocated during the adjustment period.

## **7. RECOMMENDATIONS**

All recommendations should be responded to by the **29<sup>th</sup> April 2022** unless stated otherwise

The Committee recommends that:

7.1 The Department should on a quarterly basis account and give detailed reports on the Tshwane Automotive Special Economic Zone (TASEZ). The reports should give highlights of all financials related to the project from inception to date, governance structures including the operations within the facility.

7.1.2 The first report to be submitted on TASEZ should be on the **29<sup>th</sup> April 2022** and going forward, the report should be tabled before the Committee when the Department presents its 4<sup>th</sup> Quarterly Report for the 2021/22 FY and subsequently every quarter thereafter.

7.2 Department should give an account of the R 86 000 000 (R86m) allocated to GEP during the adjustment period in support of contract financing for SMME's. The details around this should be around the timeframes set for disbursing these funds, the recipients of these funds, the entire contract financing process to be achieved as well as the communication channels to ensure that all the SMMEs receive feedback timeously on this project. This report should be submitted on the **29<sup>th</sup> April 2022** and be reported on as well on GEP's 4<sup>th</sup> Quarterly Performance Report for the 2021/22 FY for ease reference going forward.

7.2.1 In addition to this, GEP should submit updated financial statements to Committee for the 2021/22 FY which would include all allocated funds to the agency, which the Committee will use as basis of engagements with Auditor General (AG) during the in-year monitoring including that of the Annual Report process. This report on the financial statements should be submitted by the **29<sup>th</sup> April 2022**

## **8. ACKNOWLEDGEMENTS**

Appreciation is expressed to all Members of the Committee for their commitment to the oversight process as well as MEC Parks Tau and officials from the Department. I commend them for their diligence and commitment shown during deliberations on the Gauteng Provincial Appropriation Adjustment Bill -2021 for Budget Vote 3 of the Gauteng Department of Economic Development for the 2021/22 FY. Gratitude goes to Hon. Makhubela, Hon. Mncube, Hon. Gana, Hon. Cilliers, Hon. Tshitangano, Hon. Alberts, Hon Nkosi-Malobane and Hon Adams. Further appreciate goes to the alternate Members of the Committee namely: Hon. Engelbrecht and Hon. Badenhorst. It is an honour to lead such a hard-working team.

On behalf of the Committee, the Committee's appreciation and gratitude also goes to the following persons: Group Committee Coordinator, Mr. T. Bodibe; Researchers Mr. A. Malapane, Ms M. Makhubele and Mr B Mabuza; Senior Committee Coordinator Mr. T. Skosana and Committee Coordinator Ms. L. Mampe; Committee Administrators, Ms. V. Mokubetsi and Ms N. Mngadi; Hansard Recorder Mr. S. Minyuku; Public Participation Officer, Mr. B. Dhlomo; Service Officers, Ms. B. Nhlapho, Ms M. Mamabolo, Communications Officer Mr. T. Ndou, Information Officer Ms. A. Netshivhuyu for their devoted assistance.

## **9. ADOPTION OF THE REPORT**

After due consideration, the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee unanimously adopted the report on the Gauteng Provincial Appropriation Adjustment Bill-2021 on the Gauteng Department of Economic Development for the 2021/22 FY.

In terms of Rule 117(2)(c) read together with Rule 164 the Committee presents to this House and recommends the adoption of the Committee's Oversight Report on the Gauteng Department of Economic Development Provincial Appropriation Adjustment Bill for Budget Vote 3 for the 2021/22 FY.

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**Hon. Mpapa Kanyane**

**Acting Chairperson: Economic Development, Environment, Agriculture and Rural Development  
Portfolio Committee**

**Gauteng Provincial Legislature**