No.112 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Wednesday, 23 March 2022

# ANNOUNCEMENTS

none

# TABLINGS

none

**COMMITTEE REPORTS**

1. The Acting-Chairperson of the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee, Hon. M J Kanyane, tabled the Committee’s Focused Intervention Study (FIS) Report on ‘The Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SMME Partnership Fund’, as attached:

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**Adopted Committee Oversight Focussed Intervention Study (FIS) Report on****‘****The Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SMME Partnership Fund’.**

| **Committee Details** | **Department Details** |
| --- | --- |
| **Name of Committee** | **Economic Development, Environment, Agriculture and Rural Development**  | **Name of Department** | **Department of Economic Development**  |
| **Which Financial Year** | **2021/22FY**  | **Dept. Budget Vote Nr.** | **03** |
| **Which Quarter** | **4th Quarter**  | **Hon. MEC** | **Tau** |
| **Committee Approvals** |
|  | **Name** | **Signed** | **Date** |
| **Acting Hon. Chairperson** | Mpapa Kanyane  |  |  |
| **Adoption and Tabling** |
| **Date of Final Adoption by Committee**  | **Scheduled date of House Tabling** |
| **17th March 2022** | **24th March 2022** |

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# ABBREVIATIONS

|  |  |
| --- | --- |
| **Abbreviation** | **Full Wording** |
| DED  | Department of Economic Development |
| FY  | Financial Year |
| FIS  | Focus Intervention Study  |
| GEP  | Gauteng Enterprise Propeller  |
| 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 |
| SDG | Sustainable Development Goal  |
| SOM | Sector Oversight Model |
| SMME | Small Medium Micro Enterprises |
| TER  | Township Economy Revitalisation  |

# EXECUTIVE SUMMARY

The Committee conducts oversight over the Department of Economic Development herein referred to as the Department and its entities. In conducting oversight, the Committee utilizes a myriad of tools to achieve its objectives in ensuring that service delivery is rendered. In this instance, the Committee undertook a Focus Intervention Study (FIS) to assess the performance of GEP with respect to the disbursement of the R 250 000 000 (R250m) Covid Relief fund.

Through its in year monitoring the Committee noted that the GEP has not disbursed the Covid-19 Relief fund to ailing business that needed the intervention to save some businesses. Upon this study the Committee observed the red tape faced by businesses in accessing funds from GEP which indicates that the funding model by the entity should be revised to give more of funds to SMME’s.

The partnerships formed between GEP and municipalities should be strengthened to support more businesses and create more opportunities for expansion in their respective line of work. The Committee note that businesses should be supported fully not only on certain aspects of the business, but this would also ensure that businesses remain sustainable and not continue being incubated for lengthy periods of time. The Committee in oversight process will continue raising questions on the expenditure of the R 250 000 000 (R250m) intended to assisting businesses that were hard hit by the Covid-19 pandemic and those intending to rebuild post the hard lockdown period. It is of concern to the Committee that with such a huge budget allocated for the relied fund, GEP has only R 12 000 to the businesses that were visited by the Committee and this was said to be in response to the pandemic.

# INTRODUCTION

This report aims to outline the purpose of a Focus Intervention Study (FIS) as one of the imperatives of the Sector Oversight Model (SOM). Furthermore, also outlining the strategic direction for the Committee’s oversight role wherein oversight is conducted in a proactive manner. The FIS conducted by the Committee is significant in that it makes provision for the information provided by the Department of Economic Development to be verified. This will allow the Portfolio Committee to verify whether service delivery has taken place. It is imperative that the FIS should be indicative of interventions that need to be made by the Committee to proactively address issues of Departmental effectiveness and efficiency in relation to service delivery.

In noting that the Department focuses amongst others on the re-industrialisation of the economy; new and smart knowledge-based economy and modernization of the township economy. In response to these priorities, small business support and job creation remain at the centre of the Department’s initiatives as supported by the National Development Plan (NDP). The priorities are linked through the Radical Transformation, Modernisation and Re-industrialization (TMR) programme. In implementing the TMR programme, the Department supports projects related to the set priorities.

Considering this, the Committee undertook a Focus Intervention Study themed the **‘Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SMME Partnership Fund’**.

The aim of the proposed FIS is to examine the intricacies of the Small Medium Enterprises (SME) Partnership Fund amid the dire need experienced by the SMME sector for support. This will be attained through the following objectives, which are to:

* determine the nature of partnerships to be established in the implementation of the SME Partnership Fund by the Gauteng Enterprise Propeller (GEP).
* assess the ease of access, criteria and capability to provide emergency Covid-19 relief interventions by the GEP in view of the imminent SME Partnership Fund.
* explore the challenges impeding the implementation of the SME Partnership Fund and in turn, find amicable solutions.

**Background on the Focus Intervention Study visits**

The Covid-19 pandemic has had devastating effects to many South Africans as livelihoods are lost daily. This is despite the relaxation of some of the strict lockdown restrictions that halted the country’s economy for much of the 2020/21 financial year. South Africa like most of the economies of the world started to look beyond or rather post the pandemic, particularly relating to the future of the economy and its key sectors. Recovery plans were introduced, budgets revised, and calls made for urgent response to halt the dwindling economy. This is amid studies released by various organizations pondering on the future among others, projecting that the economy will severely shrink, and several million jobs lost. In the first 6 month of the lockdown measures in response to the pandemic, the National Income Dynamics Study (NIDS) on Coronavirus Rapid Mobile Survey stated that 3 million jobs were lost, and the situation might worsen considering that Covid-19 persists and in turn, the measures to respond have negative effects to the functioning of most sectors.

From the foregoing, the situation has indeed worsened, witnessing what most economic analysts, commentators and experts’ term as “a job bloodbath”. This is as the unemployment rate reaches a record high of 34.4% in the second quarter, with 65% youth unemployment (StatsSA, 2021). It increased as most jobs were lost in the formal sector, while gains were mostly in the informal sector. The latter indicates the sector’s potential, and this is where most of the small businesses, especially township-based ones are dominant. Against this backdrop, this calls for government and other stakeholder partners to intensify the support for economic recovery, especially towards sectors with a potential to create employment. The small business sector is one of the crucial sectors seeking interventions amid inter alia delays in implementing measures by the government and lack of access to available support.

# PROCESS FOLLOWED

In considering the FIS, the Committee undertook the following process:

* The Researchers identified topics emanating from the Budget report process and presented to the Committee, and in turn, a consensus was reached on the topic to pursue. The topic selected by the Committee is on the ‘Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the SME Partnership Fund’.
* The Department made a presentation related to the SMME Fund relating to the progress made and challenges, and further respond to the questions.
* Researchers further undertook work to verify the information provided by the Department, especially relating to the SMMEs provided with relief support.
* Oversight visits were arranged to various SMMEs supported emanating from the database that was provided by GEP pertaining to relief support provided.
* A Committee report was drafted emanating from the findings as a result of the oversight visits conducted by the Committee.

# COMPLIANCE AND QUALITY

The Department ensured that it responded to the Committee’s request wherein presentations were submitted responding to questions posed by the Committee on the adopted topic. Responsible officials attended a virtual meeting with the Committee to further clarify any additional questions or issues that the Committee posed. In addition to this, the Department ensured that further questions were responded too upon the Committee undertaking a site visit to the various businesses that were supported with the relief fund.

# OVERSIGHT ON STRATEGIC PRIORITIES

## Priorities

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 in order 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 TASEZ will focus on creating decent work, economic growth and sustainable communities through SMME and cooperative development in the automotive industry.

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.

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.

# OVERSIGHT ON PUBLIC INVOLVEMENT

On the day of the site visit, the Committee interacted with the recipient and or business owners who had received assistance from GEP.

# OVERSIGHT ON RESOLUTION MANAGEMENT

House resolutions emanating from the previous Committee’s Focused Intervention Study report themed

 **‘Reindustrialization, Transformation and Modernization of the Gauteng Economy: The Tshwane Automotive Special Economic Zone as an Instrument for growth and Development’** have not been responded to by the Department. The Committee will follow up on the reasons and delays on the submission by the Department.

# FINDINGS, RECOMMENDATIONS, AND IMPLICATIONS ON LAW MAKING

Prior the Committee interacting with the Department, research and background work was undertaken by the Committee. The outcomes of the research study conducted was as follows:

It has been more than a year since the announcement of the R250 000 000 (R250m) SMME relief fund by the Gauteng Provincial Government (GPG), however not much has been dispersed by the Department through its agency, the Gauteng Enterprise Propellor (GEP) and this is amid the dire need experienced by the SMME sector.

The sector continues to be among the hardest hit by the measures put in place to respond to the pandemic. Research alludes that the small business sector is severely impacted. Finfind (2020) asserts that almost half of small businesses closed shop during the peak of the Covid 19 pandemic and most were rejected for relief funding. This might worsen considering the recent measures in response to the 3rd wave. Therefore, the lack of urgency in the establishment and disbursement of the fund is of grave concern to the Committee. The Committee pondered on the matter to the extent of doubting the existence of the R250 000 000 (R250m) budget.

On the backdrop of this, the Committee then undertook site visits to some of the businesses that were supported with this fund. `

**Cake and Bake in Mohlakeng**

The Committee noted that the business is situated at the Mohlakeng Enterprise Hub and within this hub electricity had been cut off due to non-payment by the municipality. **This is of concern for the Committee as businesses that are operating in this hub are currently unable to operate as there is no electricity connection. On several occasions the Committee has previously raised concerns with the operation of all the hubs in the Province especially the Mohlakeng Enterprise Hub as this hub has experienced several challenges in the past.**

The hub that this business is situated in is in conjunction with the Rand West Municipality and GEP, despite this collaboration, maintenance remains of the hub remains a challenge with grass remaining uncut. The Committee observed that this situation has been ongoing for a while and this should be resolved as it does not depict a glowing picture for the GEP and the municipality. The Committee was informed that 5 businesses are currently operating within the hub, Cake and Bake is one of the currently operating businesses and its operating since 2018. The business received funds from GEP to start up amounting to R 9000, this included marketing material and all equipment that would be required to run the business as well.

In 2021, the business received R 12 000 as part of the Covid-19 relief fund, despite the money received from GEP, the business went from employing 5 people to only employing 2 people. This is because Covid-19 had negatively impacted the business. The Committee noted that the mentoring and incubation process undertaken by GEP is ineffective as Cake and Bake has been at the Hub for 4 years and the intent was to have the business sustainable in order to exit the programme and allow for new entrants. The Committee learned that the incubation period for businesses is a period of 3 years however in this instance the contract for Cake and Bake was renewed because the incubation period was affected by the rise of the Covid-19 pandemic. **The Committee is of the view that GEP should revise its mentoring and incubation programme in such a manner that it allows growth of entrepreneurs to be independent and sustainable.**

Despite the contract of Cake and Bake being renewed by GEP, the Committee remains concern that the entity is not supporting the business holistically as transport remains a challenge for the business and challenges posed by the electricity cut off’s are causing strain for the business to remain sustainable. The Committee is of the view that, it does not make business sense for the entity to support the business with certain aspects and not with all the necessary inputs that will ensure that the business is sustainable.

In the past the business owner reported that the business was selling 350 units of bread daily however the number has decreased due to transport and electricity challenges. It was indicated by the business owner and also observed by the Committee that if the electricity challenge was resolved the business would remain unsustainable now due to the fact that it can no longer meet its production levels. It is in this light that the Committee urges GEP to utilize the R 250 000 000 (R250m) in order to support SMME’s adequately for them to remain sustainable.

**K2 Squared Salon**

The business owner of this establishment called K2 Squared Salon situated in Krugersdorp indicated to the Committee that salon deals with hair products that are manufactured with her inputs and working in conjunction with the Council for Scientific Industrial Research (CSIR). The Committee noted that the business has been operational for 5 years now, with GEP assisting the owner getting stock including branding and drafting of the business plan.

An amount of R 12 000 was given to the business as a Covid-19 relief fund, however the entrepreneur indicated that it was not an easy process to funding given to the business. **The Committee is of the view that the process of accessing money intended for the support of businesses should be easily accessible, therefore there is a need for the entity to remodel its funding model for the ease of doing business with SMME’s.**

The business owner indicated that the intent of the business is create a franchise and through that create more employment through the value of the products used at the salon, that would be from planting the trees used for the products, extraction of products from those trees in creating the hair products used. However, the current funding structure utilized by GEP does not allow for the business to grow as well does not live room for the business owner to gain a platform or marketing space within big retail chains such as Dischem and Pick n Pay. The Committee impresses on GEP to ensure that more funding is channelled to such businesses, businesses that only require funding and do no longer need to be incubated. The Committee is concerned that regional structures of the entity can no longer approve deals as was the case before now all request for funding are done through the head office, whilst the regional structures are more in touch with the businesses that operate within their areas. As part of the reconfiguration process of the entity, this should be revised to make sure that businesses are holistically supported, and it is with such funds as the Covid-19 Relief Fund that gains should be made by businesses.

**Committee Concerns**

The Committee is concern about the:

1. Lack of electricity connection in the Hub as it hampers business operations in the Hub.
2. The Committee noted that the mentoring and incubation process of businesses undertaken by GEP is ineffective
3. The red tape encountered by businesses in accessing funds from GEP to enable growth for their business including the Covid Relief Funds and other funding modes that the entity offers.

**Committee Recommendations**

All responses to recommendations highlighted below should be submitted by the **31st May 2022** unless stated otherwise and in light of this, the Committee recommends that:

1. The Department or GEP should working in conjunction with the Rand West Municipality, the Department should ensure that electricity supply is restored in the hub to enhance the work of the businesses operating in the hub. A report on this should be submitted by 31 May 2022.

1.2 Over and above the restoration of electricity, the Department should also ensure that the hub is properly maintained noting the fact that the Committee raised concerns on the lack of maintenance of the hub. Such maintenance should be carried out by 31 May 2022

1. The Department or GEP should revise its mentoring and incubation programme in such a manner that it allows growth for entrepreneurs to be independent and sustainable. A detailed report on the feasibility study on the revision of the incubation and mentoring programmes within GEP should be submitted to the Committee by 31 May 2022.
2. The Department or GEP should remodel its funding processes to enable businesses to seek finance without encountering red tape and allow for the ease of accessing all available funds that GEP offers. This process of remodeling its funding method should be intertwined with the reconfiguration process and thus a report on this should be submitted by 31 May 2022.

# ACKNOWLEDGEMENTS

Appreciation is expressed to all Members of the Committee for their commitment to the oversight process as well as MEC Tau and officials from the Department. I commend them for their diligence and commitment shown during deliberations on the FIS Report themed **‘Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SME Partnership Fund’**.Gratitude goes to Hon. Makhubela, Hon. Hassan, Hon. Mncube, Hon. Gana, Hon. Cilliers, Hon. Tshitangano, Hon. Alberts 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. Baloyi; Public Participation Officer, Mr. B. Dhlomo; Service Officers, Ms. B. Nhlapho, Communications Officer Mr. T. Ndou, Information Officer Ms. A. Netshivhuyu for their devoted assistance.

# ADOPTION

After due consideration the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee unanimously adopted the FIS Report themed **‘Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SMME Partnership Fund’**.

In terms of Rule 117(2)(c) read together with Rule 165 the Committee presents to this House and recommends the adoption of the Committee’s Oversight FIS Report themed **‘Provision of Economic Relief amid the Covid-19 pandemic: Unravelling the intricacies of the R250 million Gauteng SME Partnership Fund’**.