No.169 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

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

Wednesday, 18 May 2022

# ANNOUNCEMENTS

none

# TABLINGS

none

COMMITTEE REPORTS

**1. The Chairperson of the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee, Hon. F Hassan, tabled the Committee’s Oversight Report on the Detail of the Department of Economic Development Budget Vote 03 of the Provincial Appropriation Bill *[G001-2022]* for the 2022/23 FY, as follows:**

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

# Adopted Committee Oversight Report on the Detail of the Gauteng Department of Economic Development

# Budget Vote 3

# 2022/2023 Financial Year

**20 May 2022**

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**Acronyms**

APP Annual Performance Plan

AIDC Automotive Industrial Development Centre

DED Department of Economic Development

DDI Domestic Direct Investment

DPSA Department of Public Service and Administration

DSBD Department of Small Business Development

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

GIC Gauteng Investment Centre

GPL Gauteng Provincial Legislature

GGT Growing Gauteng Together

GTA Gauteng Tourism Agency

HOD Head of Department

IDZ Industrial Development Zone

MEC Member of the Executive Council

MTEF Medium Term Expenditure Framework

NDP National Development Plan

NT National Treasury

PFMA Public Finance Management Act

PEBA Programme Evaluate Budget Analysis

PSOM Public Service Oversight Model

PWD People with Disabilities

SMME Small Medium and Micro Enterprises

SOM Sector Oversight Model

SEZ Special Economic Zone

TASEZ Tshwane Automotive Special Economic Zone

TMR Transformation Modernization Re-industrialization

TIH The Innovation Hub

The Chairperson of the Economic Development, Environment, Agriculture and Rural Development Portfolio Committee, Hon. Fasiha Hassan, 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 Provincial Appropriation Bill 2022***,*** as follows:

**EXECUTIVE SUMMARY**

In the current financial year, the Department is allocated an amount of R 1 982 709 000 (R1 982.7bn), the allocation composes of mainly the equitable share with no conditional grant. Similarly, to the previous financial year the Committee noted that the Trade and Sector Development Programme is allocated a greater share of the budget with an amount of R 743 983 000 (R 783.9m). The second largest share of the appropriation is allocated to the Economic Planning Programme with an amount of R 605 952 000 (R605.9m) followed by the Administration Programme with an amount of R 272 288 000 (R 272.2m) and Integrated Economic Development Services Programme with an amount of R 212 805 000 (R 212.8m). The least funded programme is the Business Regulation and Governance with an amount of R 147 681 000 (R 147.6m). This budget is aimed at supporting the goals set in the National Development Plan (NDP) wherein job creation is deemed as a key achievement for this term of government.

The Committee noted that similarly to the previous financial years the Gauteng Growth Development Agency (GGDA) continues to receive the largest share in transfers with an amount of R 535 565 000 (R 535.5m). This is followed by GEP receiving the second largest share of the transfers amounting to R 212 805 000 (R 212.8m) noting that this entity is in the main responsible for supporting Small Medium Micro Enterprises (SMME’s). Lastly, the Gauteng Tourism Authority is allocated an amount of R 112 667 000 (R112.6m). The Committee entrusts that the Department through this budget will be able to further economic growth, skills development, job creation and investment promotion in Gauteng are amongst key initiatives that the Department should attain in addressing the triple challenges of unemployment, poverty and inequality.

The Department will only be able to attain this through the alignment of its plans to the radical Transformation, Modernisation and Re-industrialisation (TMR) programme which aims to contribute to the Township Economy Revitalisation (TER). As such, SMME’s and Cooperatives should be at the forefront of creating decent employment for the youth, women, and People with Disability within the Province. The Committee continues to raise concern on the finalization of the turn-around strategy of GEP, in addition to this, the Committee will continue overseeing the disbursing of the R 250 000 000 (R250m) Covid-19 relief fund to deserving businesses which the Department indicated that this fund is being leveraged on through private public partnerships.

Linked to this is the urgent need for the Department to report on the funds allocated including the progress made on the development of the Tshwane Automotive Special Economic Zone (TASEZ). In an effort to create jobs, the Committee continues to request the Department to report on job creation initiatives in all sectors including the tourism sector which is key in this regard. This is important noting that the sector is on its way to recovery after a complete shut down during the high levels of lockdown period and the Department begin to work on the recovery plan during the lockdown in view of implementing when the country is open for business.

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.

An amount of R 1 982 709 000 (R 1 982.7b) is allocated to the Department for the 2022/23 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.

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.

1. **PROCESS FOLLOWED**

The Speaker of the Gauteng Provincial Legislature formally referred Vote 3 of the Provincial Appropriation Bill [G003-2022] 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.

As guided by the Standing Rules of the GPL as well as the Constitution of RSA, the Committee invited stakeholders to partake in its deliberations during the consideration of budget vote 3. In a meeting that convened on the 4th May 2022, the Committee Researchers presented the research analyses on Budget Vote 3 for discussion by the Committee. On the 5th May 2022, the Gauteng Department of Economic Development presented the detail of Budget Vote 3 to the Committee. The Committee thus deliberated and adopted its oversight report on the detail of Budget Vote 3 in a meeting that was scheduled for the 13th May 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 2022/23 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.

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.

## ALLOCATION TRENDS

**4.1 Summary of receipts**

The Gauteng Department of Economic Development is funded through the provincial equitable share to carry out its mandate. Table 1 below shows the allocation from the equitable share for the 2018/19 to 2024/25 financial years.

**TABLE 1: SUMMARY OF RECEIPTS: GAUTENG DEPARTMENT OF ECONOMIC DEVELOPMENT**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **R 000 thousand** |  | **Outcome** |  | **Main Appropriation** | **Adjusted appropriation** | **Revised estimate** | **Medium-term estimates** | | |
| 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2021/22 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Equitable share | 1 496 349 | 1 558 980 | 1 940 593 | 1 561 763 | 1 782 911 | 1 782 911 | 1 982 709 | 1 782 288 | 1 558 533 |
| Conditional Grants |  |  | 2 000 |  |  |  |  |  |  |
| **Total receipts** | **1 496 349** | **1 558 980** | **1 942 593** | **1 561 763** | **1 782 911** | **1 782 911** | **1 982 709** | **1 782 288** | **1 558 533** |

Source: Budget Statement 2022/23 FY

The Department is allocated an amount of R 1 982 709 000 (R1.982.7b) for the 2022/23 financial year, the allocation composes of mainly the equitable share with no conditional grant. In the current year, the Committee noted that the allocation has increased by an amount of R420 946 000 (R 420.9m) constituting 26.95%.

The Committee was informed by the Department that the increase in allocation of in the current financial is informed by the funding for the bulk infrastructure projects for the Tshwane Special Economic Zone (SEZ) with an amount of R350 000 000 (R350m) including the funding of operational shortfall for the SEZ amounting to R 43 800 000 (R 43.8m). In addition to this, an amount of R 27 100 000 (R 27.1m) for personal funding was allocated to cater for the public sector wage agreement. The Committee will closely monitor the utilization of the funds allocated to infrastructure projects with the view to create employment opportunities. To add to this, the reduction on the allocation over the MTEF as indicated by the Committee is due to the decline in funding of the Tshwane SEZ infrastructure project from R 350 000 000 (R350m) in the 2022/23 FY to R 244 000 000 (R 244m) 2023/24 FY and with no funding expected in the outer year of the MTEF.

**4.2Transfers to Public Entities**

The table numbered 2 below, shows the transfers to the Department’s public entities for the 2022/23 FY. The figures below illustrate the transfers to public entities between the 2018/19 FY to the 2024/25 FY.

The Committee noted that similarly to the previous financial year the Gauteng Growth Development Agency (GGDA) is allocated the largest share of transfers with an amount of R 535 565 000 (R 535.5m) and followed by the Gauteng Enterprise Propeller (GEP) with an amount of R 212 805 000 (R 212.8m) which is a decrease from the R 309 403 000 (R 309.4m) which was allocated in the previous financial year. The Gauteng Tourism Authority is allocated an amount of R 112 667 000 (R112.6m).

**TABLE 2: SUMMARY OF DEPARTMENTAL TRANSFERS TO PUBLIC ENTITIES**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **R 000 thousand** |  | **Outcome** |  | **Main Appropriation** | **Adjusted appropriation** | **Revised estimate** | **Medium-term estimates** | | |
| **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2021/22** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Gauteng Enterprise Propeller | 242 689 | 245 771 | 477 897 | 219 944 | 309 403 | 309 403 | 212 805 | 197 710 | 196 587 |
| Gauteng Tourism Agency | 120 228 | 118 779 | 97 850 | 126 465 | 124 009 | 124 009 | 112 667 | 107 770 | 110 109 |
| Gauteng Growth and Development Agency | 628 162 | 636 813 | 601 640 | 632 017 | 589 114 | 589 114 | 535 565 | 517 682 | 527 926 |
| **Total** | **991 079** | **1 001 363** | **1 177 387** | **978 426** | **1 022 525** | **1 022 525** | **861 037** | **823 162** | **834 622** |

Source: Budget Statement 2022/23 FY

Considering the budget allocation to the entities, the Committee will continue conducting oversight and scrutiny over all Departmental agencies on a quarterly basis. Furthermore, in the current financial year all entities prepared individual budget presentations which were submitted before the Committee. The Committee will also track the Department’s expenditure of the R 250 000 000 (R250m) Covid Relief fund which was transferred to the Department in the 2019/20 FY, this includes the disbursement of those funds which are meant to be leveraged through private-public partnerships in support of the Gauteng Township Economic Development Act.

The transfers to all three entities have been reduced in terms of allocation in the 2022/23 FY, in light of this, the Committee is concerned about the ability of all these entities delivering on their mandates noting the budget reductions. In response to this, the Department indicated that the GGDA targets are fully funded and are not impacted by the reduction in the budget. However, the entity will be making an application to the Premier Budget Council for the additional funding required for the Vaal SEZ bulk infrastructure and ORTIA Precinct 2 bulk infrastructure.

On GEP, the approved Annual Performance Plan (APP) for the 2022/2023 FY is aligned to the allocated budget. Part of the GEP turn-around Strategy is the improvement of balance sheet and sustainability of the entity through stringent due diligence measures for financial support loans to ensure recoverability. Furthermore, debt recovery measures of the entity have been revised to ensure the recouping of debt owed for the sustainance of the organisation. **The Committee will continuously monitor progress in this regard with the view of ensuring that planned mitigating measures on debt recovery are employed by the entity.**

The Committee continues to express its dissatisfaction with GEP’s rational around the continual pursuit of partnership opportunities to leverage available resources that will see more SMME being assisted with financial and non-financial support. More so noting that GEP recently launched a Township Economy Partnership Fund with Industrial Development Corporation (IDC) and SA SMME. This partnership is aimed at providing funding support to small township-based businesses. **The view of the Committee is that the funds that were initially allocated amounting to R 250 000 000 (R250m) were meant to support ailing business hard hit by the Covid-19 pandemic during the severe lockdown period. However, this has not been the case as the Department indicates that it is leveraging on these funds, concerning though for the Committee is that two years on, there has not been any disbursement of these funds to deserving businesses.**

The Committee has always viewed the support of the tourism sector through GTA as important for job creation in the Province and in this regard, the Committee remains concerned with the reduction of the budget allocated to this entity. To add to these concerns, the Department indicated that the reduction in budget for the GTA will negatively impact on the entity including its ability to deliver on its mandate. This is because the entity has a vacancy rate of 35% and is unable to fill the vacancies due to budgetary cuts. The GTA has however adopted a project delivery model wherein units will share constrained resources at their disposal to do more with less. Despite the efforts initiated by the entity, the Committee has always indicated that tourism should be a key pillar in creating sustainable employment. With the country now coming out of the State of Disaster Management, **expectation from the Committee is that the GTA should be repositioning itself to play a role in making Gauteng Province a destination of choice and in doing so the entity should be well capacitated financially and with human resources to fulfil its task as previously advised by the Committee. In addition to this, the Committee implores the entity to seek additional funding through the adjustment process with the intent of attracting tourists, enhance the Province’s status as a destination of choice and creating sustainable jobs**.

## THE DEPARTMENT OF ECONOMIC DEVELOPMENT ALLOCATION PER PROGRAMME FOR THE 2022/2023 FY

The following programmes are funded under the Department in the 2022/2023 MTEF 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 2022/23 financial year.

**TABLE 3: SUMMARY OF PAYMENTS AND ESTIMATES: GAUTENG DEPARTMENT ECONOMIC DEVELOPMENT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **R 000 Thousand** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Administration | 235 646 | 272 288 | 272 217 | 284 439 |
| Integrated Economic Development Services | 309 403 | 212 805 | 197 710 | 196 587 |
| Trade Sector Development | 806 246 | 743 983 | 716 154 | 726 895 |
| Business Regulation and Governance | 93 415 | 147 681 | 143 005 | 149 422 |
| Economic Planning | 338 200 | 605 952 | 453 202 | 201 190 |
| **Total Payments and Estimates** | **1 782 911** | **1 982 709** | **1 782 288** | **1 558 533** |

Source: Budget Statement 2022/23 FY

Table 3 above illustrates the budget allocation for all the Departmental programmes for the 2022/23 financial year including the outer years of the MTEF. The total payments and estimates for the Department in the current financial year amount to R 1 982 709 000 (R1 982.7bn). Similarly to the previous financial year, the Committee noted that the Trade and Sector Development Programme is allocated a greater share of the budget with an amount of R 743 983 000 (R 783.9m). The second largest share of the appropriation is allocated to the Economic Planning Programme with an amount of R 605 952 000 (R605.9m) followed by the Administration Programme with an amount of R 272 288 000 (R 272.2m) and Integrated Economic Development Services Programme with an amount of R 212 805 000 (R 212.8m). The least funded programme is the Business Regulation and Governance with an amount of R 147 681 000 (R 147.6m)

The Committee noted that the budget allocation for the Economic Planning Programme increased by an amount R 452 525 000 (R 452.5m) which constitutes a 294.94% increase. The increase in this regard is to cater for all the projects around the Tshwane Automotive Special Economic Zone (TASEZ). In response to this, the Department indicated that the baseline allocation in the current financial for TASEZ is R 445 499 000 (R445.4m) of which R 95 324 000 (R95.3m) is allocated to operational expenditure and R350 175 000 (R 350.1m) is allocated to capital infrastructure expenditure. **The Committee is of the view that on a quarterly basis TASEZ should account in detail to the Committee on the funds appropriated to it and the progress made in completing the special economic zone.**

1. **OVERVIEW PER PROGRAMME EXPENDITURE**
   1. **PROGRAMME 1: ADMINISTRATION**

The programme is set to provide strategic leadership, support and transversal business solutions to enable the MEC, HOD and the DED Group to effectively and efficiently deliver on its mandate.

**TABLE 4: PROGRAMME 1: SUMMARY OF PAYMENTS AND ESTIMATES: ADMINISTRATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Programme 1: Administration | | | | |
| **R’000** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Office of the MEC | 7 052 | 7 057 | 7 185 | 7 509 |
| Office of the HOD | 7 537 | 14 113 | 14 373 | 15 017 |
| Financial Management | 51 462 | 59 216 | 59 495 | 62 166 |
| Corporate Services | 169 595 | 191 902 | 191 164 | 199 747 |
| **Total payments** | **235 646** | **272 288** | **272 217** | **284 439** |

Source: Budget Statement 2022/23 FY

In the 2022/23 FY the programme receives an allocation amounting to R 272 288 000 (R272.2m) increasing to R 284 439 000 (R284.4m) in the 2024/25 FY.

The Committee noted that the greatest share of the budget within this programme is allocated to the Corporate Services sub-programme amounting to R 191 902 000 (R191.9m). The allocation is for the implementation of the BBBEE Act, Covid 19 PPE, payment for cleaning materials and services, leases, municipal rates and taxes, provision of ICT equipment, software licenses and PABX upgrade and maintenance.

The Committee noted that under this programme, the Department added and planned for an indicator related to the R 200 000 000 (R200m) Rand value of resources leveraged through partnerships. Upon closer observation, the Committee noted that a similar target is being planned for by GEP for implementation. In the view of the Committee, this would translate to the Department and GEP ‘double’ planning and therefore a lack of transparency and clear lines of accountability maybe blurred in this regard. This is compounded by the fact that the Department also indicated that there are similarities, wherein the Office of the CFO will collaborate with GEP and International Relations and Partnership Unit (GDED Directorate) in developing the partnerships to leverage the additional resources as expected**.** In view of this, the Committee urges the Department and GEP to rectify this indicator during the Adjustment period so as to ensure that the lines of accountability are clear and outline whether it is GEP or the Department that will be accounting on this target.

In reporting to the Committee, the Department indicated that the budget for the compensation of employees in the 2022/23 FY increased by R 67 835 000 (R67.8m) This is a result of the fact that the allocation for compensation of employees for 2022/23 FY caters for the costs of the full staff complement including funded vacant and additional funding from Treasury to fund the Public Sector Wage agreement of R 10 000 000 (R10m). The Department further indicated that the proposed organizational structure has not yet been approved and has been sent to the Office of the Premier for pre-consultation with Department of Public Service and Administration. Taking que from the Committee’s resolution indicating that the finalization of this structure should be concluded by the end of September 2021, however that has not been the case. **This has resulted in the Committee raising further concerns on the basis that this process has been on-going for a lengthy period and no gains have been made by the Department on the finalization of the organizational structure.**

## PROGRAMME 2: INTERGRATED ECONOMIC DEVELOPMENT SERVICES

The programme aims to ensure radical economic transformation that addresses the triple policy imperatives of decent work, an inclusive economy and equality through new, smart, knowledge based economy, revitalize and modernize township economies reflecting radical transformation and re-industrialisation for Gauteng economy; appropriately skilled human resources and businesses to radically transform and the re-industrialise the economy; and green industries contributing to energy security to radically transform the Gauteng economy.

**TABLE 5: SUMMARY OF PAYMENTS AND ESTIMATES: INTERGRATED ECONOMIC DEVELOPMENT SERVICES**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Programme 2: Integrated Economic Development Services | | | | |
| R’000 | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Enterprise Development | 309 403 | 212 805 | 197 710 | 196 587 |
| Regional and Local Economic Development |  |  |  |  |
| Economic Empowerment |  |  |  |  |
| **Total payments and estimates** | **309 403** | **212 805** | **197 710** | **196 587** |

Source: Budget Statement 2022/23 FY

An amount of R 212 805 000 (R212.8m) is allocated to this programme in the current financial year, decreasing to an amount of R 196 587 000 (R 196.5m) in the outer years of the MTEF.

In the current financial year, the budget allocated for this programme is geared towards the Gauteng Enterprise Propeller (GEP) and its programmes such as the Youth PMO, Township Enterprise Revitalization and Covid-19 SMME support. Furthermore, financial and non-financial support will be given to SMME’s including the continuing support given to the Youth Accelerator Programme.

The Committee had observed that during the adjustment period, an amount of R 86 000 000 (R86m) was allocated for contract financing and in following up on the progress made in this regard. The Department informed the Committee that GEP has initiated the Contract Based Funding product to the value of R86 000 000 (R86m) effective 13th December 2021 and to date 30 Contract Finance deals were approved against the (R 86m). For this financial year, GEP has approved R 1 167 585.28 out of total approvals against the R 86 million. To date GEP has received 126 applications for this fund; 30 are new and are in the screening process totalling an amount of R 28 727 768 (R28.7m); 10 in are the analysis process and are worth R 27 625 609 (R27.6m); 14 are awaiting documents and valued at R 23 794 244 (R23.7m) and 42 have been declined at a value of R 38 719 400 (R38.7m).

In providing clarity on the Township Economic Partnership Fund (TEPF), the Department indicated that this fund will be delivered through multiple partners who are non-bank lenders and have built a network of SMME Pipeline from the Townships. The Fund has two Governance Structures: the first one is the Steering Committee responsible for amongst other things ensuring proper adherence to the TEPF investment mandate and the Department is represented in the Steering Committee. The second one is the Investment Committee responsible for approving the deals in alignment with TEPF Mandate. GEP has a representation in the Investment Committee of the TEPF and the first sitting of the Committee approved funding allocation to SASME Fund, which is a partner with a good track record in fund management and on-lending environment. The contractual agreements with each partner will also guide the expected performance requirements and obligations. The targets set in this financial year for the support of SMME’s is a 100% of loans committed from the Township Economic Fund and a 100% of loans committed from SMME partnership.

The Committee remains concerned on the turn-around strategy of GEP and in the current financial year, the entity has indicated that it aims to implement 50% of this strategy which refers to a plan detailing the sustained positive change in the business performance of GEP for it to obtain desired results for its stakeholders, mainly Gauteng Provincial Government, its employees and its customers. **Over and above this, this plan should be shared with the Committee for scrutiny and further input so as to ensure that it address teething issues raised by the Committee related to the governance structures of the entity, reconciliation of the loan book and the mismanagement of funds. This is noting that in the past some of these issues contributed to the entities inability to submit its financial statements and therefore being unable to submit its Annual Report to the Committee timeously.**

**PROGRAMME 3: TRADE AND SECTOR DEVELOPMENT**

The programmes aims to ensure re-industrialisation that addresses the triple policy imperatives of decent work, an inclusive economy and equality. The programme objectives are to facilitate trade activities in Gauteng leading to radical economic transformation of the economy; create an enabling environment for economic activities that generate revenue for transformation and re-industrialization of the economy of Gauteng and sustain tourism development by providing protection mechanisms for biodiversity areas and other conservation areas.

**TABLE 6: SUMMARY OF PAYMENTS AND ESTIMATES:**  **TRADE AND SECTOR DEVELOPMENT**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Programme 3: Trade and Sector Development** | | | | | | **R’000** | **2021/22** | **2022/23** | **2023/24** | **2024/25** | | Trade and Investment Promotion |  |  |  |  | | Sector Development | 217 132 | 208 418 | 198 472 | 198 969 | | Strategic Initiatives | 589 114 | 535 565 | 517 682 | 527 926 | | **Total Payments and estimates** | **806 246** | **743 983** | **716 154** | **726 895** |   Source: Budget Statement 2022/23 FY |

In the current financial year, the Trade and Sector Development Programme continues to be allocated a greater share of the Departmental total budget with an amount of R 743 983 000 (R743.9m) and the allocation is projected to decline in the 2024/25 FY to an amount of R 726 895 000 (R 726.8m). Despite the programme receiving the greatest share in allocation, it however experienced a decline in the current financial year in comparison to the previous financial year.

Similar to the previous financial year, the Committee noted that the Trade and Investment Promotion sub-programme was not allocated funding in the year under review. The Sector Development and Strategic Initiatives sub-programmes are the only sub-programmes allocated funding in the year under review. The allocations are due to transfers made to the Gauteng Growth Development Agency (GGDA), Gauteng Tourism Agency (GTA) including Cradle of Humankind and Dinokeng which are the implementing entities of the Department.

Under this programme, the GDDA as an implementing agent is responsible for some of the projects such as the Chamdor Industrial Park, Biopark phase 3, JMP Construction and Visitor Centre at ConHill albeit the fact that some of these projects have experienced challenges in their implementation. Considering the challenges experienced on the above-mentioned projects, the Committee implores the Department to implement measures that have been put in place to ensure that these projects are expedited for finalization with the specified timeframes that have been outlined, such as the completion of the Chamdor Industrial Park by November 2022. **However, the Committee remains extremely concerned with Department’s inability to operationalize this industrial park as in the previous financial, expression was made by the Department indicating that the hub will be operational by November 2021 however this has not been the case. To exacerbate the situation, the initial date highlighted by the Department to get this hub fully completed and functional was in 2017. The Committee has on previous occasions resolved that consequence management should be applied to responsible managers for not completing the project and ensuring its operationalization. The Committee can only attribute the non-attainment of the target related to this hub on poor planning and poor project management.** The Committee entrusts the Department to complete all the other project on the specified dates such as the Biopark Phase 3 construction scheduled to be completed by August 2023, Jewellery Manufacturing Precinct Top Structures to be completed by March 2023 and lastly the construction of the ConHill Visitors Centre completed in 2023.

The Committee noted that that there is no budget allocation for the Trade and Investment Promotion sub-programme as this sub-programme is critical for soliciting investment andGauteng Invest Centre (GIC) should be at the centre in soliciting foreign and domestic investments**.** Post the intense and higher levels of lockdown restrictions due to Covid 19, the GGDA should heighten its quest to solicit investments. In the previous financial year, the Committee has resolved that the GGDA should prepare a road map focusing on investments that will result in the creation of jobs post Covid-19 lockdown levels, this is noting the significant allocation transferred to the agency in the year under review. It is in this light that gains should be realized by the entity noting that some of the potential sectors for investment were already identified during the lockdown period.

The Committee noted that the tourism industry would most likely be the last sector to recover after being adversely affected by the Covid-19 pandemic. **A tourism recovery plan was proposed by the Committee to be implemented by the GTA working in conjunction with the National Department of Tourism and the South African Tourism Board in the previous year. Considering this, the Committee should be updated on the progress made as a result of the tourism recover plan focusing on young people, women and People with Disabilities in the Province.**

## PROGRAMME 4: BUSINESS REGULATION AND GOVERNANCE

The purpose of the programme is to create a seamless business regulation and good governance environment that promotes ethical conduct, transforms industry, realises sustainable revenue generation and contributes towards achievement of TMR goals. This will be achieved through increasing consumer satisfaction to stimulate growth of business; properly regulated liquor industry in Gauteng; properly regulated gambling and betting industry that generates revenue towards the socio-economic development of the Province.

**TABLE 7: SUMMARY OF PAYMENTS AND ESTIMATES: BUSINESS REGULATION AND GOVERNANCE**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme 4: Business Regulation and Regulation and Governance** | | | | |
| **R’000** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Governance | 7 395 | 8 141 | 8 280 | 8 651 |
| IGR and Strategic Partnerships | 52 094 | 30 589 | 31 100 | 32 495 |
| Consumer Protection | 23 130 | 23 232 | 24 101 | 25 182 |
| Liquor Regulation | 10 423 | 85 327 | 79 115 | 82 667 |
| Gambling and Betting | 373 | 392 | 409 | 427 |
| **Total payments and estimates** | **93 415** | **147 681** | **143 005** | **149 422** |

Source: Budget Statement 2022/23 FY

An amount of R 147 681 000 (R147.6m) is allocated to this programme in the current financial year increasing in the 2024/25 FY to R 149 422 000 (R149.4m). On the Gauteng Liquor Board (GLB) the Committee was informed that the payment holiday offered to traders covered the period from August 2021 to July 2022. The GLB managed to collect enough revenue to cover its operational costs because the payment holiday did not amount to non-payment nor collection, but it was an extension for the time on which traders could pay their renewal fees over an extended period but within the financial year.

In explaining the increase in allocation on the sub-programme Liquor Regulations from R 10 423 000 (R 10.4m) to R 85 327 000 (R 85.3m), the Department indicated that the increase is attributed to the Gauteng Provincial Treasury appropriating a budget for the GLB to cover operational costs over the MTEF and in turn, the revenue collected will be surrendered to the provincial revenue fund. With this increase allocation, the Committee continues to advocate for the feasibility by GLB to hire more liquor inspectors as this is an area that the Department has reported having challenges around. The Committee is of the view that the increase in allocation could have a positive implication on the number of inspections to be undertaken and the number of awareness programmes that will be undertaken in the current financial year.

The Committee has always implored that qualifying shebeens should be facilitated into the mainstream of the liquor industry, however the target has not been planned for within the Departmental APP. In response to this, the Department indicated that the indicator was excluded from the APP in order to address the dependencies that were identified before implementation. The indicator is currently being managed and implemented through the operational plan and the GLB is still committed to resolving the shebeen matter.

## PROGRAMME 5: ECONOMIC PLANNING

The programme aims to co-ordinate provincial internal facilities that makes business activity possible, including communications, transportation and distribution networks, financial institutions and markets and energy supply systems.

**TABLE 8: SUMMARY OF PAYMENTS AND ESTIMATES: ECONOMIC PLANNING**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme 5: Economic Planning** | | | | |
| **R’000** | **2021/22** | **2022/23** | **2023/24** | **2024/25** |
| Policy and Planning | 23 936 | 27 192 | 28 626 | 29 912 |
| Research and Development | 3 078 | 7 792 | 8 399 | 8 775 |
| Knowledge Management | 1 029 | 2 705 | 2 667 | 2 787 |
| Monitoring and Evaluation |  |  |  |  |
| Economic Infrastructure Development |  |  |  |  |
| Sector Industry Development | 279 345 | 554 317 | 398 666 | 144 207 |
| Inclusive Economy | 30 812 | 13 946 | 14 844 | 15 509 |
| **Total payments and estimates** | **338 200** | **605 952** | **453 202** | **201 190** |

Source: Budget Statement 2022/23 FY

An amount of R 605 952 000 (R605.9m) is allocated to this programme in the current financial year decreasing to R 201 190 000 (R201.1m) in the 2024/25 FY.

Similar to the previous financial year, the Committee noted that there is no budget allocated under the Monitoring and Evaluation sub-programme and the Economic Infrastructure Development sub-programme. The Sector Industry Development sub-programme is allocated the greatest share with an amount of R 554 317 000 (R 554.3m) in this programme and much of this allocation will be transferred to TASEZ.

In ensuring appropriate reporting the Committee was informed by the Department that the listing for TASEZ application to be a 3D Provincial entity was submitted in January 2022 to the Provincial Treasury, with the processes on-going until to date. At this juncture and whilst awaiting the listings application, the Department has taken the required steps to ensure that TASEZ reports to the Department on both financial and non-financial performance. This measure bolsters the Committee’s view that TASEZ should give detailed reports on all its operations including expenditure noting that public funds are utilized for this project as some of the funds are expropriated from the Provincial Government through Department which the Committee exercises oversight and scrutiny over.

1. **JOB CREATION INITIATIVES BY THE DEPARTMENT AND ENTITIES**

**As per the Committee’s resolution from the previous financial years focusing on job creation initiatives for the current financial year through the Department and entities based on the allocated budget, the Department did not report on the number of jobs intended to be facilitated in the current financial year. A report on this is required by the Committee in this regard.**

1. **SUMMARY OF STAKEHOLDERS SUBMISSIONS**

The Committee acknowledges that as required by the Standing Rules of the GPL, organizations/stakeholders should be invited and part of the Committee proceedings. However due to Covid-19 restrictions, the Committee convened its meeting virtually and invited stakeholders to attend the virtual meeting however none of the invited stakeholders were able to attend the meeting.

1. **COMMITTEE CONCERNS**

**The Committee is concerned about:**

**Transfer to entities**

1. The budget allocation accorded to the GTA and its role in creating employment and its role in repositioning Gauteng as a destination of choice.

**Budget allocation**

1. The inability by TASEZ to report in detail and on a quarterly basis on all matters related to the special economic zone.

**Programme 2**

1. GEP’s inability to finalize and implement its turn-around strategy.

**Programme 3**

1. The Department’s inability to operationalize the Chamdor Industrial Park.

**Job Creation**

1. The Department’s inability to report on job creation initiative for the current financial year.
2. **RECOMMENDATIONS**

All responses to recommendations highlighted below should be submitted by the **29th July 2022** unless stated otherwise and in light of this, the Committee recommends that:

**Transfers to entities,**

1. GTA should reposition itself to play a critical role in creating employment and also making Gauteng Province a destination of choice. In doing so, the entity should also be well capacitated financially and with human resources to fulfil this task. In light of this, the GTA should request for additional funds through the Provincial Treasury during the budget adjustment period to fund the vacant positions and to better reposition itself. A report on this should be submitted to the Committee by the

**29th July 2022.**

1.1 This report should also include an update and the gains made through the tourism recovery plan focusing on young people, women and People with Disabilities implemented by the GTA working in conjunction with the National Department of Tourism and the South African Tourism Board.

**Budget allocation**

1. TASEZ should on a quarterly basis account to the Committee in detail through the Department on the funds appropriated to it including the progress made in completing the special economic zone. This is despite the processes underway to list TASEZ as a 3D Provincial Entity and thus the reporting on TASEZ should ensue from the end of **1st Quarter of the 2022/23** FY going forward until finalization of the SEZ.

**Programme 2**

1. GEP should share the turn-around strategy with the Committee for further scrutiny and inputs to ensure that it addresses teething issues raised by the Committee related to the governance structures of the entity, reconciliation of the loan book and the mismanagement of funds. The strategy should be submitted to the Committee for further scrutiny and implementation going forward by the **29th July 2022.**

**Programme 3**

1. The Department should ensure that the Chamdor Industrial Hub is operational by November 2022, failure to operationalize the hub would imply that the Department institute consequence management actions on the responsible managers for not completing the project and ensuring that its functional by the agreed timeframes. A report on the state of readiness to operationalize the hub should be submitted by the **29th May 2022.**

**Job creation**

1. The Department should focus on job creation initiatives for the current financial year through the Department and entities based on the allocated budget. A report on the number of jobs intended to be facilitated in the current financial year should be submitted to the Committee. Such reporting on the number of jobs to be created in various sectors should be made by the Department and entities in every **reporting quarter.** The reporting on the job creation initiatives should reported on, this is over and above the requirements of the Standard Oversight Accountability Reporting (SOAR) framework so as to allow to factor in such critical information.

1. **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 Budget Vote 3 of the Gauteng Department of Economic Development for the 2022/23 FY. Gratitude goes to Hon. Makhubela, 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. 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.

1. **ADOPTION OF THE REPORT**

After due consideration, the Economic Development Portfolio Committee unanimously adopted the Gauteng Department of Economic Development Budget Vote 3 Report for the 2022/23 FY

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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 Budget Vote 3 Report for the 2022/23 FY.

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**Hon. Fasiha Hassan**

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

**Gauteng Provincial Legislature**