

**BUDGET VOTE SPEECH DELIVERED BY FREE STATE MEC FOR TOURISM,
ENVIRONMENTAL AND ECONOMIC AFFAIRS, MR NEO MASITHELA, TABLED IN
THE FOURTH RAADSAAL**

29 March 2006

Member of the Executive Council for Tourism, Environmental and Economic Affairs
The Speaker of the Free State Legislature
Deputy Speaker
Madame Premier
Members of the Executive Council
Honourable members of the Legislature
Mayors, Speakers and leaders of local government
Chairpersons and members of Boards of the Public Entities
Director-General and Heads of Department and state owned enterprises
Distinguished guests
Comrades and friends

Introduction

As Free Staters and development loving people we should be able to speak like one outstanding African National Congress (ANC) leader, JT Gumede upon his return from Soviet Union in 1927 when he said "I have seen the new Jerusalem".

Like Gumede we should visualise the message of hope to the exploited and oppressed people of South Africa. Beyond all socio-economic challenges that face our Province, we can be proud that we have a vision of hope.

As I stand before this house and through you, before the people of the Free State, I recall with deep appreciation a message of hope for the future of our country as conveyed by the President in his State of the Nation Address, when we said, "...our country has entered its Age of Hope".

The President describes it as an inspiring perspective about our country derived from our achievements. He further indicated that, "our people are firmly convinced that, we have created the conditions to achieve more rapid progress towards the realisation of their dreams. They are certain that we are indeed a winning nation".

In spite of this mood of optimism and inspiration, there are many of our people in the Province whose lives are still trapped in poverty. According to the 2004 report of the Premier's Economic Advisory Council, "the level of unemployment stands at 38,9% and close to 49% of the population lives in poverty".

This figure confirms two things, firstly that we don't have time to waste in empowering our people. This view is well articulated by Fidel Castro when he said, "...tomorrow could be too late, let's do now what we need to do".

Secondly it confirms what is stated in the strategy for Broad Based Black Economic Empowerment (BBBEE) that the "extent to which the economic success has been shared by all of our people is still inadequate for the requirements of a stable and prosperous society."

We owe it to our people to reinforce efforts to broaden their participation in the economy and improve their lives. The strategy for BBBEE aptly describes the challenge facing us

in this regard. "Further growth can only be accelerated and sustained if all South Africans are fully integrated into the economy."

We would like to take the opportunity of our departmental Budget Vote to heed the appeal of President Nelson Mandela as repeated by President Mbeki, to commit ourselves to meeting the expectations of our people. This will confirm that they were not wrong in concluding that our country has entered its Age of Hope.

Through this Budget Vote, we wish to recommit our Department to dedicated implementation of the various policies, strategies and programmes aimed at overcoming economic inequalities and underdevelopment.

Mr Speaker, the Free State Government and by extension the people of the Free State have given us the resources to honour this commitment. Our Department has been allocated a total budget of R230 million in 2006/07, growing with a further 5% to R241 million in the second year, and a further 7% to R257 million in 2008/09 – over the Medium-Term Expenditure Framework (MTEF) period.

With this allocation, the Free State Growth and Development Strategy (FSGDS) and the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) we have the tools to honour this commitment towards the realisation of the important goal of a better life for all.

AsgiSA serves as a framework to realise the priorities of the FSGDS in a sustainable way. The AsgiSA priorities are integral to all the programs of our department hence we are convinced that favourable conditions exist for us to realise our strategic objectives.

Broadening economic participation by realising the objectives of the FSGDS through the AsgiSA

In order to continue the process of broadening economic participation to all our people, the FSGDS has identified particular strategic programs to be led by this Department. These programs as outlined in the Programme of Action for the Economic, Employment and Investment Cluster include the following:

- * ensure the development of policies and strategies that ensure that AsgiSA succeeds
- * beneficiation of petro-chemicals
- * beneficiation of mining products
- * establishment of Logistic Hub in Harrismith
- * establishment of effective support structures for small, medium and micro enterprises (SMMEs)
- * improvement of tourism marketing and business support, increase of tourism products and events as well as tourism activities.

Programme: Tourism

While on this, let us remember that the tourism sector has been identified as one of the priority sectors and has experienced impressive growth in recent years. Its overall performance compared to other key economic sectors in South Africa is very strong.

Hence in collaboration with the national Department of Environmental Affairs and Tourism, we have identified the following priorities for the Tourism industry:

Addressing tourism safety and security

We are aware that in order to increase the number of tourists visiting our tourism destinations, we have to address the issue of safety and security because we know that is an important factor, which tourists consider when deciding on where to travel.

To improve tourist safety and security, our Department will work in close collaboration with the Department of Safety, Security and Liaison in launching a tourist safety and security campaign by August 2006. Relevant activities will be arranged in the five district municipalities of the province during this financial year.

Product and business development and investment.

A product development plan will enhance the participation in tourism opportunities in the province and ensure that funds are strategically invested in areas with the greatest potential for business and job creation. The plan will be completed by October 2006.

As the Premier indicated during the State of the Province Address, we will also finalise, the Integrated Management Plan for the Vredefort Dome during this financial year.

Preparations are underway for the signing of the implementation protocol between the Premier and her counterpart in North West province. An amount of R2.9 million for this year has been allocated for the Vredefort Dome development. We have also allocated additional funds for the youth adventure tourism projects on the Vredefort Dome.

The other two tourism projects, in which our Department represents the Free State Government, are the Maloti-Drakensberg Trans-frontier Project and the Xhariep Development Initiative. Both these projects will result in the establishment of the Trans-frontier Parks.

Mr Speaker, we are convinced that these initiatives will contribute greatly in attracting tourists to our province.

That is why we have allocated funds for development of the framework for the Maluti-Drakensberg Trans-frontier Project (MDTP), which will be finalised by August 2006. These funds will also be used to launch a tourism awareness project highlighting the tourism potential for the communities in the MDTP region.

With respect to the Xhariep Development Initiative we have taken a decision to speed up progress by reviewing the master plan as well as the implementation of relevant projects during the coming financial year. An amount of R6,6 million has been allocated to this project. A meeting of the three affected provinces and municipalities has already being scheduled for early April 2006.

Mr

Speaker

In addressing the challenges of bio-diversity conservation, we have targeted numerous facets of environmental management, which will receive priority attention during 2006/07.

The Integrated Management Plans, for the 13 protected areas were completed during 2005/06. These plans, which are aligned with the National Environmental Management Act, Protected Areas Act and Biodiversity Act, will be implemented, to streamline the Management processes in the provincial protected areas.

These processes include among others, veld and game management; asset management; prevention and removal of alien invasive plant species; and fire prevention.

The Draft Biodiversity Strategy will be completed and adopted during the new financial year.

This strategy is aimed at ensuring conservation of biodiversity in the province, as well as promoting sustainable resource utilisation, particularly within the historically disadvantaged communities.

Mr Speaker, with regard to the finalisation of the Eco-Park development in the Soetdoring Nature Reserve, we are engaged in discussions with the national Department of Environmental Affairs and Tourism. The report on the outcomes of these discussions will be tabled in this house in due course.

The Department is also developing a strategy to be completed by June 2006 to define the process of commercialising selected tourism functions in our resorts. These will be in line with the tourism public-private partnership (PPP) Tool-kit developed by National Treasury. The strategy will provide a framework for collaboration with private companies for investing in and developing our resorts to improve their attractiveness as tourist's destinations.

The attractiveness of our resorts and reserves also depends on the quality of their facilities and infrastructure. As a result we have amended our infrastructure plan in order to speed up upgrading of facilities in selected resorts and reserves over the Medium Term Expenditure Framework (MTEF) period. During the coming financial year, major capital projects will be concentrated on Phillip Sanders and Xhariep resorts.

I also wish to announce that the name of Phillip Sanders Resort is going to be changed. We wish to call the Free State loving people to participate in the process where inputs would be requested for identification of an appropriate name.

Programme: Environmental Affairs

Our Department is tasked with dealing with issues directly pertaining to the sustainable development of the environment. A clean and healthy environment is critical to the general well being of our people and economic development.

World climate patterns are continuously changing and to ensure that we respond to the effects of global warming, the Department intends planting 20 000 trees throughout the province. This is part of our efforts to reduce the levels of carbon dioxide, which is a major greenhouse gas.

One of the effects of global warming is drought, with catastrophic impact on agriculture. We believe that, in planting the trees, we will also contribute to the food security strategy.

We also intend to increase awareness regarding sustainable development through various environmental awareness and capacity building programmes. These programmes include the establishment of 20 Enviro Clubs, the training of 200 community members in basic environmental management and the further training of 150 community members in environmental management issues.

A Project Management Unit will be established in order to manage the following projects effectively:

- * Vredefort Dome, as a World Heritage Site
- * MDTP which is a joint programme involving Lesotho and South Africa

* development of the Greater Xhariep complex in order to expand the size of this conservation area.

We will also implement the Polokwane Declaration, which among others will involve a Waste Management Information System being piloted by our Department in collaboration with Mangaung and Matjhabeng municipalities. The project will be completed in November 2006.

We acknowledge the concerns raised about the environmental impact assessment processes. We agree that these processes cannot be allowed to be used as obstacles to economic development.

Upon the proclamation of the National Environmental Management Act (NEMA) regulations this year by the Minister of Environmental Affairs and Tourism, our Department will develop the environmental management framework. This framework will be designed to facilitate the process of applications for development projects in the Province. It will also inform the public as to which areas of the Province may or may not be suitable for proposed projects for development.

We are happy to announce the Cleanest Town Competition will be held again this year in collaboration with the national Department of Environmental Affairs and Tourism. It is an exercise that is also aimed at promoting tourism through cleaner and greener cities. It also strengthens co-operative governance between the provincial and local governments.

Mr Speaker, we again wish to congratulate the Naledi Municipality for receiving the Cleanest Town Award in the Free State in 2005 and we challenge other municipalities to participate in this competition this year.

Programme: Economic Development

There are particular sectors of our economy such as Chemicals, Tourism and Bio-fuels, which have been identified for accelerated growth. This links well with one of the strategic objectives of the FSGDS, which is to develop programmes for key economic sectors.

As part of the programme of beneficiation of petro-chemicals, our Department is still engaged in discussions with Sasol on the establishment of a chemical incubator, focusing on chemical down-streaming in Fezile Dabi District. It is expected that this project will create opportunities for the participation of SMMEs in the petro-chemical industry.

Establishment of the Logistic Hub in Harrismith

The Harrismith Logistical Hub has been declared a national flagship project under AsgiSA. It is encouraging to mention that progress has been made to date in the advancement of this rare opportunity for massive investment, significant infrastructure development and a major economic boost for our province.

We are happy to announce that the first phase of the project, which involved conducting the feasibility study, was completed in February 2006. As the province we are ready to continue with the second phase.

This phase will encompass the development of strategies, which will entail the definition of an overarching operational concept of the Harrismith Logistical Hub, the functional land use plan and also the logistical catchment area. To expedite this process a project manager will be appointed during the course of the new financial year.

Trade Promotion and Development

The Department will hold its first Business Focus Week later this year in September. The aim of this event is to attract potential investors to the province by providing information on investment and business opportunities.

Last week Friday, 24 March, we hosted a gala dinner for members of the business community from different parts of the province. We were impressed by their good attendance at this event.

Their inputs during our discussions demonstrated that meetings and discussions of that nature can strengthen our partnership with the business community in order to collectively achieve economic growth and development.

Their attendance further indicated that we need to expand these kinds of interactions throughout the five districts. We intend to hold two or more meetings of this nature during the new financial year.

In order to address the need for investment promotion in the province, an Investment Promotion Agency will be established during the new financial year. To this end the Executive Council has already approved that the Investment Promotion Amendment Bill be published for public comments in terms of the rules and orders of the Legislature.

The Bill will appear in the provincial gazette and provincial newspapers by 31 March 2006 for public comments. We expect this Amendment Bill to be passed as law early in the third quarter of this year.

The public will be given two weeks to make comments before the Amendment Bill is tabled in the Legislature for finalisation.

This Agency will be responsible for the marketing of investment opportunities in the Free State. It will also assist in the identification of regions with potential economic growth in order to attract both domestic and foreign direct investments.

The formulation of an Investment Promotion Strategy is essential for attracting investment to our province. We intend to finalise the provincial investment strategy by the end of June 2006. The development and completion of this strategy will inform our inputs to the process of developing the industrial development strategy at the national level.

In order to realise the goal of promoting access to markets for local products, this Department will be participating in exhibitions both in South Africa and abroad. This will offer the Free State entrepreneurs opportunities to market their products.

We are already participating at the African International Investment Expo which started yesterday in Johannesburg and will end tomorrow. We also have plans to participate in the following exhibitions, the Export Africa Expo in May 2006, the SAITEX in September 2006, the MATKA International Travel Fair in Finland in January 2007 and others.

In order to promote investment in the province through access to funding for large projects, we planned together with the Industrial Development Corporation (IDC), an investment conference in September last year.

One of the outcomes of this conference was the signing of the Memorandum of Understanding between our Department and the IDC. We will use this partnership with

the IDC to empower entrepreneurs in our province to have more access to funding for investment purposes.

Empowering SMMEs and historically disadvantaged individuals (HDIs) through government procurement

As stated in the strategy for BBBEE, preferential procurement is an effective instrument to promote black economic empowerment in our economy. In pursuit of this objective, the EEI cluster held a workshop to establish the extent to which provincial government departments and public entities empower SMMEs and black companies through the procurement of goods and services.

Presentations made to the cluster during the workshop revealed that all Departments and public entities, with the exception of the Gambling and Racing Board, did not spend more than 30% of their procurement budgets to empower SMMEs and HDIs.

Some of the important decisions taken by the cluster at the end of the workshop include the following:

- * The Provincial Government should develop a central database for purposes of monitoring compliance and evaluation of the impact of departmental procurement on SMME development and empowerment of HDIs
- * The Province should develop and adopt an acceptable Code of Conduct, which will standardise compliance across all Departments and public entities and comprehensively deal with the challenges of; fronting, tender – splitting and monitoring procurement below the threshold of R30 000.

We will continue to monitor departmental procurement patterns on a quarterly basis, to ensure that we achieve the objectives of bridging the gap between the First and the Second economies. This is intended to ensure that SMMEs graduate to become established and sustainable businesses.

Liquor Authority

We acknowledge public concerns brought to the Department by our various stakeholders and ordinary citizens regarding applications and issuing of liquor licenses as well as non compliance with license conditions by operators.

In addition there are concerns about socio-economic results and other costs of alcohol abuse. In dealing with the aforementioned challenges and promoting responsible and sustainable liquor industry, a new liquor bill will be tabled in the Legislature after the Easter recess and will hopefully be enacted by the end July 2006.

As an interim measure to deal immediately with the concerns mentioned above, we intend placing a moratorium on both the application for and issuing of liquor licenses while the bill is being processed.

Programme: Transversal Functions

Skills Development

We agree with the President when he said that in order for AsgiSA to succeed, it is clear that the machinery of state and especially local government should function effectively and efficiently.

We must pay particular attention to the issue of scarce skills that will negatively affect the capacity of both the public and the private sectors to meet the goals set by AsgiSA.

Mr Speaker, in line with this view, the Department has adopted an approach which will contribute to assisting more HDIs pursuing professional careers, which they were previously excluded from.

For the next financial year, the Department has allocated R1 million for external full time bursaries, which includes 14 entrants from the top 100 matriculants from the 2005 academic year in the province. Their fields of study cover areas such as Economics, Environmental Science, Nature Conservation, Tourism Management, Hospitality Management and Internal Auditing.

Job creation and skills development remain our key strategic objectives in ensuring that the Free State advances economically for the benefit of its citizens. We will contribute towards this goal through our internship and learnership programs.

In the new Financial Year we will be implementing a workplace experiential training programme, which focuses on unemployed youth graduates, who will acquire knowledge and skills through their employment in the Department.

These students will be provided with the opportunity of experiential training in the fields of Tourism, Nature Conservation, Environmental Management and Economic Development. We call upon all unemployed Free State graduates under the age of 36 to respond to the advert published in the newspapers.

The issue of building a skills-partnership in the tourism industry must be addressed. The competitiveness of this industry is being hampered by the shortage of relevant skills.

We have also allocated funds for the facilitation of training of the historically disadvantaged individuals as accommodation managers, guesthouse and Bed and Breakfast owners, specialist tourist guides, taxidermists and professional hunters.

Public Entities

In response to the Premier's State of the Province Address we are pleased to announce that the process of repositioning the Free State Development Corporation (FDC) is about to be completed. The New Board of Directors and the Managing Director have been appointed.

As in the case of Free State Investment Promotion Agency (FIPA) the FDC Amendment Bill has also been approved by EXCO and will follow the same process as explained in the FIPA Amendment Bill.

As mandated by the Government, the FDC must ensure access to funding sources by the SMMEs. In line with this mandate, the corporation has relaxed entry requirements into business and lowered interest rates. The requirements for own contribution in setting up businesses have also been reviewed. R78 million is being budgeted for this purpose.

The FDC will also co-ordinate all interventions of developmental agencies responsible for SMMEs development in the province. These entities are to provide business development services essential to making SMMEs sustainable. These services include the provision of both financial and non financial support.

In line with government directives the FDC is in the process of establishing offices in municipalities within all five districts of the Free State. These district offices must be fully operational by the end of April 2006.

Part of the objectives of this program is to ensure that government lives up to its commitment of bringing services closer to the people, while at the same time ensuring synergy among various agencies such as the Small Enterprise Development Agency (SEDA), National Productivity Institute (NPI), IDC and Eskom Foundation.

It is necessary to mention, at this stage, that the Eskom Foundation in partnership with the FDC is currently involved in a program to support the establishment of a factory for the manufacture of medical bandages and other related products in the Lejweleputswa District. These products are to be exported to other provinces and neighbouring countries.

Discussions are also underway between these two entities to facilitate the establishment of a sanitation materials factory in the Fezile Dabi District. It is our fervent hope to launch this project early in the new financial year.

The promotion of district-specific products throughout the province is one of the prime areas of focus of the provincial government, as clearly set out in the Free State Growth and Development Strategy (FSGDS).

Mr Speaker, concerted efforts are also being taken to ensure that women, youth and people with disabilities receive significant assistance from the FDC. Development funds are to be allocated in a manner that shows a conscious biasness towards these designated groups.

In line with the commemoration of June 1976 the department will establish youth cooperatives in collaboration with Umsobomvu Youth Fund, Youth Commission and the FDC.

We launched the APEX Fund on 3 March 2006 at Makwane, in Maluti a Phofung Local Municipality, which is a presidential nodal point. The APEX Fund targets the rural communities and the micro enterprises who have needs up to R10 000, in advancing the government's objective of halving poverty and unemployment by 2014.

There will be a provincial launch for SEDA by May 2006. The roll-out of SEDA programme throughout the province will ensure that we have a minimum of five SEDA district branches located in the five district municipalities.

With regard to the development of co-operatives, we intend to build enterprises that are economically competitive. We have established seven registered co-operatives operating across the economic sectors. We will also engage various developmental agencies to advance their support for these established co-operatives.

Free State Gambling and Racing Board

We also want to take this opportunity to congratulate and at the same time thank current members of the Gambling and Racing Board for the work well done during their tenure, we do this because their term of office is now coming to an end. Thank your very much for your diligent work thus far.

Construction of the Frontier Inn Casino in Bethlehem is well in progress and it is expected to open its doors to the public during December 2006 and will comprise of a

casino, hotel, entertainment and retail centre. The capital investment will on completion amount to R88 million.

With regards to the fourth casino license which was allocated to the Free State Province in terms of the National Gambling Act, the Free State Gambling and Racing Board is in the process of reviewing the findings of a feasibility study to determine the viability of a casino in the Vaal/Sasolburg area. The Board will finalise this issue in due course.

The EEI cluster together with the board will review the policy with regards the issuing of casino license as well as the allocations of the limited pay out machines to be in line with the accepted norms and standards.

In addition there will also be a re-look into how the board structures its deals when it awards licenses in order to ensure that the BEE component in these deals benefit participants within acceptable timeframes.

Mr Speaker, we would like to take this opportunity to announce that the roll out of the Limited Pay-out Machines will be implemented in the new financial year. In addition we have also approved an increase of tariffs for levies of Casinos from 5,7 % to 7 % of their revenue.

Free State Tourism Marketing Authority

As we announced in our last budget speech, the Tourism Marketing Authority was established in September last year. We expect this body to help us to improve tourism marketing and business development.

As provided for in the Free State Tourism Act, the Tourism Marketing Authority was established to oversee promotion and marketing of the Free State as a destination of choice.

It is envisaged that the Authority will direct efforts at domestic tourism as well the neighbouring countries. It is expected to link up with both the district and local tourism initiatives to ensure synergy and comprehensive packaging and marketing of tourism products.

Mangaung African Cultural Festival (MACUFE) has become one of the biggest festivals in our country. It is an event that should be managed well to provide maximum tourism benefits as well as economic opportunities especially to the HDIs.

In the light of the significance attached to this event, the EEI cluster has resolved that the management of the various activities constituting MACUFE be reviewed to realise the benefits and opportunities referred to above.

Furthermore, a decision has also been taken to secure an alternative venue for the main jazz festival of MACUFE as the present venue has become unsuitable due to the growing popularity of the event.

A decision in this regards will be announced soon.

Budget Allocation Per Programme

Honourable Speaker

For us to achieve the visions and goals we have set for the 2006/07 financial year, I am proud to announce the following budget allocations for the various programmes:

- 1 Administration: R54,522 million
- 2 Tourism: R69,932 million
- 3 Environmental Affairs: R23,910 million
- 4 Economic Affairs: R20,343 million
- 5 Transversal Functions: R61,098 million
- Total: R229,805 million

In addition to this, the following budgets have been allocated for transfer to public entities for furthering the commitments made by the Department:

- 1 Free State Development Corporation: R26,500 million
- 2 Free State Gambling and Racing Board: R14,557 million
- 3 Tourism Marketing Authority: R10,500 million
- Total: R51,557 million

Conclusion

Mr Speaker
I do not have doubt in my mind that next year by this time when we report progress to this august house, we will speak like JT Gumede, when he said "I have seen the new Jerusalem".

We will be saying this because we have hoped that some of the challenges inhibiting our socio-economic development will be dealt with in the province.

Having said this let me invite all stakeholders to join hands with government in committing themselves like Fidel Castro who said "...tomorrow could be too late, lets do now what we need to do". Mr Speaker, we need to do this lest we fail our people.

In conclusion, let me take this opportunity to thank Hon Chairperson Buthelezi and members of the Portfolio Committee on Tourism, Environmental and Economic Affairs for their tireless efforts in engaging this department to find proper solutions for economic challenges.

My sincere gratitude goes to the Members of the Economic, Employment and Investment Cluster for their commitment towards economic growth and development of the Free State Province.

Mr Thabo Khunyeli, Head of Department, your tireless efforts towards putting systems in place have truly begun to yield positive results. Special thanks goes to my family for putting up with my odd working hours.

And lastly, my sincere gratitude to all departmental officials for their valuable inputs who, according to President Thabo Mbeki, are the ones who complete the course without convincing themselves that the road ahead is long and too steep.

Such public servants never see the vision of the Department just as a mere illusion, but as a destination that will bring about economic transformation.

I thank you.

