

DEPARTMENT OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

BUDGET VOTE 3

DATE: 23 APRIL 2018

“Business Unusual; Organizational Renewal”

Honourable Speaker of the Free State Provincial Legislature;
The Honourable Premier;
Colleagues in EXCO and Legislature;
The Director General;
Heads of Departments and Senior Managers in all spheres of Government;
House of Traditional Leaders;
Traditional Healers and Faith Based Organisations;
Organised Labour;
Governance Structures;
Development Partners;
Officials of the Free State DESTEA and other Sister Departments;
Distinguished Guests;

Madam Speaker, it is an honour to present the budget of the department of Economic, Small Business Development, Tourism and Environmental Affairs outlining the Department’s Programme of Action for the 2018/19 financial year to the people of the Free State. I do so with a great sense of hope which is inspired by developments across Africa, and particularly South Africa, that present new possibilities for emerging economies.

Global and national outlook

The global economy is set to grow at a faster clip than anticipated in 2018, due mostly to lower tax rates in the United States, but tensions over trade threaten to derail months of synchronized global expansion (Reuters), with global output estimated to have grown by 3.7 percent in 2017,

which is 0.1% faster than the projected figures of 2016. The pickup in growth has resulted in global growth forecast being revised upwards by 0.2% for the years 2018 and 2019.

National accounts data for the fourth quarter of 2017 surprised on the upside, with a sharp quarter-on-quarter expansion driven by private consumption and fixed investment. Improved confidence in the economy among businesses has seen the economy growing slightly from last year. The OECD's latest interim economic outlook has revised South Africa's growth rate expectations from 2018 and 2019 upwards, on the back of positive sentiment around the economy and changes to the political landscape.

Growth is steady or improving and National Treasury currently anticipates national growth of 1.5% in 2018, rising to 2.1% to 2020. Over the 2018 medium term, the Free State economy is projected to grow by an average of 2.3%. The manufacturing industry may rebound in response to an improving global economic outlook, as well as the implementation of gas industrialization, through investments such as the exploitation of helium gas, which has attracted R200 million thus far (National Treasury). The resilience of the provincial economy will be mainly supported by the continuing recovery of commodity prices and better crop production as rainfall continues to persist in the province.

In March 2017 the rand reached R12.30 to the US Dollar, a substantial recovery from the January 2016 low-point of almost R17 to the dollar. It appreciated to ZAR11.55/USD by end-February 2018, its best level in more than four years. The favourable exchange rate trajectory is expected to mitigate the inflation impact of the 1% increase in the South African value-added tax (VAT) rate to 15% from 14% previously, announced in the 2018/19 national budget. The rand is currently trading at R11.95 to the US dollar (as at Thursday, 19 April 2018) despite the ongoing trade war between the US and China.

Of further interest is that Maluti-a-Phofung contributed R7 Billion (2007 – 2017) to the respective R20.4 Billion and R114 Billion GDP contributions of Thabo Mofutsanyane and the Free State province (equates to 34% of Thabo Mofutsanyane District Municipality and 6% of Provincial GDP contributions). Thabo Mofutsanyane contributed to almost 18% of the provincial GDP. Maluti-a-Phofung also showed a 0.57% GDP growth from 2007 – 2017, compared to the 1.25% of Thabo Mofutsanyane and 1.39% of the Province during the same period.

Employment status of the Province

The Department will continue to focus on the critical task of skilling our people through partnerships with industry and educational institutions to tackle the issue of unemployment, to address the shortage of technical skills in the province and to create an entrepreneurial and employable local workforce.

We will continue to further support SMMEs and our people through partnerships and collaborations in our province.

Honourable Members, allow me to outline how the department intends to roll out the 2018/19 allocation, per programme.

Programme 1 – Administration

Programme 1 provides leadership and strategic management in accordance with policy and legislation and appropriate support service to other departmental programmes.

Governance and Oversight

Urgent and efficient measures were put in place during the past financial year to ensure that the Department pays its suppliers within 30 days and it can be reported that 98.66% of all the invoices were paid within 30 days, which is a significant improvement from the previous financial year.

Procurement targets have been set by the Department for businesses owned by designated groups, i.e. people with disabilities, women, and blacks, on procurement opportunities in line with the Preferential Procurement Regulations of 2017. The Department will play an oversight role in the implementation of Preferential Procurement Regulations in the province and provide guidance where necessary.

The Department also introduced stringent measures to deal with accruals and it can be reported that there were no accruals during the 2016/17 financial year.

Paperless environment, reduction in cost of business and global competitiveness

In line with the National e-Government Strategy and Roadmap approved by Cabinet on 01 November 2017, which was developed as mandated by the Electronic Communications and Transactions Act No 25 of 2002, the National Development Plan as well as the National Integrated ICT Policy White Paper, the Department will roll out the following e-services in 2018-2019:

- a. e-Permits system (will provide citizens and business community with easy and convenient channels to apply and track progress relating to permits)
- b. Consumer Protection e-Complaints system (an electronic channel to facilitate the lodging of complaints and status tracking thereof for Free State citizens and to streamline internal administration processes)
- c. Improve Booking and Revenue Management System for the Resorts and Reserves under the department's care.

As is normally the case with the transition to ***new systems and approaches***, systems downtime do sometimes occur due to technology glitches. The department will however put contingency measures in place in order to ensure that if such events do occur, the impact will be minimal.

Human Resources and Transformation

In response to MTSF Outcome 5 which talks about “A skilled and capable workforce to support an inclusive growth path and Outcome 12 which is about “An efficient, effective and development oriented public service”, the department remains resolute to roll-out a skills audit so as to determine the skills profile and gaps amongst all its employees. The skills audit outcomes shall assist the department to place officials appropriately according to their skills and competencies.

For the financial year 2017/18, the department identified 100 critical vacant funded posts to be filled.

The vacancy rate is currently standing at 17% and this has dropped drastically as compared of 25.06% of the 2016/17 financial year. Measures are put in place in order to reduce the vacancy rate to 10% in terms of the national threshold. In order to reduce acting and contract positions,

the department, in this financial year, will further advertise funded posts and abolish unfunded posts from PERSAL.

The department has **re-done** its organizational structure with a view of moving towards a lean and mean structure. The structure has undergone a rigorous consultation process with the Minister of Public Service and Administration (MPSA) to ensure that the departmental organizational structure supports **integrated** and efficient service delivery. The consultation process has been finalized and the department is awaiting the concurrency letter from MPSA.

In pursuit of institutionalising change management principles, and the concept of **business unusual**, in the department, a total of 160 (23%) employees were enrolled for the attendance of a workshop in change management during the financial year 2017/18. The remaining 533 (77%) employees are scheduled to attend a workshop during the 2018/2019 financial year. We believe that the only way to make this department more effective and efficient is to change the way officials manage their operations.

We have created a **revolutionary moment** in the existence of the department by initiating the implementation of the Balanced Score Card, in order to ensure that **integrated**, optimized and synergistic planning takes place, and that implementation is executed in a seamless manner.

For Programme 1, we have budgeted a total of R160 448 Million.

Programme 2 - Environmental Affairs

The purpose of this programme is to regulate, manage and ensure the provision of environmental management services in the province by contributing to sustainable development, livelihoods support, green and inclusive economic growth by facilitating skills development, employment creation and infrastructure development

Regulatory Framework and Governance

Environmental governance and policy implementation are key to effective and efficient environmental management best practices. We are guided by the National Environmental

Management Act (NEMA), Act 107 of 1998 and its Special Environmental Management Acts. To achieve our regulatory function the department operates within the context of the National Development Plan Vision 2030, and more specifically Chapter 5, which seeks to realize environmental sustainability. This noble intent is further supported by Section 24 of our Constitution in preserving and protecting the environment for current and future generations. All organs of state dealing with environment, have **regrouped**, signed and are committed to the Outcome 10 Delivery Agreement, which aspires to promote a climate resilient, low carbon economy and a just society by 2030.

Policy Changes and Empowerment Initiatives

In implementing the empowerment ideals and radical socio economic transformation for the benefit of our people, the department has undertaken groundbreaking policy changes. We have introduced policies and empowerment initiatives aimed at transforming the wildlife economy, promoting private public partnership for the management of resorts. Furthermore, the upgrading, refurbishment and maintenance of resorts and reserves will be utilized to empower emerging Free State contractors. We will seek to improve our revenue streams by reviewing our resort and reserve tariffs in line with private sector facilities.

We will conduct Environmental Education and Awareness, assess and approve Environmental Impact Assessments for development planning, approve Biodiversity Permits for flora and fauna compliance monitoring, including regulating the trade thereof. Pressures on the environment have led to new policy and scientific changes like climate change and the green economy including the review of our provincial state of the environment report. Major challenges related to Waste and Air Quality Management, including recycling initiatives within the waste economy has taken center stage in our response to basic service improvement.

Highlights:

- The Aasvoëlberg area in Zastron will be declared as a Nature Reserve in the current financial year which is home to a colony of highly endangered Cape Vultures serving as a tourist attraction in this rural town within the Drakensburg Mountains.
- The Annual Game Auction was held on the 2 - 3 of March 2018 and contributed significantly to the provincial fiscus. Hunting packages will be the focus going forward, as it generates more revenue than game auctions.

- Eco Tourism Annual Events related to the Bloemhof Bonanza, the Johannesburg to Sea Cycling Tour and the Sterkfontein Swimming Competition were again successfully hosted at Sandveld Nature Reserve and Sterkfontein Dam Nature Reserve respectively. These three events provide a huge boost for the province's tourism calendar.
- Through the EPWP we have managed to create 1289 job opportunities through our Cleaning of Towns, Cleaning of Dams, alien invasive species control and hospitality management programmes.

Future Plans:

Through our *innovative thought and transactional leadership* value system, the year 2018/19 will be characterized by the following programmes:

- Through the Youth Enterprise Inovo project, entrepreneurship opportunities will be created within the waste economy.
- The Greenest and Cleanest Municipality Competition will be conducted to promote a clean and healthy environment in our urban communities.
- Via EPWP we will continue creating job opportunities through environmental programmes for youth, women and the disabled.
- A Hunting Academy will be introduced at our Soetdoring Reserve.
- We will upgrade and effectively maintain resorts and reserves. Four resorts have been identified for refurbishment in order to transform them into flagship facilities. As part of this process, we will also apply for liquor licenses in order to achieve higher hospitality standards.
- The World Angling Competition will be hosted by the department at Sandveld Nature Reserve in February 2019 as a private sector and government eco-tourism event. Notably the Koppies Dam is also used as a water sport facility by the department in conjunction with the Free State Gambling and Tourism Authority

Noting the challenges herein mentioned and the pressures posed by urbanization, a ***significant shift towards a more collaborative, adaptive and reflexive form of governance, underpinned by a process of congeniality will be the norm.*** The global leaders of tomorrow benchmark environmental performance by clarifying the environment Vis a Vis economic tradeoffs and benefits, by focusing on environmental aspects of sustainability. We will apply the following analytical foundations in attaining environmental sustainability: environmental

systems, environmental stresses, social and institutional capacity, human vulnerability and provincial stewardship.

The total allocation for this programme is R163 770 Million.

Programme 3 – Economic Development

The purpose of the branch is to manage and coordinate economic development activities and initiatives and tourism services. In the past financial year, 1150 direct and indirect jobs were created through various initiatives aimed at developing and supporting SMMEs in the province.

The role of DESTEA in coordination

The department launched the “MEC’s Roadshows” in the last financial year aimed at providing support to *municipalities* to assist them in doing *business unusual*, via the implementation of LED strategies, Integrated Development Plans (IDPs), municipality by-laws, as well as compliance with environmental laws. The department will continue with these roadshows this financial year to ensure that municipalities develop and implement by-laws, especially as it relates to business regulation and waste management. The FS Gambling, Liquor, and Tourism Authority (FSLGTA) will continue to oversee gambling and liquor trade licensing and regulation, including the determination and monitoring of relevant social investments by licensees.

The department intend to create an oversight policy environment where other departments, and municipalities, will account to DESTEA on matters of economic transformation and growth.

Opportunities in the Free State

The Free State Growth and Development Strategy (FSGDS) has identified agriculture, mining, manufacturing, tourism and transport as sectors to be supported in order to achieve the objective of an inclusive growth and job creation. The Free State Provincial Economic Development Strategy (PEDS) identifies high-impact economic activities in these priority sectors in all the district municipalities, depending on their competitive and comparative advantages, in order to catalyse economic growth and job creation.

The Free State province has vast opportunities in mining (diamond, sand, quarrying), agriculture, aquaculture, textile, manufacturing, and tourism. Agriculture remains the mainstay of the Free State economy, contributing 7% to the provincial gross domestic product (PGDP). The availability of fertile land and favourable climatic conditions, especially in the Eastern Free State, presents investment opportunities in agriculture in the areas around Bethlehem. The conditions in this are good for both crop and livestock farming. The attractive Free State province landscape and its centrality creates opportunities for investment in tourism, logistics and distribution. It is an ideal tourism destination that provides an alternative for tourists who that require inland experience and investors interested in the development of new tourism products.

The discovery of largest inland natural gas deposits in the Virginia area presents a huge opportunity for other downstream economies. The natural gas which consists mainly of methane also has significant helium gas concentrations of between 3% and 4%.

Trade and Investment Promotion

To take advantage of the theses opportunities that the Free State is endowed with, DESTEA will continue to promote investment and implement initiatives intended to attract investors nationally and internationally. We will focus on initiatives such as;

- Create platforms for trade and investment promotions
- Corridor developments in partnership with the private sector.
- Export promotion

The department through its entity, the Free Sate Development Cooperation (FDC), has applied for the establishment of the InvestSA One-Stop-Shop from the Department of Trade and Industry as part of its drive to attract both domestic and foreign direct investments into the province. This application was approved in the 2017/18 financial year and the FDC is in the processes of procuring appropriate premises to house this facility. This will have a positive impact in ensuring that would-be investors are serviced from one central point. As part of attracting investments, the province will once again host the Global Investors Trade Bridge.

In the 2018-2019 financial year, the FDC will strengthen its investment aftercare programme to assist existing investors (that are already operating in the Free State to expand their operations

through technology upgrading and re-skilling of staff to improve their competitiveness or meet ever increasing customer demands. The FDC also plans to have 2 business ventures (new and expansion) committed with investments above R10 million and 48 businesses provided with promotional and/or export training programmes facilitated.

Furthermore, the department will pursue the use of advanced technology to improve trade and investment-related decision-making processes. This will ensure that businesses and investors will have access to up-to-date information to support with trade and investment decision-making. To this end, the department has started negotiations with The North West University that has developed an innovative product that is likely to significantly enhance DESTEA's ability to undertake the function of Trade and Investment Promotion in a more scientific way.

Black Industrialist Support Programme

The Department has signed the Memorandum of Agreement with the Department of Trade and Industry for establishment of the Provincial Black Industrialists Support Framework for the support of the potential Black Industrialists in the Province. Plans are underway for the establishment of the Provincial Steering Committee and Scheme will be launched before the end of the first quarter of the current financial year. The goal of establishing successful black industrialists can be achieved through the continued support of, and collaboration with, provincial business chambers.

Maluti-A-Phofung Special Economic Zone (MAP- SEZ)

The main objective of the MAP-SEZ is to attract foreign and direct investment and to stimulate the local economy as well as creating meaningful work opportunities for the people of the Free State as whole, in particular the Maluti-A-Phofung region.

The MAP-SEZ, through its investment promotion strategy has been able to attract local and foreign investors in various industrial sectors supported by the DTI and has a healthy pipeline of 14 investors who have been attracted from local and foreign investors within various trade sectors from countries such as China, Russia, Croatia, Denmark, India, Belarus, Bulgaria, and The United Arab Emirates.

SMME Funding

Access to funding from the Developmental Finance Institutions and commercial banks is one of the major challenges facing the Small and Medium Enterprises. In response to this challenge, the Department have in partnership with the Provincial Development Finance Institutions (DFI's) established the Risk-Sharing Facility with the objective of de-risking some of the viable business proposals within the priority sectors and with the potential to create jobs. For the previous financial year, the Department has through its Risk-Sharing Facility been able to unlock business funding from Development Finance Institutions partners, such as NEF, FDC, SEFA and IDC, to the value of

R31 696 200.00 and in the process creating 437 new jobs. This highlights the value of operating outside the normal ***silo mentality*** of government. Given the high success rate of this incentive during the previous year, the Department will continue with the programme in the new financial year and is inviting business proposal from the five priority sectors.

In the financial year 2017- 2018, the Free State Development Corporation (FDC) provided 34 loans to SMMEs and these loans enabled the creation of 394 jobs. The FDC will pursue the achievement of radical economic transformation through their RET incentive.

Revitalization of the Township Economy

The concept of 'township economy revitalization' has been bandied about for a while; this as a way of ensuring that townships become hives of economic activity. By definition, to revitalize means to make something active/energetic again. The ministry of Small Business Development has come up with a variety of initiatives such the National Informal Business Upliftment Strategy (NIBUS), Black Business Supplier Development Programme (BBSDP), and Co-operative Incentive Scheme (CIS) as part of its efforts to create vibrant enterprises especially in townships and rural areas. Our focus in the coming financial year will continue to be on:

- Informal and Micro Enterprises
- Small and Medium Enterprises
- Large Enterprises
- Export and Investment

Informal, Micro, Small, and Medium Enterprises

The department established enterprise clusters comprised of businesses which are at the heart of township economy with a view of improving their buying power and access to markets. This is another initiative by the department aimed at ensuring the sustainability of township enterprises; these clusters are: Hair salons, automotive, chisanyamas, bakeries, accommodation establishments, IT enterprises, textile, agro-processing, manufacturing and renewable energy. These sectors will be provided with both financial and non-financial support in partnership with the developmental finance institutions (DFI's) to ensure that they are sustainable.

We will also partner with and support various SMME incubation initiatives in the province to ensure that there is growth entrepreneurship and business innovation. We will partner with incubation hubs such as SEDA Motheo TVET Incubator, Eskom Incubator SEDA Agricultural Mining and Tooling Incubator in the province with the view of enhancing the support they provide to SMMEs.

The department has provided shared economic infrastructure facilities for SMMEs in Mangaung and Parys in the form of container parks. In the current financial year, we will construct another shared economic infrastructure facility in Ficksburg to house crafters and other SMMEs and we will also refurbish Constantia Park shopping Centre in Maokeng Kroonstad which houses the local township enterprises as part of our township economy revitalization strategy. Furthermore, the FDC has provided 24 SMMEs with rent-a-desk office space, conference facilities, fax, internet and photocopy services at its facility in Bloemfontein; other rent-a- desk offices will be opened in, QwaQwa and Thaba Nchu.

In pursuit of development of an entrepreneurial spirit and enhancement of township economy, we will continue to roll out the innovative '*business talent search*' programme called "Tabalaza" with a particular focus on youth entrepreneurs throughout the villages, towns and cities of the Free State which we launched last year. Not only will this programme stimulate entrepreneurship within the Free State, but also attract investors from all corners of South African as well as international investors. In 2017/18 16 SMMEs from throughout the Free State pitched to a panel of 14 investors from Free State and other parts of the country. Through forging partnerships with the private sector, institutions of higher learning and other state owned enterprises, the Tabalaza pitching

session will continue to be in collaboration with strategic partners such as Institutions of Higher Learning, DFI's, commercial banks and private investors.

According to the 2016 ILO report on social enterprises, in 2012 there were 11.4 million South Africans participating in more than 800 000 stokvels, saving about R44 billion. The social economy is recognised as one of the revolutionary ways to combine both the social and economic goals and has the potential to contribute towards finding solutions to the country's societal problems. This suggests that stokvels have to recognise the need for a paradigm shift toward producing goods and services, while pursuing both economic and social goals of generating decent income and enhancing the township economy.

Consumer Protection

During the next financial year we will continue protecting the rights of consumers in the province. We will educate consumers on the subject of Consumer Rights, provide free consultation services and ensure that justice prevails through our Provincial Consumer Court.

The total allocation to this programme is R295 583 Million, broken down as follows:

Economic and Small Business Development	R140 423 Million
Free State Development Corporation	R 22 833 Million
Maluti a Phofung SEZ	R 20 000 Million
Free State Gambling, Liquor and Tourism Authority	R112 327 Million

Programme 4 – Tourism

The role of the Tourism Programme is to provide policy oversight as well as a monitoring function, whereas the function of the Tourism component of Free State Gambling, Liquor and Tourism Authority (FSGLTA) is tourism promotion and marketing.

Honourable Speaker, tourism remains an untapped market which, if fully taken advantage of, could create much needed jobs. Reports show that 12.8 million tourists visited various destinations in the Free State in 2016. In the period between 2009 and 2016, the number of bed nights by tourists increased by an average of about 2% annually, and increased from 10.4 million to 12.8 million.

The empowerment and participation of SMMEs in the tourism value chain is key to job creation. The following are some examples of opportunities in the tourism value chain through which empowerment will be achieved:

- Tour guiding
- Accommodation establishments
- Restaurants
- Conferencing

The department intend to promote Medical Tourism in the province, focusing on medical concierge and prestige treatment services related to regenerative and integrative medicine, as well as value added post-surgery recovery programmes.

The Free State Madeira Flower Festival held in Parys which was a huge success that has further entrenched social cohesion. This festival will be held again this financial year and other private sector partnership and sponsors will be brought on board to ensure that this year's event becomes more successful than the previous ones.

In this financial year, the department will initiate consultations with various stakeholders with the view of introducing a provincial bed/tourism levy. This is part of the strategy to enhance provincial revenue collection which can then be invested back into empowerment programmes.

Gambling and Liquor Business Regulation

The mandate of the Free State Gambling, Liquor and Tourism Authority is to regulate the gambling, liquor tourism industries within the Province and to market and promote tourism in the Province.

The Authority's purpose is to promote legally compliant, socially responsible, ethical, sustainable, and transformed gaming and liquor industries through effective licensing, regulating

and reporting on the activities of the industries. The FSGLTA through its regulatory arm will ensure that illegal liquor trading and gambling are eliminated in the province and that revenue collection through fines and licence fees are strengthened. More previously disadvantaged individuals will be afforded opportunities to enter the gambling sector to ensure that all South Africans benefit through the roll-out of bookmaker and limited payout machine licenses.

We have allocated a total of R12.130 Million to the Tourism Programme and R112 327 Million to the Free State Gambling, Liquor and Tourism Authority (refer to Programme 3 budget allocation).

The total 2018/19 budget allocation to the department, is as follows:

Programme	Budget (R'000)
Programme 1: Administration	160 448
Programme 2: Environmental Affairs	163 770
Programme 3: Economic and Small Business Development	295 583
Programme 4: Tourism	12 130
Total Allocation for 2018/19	631 931

Conclusion

With this budget, we hope with all our hearts that we will be able to energize the novice, rejuvenate the exhausted and challenge the average.

Those that are aimlessly lost in the various journeys to find themselves or are feeling stuck under the darkest clouds of hopelessness and waiting for empathetic business support sunshine, or simply needing a dose of brighter encouragement or a hand to hold – don't you look any further. The wisdom of our sages has been devoted to the attainment of socio-economic objectives by whatever means. You are invited...!

Thank You.