



**destea**

department of  
economic, small business development,  
tourism and environmental affairs  
FREE STATE PROVINCE

**Department of Economic, Small Business  
Development, Tourism and Environmental Affairs**

**Annual Performance Plan  
2018/19**

**Free State Province**

## FOREWORD

The year 2018 has been declared the Year of Nelson Mandela, inspiring every single South African to work hard in ensuring that his dreams are realized. We are more than proud of what we have achieved in the previous financial year which was declared the Year of OR Tambo but we know that the most difficult challenges still lies ahead of us. With the eagerness and enthusiasm about our plan and its implementation this financial year, we are super fuelling the policy of Radical Economic Transformation with more efforts to expedite service delivery effectively as we will continue with honouring the legacy of Tata Madiba this year.

We will persist with hammering the triple threat challenges that are affecting the lives of Free State Citizens, which is Poverty, Inequality and Unemployment. It is our Vision that by 2020 we should be able to realise a transformed economy and a prosperous society that is living in harmony with its natural resources. The task remains at hand to create a leading and developmental institution that drives economic transformation, systems change and adaptation to the ever changing environmental dynamics for the benefit of the people of the Free State.

The department is committed to ensuring that considerable progress is made in the creation of jobs through implementation of various programmes and projects like;

- Flower Festival
- Township revitalization programmes
- Industrial parks
- Black Industrialist programme
- Global Investors Trade Bridge
- Township enterprise development
- Resorts and reserves infrastructure enhancement
- Innovative environmental management programmes
- Cleaning of towns

The department's intention with these initiatives is to create a favorable conditions for businesses to thrive, changing the lives of the people for better; supporting the statement by the former State President Nelson Mandela when he said, "Let there be work, bread, water and salt for all".

The world is now investing in tourism for economic development and Free State is no different. We are realizing the potential of the tourism industry in changing the lives of ordinary people. More and more people of color are encouraged to venture into this lucrative Tourism Industry by exposing them to projects and programmes like Lilizela Tourism Awards and many others.

Keeping the environment clean, healthy, and safe with and for our communities is also our priority in this financial year. This will be achieved by amongst others the cleaning of towns programme, conducting training and environmental awareness through various community and local municipality platforms.

Environmental enforcement will be strengthened through the appointment, training and resourcing of Green Scorpions.

Biodiversity for poverty and promotion of wildlife economy remains to be the new gold within the environmental management fraternity. The department is more determined in intensifying its programmes with regards to wildlife economy transformation and ensuring the previously disadvantaged communities fully participate in the game ranchers programme. Traditional healer organizations in the province will be supported to effectively participate in the local and national bio prospecting industries.

Youth, women and people with disabilities development will remain a major focus area of the department, and support will be provided via a number of DESTEA programmes aimed at developing skills and creating jobs.

The Department of Economic, Small Business Development, Tourism and Environmental Affairs commit to continue resiliently to strengthen and transform the economy of this province.



---

**DR B MALAKOANE**

**MEC: ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS**

## OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEА) under the guidance of the honourable MEC B Malakoane.
- Was prepared in line with the current Strategic Plan of the DESTEА.
- Accurately reflects the performance targets which the DESTEА will endeavour to achieve given the resources made available in the budget for 2018/19.

**Mr DJ Hagen**  
Head Official responsible for Planning

Signature:  \_\_\_\_\_

**Ms N Nkoe**  
Act. DDG: Environmental Affairs

Signature:  \_\_\_\_\_

**Dr M Nokwequ**  
DDG: Economic, Small Business Development and Tourism

Signature:  \_\_\_\_\_

**Mr L.Kalane**  
Chief Financial Officer

Signature:  \_\_\_\_\_

**Ms G. Brown**  
Accounting Officer

Signature:  \_\_\_\_\_

**Dr B. Malakoane**  
Executive Authority

Signature:  \_\_\_\_\_

Date:

## CONTENTS

---

FOREWORD.....	ii
<b>PART A: Strategic Overview.....</b>	<b>1</b>
<b>1. Updated situational analysis .....</b>	<b>1</b>
1.1. Performance Delivery Environment .....	1
1.2. Organisational Environment .....	40
<b>2. Revision to Legislative and other mandates .....</b>	<b>43</b>
<b>3. Overview of 2016 budget and MTEF estimates .....</b>	<b>43</b>
3.1. Expenditure Estimates.....	44
3.2. Expenditure Trend .....	46
<b>PART B: Programmes and Sub-programme Plans .....</b>	<b>47</b>
<b>4. Strategic objectives and targets .....</b>	<b>47</b>
<b>4.1. Programme 1: Administration .....</b>	<b>47</b>
4.1.1 Sub-programme 1: Management Services .....	48
4.1.2 Sub-programme 2: Financial Management.....	63
4.1.3 Sub-programme 3: Corporate Services .....	68
4.1.4 Reconciling performance targets with the Budget and MTEF 4: .....	73
4.1.5 Risk Management .....	74
<b>4.2. Programme 2: Environmental Affairs.....</b>	<b>75</b>
4.2.1 Sub-programme 1: Environmental Policy, Planning and Coordination .....	75
4.2.2 Sub-programme 2: Compliance and Enforcement .....	78
4.2.3 Sub-programme 3: Environmental Quality Management .....	81
4.2.4 Sub-programme 4: Biodiversity Management .....	85
4.2.5 Sub-programme 5: Environmental Empowerment Services .....	89
4.2.6 Reconciling performance targets with the Budget and MTEF.....	94
4.2.7 Risk Management. ....	95
<b>4.3. Programme 3: Economic and Small Business Development.....</b>	<b>96</b>
4.3.1 Sub-programme 1: Intergrated Economic Development Services.....	96
4.3.2 Sub-programme 2: Economic Planning .....	98
4.3.3 Sub-programme 3: Small Business Development.....	103
4.3.4 Reconciling performance targets with the Budget and MTEF.....	106
4.2.5 Risk Management. ....	107
<b>4.4. Programme 4: Tourism .....</b>	<b>108</b>
4.4.1 Sub-programme 1: Tourism Planning .....	108

4.4.2 Sub-programme 2: Tourism Growth and Development .....	110
4.4.3 Sub-programme 3: Transformation of Tourism Sector .....	112
4.4.4 Reconciling performance targets with the Budget and MTEF .....	113
4.2.5 Risk Management. ....	114
<b>PART C: Links to other Plans</b> .....	115
5. Links to the long-term infrastructure and other capital plans .....	115
6. Conditional Grants.....	117
7. Public Entities.....	117
8. Public-Private Partnerships .....	119
<b>ANNEXTURE D: Strategic Plan Amendments</b> .....	120
<b>ANNEXTURE F: NDP, MTSF and FSGDS alignment summary</b> .....	123

## ACRONYMS

---

<b>AIDS</b>	<b>Acquired Immune Deficiency Syndrome</b>
<b>ANC</b>	<b>African National Congress</b>
<b>APP</b>	<b>Annual Performance Plan</b>
<b>AQMP</b>	<b>Air Quality Management Plan</b>
<b>BAS</b>	<b>Basic Accounting System</b>
<b>BBBEE</b>	<b>Broad Based Black Economic Empowerment</b>
<b>CA</b>	<b>Comparative Advantage</b>
<b>DESTEA</b>	<b>Department of Economic, Small Business Development, Tourism and Environmental Affairs</b>
<b>DPME</b>	<b>Department of Planning, Monitoring and Evaluation</b>
<b>DM</b>	<b>District Municipality</b>
<b>DMP</b>	<b>Demand Management Plan</b>
<b>EIA</b>	<b>Environmental Impact Assessment</b>
<b>EIP</b>	<b>Environmental Implementation Plan</b>
<b>EHWP</b>	<b>Employee Health and Wellness Programme</b>
<b>EMC</b>	<b>Environmental Management Committee</b>
<b>EPWP</b>	<b>Expanded Public Works Programme</b>
<b>ETEYA</b>	<b>Emerging Tourism Entrepreneur of the Year Awards</b>
<b>FDC</b>	<b>Free State Development Corporation</b>
<b>FS</b>	<b>Free State</b>
<b>FSGDS</b>	<b>Free State Growth and Development Strategy</b>
<b>FSWIT</b>	<b>Free State Women in Tourism</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GDPR</b>	<b>Gross Domestic Product by Region</b>
<b>GP</b>	<b>Gauteng Province</b>
<b>HIV</b>	<b>Human Immune Deficiency Virus</b>
<b>HOD</b>	<b>Head of Department</b>
<b>HR</b>	<b>Human Resource</b>
<b>ICT</b>	<b>Information Communication Technology</b>
<b>IDP</b>	<b>Integrated Development Plan</b>
<b>IR</b>	<b>Intergovernmental Relations</b>

<b>CCCU</b>	<b>Central Communication Coordinating Unit</b>
<b>IT</b>	<b>Information Technology</b>
<b>IWMP</b>	<b>Integrated Waste Management Plan</b>
<b>KM</b>	<b>Knowledge Management</b>
<b>KZN</b>	<b>KwaZulu-Natal</b>
<b>LED</b>	<b>Local Economic Development</b>
<b>LQ</b>	<b>Location Quotient</b>
<b>MEC</b>	<b>Member of the Executive Council</b>
<b>MISS</b>	<b>Minimum Information Security Standards</b>
<b>MTSF</b>	<b>Medium-Term Strategic Framework</b>
<b>MTEF</b>	<b>Medium-Term Expenditure Framework</b>
<b>NEM</b>	<b>National Environmental Management</b>
<b>NSSD</b>	<b>National Strategy on Sustainable development</b>
<b>OHC</b>	<b>Operation Hlasela Campaign</b>
<b>PAs</b>	<b>Protected Areas</b>
<b>PCF</b>	<b>Provincial Co-operative Forum</b>
<b>PEC</b>	<b>Permit Evaluation Committee</b>
<b>PEDS</b>	<b>Provincial Economic Development Strategy</b>
<b>PFMA</b>	<b>Public Finance Management Act</b>
<b>PGDS</b>	<b>Provincial Growth and Development Strategy</b>
<b>PSBAC</b>	<b>Provincial Small Business Advisory</b>
<b>RET</b>	<b>Radical Economic Transformation</b>
<b>RIDS</b>	<b>Regional Industrial Development Strategy</b>
<b>SA</b>	<b>South Africa</b>
<b>SEZ</b>	<b>Special Economic Zones</b>
<b>SITA</b>	<b>State Information Technology Agency</b>
<b>SMME</b>	<b>Small, Medium and Micro Enterprise</b>
<b>DTI</b>	<b>Department of Trade and Industry</b>

---



## **PART A: Strategic Overview**

Below is a description of performance, policy organisational environments within which the Department operates.

### **1. Situational Analysis**

#### **1.1 Performance Delivery Environment**

##### **1.1.1. Provincial Economic Landscape**

###### **Key findings**

- The Free State provincial economy is mainly reliant on the tertiary industries, whose contribution has increased from 65.3 per cent in 2014 to 66.5% in 2016. This is slightly lower than the national economy (68.6%).
- The contribution of the primary industries declined from 17.6 per cent in 2014 to 14.7 per cent in 2016. For the period 2016 and 2006, the GVA in the mining sector had an average annual growth rate of -1.05%, while the agriculture sector had the lowest average annual growth of -1.72%.<sup>1</sup> These sectors are generally characterized by volatility in growth over the period.
- Secondary industries contribution towards the provincial economy increased from 17.1 per cent in 2014 to 18.8 per cent in 2016. Between 2006 and 2016, the manufacturing sector experienced the highest positive growth in 2006 with a growth rate of 6.9%. The construction sector reached its highest growth in 2007 at 16.1%. The electricity sector experienced the highest growth in 2006 at 3.1%.
- Free State's economic contribution towards the national economy has declined from 5.5 per cent in 2006 to 5.1 per cent in 2016.
- The Free State Province recorded a total GDP of R 223 billion in 2016 and ranked eighth in terms of total contribution towards South Africa.
- From 2006 to 2016, the average annual growth rate of 1.5% of Free State was the sixth relative to its peers in terms of growth in constant 2010 prices.
- The greatest contributor to the Free State Province economy is the Mangaung Metropolitan Municipality with a share of 40.55% or R 90.6 billion, increasing from R 37.2 billion in 2006.

---

<sup>1</sup> IHS Markit Regional eXplorer version 1160, p23

- Statistics South Africa in the recent Quarterly Labour Force Survey (QLFS) recorded 1 890 000 working age population (people in the age group 15-64) for Free State in Q3: 2017.
- Free State Province recorded the largest decline in the unemployment rate from 34.4% in Q2:2017 to 31.8% in Q3:2017 (down by 2,6 percentage points).<sup>2</sup>
- The province thus was successful in creating 45 000 jobs between Q2:2017 and Q3: 2017. Compared to Q3:2016, employment increased with 41 000.

## 1.1.2. Demographics

### Population

Statistics SA, according to the Community Survey (CS), 2016 indicates that the Free State Province has the second smallest share (5%) of the South African population. Provinces with the highest population density, as the table below indicates, are Gauteng (24%), KwaZulu-Natal (20%) and Eastern Cape (13%).<sup>3</sup>

Table: Distribution of land area and population of South Africa by province

Province	Square km	Distribution of Land area in %	Total Population Census 2011	Total Population CS 2016	Distribution of population in %
Western Cape	129 462	11%	5 822 734	6 279 730	11.3%
Eastern Cape	168 966	14%	6 562 053	6 996 976	12.6%
Northern Cape	372 889	30%	1 145 861	1 193 780	2.1%
Free State	129 825	11%	2 745 590	2 834 714	5.1%
KwaZulu-Natal	94 361	8%	10 267 300	11 065 240	19.9%
North West	104 882	9%	3 509 953	3 748 435	6.7%
Gauteng	18 178	1%	12 272 263	13 399 724	24.1%
Mpumalanga	76 495	6%	4 039 939	4 335 964	7.8%
Limpopo	125 755	10%	5 404 868	5 799 090	10.4%
<b>South Africa</b>	<b>1 220 813</b>		<b>51 770 560</b>	<b>55 653 654</b>	

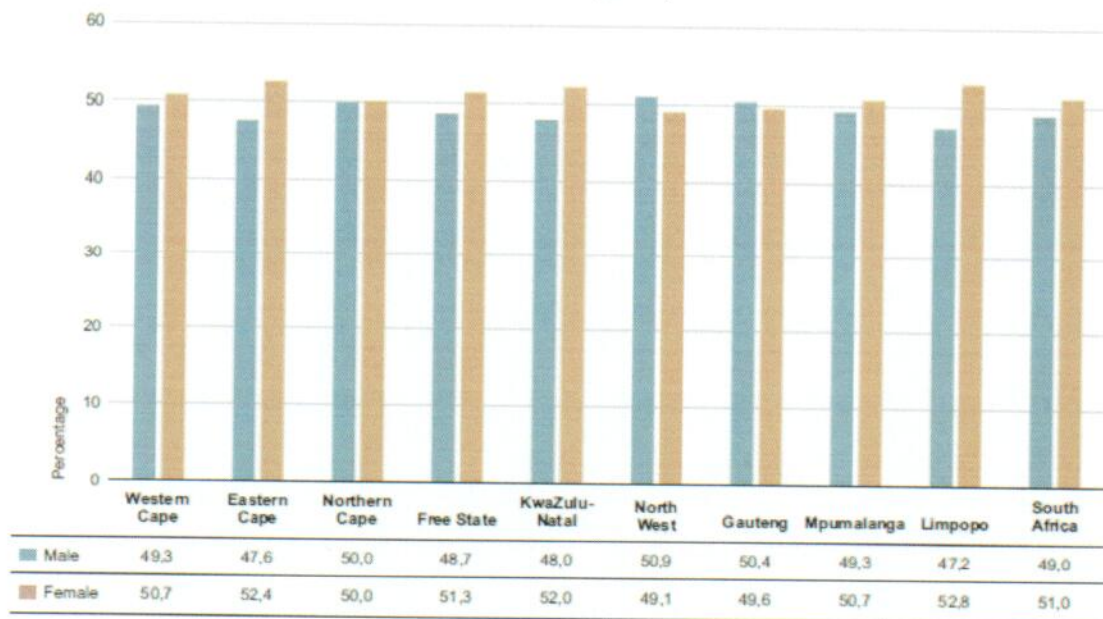
Source: Statistics SA, Community Survey 2016 in Brief

The population in Free State province according to above table, has increased over the five year period from 2 745 590 in 2011 to 2 834 714 in 2016. Females represent the majority of the population in 2016 with a total of 1 454 749 (51.3%) followed by males with a total of 1 379 965 (48.7%).

<sup>2</sup> Statistics SA, Quarterly Labour Force Survey, Q3:2017

<sup>3</sup> Statistics SA, Community Survey 2016, Provinces at a Glance

Figure: Percentage of population of South Africa by sex, CS 2016



Source: Statistics SA, Community Survey 2016 in Brief

Most of the Free State's population, in 2016, resides in Thabo Mofutsanyana (779 600) followed by Mangaung Metro (759 693), Lejweleputswa (649 964) and Fezile Dabi (494 777). Xhariep recorded the lowest population of 150 681.

Table: Population per Metropolitan and District Municipality 2016

Province, District, Local Municipality	Community Survey 2016			Youth Proportion	Persons aged 20 years + who have completed grade 12
	Total population				
	Male	Female	Total		
Free State	1 379 965	1 454 749	2 834 714	37.4	706 722
Xhariep	73 927	76 754	150 681	38.3	29 090
Lejweleputswa	324 998	324 966	649 964	37.0	157 183
Thabo Mofutsanyana	366 168	413 432	779 600	39.8	172 983
Fezile Dabi	245 985	248 792	494 777	36.4	127 045
Mangaung	368 887	390 806	759 693	35.6	220 420

Source: Statistics SA, Community Survey 2016, Provinces at a Glance

It is important to note that the highest proportion of youth population, according to Community Survey 2016 resided in Thabo Mofutsanyana District Municipality (39.8). Xhariep District Municipality which recorded the lowest population accommodates the second highest proportion of youth (38.3) in the province. It is thus clear that programmes or initiatives with the focus on youth be embarked upon especially in those regions with the highest proportion of youth population.

### 1.1.3. Population Projections

Based on the present age-gender structure and the present fertility, morality and migration rates, Free State's population is projected to grow at an average annual rate of 0.7% from 2.86 million in 2016 to 2.97 million in 2021.

Table3: Population projections – Free State and National Total, 2016 -2021

	Free State	National Total	Free State as % of national
2016	2,860,000	55,700,000	5.1%
2017	2,880,000	56,500,000	5.1%
2018	2,900,000	57,400,000	5.1%
2019	2,930,000	58,100,000	5.0%
2020	2,950,000	58,900,000	5.0%
2021	2,970,000	59,600,000	5.0%
<b>Average Annual growth</b>			
2016-2021	0.72%	1.37%	

Source: IHS Markit Regional eXplorer version 1160

When looking at the population projection of Free State Province shows an estimated average annual growth rate of 0.7% between 2016 and 2021. South Africa as a whole is estimated to have an average annual growth rate of 1.4% which is higher than that of Free State's growth rate.

### 1.1.4. Economic Overview

#### Free State Gross Domestic Product (GDP)

In 2016 the Free State Province had a total GDP of R223 billion in current prices as per table below.

Table: GDP – Free State and National Total, 2006 – 2016 (R Billions, current prices)

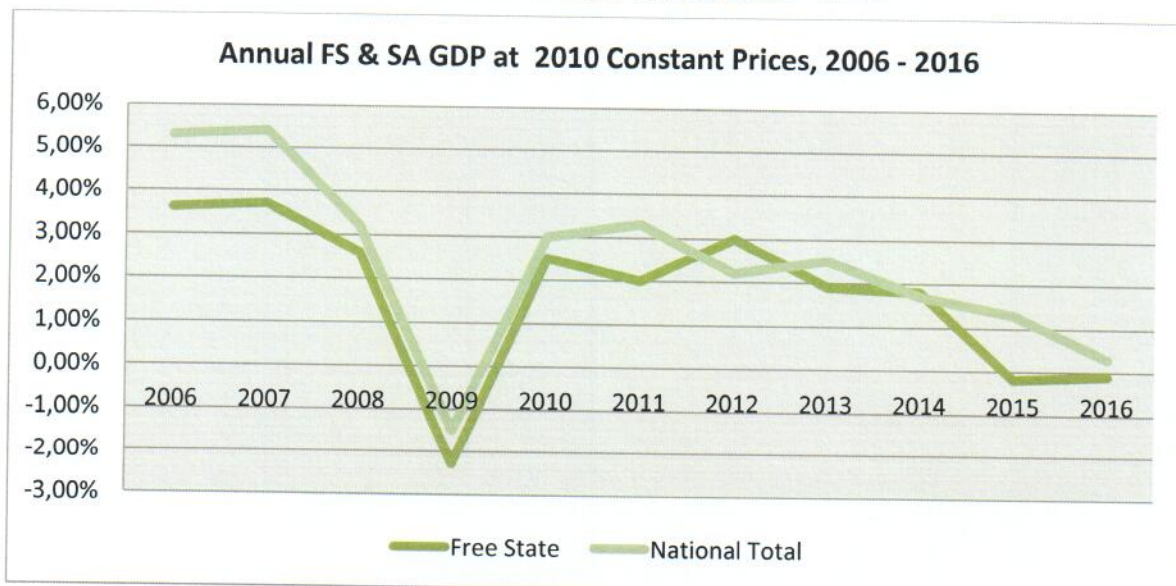
	Free State	National Total	Free State as % of national
2006	101.2	1,839.4	5.5%
2007	114.0	2,109.5	5.4%
2008	129.7	2,369.1	5.5%
2009	135.9	2,507.7	5.4%
2010	147.2	2,748.0	5.4%
2011	157.6	3,023.7	5.2%
2012	163.9	3,253.9	5.0%
2013	176.9	3,539.8	5.0%
2014	190.9	3,807.7	5.0%
2015	205.4	4,049.8	5.1%
2016	223.3	4,338.9	5.1%

Source: IHS Markit Regional eXplorer version 1160

With a GDP of R 223 billion in 2016 (up from R 101 billion in 2006), the Free State Province contributed 5.15% to the South Africa GDP of R 4.34 trillion in 2016 increasing in the share of the National Total from 5.50% in 2006. Its contribution to the national economy stayed similar in importance from 2006 when it contributed 5.50% to South Africa, but it is lower than the peak of 5.50% in 2006.

The annualised GDP growth has struggled to reach the pre-global financial crisis levels. The Free State economic growth reached its highest level of 3.7% in 2007. While the Free State GDP had been hovering below the national average between 2006 and 2016, it however surpassed the national average in 2012 when it reached 3% and in 2014 at 1.8%. For a period of ten years (between 2006 and 2016) the Free State economy has experienced real annualised average growth rate of 1.48%.<sup>4</sup>

Figure: Annual FS & SA GDP at 2010 Constant Prices, 2006 - 2016



Source: IHS Markit Regional eXplorer version 1160

As per the table below, in 2016, the Free State Province achieved an annual growth rate of -0.06% which is a slightly lower growth rate than that of South Africa as a whole, where the 2016 GDP growth rate was 0.28%. Contrary to the short-term growth rate of 2016, the longer-term average growth rate for Free State (1.48%) is significantly lower than that of South Africa (2.12%). The economic growth in Free State peaked in 2007 at 3.71%.

<sup>4</sup> Global Insight Regional eXplorer version 920

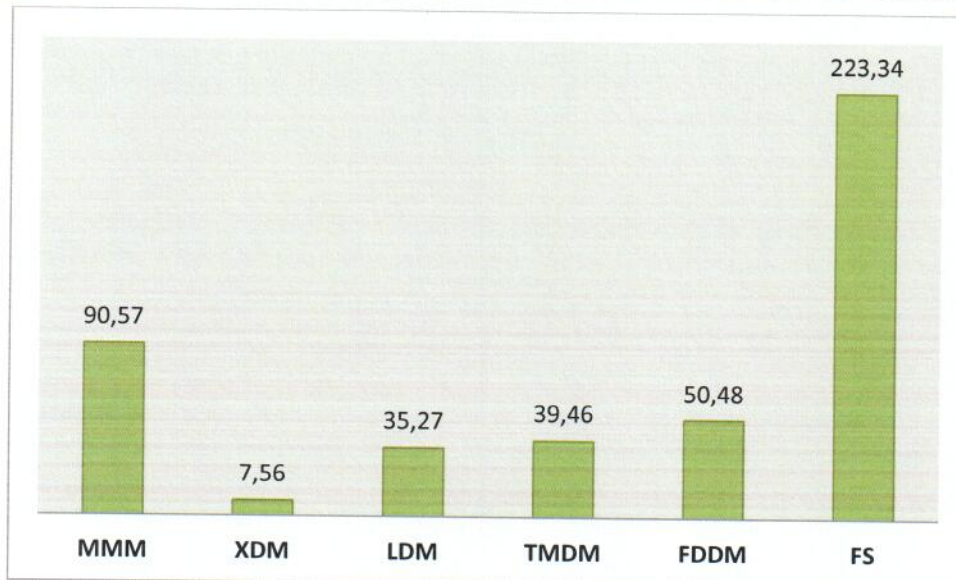
Table: GDP – Free State and National Total, 2006 – 2016 (Annual percentage change, Constant 2010 prices)

	Free State	National Total
2006	3.6%	5.3%
2007	3.7%	5.4%
2008	2.6%	3.2%
2009	-2.3%	-1.5%
2010	2.5%	3.0%
2011	2.0%	3.3%
2012	3.0%	2.2%
2013	1.9%	2.5%
2014	1.8%	1.7%
2015	-0.2%	1.3%
2016	-0.1%	0.3%
<b>Average Annual growth 2006-2016+</b>	<b>1.48%</b>	<b>2.12%</b>

Source: IHS Markit Regional eXplorer version 1160

The figure below shows the contribution of each district municipality to total Free State GDP. The most contribution came from the Mangaung Metropolitan Municipality (MMM), followed by the Fezile Dabi District Municipality (FDDM) which is the industrial hub of the Free State economy. Thabo Mofutsanyana District Municipality's (TMDM) was the third largest followed by Lejweleputswa District Municipality's (LDM) the fourth and Xhariep District Municipality's (XDM) was the fifth in contribution.

Figure: GDP – Metro & District Municipalities of Free State Province, 2016 Current Prices



Source: IHS Markit Regional eXplorer version 1160

The table below shows Mangaung had the highest average annual economic growth, averaging 2.92% between 2006 and 2016, when compared to the rest of the regions within the Free State Province. Xhariep had the second highest average annual growth rate of

1.90%. Lejweleputswa had the lowest average annual growth rate of -1.21% between 2006 and 2016.

Table: GDP – Metro & District Municipalities of Free State Province, 2006 – 2016, Share and Growth

	2016 (Current prices)	Share of province	2006 (Constant prices)	2016 (Constant prices)	Average Annual growth
Mangaung	90.57	40.55%	48.19	64.26	2.92%
Xhariep	7.56	3.38%	4.47	5.40	1.90%
Lejweleputswa	35.27	15.79%	29.81	26.39	-1.21%
Thabo	39.46	17.67%	23.27	27.17	1.56%
Mofutsanyana	50.48	22.60%	32.45	36.83	1.27%
Free State	223.34		138.19	160.06	

Source: IHS Markit Regional eXplorer version 1160

### 1.14. Economic Growth Forecast

Given the growth trend and a number of unfavourable domestic and global factors, the Free State GDP is forecast to grow at an average annual rate of 0.88% from 2016 to 2021. South Africa as a whole is forecast to grow at an average annual growth rate of 1.61%, which is higher than that of the Free State Province.<sup>5</sup> On the other hand, the National Development Plan's ambition is to attain an annual national growth rate of 5.4% by 2030, while the FSGDS aims for a 7% provincial growth rate in the same period. This 0.88% growth rate forecast, when viewed together with the 1.48% growth rate in ten years (between 2006 and 2016), suggests that unless bold measures are implemented in the economy, the growth ambitions set by the policy may not be attainable.

Figure: GDP – Free State and National Total, 2006 – 2021 (Average annual growth rate, Constant 2010 prices)



Source: IHS Markit Regional eXplorer version 1160

<sup>5</sup> IHS Markit Regional eXplorer version 1160

In 2021, Free State's forecasted GDP will be an estimated R 167 billion (constant 2010 prices) or 5.0% of the total GDP of South Africa. The ranking in terms of size of the Free State Province will remain the same between 2016 and 2021, with a contribution to the South Africa GDP of 5.0% in 2021 compared to the 5.2% in 2016. At a 0.88% average annual GDP growth rate between 2016 and 2021, Free State ranked the eighth compared to the other regional economies.

The table below provides the growth forecast for the metropolitan municipality as well as the four district municipalities.

Table: GDP – Metropolitan & District Municipalities of Free State Province, 2016 – 2021, Share & Growth

	2021 (Current prices)	Share of province	2016 (Constant prices)	2021 (Constant prices)	Average Annual growth
Mangaung	128.4	76.76%	64.3	69.4	1.55%
Xhariep	10.6	6.33%	5.4	6.0	2.11%
Lejweleputswa	40.8	24.37%	26.4	24.7	-1.32%
Thabo	55.3	33.09%	27.2	29.2	1.48%
Mofutsanyana	68.7	41.05%	36.8	37.9	0.58%
Free State	303.7		160.1	167.2	

Source: IHS Markit Regional eXplorer version 1160

When looking at the regions within the Free State Province it is expected that from 2016 to 2021 the Xhariep District Municipality will achieve the highest average annual growth rate of 2.11%. The region that is expected to achieve the second highest average annual growth rate is that of Mangaung Metropolitan Municipality, averaging 1.55% between 2016 and 2021. The “industrial hub” of the province, namely Fezile Dabi is expected to achieve the second lowest average annual growth rate of 0.58%. Lejweleputswa is expected to perform the poorest with an average annual growth rate of -1.32%.

### 1.1.6. Gross Value Added by Region (GVA-R)

The Free State Province's economy is made up of various industries. The GVA-R variable provides a sector break-down, where each sector is measured in terms of its *value adding* in the local economy.

The summary below puts the Gross Value Added (GVA) of National in relation to that of the Free State Province.

Table: GVA by broad economic sector – Free State, 2016 (R Billions, Current Prices)

	Free State	National Total	Free State as % of national
Agriculture	9.5	94.4	10.1%
Mining	19.7	306.2	6.4%



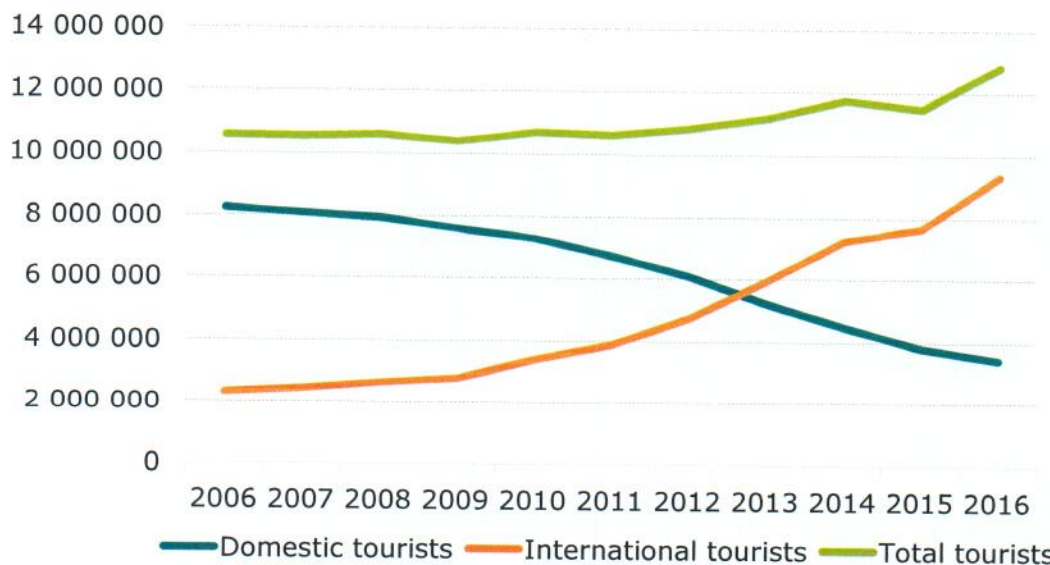
Manufacturing	23.0	517.4	4.4%
Electricity	9.4	144.1	6.5%
Construction	4.8	154.3	3.1%
Trade	27.6	589.7	4.7%
Transport	20.8	389.2	5.4%
Finance	33.8	781.7	4.3%
Community services	49.5	894.1	5.5%
Total Industries	198.1	3,871.2	5.1%

Source: IHS Markit Regional eXplorer version 1160

In 2016, the community services sector is the largest within Free State Province accounting for R 49.5 billion or 25.0% of the total GVA in the province's economy. The sector that contributes the second most to the GVA of the Free State Province is the finance sector at 17.0%, followed by the trade sector with 13.9%. The sector that contributes the least to the economy of the province is the construction sector with a contribution of R 4.83 billion or 2.44% of the total GVA.

The figure below provides a summary of growth in tourism (using bed nights) for Free State Province from 2006-2016.

Figure: Growth in tourism (using bed nights), Free State, 2006 - 2016



Source: IHS Markit Regional eXplorer version 1160

From 2006 to 2016 the number of bed nights spent by international tourists overtook the number of bed nights spent by domestic tourists. This is as a result of negative growth in the domestic tourists compared to the positive growth seen in the number of bed nights spent by international tourists in Free State Province.

## 1.1.7. Sector Growth Forecast

It is expected that the total industries in the Free State will grow at an average annual rate of 0.67% from 2016 to 2021 as per the table below.<sup>6</sup>

Table: GVA by broad economic sector – FS, 2016 – 2021 (R Billions, constant 2010 prices)

	2016	2017	2018	2019	2020	2021	Average Annual growth
Agriculture	4.5	4.8	4.9	5.0	5.1	5.3	3.51%
Mining	18.8	18.1	16.9	15.9	15.1	14.4	-5.24%
Manufacturing	15.7	15.6	15.8	16.1	16.5	16.9	1.52%
Electricity	4.4	4.4	4.4	4.4	4.5	4.6	1.03%
Construction	4.2	4.2	4.2	4.2	4.3	4.4	0.93%
Trade	26.2	25.8	25.9	26.1	26.7	27.4	0.84%
Transport	12.6	12.7	12.9	13.1	13.5	14.0	2.14%
Finance	22.6	22.7	23.1	23.7	24.4	25.1	2.15%
Community services	35.1	35.4	35.3	35.6	36.1	36.9	0.97%
<b>Total Industries</b>	<b>144.1</b>	<b>143.5</b>	<b>143.3</b>	<b>144.1</b>	<b>146.3</b>	<b>148.9</b>	<b>0.67%</b>

Source: IHS Markit Regional eXplorer version 1160

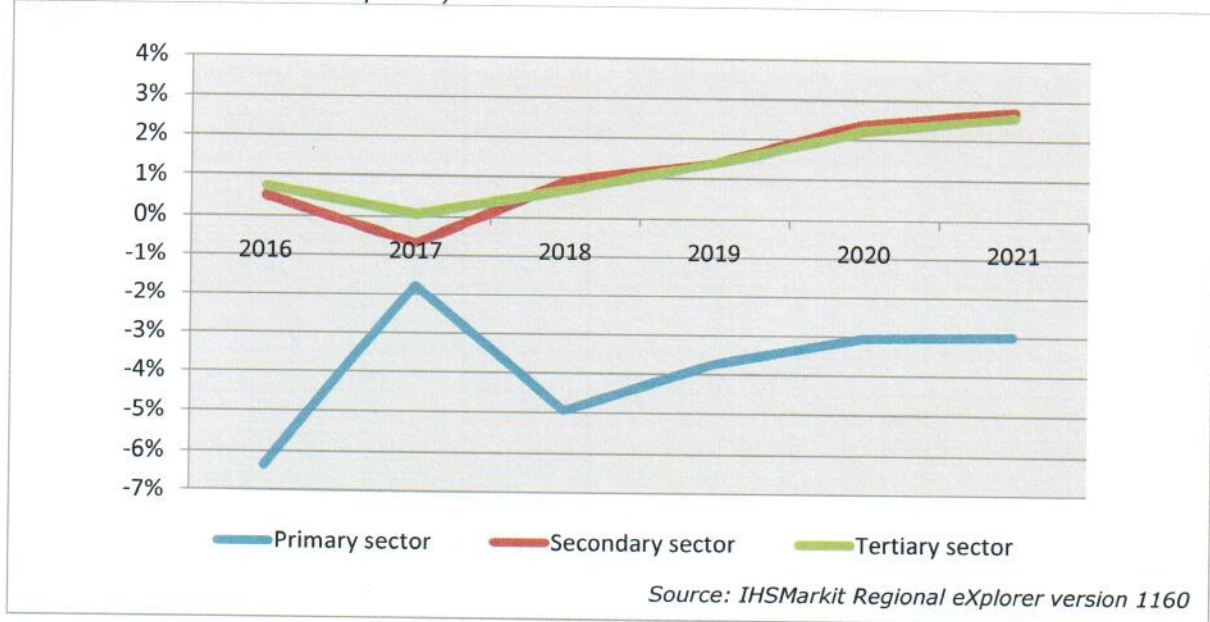
The agriculture sector is expected to grow fastest at an average of 3.51% annually from R 4.45 billion in Free State Province to R 5.29 billion in 2021. The community services sector is estimated to be the largest sector within the Free State Province in 2021, with a total share of 24.7% of the total GVA (as measured in current prices), growing at an average annual rate of 1.0%. The sector that is estimated to grow the slowest is the mining sector with an average annual growth rate of -5.24%.

When looking at the primary (agriculture & mining), secondary (manufacturing, electricity & construction) and tertiary sectors (trade, transport, finance & the community services sector) as in indicated in *figure 6* below, the primary sector is expected to grow at an average annual rate of -3.30% between 2016 and 2021, with the secondary sector growing at 1.33% on average annually. The tertiary sector is expected to grow at an average annual rate of 1.37% for the same period.<sup>7</sup>

<sup>6</sup> Source: IHS Markit Regional eXplorer version 1160

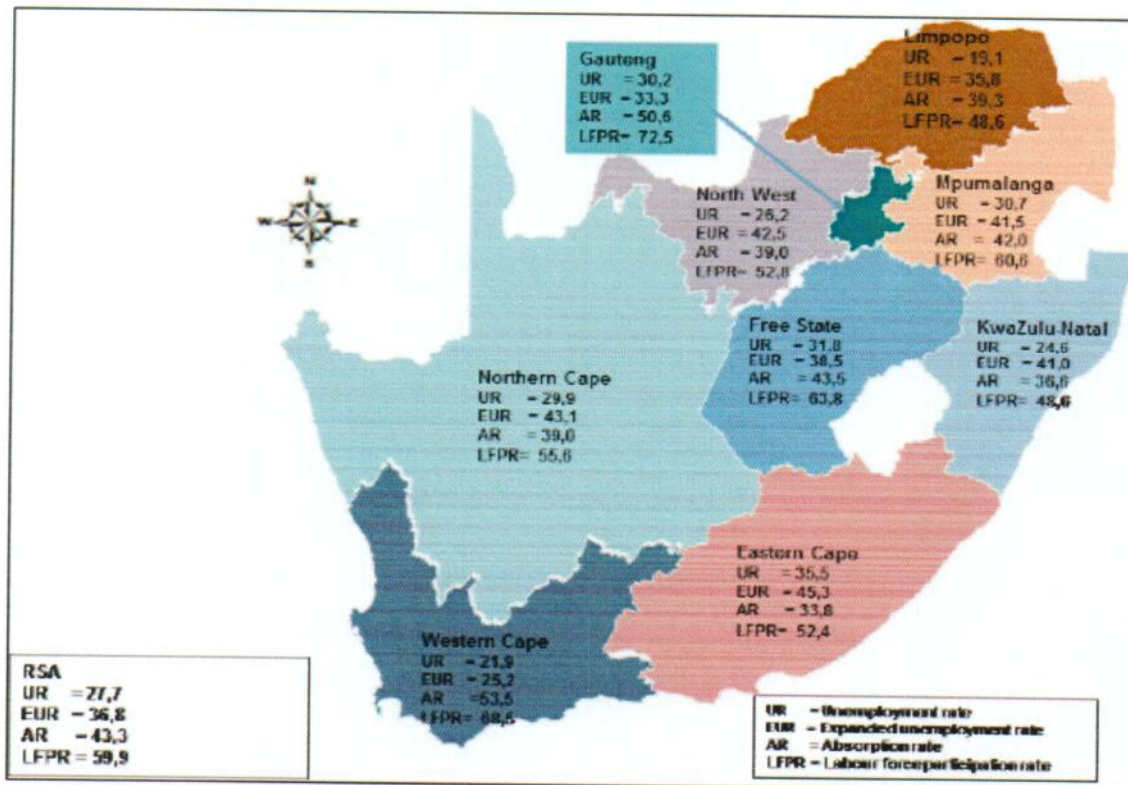
<sup>7</sup> IHS Markit Regional eXplorer version 1160

Figure: GVA by aggregate economic sector – Free State Province, 2016 – 2021 (Annual growth rate, constant 2010 prices)



### 1.1.8. Free State Labour Market

#### Summary - SA labour market measures at a glance, Q3: 2017



### 1.1.9. Labour force characteristics

Statistics South Africa in the recent Quarterly Labour Force Survey (QLFS) recorded 1 890 000 working age population (people in the age group 15-64) for Free State in Q3: 2017. The province registered 1 884 000 people for the same period in 2016. It is thus evident from Table 9 (below) that the population in the age group 15-64 increased with 6 000 year-on-year (Q3: 2016 to Q3: 2017). This implies that the economy of the province should grow faster in order to absorb this increasing number of new entrants into the labour market.

It should further be mentioned that the labour force increased by 20 000 from 1 186 000 in Q3:2016 to 1 205 000 in Q3:2017, which represents an increase of 1.7%. Quarter-to-quarter (Q2:2017 to Q3:2017) changes also reflect an increase of 22 000, from 1 184 000 to 1 205 000, which represents an increase of 1.8%.

Table 10: Labour force characteristics – Free State, Quarter 3:2017

	Jul-Sep 2016	Oct-Dec 2016	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
								Percentage	
Population 15-64	1 884	1 885	1 887	1 888	1 890	2	6	0.1	0.3
Labour force	1 186	1 160	1 188	1 184	1 205	22	20	1.8	1.7
Employed	781	757	767	777	821	45	41	5.8	5.2
Unemployed	405	403	421	407	384	-23	-21	-5.7	-5.2
Not economically Active	699	726	699	704	685	-20	-14	-2.8	-2.0
Discouraged work-Seekers	85	82	88	84	81	-3	-4	-4.1	-4.8
Other	614	644	611	620	604	-16	-10	-2.6	-1.6
Rates (%)									
Unemployment rate	34.2	34.7	35.5	34,4	31,8	-2.6	-2.4	-	-
Employed population ratio (absorption)	41.4	40.2	40.6	41,1	43,5	2.4	2.1		
Labour force participation rate	62.9	61.5	63.0	62,7	63,8	1.1	0.9		

Source: Stats SA, QLFS, Q3 2017

It is however important to note that discouraged work seekers decreased year-on-year (Q3:2016 to Q3:2017) with 4 000. Not economically active population also decreased year-on-year with 2.0%. These trends, despite the decrease, clearly demonstrate the need for the Free State to grow the economy in order to bring down the level of poverty, unemployment and inequality.

## 1.1.10. Unemployment

Table: Unemployment rate by province – Q3: 2017

	Official unemployment rate					Expanded unemployment rate		
	Jul-Sep 2016	Apr-Jun 2017	Jul-Sep 2017	Qtr-to-qtr Change	Year-on-year change	Jul-Sep 2016	Jul-Sep 2017	Y-on-Y Change
	Per cent		Percentage points		Per cent		% points	
<b>South Africa</b>	27,1	27,7	27,7	0,0	0,6	36,3	36,8	0,5
<b>Western Cape</b>	21,7	20,7	21,9	1,2	0,2	24,8	25,2	0,4
<b>Eastern Cape</b>	28,2	34,4	35,5	1,1	7,3	41,3	45,3	4,0
<b>Northern Cape</b>	29,6	30,5	29,9	-0,6	0,3	41,8	43,1	1,3
<b>Free State</b>	34,2	34,4	31,8	-2,6	-2,4	40,4	38,5	-1,9
<b>KwaZulu-Natal</b>	23,5	24,0	24,6	0,6	1,1	40,4	41,0	0,6
<b>North West</b>	30,5	27,2	26,2	-1,0	-4,3	44,6	42,5	-2,1
<b>Gauteng</b>	29,1	29,9	30,2	0,3	1,1	32,8	33,3	0,6
<b>Mpumalanga</b>	30,4	32,3	30,7	-1,6	0,3	41,4	41,5	0,1
<b>Limpopo</b>	21,9	20,8	19,1	-1,7	-2,8	36,3	35,8	-0,5

Source: Stats SA, QLFS Q3, 2017

The official unemployment rate in South Africa remained unchanged in Q3: 2017 compared to Q2: 2017. In comparison to the same period last year, the unemployment rate increased by 0,6 of a percentage point.

Free State Province recorded the largest decline in the unemployment rate from 34.4% in Q2:2017 to 31.8% in Q3:2017 (down by 2,6 percentage points). Year-on-year it represents a decline of 2.4 percentage points in Q3:2017 compared to Q3:2016.

The province thus was successful in creating 45 000 jobs between Q2:2017 and Q3: 2017. Compared to Q3:2016, employment increased with 41 000.

From these figures, it is clear that the challenge of unemployment is being prioritised and addressed by the Free State Provincial Government and role-players in the private sector. In Q3:2016, the province had the highest unemployment rate of 34,2%, followed by the North West's 30,5%. This ranking changed in Q3: 2017 whereby the Free State recorded the second highest rate of unemployment in the country of 31,8%. This, once again, despite the improvement in the unemployment rate demonstrates the need for the Free State to radical transform the economy in order to bring down the level of unemployment, poverty and inequality.

## 1.1.11. Employment by industry

Employment in the province during Q3: 2017 was the highest in Community and Social Services followed by Trade and Private Households as per *table 12* below. These industries recorded a workforce of 198 000, 178 000 and 88 000, respectively. The

situation a year ago (Q3: 2016) was the same for these industries which recorded a workforce of 193 000, 176 000 and 97 000 respectively.

Table: Employment per industry – Q3:2016 to Q3:2017

	Jul-Sep 2016	Oct-Dec 2016	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousands					Percentage			
<b>Free State</b>	<b>781</b>	<b>757</b>	<b>767</b>	<b>777</b>	<b>821</b>	<b>45</b>	<b>41</b>	<b>5.8</b>	<b>5.2</b>
Agriculture	60	65	70	80	75	-4	16	-5,6	26,3
Mining	28	17	17	15	17	3	-11	16,9	-37,6
Manufacturing	60	59	68	69	55	-15	-5	-21,1	-9,1
Utilities	10	10	12	11	11	0	1	-3,7	9,5
Construction	55	54	56	61	73	12	18	19,9	33,2
Trade	176	193	175	165	178	13	2	8,0	0,9
Transport	38	36	43	44	51	7	13	16,2	32,8
Finance	63	53	54	59	75	16	12	26,8	18,9
Community & Social Services	193	181	190	176	198	22	5	12,2	2,6
Private households	97	89	82	96	88	-8	-9	-8,5	-9,5

Source: Stats SA, QLFS, Q3 2017

It is important to note that the highest employment gains year-on-year (Q3:2016 to Q3:2017) were recorded in Construction and Agriculture contributing 18 000 and 16 000 jobs respectively. The workforce in both Transport and Finance also increased with 32.8% and 18.9% respectively.

Annual changes, furthermore as per the above table shows that Mining recorded the highest job losses over the period Q3: 2016 and Q3: 2017. Mining shed 11 000 jobs followed by Private Households and Manufacturing with 9 000 and 5 000 jobs respectively.

From the data provided above, it is clear that two of the 5 priority sectors in the province as per the Free State Growth and Development Strategy (FSGDS), namely Mining and Manufacturing lost jobs during Q3: 2016 and Q3: 2017. Much needs to be done to sustain the current jobs, as well as to create new jobs in these sectors.

The table below clearly highlights the role that the Formal Sector is playing in employment creation. An increase of 4% year-on-year is noted in this sector, while the Informal sector recorded an increase of 10.4%

Table: Employment per sector – Q3:2016 to Q3:2017

	Jul-Sep 2016	Oct-Dec 2016	Jan-Mar 2017	Apr-Jun 2017	Jul-Sep 2017	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousands					Percentage			
<b>Free State</b>	<b>781</b>	<b>757</b>	<b>767</b>	<b>777</b>	<b>821</b>	<b>45</b>	<b>41</b>	<b>5.8</b>	<b>5.2</b>
<b>Formal sector (Non-agriculture)</b>	<b>478</b>	<b>460</b>	<b>458</b>	<b>463</b>	<b>497</b>	<b>34</b>	<b>19</b>	<b>7,4</b>	<b>4,0</b>
<b>Informal sector (Non-agriculture)</b>	<b>146</b>	<b>143</b>	<b>156</b>	<b>138</b>	<b>161</b>	<b>23</b>	<b>15</b>	<b>17,0</b>	<b>10,4</b>

Agriculture	60	65	70	80	75	-4	16	-5,6	26,3
Private households	97	89	82	96	88	-8	-9	-8,5	-9,5

Source: Stats SA, QLFS, Q3 2017

It is thus imperative, according to this data to consider sustainable long-term initiatives to grow the informal sector despite the positive increase of 15 000 jobs. It is said against the background to radically transform the informal economy.

### 1.1.12. Conclusion

- The Free State's provincial economy was traditionally rooted in the primary sectors, but since the early 1990s, economic growth has been driven mainly by the tertiary sector.
- The provincial economy was not immune to the global economic crisis, and thus fell into a technical recession in 2009. This has affected economic growth in the Free State.
- The mining sector in the province was more resilient than the national sector in, 2009, 2012 and 2014. During 2012, the Marikana Strike, which affected platinum mining, resulted in a contraction of national mining and quarrying by 2.9 per cent, whilst the Free State sector remained largely unaffected with a growth of 1.1 per cent. The platinum strike in the first half of 2014 resulted in contraction of the national mining and quarrying sector by 1.6 per cent, but the Free State sector remained unaffected and grew by 1.0 per cent.
- Amongst other factors, two prominent factors played a key role in the economic performance of the Free State agriculture in 2015 and 2016, which are namely 1) the recent El Nino episode in Southern Africa which has resulted in drought for the region, as well as 2) unresolved issues between USA and South Africa surrounding the AGOA agreement.
- Furthermore, the performance of the provincial economy may also be affected by labour market disruptions (e.g. in the platinum industry in 2014 and in the coal and gold industries in 2015); rising input costs to mining; electricity crisis in South Africa; China's slow demand for commodities, which has resulted in lower commodities prices; and interest rate expectations in relation to investment (e.g. in gold as well as exchange rate fluctuations).

- SEDA (2012) as well as the McKinsey Global Institute (2015) also highlights challenges faced by manufacturing on a national and provincial scale as: high input costs including inland logistics, production costs as well as labour costs.

#### **1.4. Tourism Sector**

The province experienced a continuous increase of international tourists during the period 2002 to 2011 with the exception of 2009 due to the global recession.

An overall analysis of Figure 4 concludes that the Free State has experienced an increase of international tourists from 15.6% in 2002 to 26% in 2011, an increase of 10.4%. A decrease in international tourists occurred in 2009 (from 23.1% in 2008 to 21.6%). An increase of 1.5% however was recorded in 2010 (to 23.1%) and the number further rose to 26% in 2011.

The above trends are however different in relation to the domestic tourists. Figure 4 clearly indicates the overall decline from 84.4% in 2002 to 74% in 2011 (a decline of 10.4% over a ten year period). This trend indicates the declining significance of the Free State province as a tourism hotspot for South African tourists. Effort should be made to market the province's tourist hotspots and create an awareness of the province's tourism potential.

Today, tourism is estimated to contribute approximately 10% to the global Gross Domestic Product (GDP), considering its direct, indirect and induced impacts. According to UNWTO, in 2014, there were 1.1 billion international tourist arrivals, up from a mere 25 million in 1950. These tourists generated US\$ 1.5 trillion in exports to the visited economies or 6% of the world's total exports. It is estimated that one out of every eleven jobs worldwide is directly or indirectly linked to tourism. Source: UNWTO, 2015.

In South Africa, tourist arrivals continue to grow every year. The direct and indirect contribution of tourism to the country's GDP is currently R323 billion which is about 9.5% of total GDP. The tourism sector supports over 1.4 million jobs, representing about 10% of total employment in the country.

In the Free State Province, it is important that on the demand side the province intensifies its efforts to ensure effective marketing of the province in order to attract domestic tourists as well as international tourists. On the supply side, the province must continue to enhance tourism infrastructure, up skill the sector, inculcate the culture of service excellence and enhance the provision of world class visitor experiences.



## Free State Tourism Provincial Indicators.

## FREE STATE PROVINCE

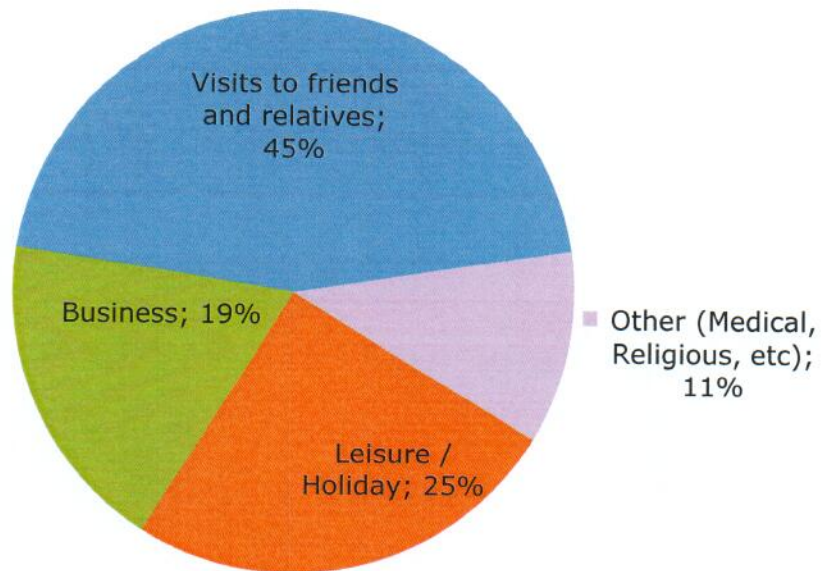
a) Number of trips by purpose of trips - free state province, 2004-2014 [number

	Leisure / Holiday	Business	Visits to friends and relatives	Other (Medical, Religious, etc.)	Total
2004	153,000	135,000	727,000	116,000	1,130,000
2005	159,000	147,000	742,000	115,000	1,160,000
2006	177,000	158,000	745,000	119,000	1,200,000
2007	205,000	158,000	724,000	119,000	1,210,000
2008	224,000	159,000	694,000	121,000	1,200,000
2009	228,000	163,000	656,000	118,000	1,170,000
2010	250,000	183,000	628,000	125,000	1,180,000
2011	261,000	192,000	601,000	129,000	1,180,000
2012	286,000	209,000	597,000	137,000	1,230,000
2013	306,000	225,000	589,000	140,000	1,260,000
2014	325,000	236,000	579,000	141,000	1,280,000
				<b>Average Annual growth</b>	
2004-2014	<b>7.86%</b>	<b>5.79%</b>	<b>-2.25%</b>	<b>1.98%</b>	<b>1.26%</b>

Source: IHS Global Insight Regional eXplorer version 920

In Free State Province, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2004 (152 000) to 2014 (325 000) at 7.86%. Visits to friends and relatives recorded the highest number of visits in 2014 at 579 000, with an average annual growth rate of -2.25%. The tourism type that recorded the lowest growth was Visits to friends and relatives tourism with an average annual growth rate of -2.25% from 2004 (727 000) to 2014 (579 000).

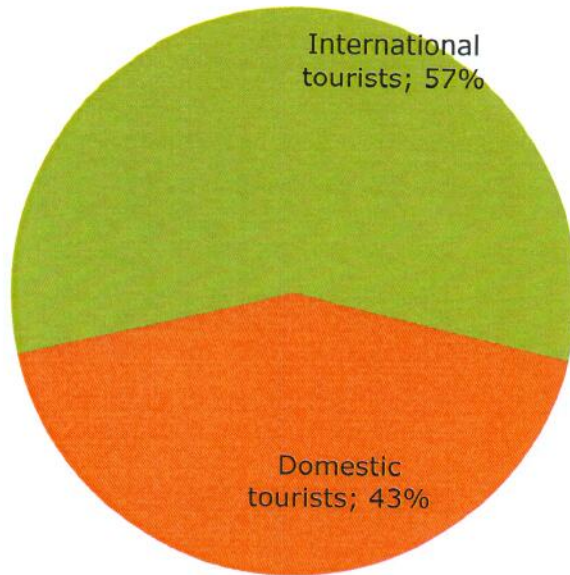
### Tourism - trips by Purpose of trip Free State Province, 2014



Source: IHS Global Insight Regional eXplorer version 920

The Visits to friends and relatives at 45.18% has largest share the total tourism within Free State Province. Leisure / Holiday tourism had the second highest share at 25.37%, followed by Business tourism at 18.45% and the other (Medical, Religious, etc.) tourism with the smallest share of 11.00% of the total tourism within Free State Province.

### Tourism - tourists by origin Free State Province, 2014



Source: IHS Global Insight Regional eXplorer version 920

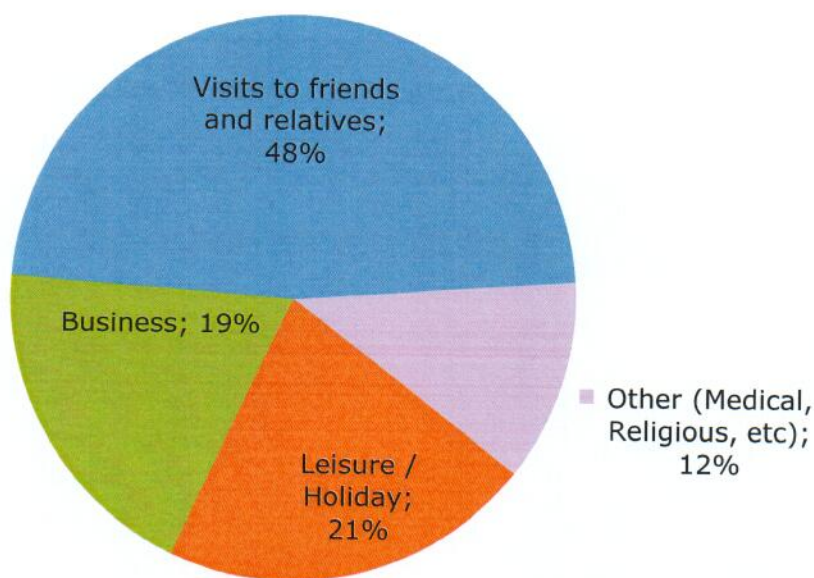
## FEZILE DABI DISTRICT MUNICIPALITY

## a) Number of trips by purpose of trips - Fezile Dabi District Municipality, 2004-2014

	Leisure Holiday	/ Business	Visits friends relatives	to and	Other (Medical, Religious, etc.)	Total
2004	18,600	19,900	99,400		19,300	157,000
2005	19,600	22,200	103,000		19,300	164,000
2006	22,000	24,300	104,000		20,300	171,000
2007	25,600	24,300	103,000		20,600	174,000
2008	28,600	24,400	100,000		21,300	175,000
2009	29,900	24,700	96,500		20,700	172,000
2010	33,100	27,400	93,300		21,200	175,000
2011	33,000	28,900	91,300		21,000	174,000
2012	33,000	31,500	91,000		21,700	177,000
2013	35,200	33,300	89,900		21,300	180,000
2014	39,600	35,600	88,200		21,600	185,000
<b>Average Annual growth</b>						
2004-2014	<b>7.85%</b>	<b>5.98%</b>	<b>-1.19%</b>		<b>1.14%</b>	<b>1.64%</b>

In Fezile Dabi District Municipality, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2004 (18 600) to 2014 (39 600) at 7.85%. Visits to friends and relatives recorded the highest number of visits in 2014 at 88 200, with an average annual growth rate of -1.19%. The tourism type that recorded the lowest growth was Visits to friends and relatives tourism with an average annual growth rate of -1.19% from 2004 (99 400) to 2014 (88 200).

### Tourism - trips by Purpose of trip Fezile Dabi District Municipality, 2014

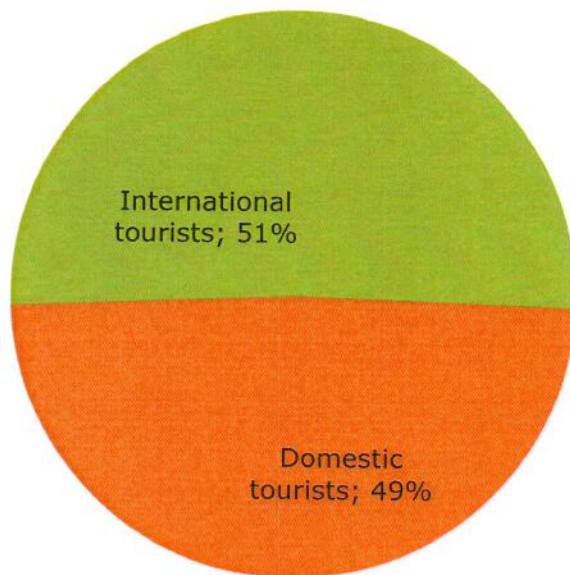


Source: IHS Global Insight Regional eXplorer version 920

The Visits to friends and relatives at 47.66% has largest share the total tourism within Fezile Dabi District Municipality. Leisure / Holiday tourism had the second highest share at 21.42%, followed by Business tourism at 19.24% and the other (Medical, Religious, etc.) tourism with the smallest share of 11.68% of the total tourism within Fezile Dabi District Municipality.

### Tourism - tourists by origin

Fezile Dabi District Municipality, 2014



Source: IHS Global Insight Regional eXplorer version 920

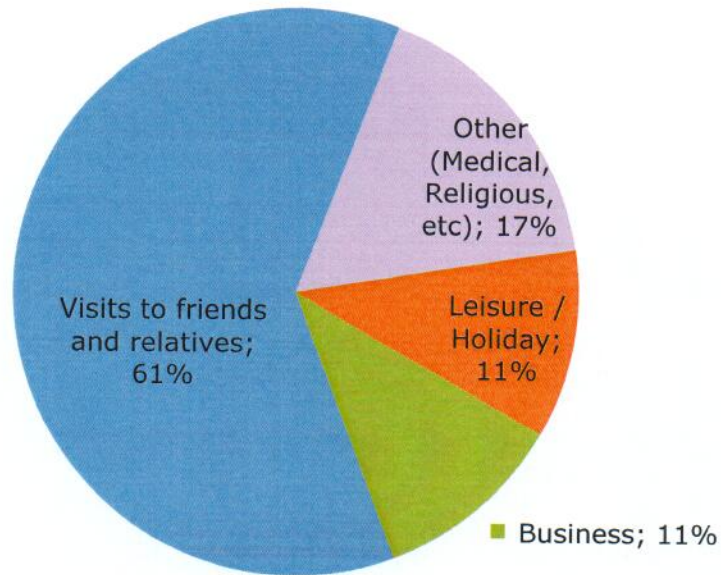
**LEJWELEPUTSWA DISTRICT MUNICIPALITY**

## a) Number of trips by purpose of trips - Lejweleputswa District Municipality, 2004-2014

	Leisure Holiday	/ Business	Visits friends relatives	to and	Other (Medical, Religious, etc.)	Total
2004	14,300	18,300	158,000		24,100	214,000
2005	14,100	18,900	163,000		23,700	219,000
2006	14,600	19,400	164,000		25,000	223,000
2007	15,600	18,700	162,000		25,400	221,000
2008	16,600	18,900	155,000		26,500	217,000
2009	16,700	18,600	147,000		26,500	209,000
2010	17,100	20,200	141,000		29,000	208,000
2011	18,200	20,200	134,000		30,700	204,000
2012	19,100	21,500	133,000		33,300	207,000
2013	20,600	22,100	132,000		35,200	210,000
2014	22,600	23,100	130,000		35,200	211,000
<b>Average Annual growth</b>						
2004-2014	<b>4.72%</b>	<b>2.33%</b>	<b>-1.94%</b>		<b>3.88%</b>	<b>-0.18%</b>

In Lejweleputswa District Municipality, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2004 (14 300) to 2014 (22 600) at 4.72%. Visits to friends and relatives recorded the highest number of visits in 2014 at 130 000, with an average annual growth rate of -1.94%. The tourism type that recorded the lowest growth was Visits to friends and relatives tourism with an average annual growth rate of -1.94% from 2004 (158 000) to 2014 (130 000).

### Tourism - trips by Purpose of trip Lejweleputswa District Municipality, 2014



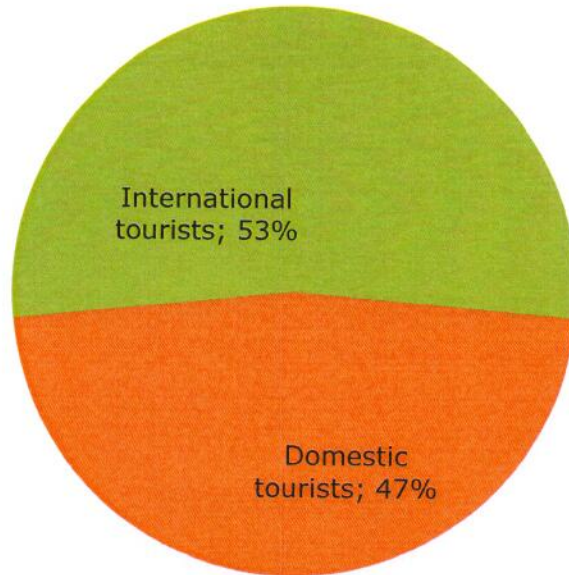
Source: IHS Global Insight Regional eXplorer version 920

The Visits to friends and relatives at 61.58% has largest share the total tourism within Lejweleputswa District Municipality. Other (Medical, Religious, etc.) tourism had the second highest share at 16.72%, followed by Business tourism at 10.96% and the Leisure / Holiday tourism with the smallest share of 10.75% of the total tourism within Lejweleputswa District Municipality.



### Tourism - tourists by origin

Lejweleputswa District Municipality, 2014



Source: IHS Global Insight Regional Explorer version 920

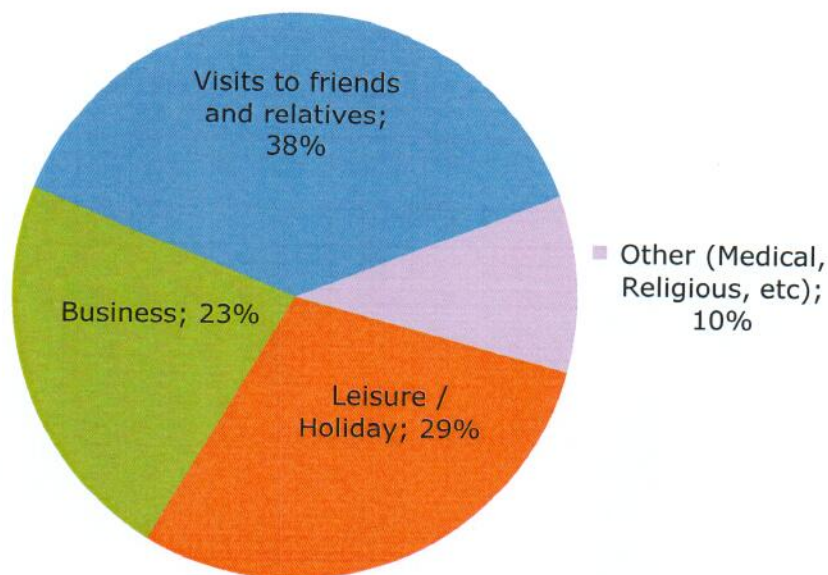
**MANGAUNG METROPOLITAN MUNICIPALITY**

## a) Number of trips by purpose of trips - Mangaung Metropolitan Municipality, 2004-2014

	Leisure Holiday	/ Business	Visits friends relatives	to and	Other (Medical, Religious, etc.)	Total
2004	70,700	61,900	206,000		41,100	379,000
2005	73,500	67,700	211,000		40,200	392,000
2006	82,700	72,100	213,000		40,800	409,000
2007	96,200	71,400	210,000		40,100	417,000
2008	106,000	71,600	204,000		39,500	420,000
2009	107,000	74,300	195,000		38,300	415,000
2010	119,000	84,000	190,000		41,000	434,000
2011	124,000	89,300	189,000		43,000	445,000
2012	138,000	97,700	191,000		46,500	473,000
2013	145,000	106,000	190,000		49,400	490,000
2014	145,000	111,000	188,000		49,700	494,000
<b>Average Annual growth</b>						
2004-2014	<b>7.48%</b>	<b>6.02%</b>	<b>-0.89%</b>		<b>1.92%</b>	<b>2.68%</b>

In Mangaung Metropolitan Municipality, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2004 (70 600) to 2014 (145 000) at 7.48%. Visits to friends and relatives recorded the highest number of visits in 2014 at 188 000, with an average annual growth rate of -0.89%. The tourism type that recorded the lowest growth was Visits to friends and relatives tourism with an average annual growth rate of -0.89% from 2004 (206 000) to 2014 (188 000).

### Tourism - trips by Purpose of trip Mangaung Metropolitan Municipality, 2014

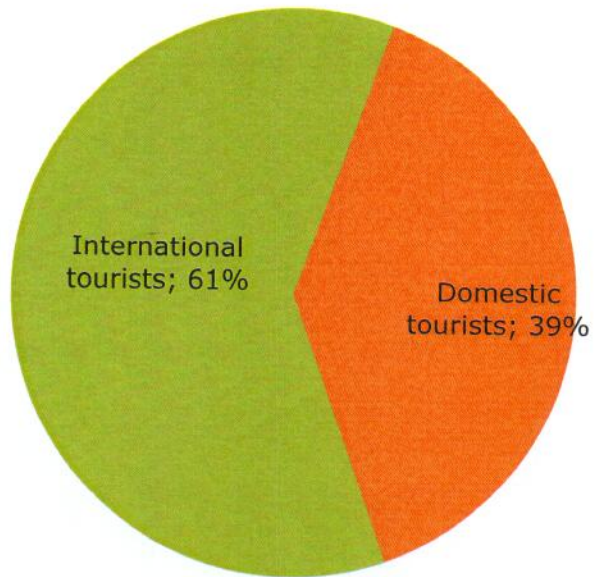


Source: IHS Global Insight Regional eXplorer version 920

The Visits to friends and relatives at 38.07% has largest share the total tourism within Mangaung Metropolitan Municipality. Leisure / Holiday tourism had the second highest share at 29.40%, followed by Business tourism at 22.48% and the other (Medical, Religious, etc.) tourism with the smallest share of 10.06% of the total tourism within Mangaung Metropolitan Municipality.

### Tourism - tourists by origin

Mangaung Metropolitan Municipality, 2014



Source: IHS Global Insight Regional eXplorer version 920

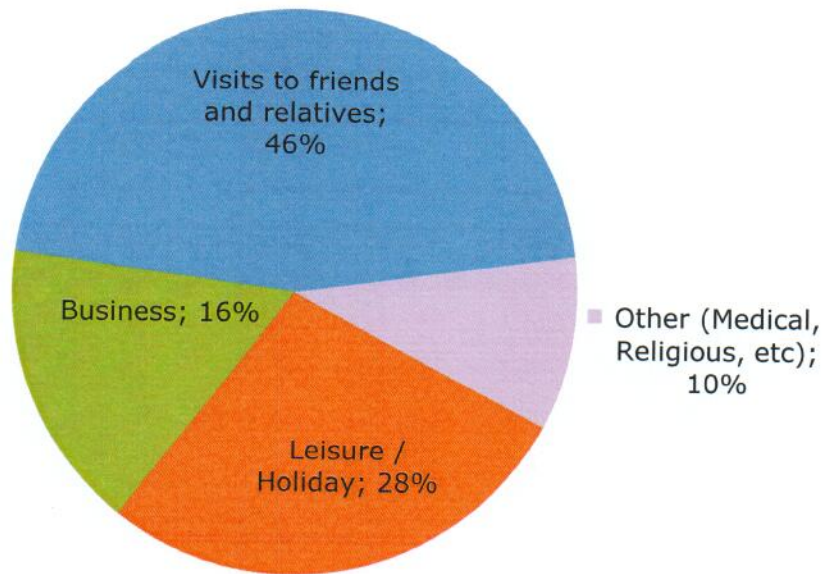
**THABO MOFUTSANYANA DISTRICT MUNICIPALITY**

## a) Number of trips by purpose of trips - Thabo Mofutsanyana District Municipality, 2004-2014

	Leisure Holiday	/ Business	Visits friends relatives	to and	Other (Medical, Religious, etc.)	Total
2004	37,100	27,100	234,000		28,200	327,000
2005	38,600	30,200	234,000		28,300	331,000
2006	43,500	33,500	229,000		29,800	335,000
2007	50,500	33,700	214,000		30,000	328,000
2008	54,800	34,500	199,000		30,800	320,000
2009	55,000	35,500	182,000		29,600	302,000
2010	59,800	39,700	168,000		30,400	298,000
2011	63,700	41,400	153,000		30,600	289,000
2012	71,000	45,300	149,000		32,000	297,000
2013	78,400	48,900	146,000		30,800	304,000
2014	86,600	51,500	142,000		30,800	311,000
<b>Average Annual growth</b>						
2004-2014	<b>8.85%</b>	<b>6.62%</b>	<b>-4.86%</b>		<b>0.86%</b>	<b>-0.48%</b>

In Thabo Mofutsanyana District Municipality, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2004 (37 100) to 2014 (86 600) at 8.85%. Visits to friends and relatives recorded the highest number of visits in 2014 at 142 000, with an average annual growth rate of -4.86%. The tourism type that recorded the lowest growth was Visits to friends and relatives tourism with an average annual growth rate of -4.86% from 2004 (234 000) to 2014 (142 000).

### Tourism - trips by Purpose of trip Thabo Mofutsanyana District Municipality, 2014



Source: IHS Global Insight Regional eXplorer version 920

The Visits to friends and relatives at 45.74% has largest share the total tourism within Thabo Mofutsanyana District Municipality. Leisure / Holiday tourism had the second highest share at 27.83%, followed by Business tourism at 16.54% and the other (Medical, Religious, etc.) tourism with the smallest share of 9.89% of the total tourism within Thabo Mofutsanyana District Municipality.

### Tourism - tourists by origin

Thabo Mofutsanyana District Municipality, 2014



Source: IHS Global Insight Regional eXplorer version 920

**XHARIEP DISTRICT MUNICIPALITY**

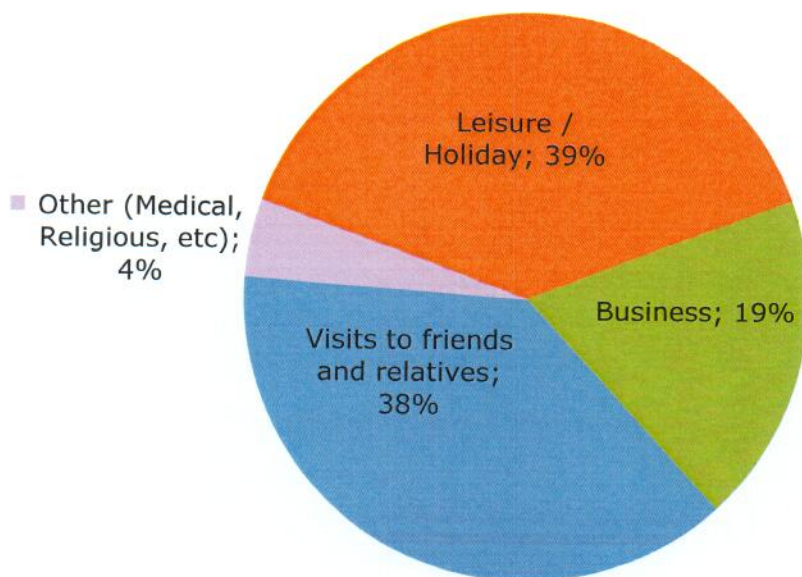
## a) Number of trips by purpose of trips - Xhariep District Municipality, 2004-2014

	Leisure Holiday	/ Business	Visits friends relatives	to and	Other (Medical, Religious, etc.)	Total
2004	11,900	7,240	29,700		2,990	51,900
2005	12,700	8,220	32,300		3,130	56,400
2006	14,500	9,210	34,600		3,280	61,600
2007	16,900	9,420	35,600		3,240	65,200
2008	18,800	9,710	35,800		3,040	67,300
2009	19,700	10,200	35,600		2,940	68,400
2010	21,300	11,500	35,100		3,140	71,000
2011	22,700	12,200	33,400		3,190	71,400
2012	24,700	13,200	32,600		3,410	73,900
2013	27,300	14,300	31,400		3,310	76,200
2014	30,800	15,000	30,300		3,520	79,600
<b>Average Annual growth</b>						
2004-2014	<b>10.00%</b>	<b>7.54%</b>	<b>0.18%</b>		<b>1.64%</b>	<b>4.38%</b>

In Xhariep District Municipality, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2004 (11 900) to 2014 (30 800) at 10.00%. The type of tourism with the highest volume of tourists was also the Leisure / Holiday tourism with a total number of 30 800 annual tourist and had an average annual growth rate of 10.00%. The tourism type that recorded the lowest growth was Visits to friends and relatives tourism with an average annual growth rate of 0.18% from 2004 (29 700) to 2014 (30 300).



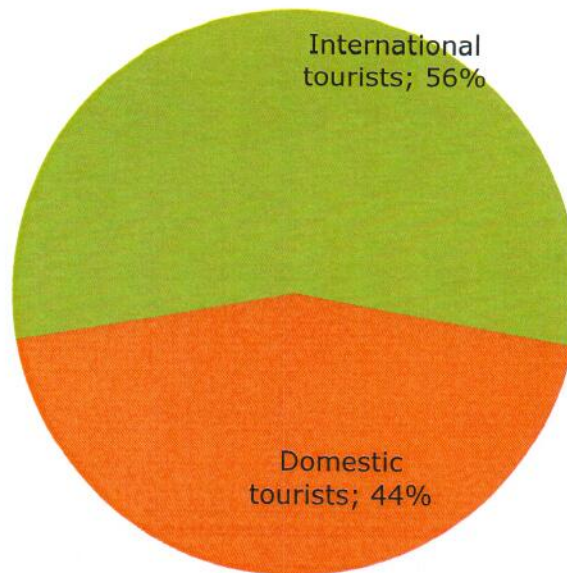
### Tourism - trips by Purpose of trip Xhariep District Municipality, 2014



Source: IHS Global Insight Regional Explorer version 920

The Leisure / Holiday at 38.73% has largest share the total tourism within Xhariep District Municipality. Visits to friends and relatives tourism had the second highest share at 38.03%, followed by Business tourism at 18.83% and the other (Medical, Religious, etc.) tourism with the smallest share of 4.42% of the total tourism within Xhariep District Municipality.

### Tourism - tourists by origin Xhariep District Municipality, 2014

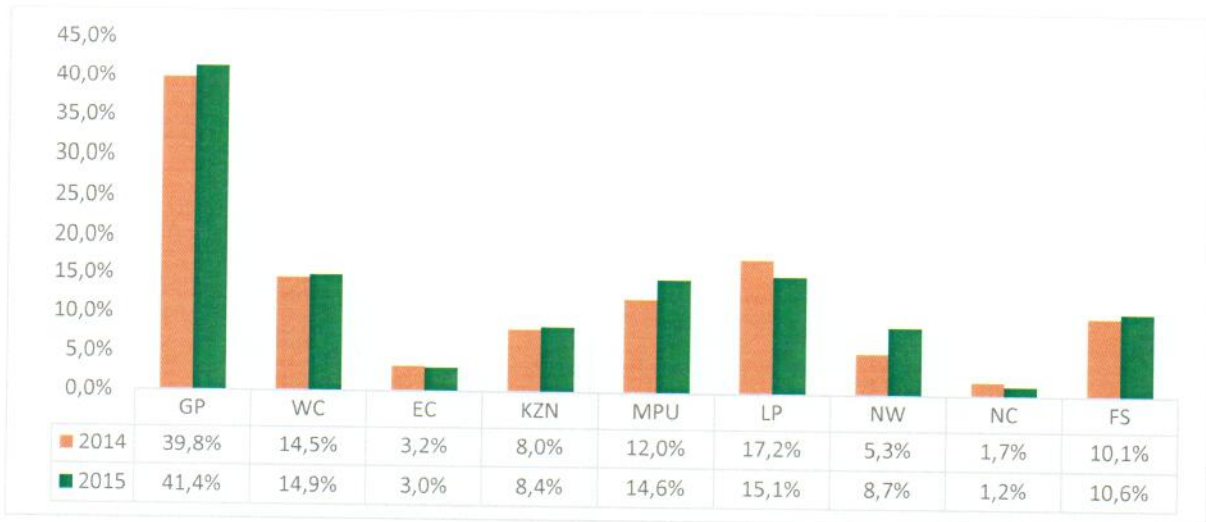


Source: IHS Global Insight Regional eXplorer version 920

### International Tourism Performance in Free State up to 2015

Compared to 2014 figures, there has been a decrease in the number of international tourists visiting the Free State. There were 960 147 international tourist arrivals who visited the Free State however in 2015 there was a decline of 12 286 which resulted in 947 861 international tourist arrivals that visited the Free State. However when comparing the distribution of international tourist arrivals with the other eight provinces, the share of arrivals for Free State has increased in 2015 to 10.6% from 10.1% in 2014

### Distribution of International Tourist Arrivals by Province (2014-2015)



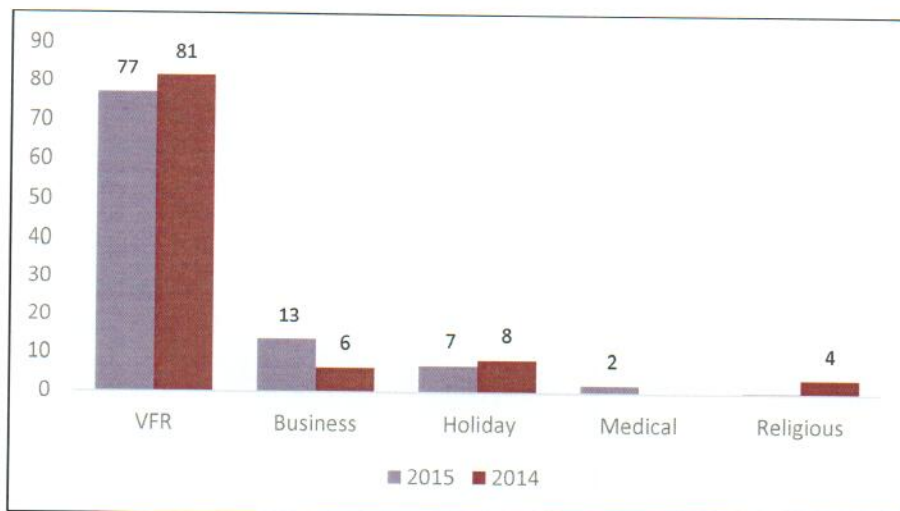
Data for 2014 and 2015 shows that the spend in Free State from international tourist arrivals has increased by 9.5% (R 114 million) in 2015 to R 1 320 million from R 1 206 million in 2014. The average length of stay for international tourists visiting Free State increased slightly from 9.6 days in 2014 to 9.7 days in 2015 (South African Tourism 2015). In 2014, paid bed nights in the Free State was 409 863 which increased by 30.5% in 2015 to 534 748.

All categories of purpose of visit has also increased from 2014 to 2015 with an exception of visiting friends and relatives (VFR) which decreased from 87.9% in 2014 to 66.6% in 2015. Seasonality in the Free State increased with the index moving from 4.38% in 2014 to 6.96% in 2015. (SAT Dataset 2015).

### Domestic Tourism Performance in Free State (2015)

Overall domestic tourism results for 2015 show that the number of domestic tourism trips decreased by 12.5% from 28.0 million in 2014 to 24, 5 million in 2015. However trips from domestic tourists to Free State has increased from 4% in 2014 to 5% in 2015. As seen in figure 2, most of the domestic trips taken were for the purpose of visiting friends and relatives (VFR) (77%), followed by business (13%), holiday (8%) and medical (2%). Compared to 2014, there was a decline in trips for VFR, holiday and religious.

### Free State Domestic Trips by purpose of Visit (2014-2015)



With regards to total direct spend, Free State remained relatively stable by receiving 4% of the total spend in 2014 (R 26.8 billion) and 2015 (R23.6 billion) respectively (see Table below-SAT Annual Report 2015). The average length of stay decreased from 3.8 days in 2015 when compared to 4.7 days in 2014.

#### Total spend and provincial shares

Total Direct Domestic Spend by Destination Province (R' billion)			
	2013	2014	2015
Eastern Cape	10%	11%	17%
Free State	3%	4%	4%
Gauteng	15%	16%	10%
KwaZulu Natal	27%	19%	23%
Limpopo	18%	21%	22%
Mpumalanga	11%	9%	8%
Northern Cape	2%	2%	1%
North West	5%	7%	5%
Western Cape	9%	10%	9%
<b>TOTAL</b>	<b>R24.3</b>	<b>R26.8</b>	<b>R23.6</b>

#### Potential Growth in Tourism in the Free State

The Free State Province is situated at the heart of the South Africa and it's central Geographical positioning and accessibility gives it a competitive advantage to become a destination renowned for hosting business tourism on behalf of South Africa.

The development of an International Convention Centre (ICC) will generally create substantial economic benefits, both for the tourism industry and the wider provincial

economy as inter alia conference delegates and/or business tourists are high-spending visitors. The development of an ICC not only boosts the provincial economy but it also creates opportunities during construction and when it is operational. The development will also support many more jobs across the tourism value chain including in the accommodation, catering, transport and retail sectors and across the economy. Despite the absence of an ICC at this stage, some of the popular major events such as MACUFE are already proving popularity of the Free State as a destination of choice. The Free State has an enormous potential to attract both local and international association conference wholesalers as a business destination of choice.

## 1.5. Environment

Protected Areas in the Free State Province include:

1. Caledon Nature Reserve
2. Erfenis Dam Nature Reserve
3. Gariiep Dam Nature Reserve
4. Kalkfontein Dam Nature Reserve
5. Maria Moroka Game Reserve
6. Sandveld Nature Reserve
7. Seekoeivlei Nature Reserve
8. Soetdoring Dam Reserve
9. Sterkfontein Dam Reserve
10. Tussen die Riviere Reserve
11. Willem Pretorius Game Reserve
12. Karee Nature Reserve
13. Wuras Dam Nature Reserve
14. Ficksburg Nature Reserve
15. Koppies Dam Nature Reserve
16. Rustfontein Dam Nature Reserve
17. Inclusive of 16 Municipal Owned Protected Areas in the Free State
18. 1 (One) Stewardship site is Sneeuwberg Protected Environment
19. 208 Declared privately owned Protected Areas

Various factors have influenced land use patterns in the Free State Province, the most important of which are soil type, rainfall distribution, mineral deposits, transport routes and political background. Of the total FS surface area, agriculture accounts for 90% of land use, 7% is used for settlements, 1.6% is set aside for formal conservation, while mining activity occupies approximately 0.4% of the Province. Biodiversity is defined in the Biodiversity Act (Act No. 10 of 2004) as "the variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part and also includes diversity within species, between species and of ecosystems". Only about 3.4% of the land surface of the FS was formally conserved. The Vredefort Dome and Maluti-Drakensberg Transfrontier Conservation Area are World Heritage sites. A wide range of wetland types occur in the Free State, which contribute towards the overall biological diversity of the Province with Seekoeivlei Nature Reserve a Ramsar site of international importance. Climate change is expected to bring considerable warming and drying to much of this already semi-arid region, with greater frequency and intensity of extreme weather events such as heat waves, flooding and drought. Three biomes occur within the Free State,

namely the Grassland (72% of the Province), Nama Karoo (22%), and Savannah (6%). The three key, inter-related threats to biodiversity and ecosystem health are habitat destruction, invasive alien species and climate change. About 34% of the grassland biome in the Free State has been irreversibly transformed through development, such as urban settlements, mining, agriculture and industrial facilities.

The average rainfall in South Africa is about 450 mm per annum, which is well below the world average of 860 mm per annum. In terms of the United Nations definition, South Africa is a water stressed country, bordering on water scarce. As a result, sound management of this valuable resource is essential to ensure optimum social and economic benefit to further the aims and aspirations of all the people.

The Free State Province is bordered in the north and northwest by the Vaal River, in the south by the Orange/Gariep River and in the east by the Caledon/Mohokare River. Numerous major tributaries, the Wilge, Liebenbergsvlei, Renoster, Vals, Sand, Vet, Modder and Riet Rivers divide the Province into eleven secondary drainage regions. Two primary catchment areas (an area of land from which any rainfall will drain into the water course) are located in the Free State, namely the Vaal River catchment and the Orange River catchment. Surface water resources are well developed through the construction of several large dams. The water supply is augmented by various transfer schemes that import water from other water management areas (WMA), as well as from the Kingdom of Lesotho. Future water supply will depend on increased water transfers. Groundwater is currently used for rural domestic supplies, stock watering and water supply to several towns, where surface water supply is inadequate or bulk water supply is not financially feasible. Groundwater is well utilised for water supply in the Middle Vaal, Lower Vaal and Upper Orange WMAs and is the only water resource available in many areas.

Deteriorating water quality is impacting on the quantity of water available for the different uses. Key issues of concern include the poor quality effluent discharged from municipal sewage treatment works due to overloading and/or poor operations and maintenance, polluted storm water run-off, high salinity pollution due to mining activities, as well as elevated salinity and nutrient pollution from poor farming practices. As a consequence of increased pollution levels, river health has deteriorated, resulting in loss of river functions and services, as well as the sustainability of the river ecosystem. Many wetlands of the Free State have also been directly and/or indirectly impacted upon by a variety of different land uses and from chemical and biological pollutants.

Ambient air quality is impacted by human activities. Coal and wood is still often used as a fuel for cooking and heating in lower income communities, which generates emissions that are harmful to health and quality of life. Parameters are monitored continuously and reported to the national DEA and DESTEA on a monthly basis. Methane, a greenhouse gas, is emitted from mining ventilation shafts. Waste incinerators have been identified as the principle source of dioxins and furans (Persistent Organic Pollutants (POPs)). Other sources of POPs include obsolete pesticides, which have not been quantified in the Free State.

### **1.5.1 Policy Environment**

The mandate of the Department emanates from national and provincial policies as well as legislative frameworks, as described in our 2015 – 2020 Strategic Plan. In addition to the policies and legislation mention in the Strategic Plan of the Department, the Presidency has developed a National Development Plan (NDP) Vision 2030. This plan, which maps out the direction South Africa should take to achieve Vision 2030, has been considered when developing the 2017/18 Annual Performance Plan. The main themes emphasised by the NDP includes:

- Economy and employment
- Economic infrastructure
- Transitioning to a low carbon economy
- Inclusive rural economy
- Positioning South Africa in the world
- Human settlement
- Promoting health and
- Social protection

The Medium Term Strategic Framework (MTSF), the Nine Point Plan of Government, the Provincial Growth and Development Strategy and the Provincial Programme of Action has also been encapsulated in the content of this plan.

### **1.6. Demand for services**

The demand for environmental services is largely driven by the legislative mandate of the department to protect and sustain the natural resources of the province. The services provided by the department in this regard therefore focusses in the main on the enforcement of environmental legislation, the management of bio-diversity and climate change, as well as environmental awareness and education.

The demand for economic related services is attributable to both push and pull factors. The macro-economic policies of government has resulted in the rendering of certain services in order to achieve the various policy objectives, such as tourism and industrial development. On the other hand, the current low GDP and GVA levels in the province, coupled with significantly high levels of unemployment has necessitated the delivery of certain services, such as SMME support, mining town support and township revitalization.

## 1.2. Organisational Environment

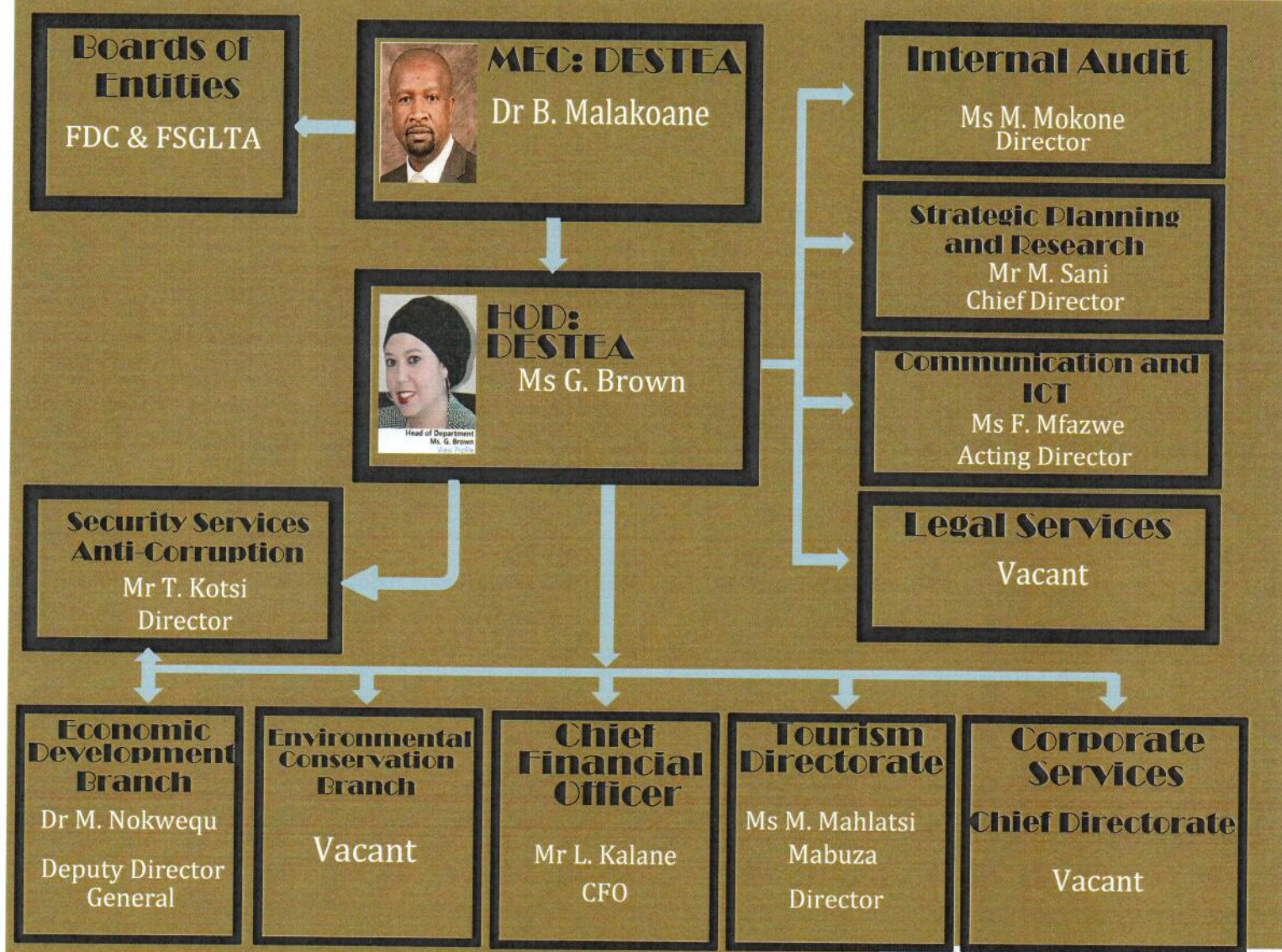
### 1.2.1. Programme structure

There are currently no changes in the programme structure of the Department.

The programme structure of the Department is illustrated by the table below:

Programme	Sub programme
1. Administration	1.1 Management Services 1.2 Financial Management 1.3 Corporate Services
2. Environmental Affairs	2.1 Environmental Policy, Planning and Coordination 2.2 Compliance and Enforcement 2.3 Environmental Quality Management 2.4 Biodiversity Management 2.5 Environmental Empowerment Services
3. Economic and Small Business Development	3.1 Integrated Economic Development Services 3.2 Economic Planning 3.3 Small Business Development
4. Tourism	4.1 Tourism Planning 4.2 Tourism Growth and Development 4.3 Tourism Sector Transformation





**destea**  
department of  
economic, small business development,  
tourism and environmental affairs  
FREE STATE PROVINCE

### 1.2.2 Personnel and Capacity to deliver services

The department is still substantially understaffed in certain critical areas, such as Economic Development and Environmental Affairs. This understaffing impacts negatively on the service delivery imperatives of the department. In an effort to mitigate this situation and improve service delivery, the department will give more attention to the following core areas for the 2018/19 financial year:

- Identify and fill critical posts during this financial year. This will contribute towards the reduction of the high vacancy rate and the employees who are overworked will be relieved of some additional responsibilities.
- Roll out training programmes in order to empower departmental employees.
- Provide a comprehensive employee health and wellness programme by offering treatment, care and support to the departmental employees and their families.
- Maintain a sound labour peace in order to create a conducive

environment for efficient service delivery.

- Ensure that the organisational structure is aligned to the departmental mandates.

### **1.2.3 Budget**

The Department is continuously challenged with inadequate compensation and operational budget allocations, effecting the efficiency of services provided by the organization. The budget estimates for the MTEF is discussed in Section 3, below. We will however continue to seek and employ innovative methods of securing funding for some of the planned outputs. These include collaborating with other government departments, state enterprises and the private sector in implementing some initiatives.

### **1.2.4 Challenges experienced**

The department is faced with an array of challenges, amongst others the following:

- Personnel and critical skills deficits in crucial areas as explained above;
- Fiscal deficits as explained above;
- Synergy between the different spheres of government;
- Local and global economic phenomena;
- Climate change.

### **1.2.5 Top ten risks**

The main identified risks of the department are as follows:

- Incorrect information captured on the financial statements (annual and interim);
- Unhealthy working environment;
- Decline in Management Effective Tracking Tool (METT-SA) scores;
- Accelerated Climate Change effects;
- State of the Environment degradation due to land, air and water pollution;
- Non-compliance with EIA legal time frames;
- Outbreak of zoonotic diseases affecting game;
- Taking policy decisions based on out-dated, incomplete or without relevant information;
- Double Dipping of SMME's supported /assisted by the department and data management;
- Service centres not meeting expectations.

---

## **2. REVISION TO LEGISLATIVE AND OTHER MANDATES**

---

The Department will continue to implement the Free State Growth and Development Strategy, MTSF and the National Development Plan, Vision 2030.

During 2014/15, Small Business Development was added as a new and additional mandate of DESTEA, residing in Programme 3: Economic and Small Business Development.

---

## **3. OVERVIEW OF 2017 BUDGET AND MTEF ESTIMATES**

---

Below is an overview of the departmental expenditure since 2014/15 financial year to 2017/18 and the estimated budget for 2018/19 to 2020/21. A trend analysis is also provided in section 3.2.

**3.1. Expenditure Estimates**

Programmes	2014/15	2015/16	2016/17	2017/18			2018/19	2019/20	2020/21
	Audited Outcomes			Voted (Main appropriation)	Adjusted Appropriation	Revised Estimate	Medium Term Estimates		
Administration	123 726	138 489	134 744	144 194	134 339	134 339	160 448	160 750	174 619
Environmental Affairs	125 390	140 834	139 488	174 338	145 633	197 354	163 770	177 817	195 676
Economic Development	171 215	176 605	179 140	221 972	215 795	189 687	294 583	285 592	289 605
Tourism	9 441	7 486	9 704	18 276	9 381	7 844	12 130	7 783	10 959
<b>Total payments and estimates</b>	<b>429,772</b>	<b>463 414</b>	<b>463 076</b>	<b>558 780</b>	<b>505 148</b>	<b>529 224</b>	<b>630 931</b>	<b>631 942</b>	<b>674 859</b>
<b><u>Economic classification</u></b>									
<b>Current payments</b>	<b>280 256</b>	<b>308 357</b>	<b>305 977</b>	<b>385 342</b>	<b>337 634</b>	<b>376 683</b>	<b>444 966</b>	<b>437 369</b>	<b>468 155</b>
Compensation of employees	195 033	213 471	218 930	237 891	224 465	292 599	245 847	266 472	290 018
Goods and services	85 223	94 886	87 047	147 450	113 169	84 084	199 119	170 897	178 137
Interest and rent on land	-			-	-				
<b>Transfers and subsidies</b>	<b>135 361</b>	<b>131 646</b>	<b>141 240</b>	<b>138 965</b>	<b>147 115</b>	<b>145 047</b>	<b>158 645</b>	<b>164 116</b>	<b>173 480</b>
Provinces and municipalities		-	149	-					
Departmental agencies and accounts	101 332	104 664	121 389	105 625	109 755	110 542	112 533	117 992	124 482
Universities and Technicon's	5 000	1 905		-	-				

Programmes	2014/15	2015/16	2016/17	2017/18			2018/19	2019/20	2020/21
	Audited Outcomes			Voted (Main appropriation)	Adjusted Appropriation	Revised Estimate	Medium Term Estimates		
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	27 004	22 600	18 508	32 260	35 260	33 260	44 833	46 124	48 998
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	2 025	2 477	1 194	1 080	2 100	1 245	1 279	-	-
<b>Payments for capital assets</b>	<b>13 273</b>	<b>23 170</b>	<b>15 452</b>	<b>34 473</b>	<b>20 399</b>	<b>7 494</b>	<b>27 320</b>	<b>30 457</b>	<b>33 224</b>
Buildings and other fixed structures	9 831	14 207	13 124	30 895	9 605	3 649	21 498	26 927	29 498
Machinery and equipment	3 442	8 963	2 328	3 578	9 199	3 831	5 502	3 530	3 726
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	1 595	14	-	-	-
<b>Payments for financial assets</b>	<b>882</b>	<b>241</b>	<b>407</b>	<b>558 780</b>	<b>505 148</b>	<b>529 224</b>	<b>630 931</b>	<b>631 942</b>	<b>674 859</b>
<b>Total economic classification</b>	<b>429 772</b>	<b>463 414</b>	<b>463 076</b>	<b>558 780</b>	<b>505 148</b>	<b>529 224</b>	<b>630 931</b>	<b>631 942</b>	<b>674 859</b>

**3.2. Relating expenditure trends to strategic outcome oriented goals**

- The Department spent R463 414 in 2015/16 and R463 076 in 2016/17 respectively. This expenditure trend is in line with the departments performance against its identified goals during the same periods.
- In 2016/17 financial year, the department had a budget of R474 996 and managed to spend R463 076 of the allocated budget, which translates to 97.5% expenditure.
- From the figures above it is clear that the budget allocation, especially the allocations to goods and services, infrastructure and machinery and equipment, will enable the department to achieve its targets as set out in this plan.