



**destea**

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

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

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# **Annual Performance Plan 2018/19: Re-Tabled on 13 November 2018**

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**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 confronting the triple 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
- Revitalization Industrial parks
- Maluti-a-Phofung Special Economic Zone
- 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.





The protection of the province's biodiversity is one of the department's key mandates. The responsible use of the province's diverse natural resources has a potential to contribute to economic growth and poverty reduction. The department is implementing wildlife economy transformation programmes to ensure that the previously disadvantaged communities fully participate in this sector of the economy. Traditional healers' organizations in the province will also 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 through a number of DESTEA programmes aimed at developing skills and creating jobs.

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

A handwritten signature in blue ink, consisting of a stylized 'L' and 'P' followed by a large loop and a small 'a' at the end.

**Ms. L.P. MAHASA, MPL**

**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 (DESTEa) under the guidance of the honourable MEC B Malakoane.
- Was prepared in line with the current Strategic Plan of the DESTEa.
- Accurately reflects the performance targets which the DESTEa will endeavour to achieve given the resources made available in the budget for 2018/19.
- Was re-tabled to the Free State Legislature on 13 November 2018.

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

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



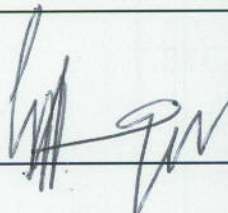
**Mr L. Kalane**  
**Chief Financial Officer**

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



**Dr M Nokwequ**  
**Accounting Officer**

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



**Ms L Mahasa**  
**Executive Authority**

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







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## ACRONYMS

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|               |  |
|---------------|--|
| <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<br/>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%                           |
| South Africa  | 1 220 813 |                                | 51 770 560                   | 55 653 654               |                                 |

Source: Statistics SA, Community Survey 2016 in Brief

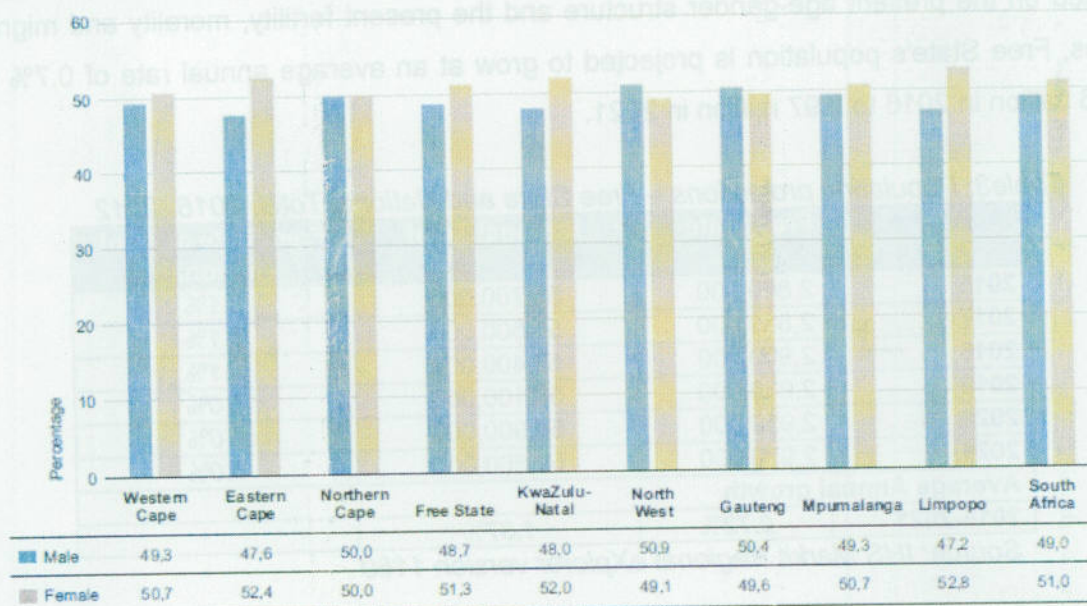
The population in Free State province according to above table, has increased over the five year period from 2 745 590 in 2011 to 2 834 714 in 2016. Females represent the majority of the population in 2016 with a total of 1 454 749 (51.3%) followed by males with a total of 1 379 965 (48.7%).

<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,<br>District, Local<br>Municipality | Community Survey 2016 |           |           | Youth<br>Proportion | Persons aged 20<br>years + who<br>have completed<br>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



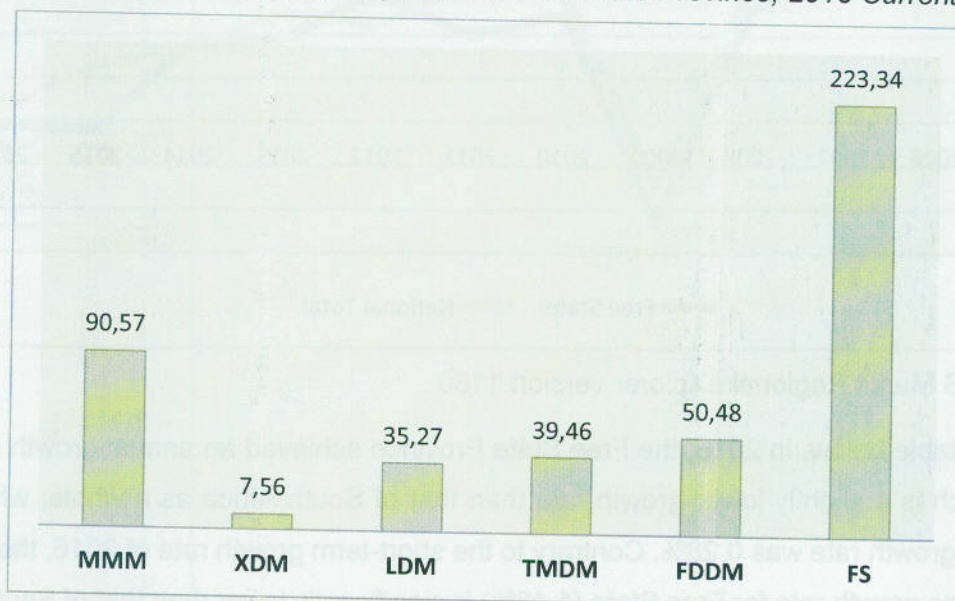
Table: GDP – Free State and National Total, 2006 – 2016 (Annual percentage change, Constant 2010 prices)

|   | 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

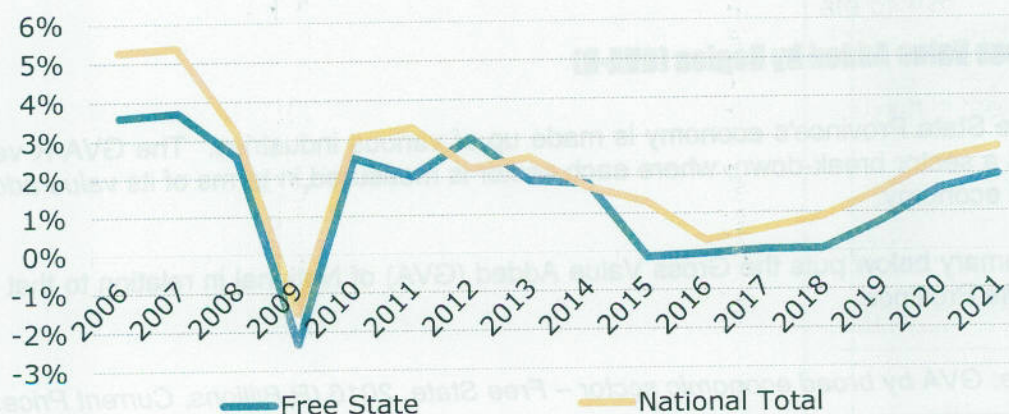
|               | 2016<br>(Current<br>prices) | Share of<br>province | 2006<br>(Constant<br>prices) | 2016<br>(Constant<br>prices) | Average<br>Annual<br>growth |
|---------------|-----------------------------|----------------------|------------------------------|------------------------------|-----------------------------|
| 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  |                             |                      |                              |                              |                             |
| Fezile Dabi   | 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

### 1.1.4. 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 forecasted 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<br>(Current<br>prices) | Share of<br>province | 2016<br>(Constant<br>prices) | 2021<br>(Constant<br>prices) | Average<br>Annual<br>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%                        |



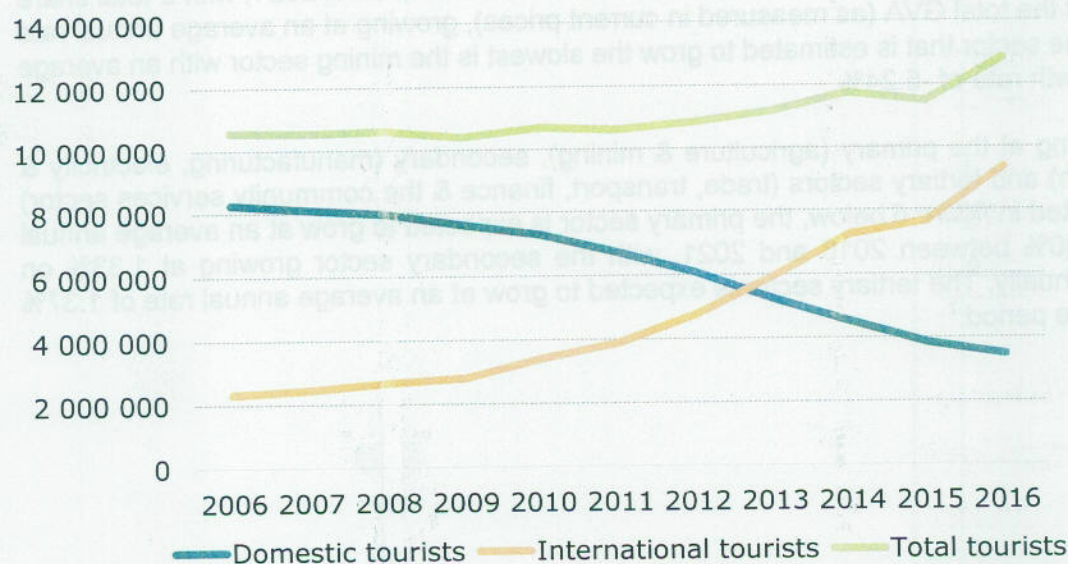
|                    |       |         |      |
|--------------------|-------|---------|------|
| Manufacturing      | 23.0  | 517.4   | 4.4% |
| Electricity        | 9.4   | 144.1   | 6.5% |
| Construction       | 4.8   | 154.3   | 3.1% |
| Trade              | 27.6  | 589.7   | 4.7% |
| Transport          | 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%                 |
| Total Industries   | 144.1 | 143.5 | 143.3 | 144.1 | 146.3 | 148.9 | 0.67%                 |

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%.

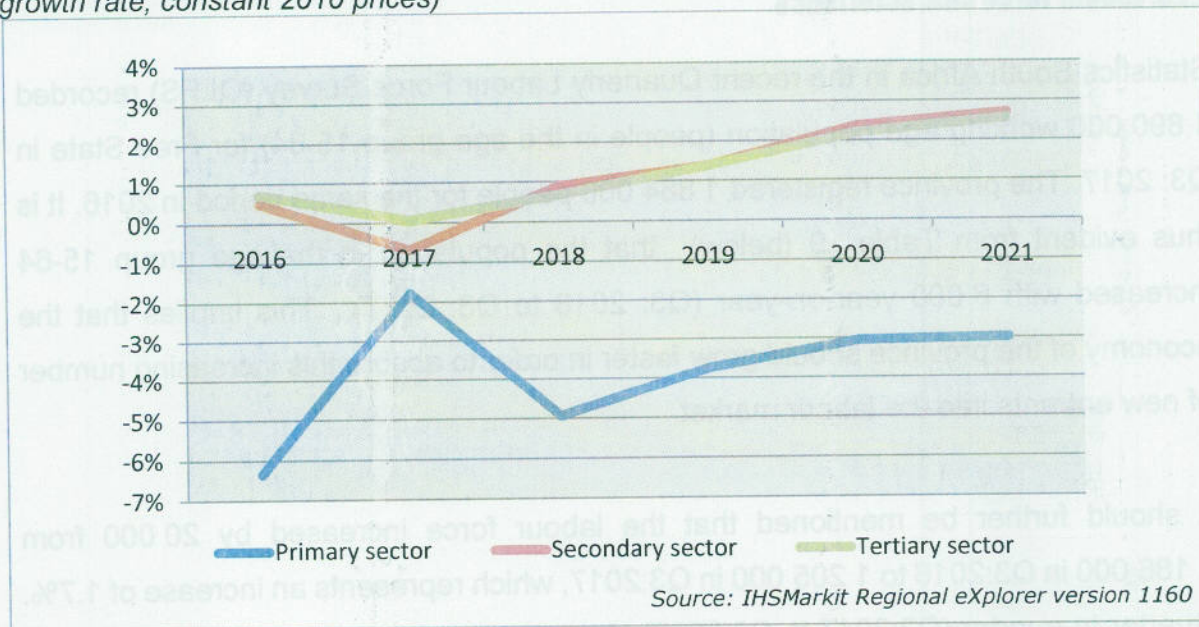
When looking at the primary (agriculture & mining), secondary (manufacturing, electricity & construction) and tertiary sectors (trade, transport, finance & the community services sector) as in indicated in figure 6 below, the primary sector is expected to grow at an average annual rate of -3.30% between 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

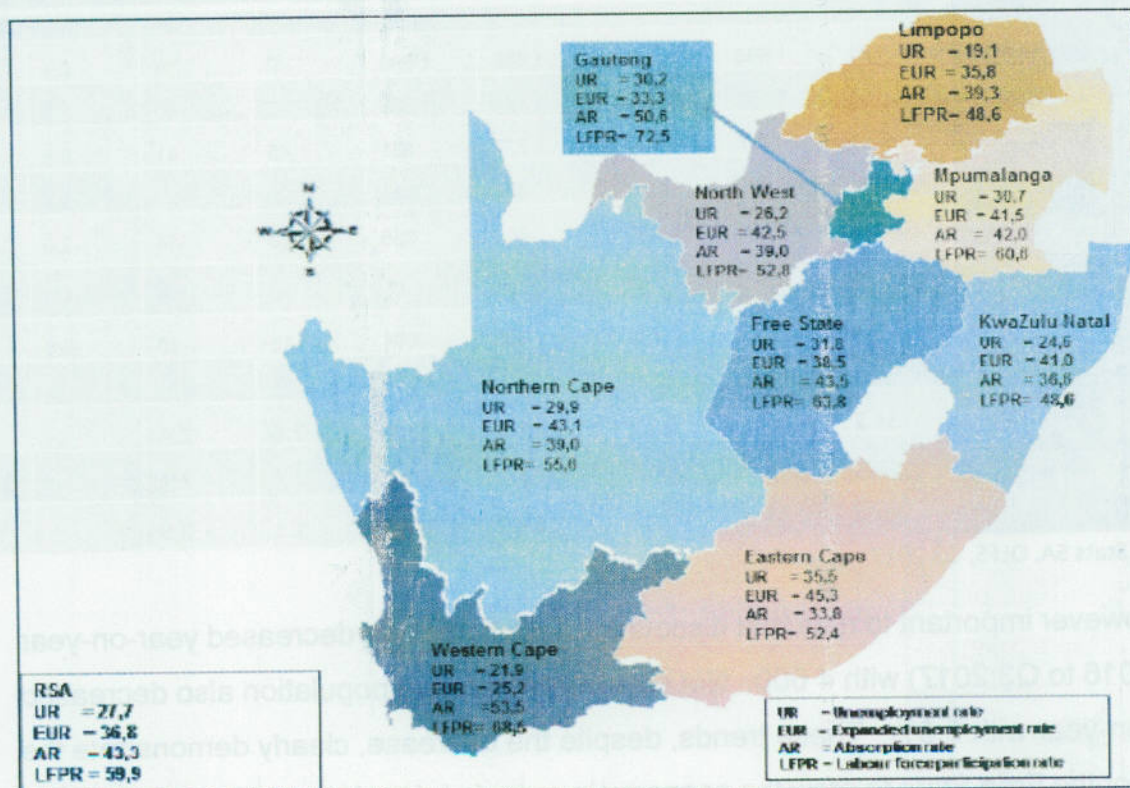


Figure: GVA by aggregate economic sector – Free State Province, 2016 – 2021 (Annual growth rate, constant 2010 prices)



### 11.8. 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<br>2016 | Oct-Dec<br>2016 | Jan-Mar<br>2017 | Apr-Jun<br>2017 | Jul-Sep<br>2017 | Q-to-Q<br>change | Y-on-Y<br>change | Q-to-Q<br>change | Y-on-Y<br>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<br>Active                | 699             | 726             | 699             | 704             | 685             | -20              | -14              | -2.8             | -2.0             |
| Discouraged work-<br>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<br>ratio (absorption) | 41.4            | 40.2            | 40.6            | 41.1            | 43.5            | 2.4              | 2.1              | -                | -                |
| Labour force<br>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                   | Per cent     | Per cent     | Percentage points | Percentage points   | Per cent                   | 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<br>2016 | Oct-Dec<br>2016 | Jan-Mar<br>2017 | Apr-Jun<br>2017 | Jul-Sep<br>2017 | Q-to-Q<br>change | Y-on-Y<br>change | Q-to-Q<br>change | Y-on-Y<br>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<br>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<br>2016 | Oct-Dec<br>2016 | Jan-Mar<br>2017 | Apr-Jun<br>2017 | Jul-Sep<br>2017 | Q-to-Q<br>change | Y-on-Y<br>change | Q-to-Q<br>change | Y-on-Y<br>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>       |
| Formal sector<br>(Non-agriculture)   | 478             | 460             | 458             | 463             | 497             | 34               | 19               | 7,4              | 4,0              |
| Informal sector<br>(Non-agriculture) | 146             | 143             | 156             | 138             | 161             | 23               | 15               | 17,0             | 10,4             |



## 2018/19 Annual Performance Plan

|                    |    |    |    |    |    |    |    |      |      |
|--------------------|----|----|----|----|----|----|----|------|------|
| 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.