



**REPORT OF THE ECONOMIC DEVELOPMENT AND TOURISM PORTFOLIO
COMMITTEE ON THE CONSIDERATION OF THE 2022/23 BUDGET AND APP FOR
THE DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND
ENVIRONMENTAL AFFAIRS.**

DATE

Chairperson;

Honourable Members of Executive present;

Honourable Members of the Legislature;

Heads of Departments present;

Invited Guests

1. INTRODUCTION

Madam Speaker;

Allow me to table the 2022/23 budget report on behalf of the Portfolio Committee on Economic Development and Tourism. We welcome this opportunity to participate in the budget debate for Vote 4.

This budget report highlights recommendations, inputs and concerns, which arose during budget hearings led by the Portfolio Committee to ensure robust oversight and enhance public participation over the budget process, from the first draft to the final draft of the budget and Annual Performance Plan (APP).

House Chairperson; as we were emerging from disruptions of economic activities caused by covid 19, which resulted in rising unemployment and deepened poverty, as our economy was on a recovery trajectory our province had to endure second wave of interruptions to economic activities in a form of social unrest, which exacerbated these socio-economic challenges further.

The continued economic recovery interventions and activities have now been threatened by the recent devastating floods, which have resulted in the loss of human life, destruction of key socio-economic enabling infrastructure.

This 2022/23 budget is being tabled and debated under these difficult times, however, response by private citizens, NGOs, businesses and the classification of these floods as National disaster has shown conviction to mobilise all resources and efforts to deal with the effects of this disaster effectively.

2. SUBMISSION OF INFORMATION AND USEFULNESS THEREOF

Timeous submission of quality reports is fundamental to the budget process. Honourable Chairperson, the department complied with this imperative as it submitted both the 2022/23 first and final draft Budget and APP timeously. This enabled the Portfolio Committee to familiarise itself with these reports prior to both meetings. In terms of quality, the departmental submission was of good quality and the format appears to comply with the standard reporting requirements.

3. BUDGET CONSIDERATION PROCESSES

The Committee undertook an extensive budget consideration process as it first met with the department on 15 December 2021 to engage on the 2022/23 Draft Budget and APP, later on the same day, the Committee facilitated stakeholders engagement where the department also presented and engaged stakeholders at Uvongo Community Hall on budget, APP and projects specifically targeted for Ugu District.

The Committee also attended the Finance Committee budget hearings, on 5 April 2022, where the department and its twelve (12) entities presented their 2022/23

MTEF Budgets. The final budget and APP was tabled to the Portfolio Committee first on 22 March 2022 and also on the 13th of April 2022 where extensive deliberations and productive engagements were held.

4. ANALYSIS OF THE DRAFT APP AND DRAFT BUDGET

Hon. Chairperson, during budget hearings held with the department, the department reported that its total allocation for 2022/23 financial year is R3.4billion.

This Committee exercises oversight over programmes 1 to 6 with a total budget of R2.265 billion in this financial year.

The Committee was pleased to learn that, the budget shows year-on-year growth from 2022/23 onwards, however nominal, and that the baseline has been restored to pre-covid levels.

Breaking down the budget to the Committee: The department reported that it has budgeted R467 million for integrated economic development services; R928 million for trade and investment initiatives; R195 million for business regulation and governance; R 24million for economic planning; whereas R300 million will be towards tourism planning, growth and development and tourism sector transformation.

The Committee commends the department on the rollout of Operation Vula Fund programme. While tabling the budget, the department reported that, it has since disbursed 93% of R339 million which is total rand value of approved beneficiaries. We note that, the department is reviewing the guidelines in preparation for the opening of window 2; and trust that the department is mindful of the Honourable Premiers commitment during SOPA; when he said "The department is committed to open the second window ... and ensure that funds are disbursed this year ...and to allocate at least 50% to women during this phase".

ENTITIES

The department reported that R2.251 billion or 66% of the total budget is allocated to its 12 entities to further implement its mandate. This means that two-thirds of the budget is spent at entity level.

Hence, the Committee encourages the department to ensure that activities, projects programmes and interventions implemented by the public entities closely align to its mandate, policies, priorities and objectives.

The department must put in place a comprehensive monitoring and evaluation mechanism, to conduct robust and effective oversight over the public entities, by utilising tools such as service level agreements, in-year monitoring, verification of projects implemented and tracking of outputs and outcomes.

The Committee wishes to emphasize to both the department and its entities: It is important that pipeline investor projects convert to operating businesses, engaged in production, growing the economy and creating real sustainable jobs.

5. INPUTS BY THE STAKEHOLDERS

Constitutionally mandated by Section 188 of the constitution: The Portfolio committee undertakes the stakeholders' engagement meeting to meet with the public and committee stakeholders, where public is provided with an opportunity to raise their concerns and also proposals on these strategic documents towards the betterment of the people of KZN.

House Chairperson, I am happy to report that the targeted audience attended and provided quality inputs for the department to consider when crafting its plans such as:

- The department was requested to consider offering basic accounting business services to small businesses owned by youth, women and previously disadvantaged individuals who cannot afford services such qualified auditors to help reduce cost of doing business in the province;

- The department was also requested to pay small business timeously, within 30 days, for services rendered to the department, since small businesses depend on timeous payments for services rendered to keep afloat;
- Cooperatives in the area requested intensive training, access to funding especially at Ithala Bank and further suggested that industrial parks should be built in rural areas under traditional leaders to uplift SMMEs in rural and township areas
- Expensive rent in the CBD was sighted as hindrance to small business and the department was requested to assist Cooperatives and SMME by provision of renting spaces at lower rates in CBDs.

6. CONCERNS

Having considered the budgets and APPs, presented by both the department and the entity, the Committee noted with concern the following issues:

- Small businesses have been widely accepted as the growth engine for developing and emerging economies and the department did present initiatives to support both Cooperatives and SMMEs, however the Committee raised concern that these inputs must produce real outputs and outcomes, the impact of these outcomes must make visible differences in communities. These interventions must translate to tangible results, small business in rural and townships must benefit and able to see these interventions manifesting in their communities.
- In addition, and as highlighted in inputs by stakeholders, there is general consensus when we engage communities, that emerging businesses owned by youth and women, are not getting necessary support from the department, especially when it comes to funding and support on innovations.
- Outputs by programmes such as the black industrialist programme should deliver tangible outputs such as qualitative changes in the structure of production while growing the economy and creating sustainable jobs.
- The department was commended on partnership with Department of Small Businesses and municipalities to eliminate red-tape. The department was encouraged to fast track this process and to eliminate excessive regulations

which have presented costly complications and made it difficult for SMMEs to stay in business.

- The outstanding completion of organisational structure hence the department is encouraged to finalize review of its organisational structure, and implement it by matching and placing staff accordingly. While recruiting, the department should improve adherence to targeted percentages of females recruited at SMS level. The Committee expressed concern that there was no gender parity at senior management level, judging particularly by those present during its Portfolio Committee hearings.

The Committee undertakes to monitor the department's financial and non-financial performance diligently through-out the financial year under review with the aim of ensuring that the department fully spends the 2022/23 budget whilst achieving all its service delivery targets as per APP.

Furthermore, to deepen its oversight, the Committee will be extending invitations to entities on rotational basis to accompany the department to Portfolio Committee meetings.

7. RESOLUTIONS

Having considered the department's 2022/23 Budget and APP against the relevant prescripts, national and provincial priorities and informed by deliberations the Portfolio Committee members voted for the budget as follows:

- Hon. Nxumalo supported the budget
- Hon. Frazer supported the budget
- Hon. Govender supported the budget
- Hon. Kunene supported the budget
- Hon. Phakathi supported the budget
- Hon. De Boer no response

Therefore, the voting for political parties represented within the Committee is reflected as follows:

- ANC – Supported the budget
- IFP – Supported the budget
- Minority Parties – Supported the budget
- EFF- not represented at the meeting
- DA – no response

8. CONCLUSION

The Committee would like to thank the MEC Hon Ravi Pillay, and his team for their cooperation during the Committee's budget hearings, we look forward to further constructive engagements. I would also like to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive inputs. The Committee would also like to thank KZN Legislature support staff for their continuous cooperation and support.

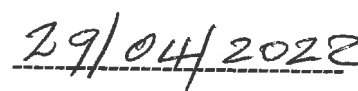
Honourable Chairperson-

The Committee recommends that the House votes in support of this budget.

Thank you.



HON. J.S NXUMALO



DATE

**CHAIRPERSON: ECONOMIC DEVELOPMENT AND TOURISM PORTFOLIO
COMMITTEE**