10

Economic Development and Tourism

Introduction

Between 2009 and 2019 average real economic growth in South Africa was 1.4 percent. Following two successive quarters of shrinking GDP, the country entered a technical recession in the second quarter of 2018. In the following quarter, GDP grew by 2.2 per cent, moving the economy out of the technical recession. However, as the 2020 Medium Term Budget Policy Statement (MTBPS) stated, due to the impact of the COVID-19 pandemic the economy was expected to contract by 7.8 per cent in 2020. GDP growth is expected to rebound to 3.3 per cent in 2021 and to average 2.1 per cent over the medium term. Based on these projections, the economy will only recover to 2019 levels in 2024. The low growth rate and the current sharp decline have meant that some objectives that were conditional on achieving a given level of growth remain aspirations. It is essential that policies complement one another to enable these aspirations to be realised.

During the second quarter of 2017, a 2.5 per cent growth in GDP was recorded, moving the economy out of the technical recession.

The route to achieving South Africa's economic development objectives is set out in a number of interconnected policy documents including the New Growth Path (NGP), the National Development Plan (NDP) as operationalised by the Medium-Term Strategic Framework (MTSF), the annual State of the Nation address, the Nine Point Plan to revive the economy, and fiscal policy expressed through the annual budget speech. Industrialisation is, a key driver of economic development, the 2019-2024 MTSF focuses on re-industrialising the economy through the creation of an environment that enables national priority sectors to support industrialisation and localisation, leading to increased exports, employment, and youth- and women-owned SMME participation as well as providing support for localisation through government procurement strategies. The 2019-2024 MTSF is supported by other policies such as the special economic zones (SEZs) that support industrialisation and the development of industrial capabilities, and the recently launched one -stop shop concept to facilitate and promote foreign direct investment.

Development trends in South Africa are influenced by the global environment. Weak global economic performance has thus had a significant bearing on domestic developments. Regional integration plays a key role in supporting economic development. South African exports between August 2019 and 2020 export increased by R8.87 billion from R117 billion to R126 billion. In 2017, exports to the rest of Africa made up 26 per cent of total exports of which over 50 per cent were manufactured goods. To further leverage the opportunities offered by Africa, in July 2016 government launched the Trade Invest Africa programme to implement an outward investment-led trade strategy towards the rest of the continent.

The need for a mix of policy interventions as well as short- and long-term responses has characterised the way in which government has responded to the country's economic challenges. This approach is necessary so that quick wins, on which long-term reforms can be structured, can be realised. Examples of this approach are interventions to stabilise productive sectors and thereby generate jobs. Other short-term interventions include building confidence between business and labour as well as facilitating investment.

The need for a mix of policy interventions as well as short- and long-term responses has characterised the way in which government has responded to the country's economic challenges.

Policy landscape

The NDP, the country's overarching development policy framework, aims to eliminate poverty and reduce inequality by 2030. Notable in the NDP is the acknowledgment that development is not the product of one sector. It proposes a multi-dimensional framework and development cycle in which progress in one area supports advances in others. Similarly, development in the local sphere becomes the foundation for development at provincial and national levels. The order in which these interactions take place is not the main issue; the key requirement is interaction between the three spheres as they complement each other in the development agenda.

National Development Plan (NDP)

The NDP spells out development as an inter-disciplinary concept for the benefit of everyone in society. It demonstrates how each of the disciplines contributes to the improvement of welfare through addressing the triple challenges of unemployment, poverty and inequality. Its areas of focus include the economy and employment, infrastructure development, environmental sustainability, the rural economy, South Africa in relation to the global environment, training and innovation, health, social protection, safety and security, transformation and fighting corruption. Critical to making progress in these areas is coordinated planning in the various disciplines so that they complement each other. Successfully achieving the objectives of the NDP is intended to lead to better education outcomes, a healthy population, good infrastructure, a sound social safety net and less corruption.

The NDP envisages the creation of 11 million jobs and the reduction of unemployment to 6 per cent by 2030

When the NDP was launched, the aim was to create an additional 11 million jobs by 2030; this would reduce unemployment from 25 per cent to 6 per cent. However, it increased from 25.2 per cent in 2013 to 30.8 percent in the third quarter of 2020; the target of creating an additional 11 million jobs by 2030 is thus not being met.

The NDP regards the NGP as the key programme for propelling the country into a higher growth mode. The NDP and the NGP therefore complement each other and aim to maximise the synergies between available resources.

Linked to the NDP is the MTSF, government's strategic plan which operationalises specific actions related to the priorities in the NDP. Economic development requires successful synergies between a range of interconnected factors and priorities. Failure to create and sustain these synergies has negative implications for overall development.

New Growth Path (NGP)

Government launched the NGP economic framework in 2010 with the aim of boosting employment. It identifies areas where employment could be generated on a large scale and visualised creating five million additional jobs by 2020. However, the COVID-19 pandemic has increased unemployment. Addressing unemployment requires a multi-pronged approach with short-, medium- and long-term solutions including interventions able to respond to a range of economic challenges.

Alignment of economic development policies across the three spheres of government is key to ensuring complementarity between them. The then

Department of Economic Development, subsequently combined to create the Department of Trade, Industry and Competition (dtic), therefore prioritised engagements with a range of stakeholders to ensure that this alignment took place.

Nine point plan

In the 2015 State of the Nation address, the President announced a nine point plan aimed at stimulating economic growth. The nine key areas were:

- Resolving energy challenges.
- Revitalising agriculture and the agro-processing value chain.
- Advancing beneficiation or adding value to the country's mineral wealth.
- Effective implementation of a higher impact policy.
- Private sector investment.
- Moderating workplace conflict.
- Promoting small, medium and micro enterprises, cooperatives and township and rural enterprises.
- Elevating the role of state-owned companies, information and communications technology (ICT) infrastructure, broadband roll out, water, sanitation and transport infrastructure.
- Implementation of Operation Phakisa to grow the ocean economy and other sectors.

The Reimagined Industrial Strategy

The new Reimagined Industrial Strategy was adopted and approved by Cabinet in June 2019 as a centre piece of government's vision and puts emphasis on concrete actions.

Industrialisation is a key part of economic development. Implementation of the 2007 National Industrial Policy Framework through the annual iterations of the Industrial Policy Action Plan (IPAP) has contributed positively in various sectors such as clothing and the automotive sector. Based on lessons from successful programmes that were underpinned by the IPAP, as well as lessons from what has worked, a better more focussed industrial strategy was proposed. The new Reimagined Industrial Strategy was adopted and approved by Cabinet in June 2019 as a centre piece of government's vision and puts emphasis on concrete actions. The strategy presents a multipronged approach to industrial development with emphasis on building partnerships with the private sector in order to unleash job-creating investment. The modality to operationalise the Reimagined Industrial Strategy is the application of a master-planning process that seeks to create a shared vision together with industry, government and labour. The strategy envisages that the adoption of masterplans will harness the commitment by all role-players, stakeholders and beneficiaries towards implementing the actions required to fulfil the vision.[1]

[1] Obtained from: http://www.thedtic.gov.za/industrial-competitiveness-and-growth/. Accessed on 04 February 2021.

The Economic Reconstruction and Recovery Plan

The Economic Reconstruction and Recovery Plan was tabled in Parliament by the President on 15 October 2020 with the aim of restoring economic activity and rebuild the economy in a manner that ensures sustainability, resilience and inclusiveness. It brings together the work of government departments, the Economic Recovery Action Plan agreed by social partners at NEDLAC and contributions from the Presidential Economic Advisory Council. The core elements of the plan are as follows:

- Priority interventions for economic recovery: the plan sets out eight priority interventions that will ignite South Africa's recovery and reconstruction effort. These are the flagship initiatives that all of society will rally around to build a new economy.
- Enabling conditions for growth: these are the growth-enhancing reforms and other preconditions for an inclusive, competitive and growing economy.
- Macroeconomic framework: economic reconstruction and recovery requires careful mobilisation of resources to ensure fiscal sustainability.
- Institutional arrangements: the plan focuses on execution and is supported by enhanced institutional arrangements to ensure implementation and accountability.

The National Tourism Sector Strategy (NTSS) 2016-2026

A sector-wide ten-year strategy, the NTSS 2016-2026 was approved by Cabinet in December 2017. Its aim is to increase tourism's direct contribution to the economy through partnerships, research-based collaborative planning and implementation of agreed priority actions. In 2015, the Department of Tourism commissioned a review of the existing policy; the purpose was to ensure that policy remains relevant to the changing domestic and global environment and to make use of lessons learned from the implementation process. Targets in the revised NTSS include:

The NTSS 2016-2026 aims to increase job creation in the tourism sector to one million and the sector's export earnings to R359 billion by 2026.

- Increasing the sector's direct contribution to the GDP from R118 billion in 2015 to R302 billion by 2026.
- Increasing the number of jobs directly supported by the sector from 702 824 in 2015 to 1 000 000 by 2026.
- Increasing the sector's export earnings from R115 billion in 2015 to R359 billion by 2026.
- Increasing capital investment in the sector from R64 billion in 2015 to R148 billion by 2026.

The sector has identified five pillars as a framework for putting the strategy into action: facilitating ease of access, improved visitor experience, destination management, broad-based benefits and effective marketing. The strategy acknowledges the need for intergovernmental coordination, an integrated planning approach and private sector involvement for successful implementation and for realisation of inclusive and high-quality growth of the South African tourism economy. The strategy also requires that effective coordinating mechanisms be established at provincial and local government levels to synergise efforts and optimise the allocation and use of resources. However most of these targets will be negatively impacted by the COVID-19 pandemic which resulted in restrictions on international and domestic travelling as a result of higher levels of lockdown.

Provincial growth and development strategies (PGDS)

Provinces have developed their regional economic development and growth strategies to synergise with the national strategies and objectives which guide planning and implementation of the broader social and economic development mandates at provincial level. The PGDS are implemented within the scope and framework of the NDP and the spatial development frameworks and with reference to municipal integrated development plans (IDPs).

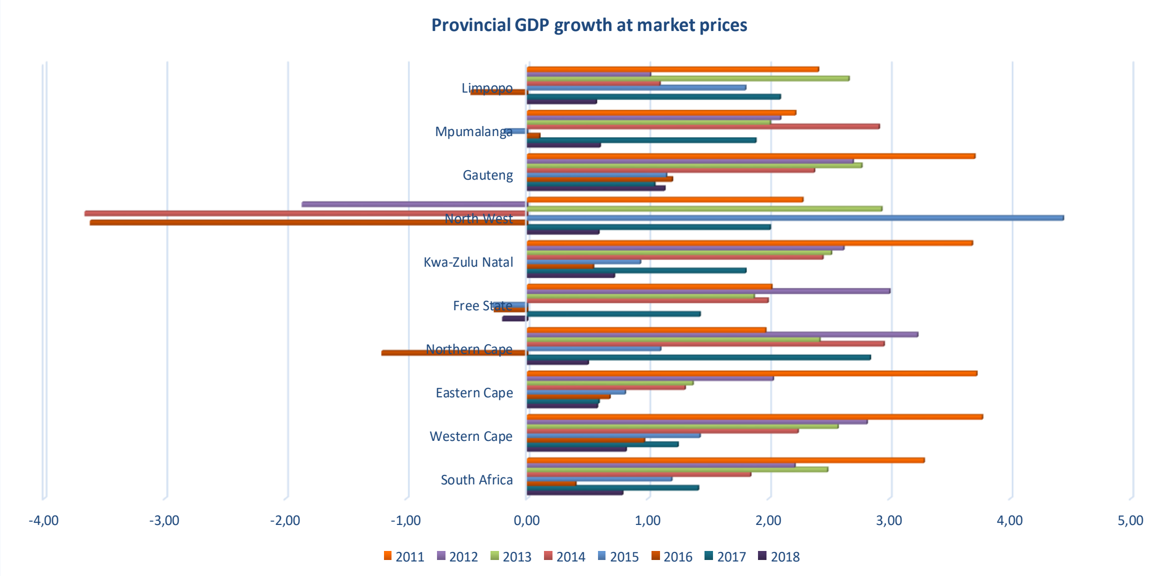
Provincial socio-economic situation

South African GDP grew by 1.5 per cent in 2014 but only by 0.8 per cent in 2018.

Figure 10.1 shows GDP growth rates by province between 2011 and 2018. The South African economy recorded an average growth of 1.5 per cent in the fourth quarter of 2014, down from 2.2 per cent in 2013. The overall growth rate in 2018 was 0.8 percent. In 2011, growth rates in Gauteng, the Eastern Cape, KwaZulu-Natal and the Western Cape were higher than the national rate. However, in 2017 the North West, Free State, the Northern Cape, Mpumalanga and Limpopo were the only provinces whose growth rates grew above the national rate; other provinces, including Gauteng and the Western Cape, contracted to below the national rate. In 2016, the growth rates of North West, the Free State and Limpopo decreased, with the North West experiencing the highest decline at 3.7 per cent, mainly as a result of contraction in the mining sector.

The COVID-19 pandemic profoundly affected growth prospects for 2020. As noted above, the overall economy is estimated to have contracted by 7.8 per cent during the year, with a rebound of 3.3 per cent expected in 2021.

Figure 10.1: Provincial GDP growth at market prices, 2011 - 2018



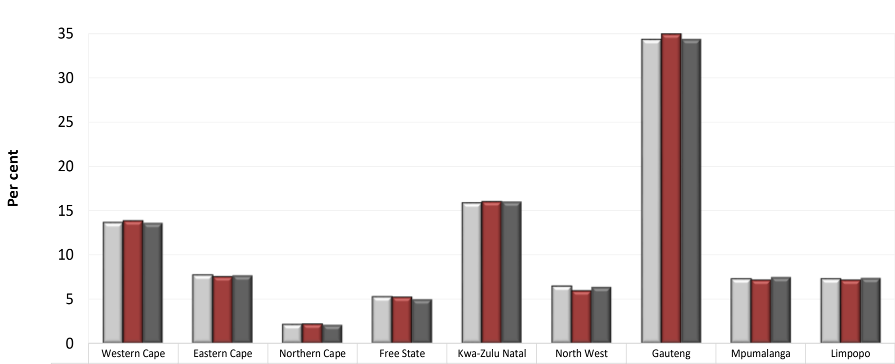
Source: IHS Markit

Figure 10.2 shows the provinces' GDP growth in 2011, 2017 and 2018. Between 2017 and 2018, the growth of the Eastern Cape, Gauteng, KwaZulu-Natal, Limpopo and Mpumalanga increased with those of the other provinces declining slightly. Gauteng has by far the largest economy in South Africa with it making up over third of the economy. It is more than double the size of the second biggest province in South Africa in terms of economic output, which is KwaZulu Natal.

Provincial investments in SEZs amounted to approximately R6.5 billion between 2015/16 and 2021/22.

Figure 10.3 shows the percentage share of the population by province between 2011 and 2018. Gauteng's growth increased from 22.4 per cent in 2011 to 26 per cent in 2018 which is the largest out of the eight provinces.

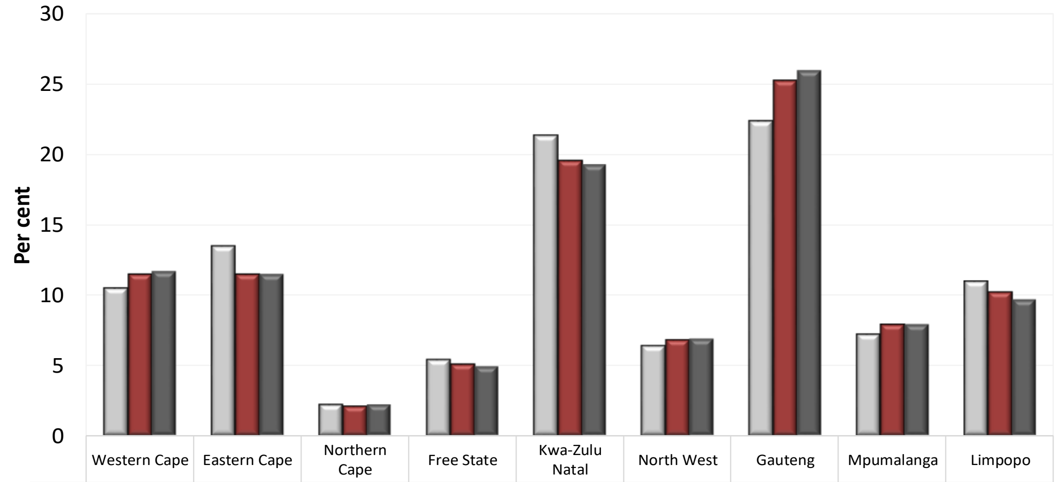
Figure 10.2: Provinces' percentage shares of GDP: 2011, 2017, 2018



	Western Cape	Eastern Cape	Northern Cape	Free State	Kwa-Zulu Natal	North West	Gauteng	Mpumalanga	Limpopo
2011	13,63	7,73	2,16	5,29	15,85	6,49	34,24	7,31	7,30
2017	13,84	7,54	2,20	5,23	15,99	5,98	34,87	7,19	7,16
2018	13,60	7,70	2,10	5,00	16,00	6,40	34,30	7,50	7,40

Source: Statistics South Africa and IHS Markit

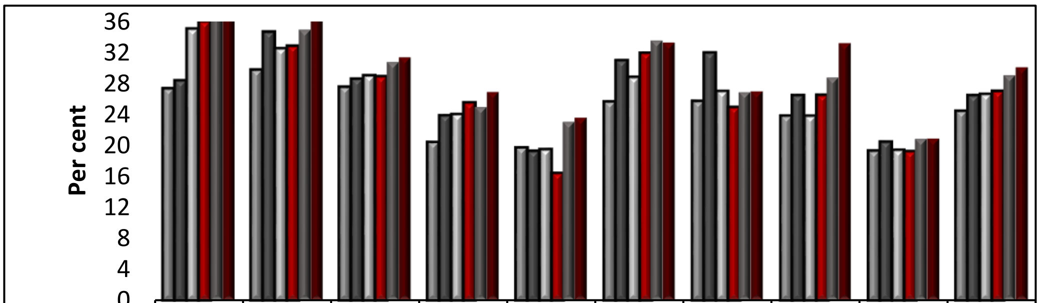
Figure 10.3: Provinces' percentage shares of total population: 2011, 2017, 2018



	Western Cape	Eastern Cape	Northern Cape	Free State	Kwa-Zulu Natal	North West	Gauteng	Mpumalanga	Limpopo
2011	11	14	2	5	21	6	22	7	11
2017	12	12	2	5	20	7	25	8	10
2018	12	12	2	5	19	7	26	8	10

Source: Statistics South Africa

Figure 10.4: Provincial unemployment rates, 2015/16 - Q1 2020/21



	Eastern Cape	Free State	Gauteng	Kwa-Zulu Natal	Limpopo	Mpumala nga	Northern Cape	North West	Western Cape	South Africa
2015/16	27,4	29,8	27,6	20,5	19,8	25,7	25,8	23,9	19,4	24,5
2016/17	28,4	34,7	28,6	23,9	19,3	31,0	32,0	26,5	20,5	26,5
2017/18	35,1	32,6	29,1	24,1	19,6	28,9	27,1	23,9	19,5	26,7
2018/19	36,1	32,9	29,0	25,6	16,5	32,0	25,0	26,6	19,3	27,1
2019/20	39,5	35,0	30,8	25,0	23,1	33,6	26,9	28,8	20,9	29,1
2020/21 Q1	40,5	38,4	31,4	26,9	23,6	33,3	27,0	33,2	20,9	30,1

Source: Statistics South Africa

Between 2015/16 and the first quarter of 2020, the unemployment rate in Gauteng increased from 27.6 per cent to 31.4 per cent. Over the same period, the rate in Limpopo decreased while the rate in the Eastern Cape increased from 27.4 per cent to 40.5 per cent. Nationally, unemployment in Q1 of 2020/21 was higher than in the previous financial year; it was at this time that the effects of the COVID-19 pandemic were beginning to be felt.

To address the pandemic's impact on livelihoods, government has committed to implementing an employment stimulus package to support and create over 800 000 employment opportunities over the next three years. It is visualised that over 60 000 of these will be in labour intensive maintenance and construction projects; 300 000 will be school assistants in the education system; 6 000 will be nursing assistants and community health care workers to support the health system; 100 000 will be in early childhood development; and 75 000 will be small scale farmers whose production was disturbed by the pandemic.

Provincial governments invest in promoting their economies although there are challenges with aligning these investments so that they address the legacies of racial and spatial exclusion. Work seeker migration from some provinces has had a negative impact on provincial equitable shares2. Over the medium term, there are plans to increase investment in SEZs to attract foreign and domestic investment for regional growth and employment creation. Total provincial government investment in SEZs is expected to have reached over R7 billion between 2015/16 and 2022/23, with the Musina-Makhado SEZ in Limpopo expected to secure investment estimated at R56.9 billion from Chinese consortia. By the end of 2017/18, R15.5 billion had been invested in four SEZs: Coega Special Economic Zone, East London Industrial Development Zone (ELIDZ), Richards Bay Industrial Development Zone and Dube Tradeport.

The 2019-2024 MTSF indicates that interventions being explored to grow regional economies include the need to complete revitalisation of 15 industrial parks in several parts of the country. The aim is to accelerate economic development in areas that are lagging behind by attracting investment, supporting job creation in manufacturing and assisting regions to build, strengthen and develop strategic industrial capabilities.

Budgets and expenditure

Table 10.1 shows that provinces' total expenditure on economic development increased from R7.1 billion in 2015/16 to R9.1 billion in 2019/20. Between 2019/20 and 2020/21, rates of growth ranged from 30.9 per cent (Mpumalanga) to -19.1 per cent in Limpopo; the sector average was 8.9 per cent. Overall, this expenditure is expected to increase at an average annual rate of 3.5 per cent over the 2020 MTEF. However, these numbers do not take account of the two adjustments made to provincial budgets in the 2020/21 financial year which resulted in reprioritising these budgets to respond to the COVID-19 pandemic.

[2] Interprovincial migration affects provinces' population numbers which in turn affects the need factors in the equitable share formula components.

Table 10.1 Provincial expenditure on economic development by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	909	690	717	761	937	1 160	1 095	733
Free State	261	263	293	330	386	380	396	409
Gauteng	1 271	1 359	1 410	1 496	1 560	1 840	1 678	1 743
KwaZulu-Natal	2 042	1 746	1 750	1 901	2 092	2 128	2 227	2 336
Limpopo	780	812	1 104	1 098	1 376	1 113	1 260	1 297
Mpumalanga	795	999	1 110	1 159	1 034	1 353	1 401	1 479
Northern Cape	280	272	303	313	303	352	368	386
North West	353	620	792	799	929	998	1 026	1 069
Western Cape	394	559	399	424	499	605	627	659
Total	**7 084**	**7 321**	**7 879**	**8 283**	**9 116**	**9 928**	**10 078**	**10 109**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	0,8%	23,7%	-7,9%
Free State	10,3%	-1,6%	1,9%
Gauteng	5,3%	17,9%	3,8%
KwaZulu-Natal	0,6%	1,7%	3,7%
Limpopo	15,2%	-19,1%	-2,0%
Mpumalanga	6,8%	30,9%	12,7%
Northern Cape	2,0%	16,2%	8,4%
North West	27,4%	7,5%	4,8%
Western Cape	6,1%	21,2%	9,7%
Total	**6,5%**	**8,9%**	**3,5%**

Source: National Treasury provincial database

Table 10.2 shows that, by economic classification, the largest elements in provinces’ expenditure on economic development between 2015/16 and 2022/23 were administration, integrated economic development services and economic planning. Over 60 per cent of provinces’ budget for economic development consists of transfers and subsidies. Between 2019/20 and 2022/23, current payments’ share increases from 28 per cent in to 37.5 per cent.

Table 10.2 Provincial expenditure on economic development by economic classification, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome			Preliminary outcome		Medium-term estimates	
Administration	1 063	1 227	1 266	1 292	1 350	1 591	1 671	1 755
Integrated Economic Development Services	1 674	1 744	2 190	2 396	2 203	2 268	2 507	2 590
Trade and Sector Development	2 233	1 943	2 105	2 202	2 834	3 173	2 932	2 644
Business Regulation and Governance	597	678	740	753	837	884	902	947
Economic Planning	476	603	450	437	496	582	589	618
Tourism	1 041	991	983	1 046	1 241	1 246	1 283	1 353
Total	**7 084**	**7 186**	**7 735**	**8 126**	**8 960**	**9 744**	**9 885**	**9 907**
Current payments	2 260	2 323	2 409	2 465	2 554	3 446	3 604	3 793
Compensation of employees	*1 140*	*1 211*	*1 310*	*1 423*	*1 481*	*1 801*	*1 959*	*2 070*
Goods and services	*1 120*	*1 112*	*1 100*	*1 043*	*1 073*	*1 645*	*1 645*	*1 723*
Transfers and subsidies	4 664	4 817	5 019	5 453	6 346	6 007	5 988	5 805
Payments for capital assets	158	177	440	363	213	476	487	512
Payments for financial assets	2	4	12	1	4	–	–	–
Total	**7 084**	**7 321**	**7 879**	**8 283**	**9 116**	**9 928**	**10 078**	**10 109**
Percentage of total expenditure								
Administration	15,0%	16,8%	16,1%	15,6%	14,8%	16,0%	16,6%	17,4%
Integrated Economic Development Services	23,6%	23,8%	27,8%	28,9%	24,2%	22,8%	24,9%	25,6%
Trade and Sector Development	31,5%	26,5%	26,7%	26,6%	31,1%	32,0%	29,1%	26,2%
Business Regulation and Governance	8,4%	9,3%	9,4%	9,1%	9,2%	8,9%	9,0%	9,4%
Economic Planning	6,7%	8,2%	5,7%	5,3%	5,4%	5,9%	5,8%	6,1%
Tourism	14,7%	13,5%	12,5%	12,6%	13,6%	12,5%	12,7%	13,4%
Total	**100,0%**	**98,2%**	**98,2%**	**98,1%**	**98,3%**	**98,1%**	**98,1%**	**98,0%**
Current payments	31,9%	31,7%	30,6%	29,8%	28,0%	34,7%	35,8%	37,5%
Compensation of employees	*16,1%*	*16,5%*	*16,6%*	*17,2%*	*16,2%*	*18,1%*	*19,4%*	*20,5%*
Goods and services	*15,8%*	*15,2%*	*14,0%*	*12,6%*	*11,8%*	*16,6%*	*16,3%*	*17,0%*
Transfers and subsidies	65,8%	65,8%	63,7%	65,8%	69,6%	60,5%	59,4%	57,4%
Payments for capital assets	2,2%	2,4%	5,6%	4,4%	2,3%	4,8%	4,8%	5,1%
Payments for financial assets	0,0%	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Administration		6,1%			17,9%		9,2%	
Integrated Economic Development Services		*7,1%*			*3,0%*		*5,5%*	
Trade and Sector Development		*6,1%*			*12,0%*		*-2,3%*	
Business Regulation and Governance		8,8%			5,6%		4,2%	
Economic Planning		1,0%			17,3%		7,6%	
Tourism		4,5%			0,4%		2,9%	
Total		**6,1%**			**8,8%**		**3,4%**	
Current payments		3,1%			34,9%		14,1%	
Compensation of employees		*6,8%*			*21,6%*		*11,8%*	
Goods and services		*-1,1%*			*53,3%*		*17,1%*	
Transfers and subsidies		8,0%			-5,3%		-2,9%	
Payments for capital assets		7,7%			123,5%		34,0%	
Payments for financial assets		21,1%			-100,0%		-100,0%	
Total		**6,5%**			**8,9%**		**3,5%**	

Source: National Treasury provincial database

Over the 2020 MTEF, integrated economic development services and trade and sector development account for 51.8 per cent of the total budget.

The biggest share of the sector budget is transferred to public entities

The largest portion of the sector's budget is transferred to public entities as provincial economic development mandates are generally implemented through such entities. Provincial economic development agencies such as provincial development finance institutions (PDFIs), SEZs and trade and investment promotion agencies account for approximately 60 per cent of the total transfers to provincial public entities.

Provincial transfers to PDFIs amount to R14.5 billion between 2015/16 and 2022/23. Their mandates go beyond development financing.

These agencies are mainly responsible for industrial development, agro-processing, property management, transportation and improving access to finance for small, medium and micro enterprises (SMMEs). According to their 2016/17 annual reports, on aggregate these agencies created approximately 25 000 job opportunities, supported approximately 11 000 SMMEs and funded approximately 1 500 SMMEs. They also attracted approximately 35 investments projects with an estimated value of R10.4 billion.

Integrated Economic Development Services programme

The purpose of this programme is to promote and support an enabling business environment that creates opportunities for growth and jobs by ensuring the sustainability and growth of SMMEs.

Table 10.3 shows that, between 2015/16 and 2019/20, provincial expenditure on integrated economic development services increased by an average annual rate of 7.1 per cent. Between 2019/20 and 2020/21, it increased by only 3 per cent with particularly significant decreases in the Free State (-47.1 per cent) and Limpopo (-30.4 per cent). The decline in the Free State relates to the reduction in the grant made in term of the Special Economic Zone Act 2014 and upgrading social infrastructure in QwaQwa and Botshabelo; in Limpopo, the budget was reprioritised for procurement of an IT reservation system for wildlife resorts. The Free State's significant increase between 2015/16 and 2019/20 was due to the increase in transfers to the Free State Development Corporation (FDC) relating to funding for economic transformation initiatives and the Maluti-a-Phofung SEZ.

Over the 2020 MTEF, Limpopo has the largest budget for integrated economic development services. It includes transfers to the Limpopo Economic Development Agency (LEDA), although its percentage growth is declining by -5.8 percent over the 2020 MTEF due to once-off funding that was allocated to the entity in the 2019/20 adjustment.

Limpopo accounts for the largest share of integrated economic development services budget.

Because of transfers to the Mpumalanga Economic Development Agency (MEGA) and funding for the construction of the Mpumalanga International Fresh Produce Market (MIFPM), over the 2020 MTEF Mpumalanga has the second largest budget for integrated economic development services.

Over the 2020 MTEF, the Northern Cape has the second largest increase in the budget for this programme due to funding for the provincial Economic Growth and Development Fund for supporting and developing SMMEs and cooperatives.

Table 10.3 Expenditure on integrated economic development services by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	145	160	160	229	50	137	146	149
Free State	17	23	33	52	102	54	72	75
Gauteng	302	246	257	254	246	231	247	254
KwaZulu-Natal	428	312	390	536	384	350	410	429
Limpopo	313	380	651	634	880	612	729	735
Mpumalanga	262	443	529	533	388	664	677	713
Northern Cape	100	87	84	65	34	71	72	74
North West	53	52	49	48	52	71	75	75
Western Cape	54	42	37	46	66	79	81	85
Total	**1 674**	**1 744**	**2 190**	**2 396**	**2 203**	**2 268**	**2 507**	**2 590**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	-23,4%	174,4%	44,0%
Free State	56,1%	-47,1%	-9,8%
Gauteng	-5,0%	-6,1%	1,1%
KwaZulu-Natal	-2,7%	-8,8%	3,8%
Limpopo	29,5%	-30,4%	-5,8%
Mpumalanga	10,3%	71,1%	22,5%
Northern Cape	-23,3%	105,0%	29,2%
North West	-0,5%	36,1%	12,8%
Western Cape	5,3%	18,7%	8,8%
Total	**7,1%**	**3,0%**	**5,5%**

Source: National Treasury provincial database

Provincial development finance institutions (PDFIs)

As part of their developmental activities, PDFIs provide loans and equity financing. A review of the PDFIs by the Government Technical Advisory Centre (GTAC) noted that, with the exception of the Gauteng Enterprise Propeller (GEP), they all originate in entities created in the former Bantustans to stimulate economic development.

The review also found that, while enabling legislation for these entities exists, it does not explicitly define their roles as PDFIs. PDFIs promote and carry out various economic financial and other non-financial activities such as property development, transportation, mining and agriculture. For example, in its 2018/19 corporate plan the Ithala Development Finance Corporation in KwaZulu-Natal indicates that its mandate includes acting as government’s agent for carrying out development-related tasks and responsibilities that the government may consider to be more efficiently and effectively performed by the entity.

As well as providing development finance, the responsibilities of the FDC, LEDA, MEGA, and the North West Development Corporation (NWDC) include trade and investment promotion through their SEZ programmes. These entities are also the implementing agents for broadband projects in their respective provinces and generate own revenue through commercial property rentals. LEDA is responsible for transportation services through its subsidiary Great North Transport. Rationalising various entities to form the PDFIs has contributed to the enlargement of their mandates. For example, LEDA was formed by the amalgamation of Trade and Investment Limpopo, Limpopo Economic Development Enterprise, Limpopo Business Support Agency and Agri-Business Development Corporation.

Table 10.4 shows transfers of approximately R14.5 billion transfers to PDFIs over the period under review. The transfers decrease by 2.3 per cent over the 2020 MTEF, with the largest decreases relating to ECDC, NWDC and FDC.

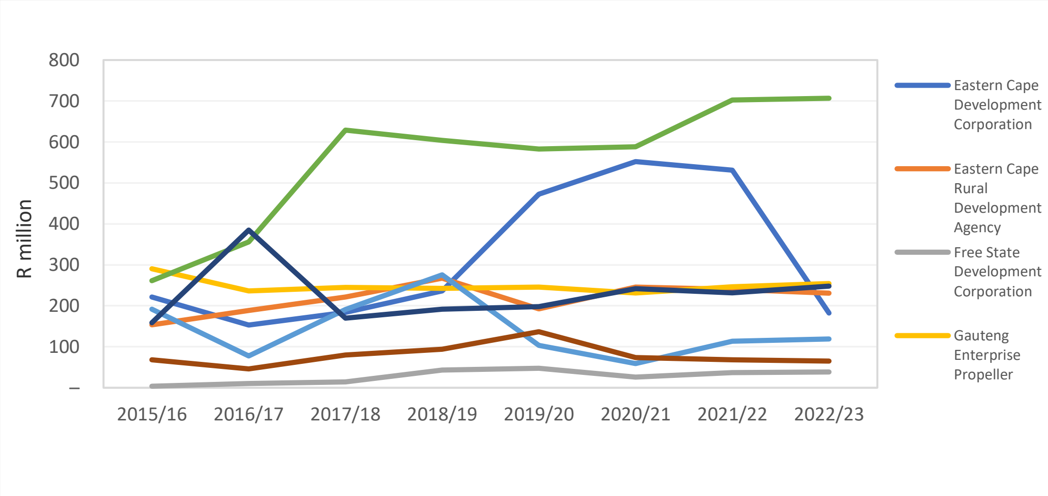
Table 10.4 Transfers to Provincial Development Finance Institutions, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape Development Corporation	221	153	184	236	472	552	531	183
Eastern Cape Rural Development Agency	154	189	221	267	193	246	240	231
Free State Development Corporation	4	10	14	43	48	26	37	39
Gauteng Enterprise Propeller	290	237	245	243	246	231	247	254
Ithala Development Finance Corporation	192	78	191	276	103	59	113	119
Limpopo Economic Development Agency	261	356	629	604	582	588	702	707
Mpumalanga Economic Development Agency	159	385	170	191	198	242	232	248
North West Development Corporation	68	46	80	94	137	74	68	65
Total	**1 349**	**1 453**	**1 734**	**1 954**	**1 978**	**2 018**	**2 170**	**1 844**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape Development Corporation	20,9%	16,9%	-27,2%
Eastern Cape Rural Development Agency	5,8%	27,7%	6,2%
Free State Development Corporation	89,3%	-45,3%	-6,8%
Gauteng Enterprise Propeller	-4,1%	-5,9%	1,1%
Ithala Development Finance Corporation	-14,4%	-42,7%	4,9%
Limpopo Economic Development Agency	22,2%	1,0%	6,7%
Mpumalanga Economic Development Agency	5,7%	22,2%	7,8%
North West Development Corporation	19,1%	-46,2%	-22,0%
Total	**10,0%**	**2,0%**	**-2,3%**

Source: National Treasury provincial database

Figure 10.5: Transfers to provincial development finance institutions, 2015/16 – 2022/23



Source: National Treasury provincial database

Over the period 2015/16 to 2022/23, LEDA's total transfers amount to approximately R4.4 billion, the largest of the provincial budgets for development finance institutions. Other than transfers for its operational needs, it also received funding for implementing the province's broadband project and for SEZs (mainly Musina-Makhado).

The purpose of NWDC's MTEF is to implement programmes that address unemployment, poverty alleviation and mining beneficiation. The FSDC received funding for the Maluti-A-Phofung SEZ and for implementing economic transformation initiatives.

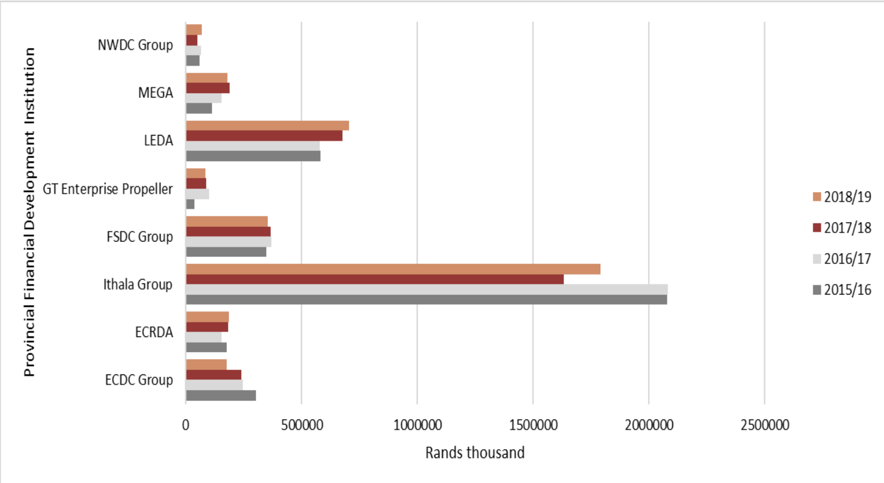
Over the MTEF, of the provincial development finance institutions the Eastern Cape Rural Development Agency (ECRDA) has the third largest budget. The purpose is to fund rural enterprise development hubs relating to agro-processing, expansion of a macadamia nut plantation in Willowvale, rehabilitation of the Magwa Tea Estate and infrastructure support for farmers participating in the Berlin Beef project.

Transfers to the ECDC fluctuate over the 2020 MTEF due to stimulus funding coming to an end in 2021/22; the allocation to the entity therefore normalises in the outer year. Projects funded by the transfers the entity include fencing for Dimbaza Industrial Park, revitalisation of Mdantsane Mall, Queenstown Industrial Park electrification and schools' ecological resource management.

GEP's increase is mainly for its enterprise support programme which provides financial and non-financial support to SMMEs, cooperative township enterprises and the youth accelerator programme.

By the end of 2018/19, PDFIs had a total loan book (loans issued) of R3.5 billion, a slight increase from R3.4 billion in 2017/18. Figure 10.6 shows that Ithala Group had the largest loan book of the PDFIs, accounting for approximately 50 per cent of the total loans issued by PDFIs.

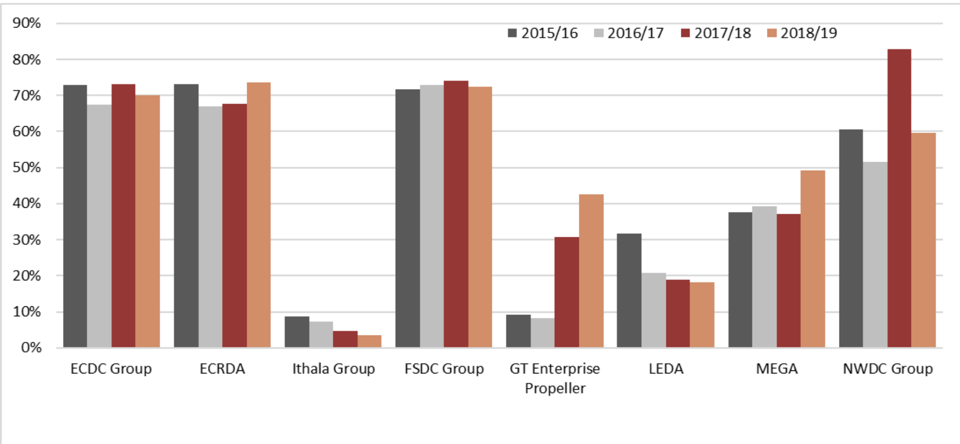
Figure 10.6: PDFI loans issued, 2015/16 – 2018/19



Source: Provincial annual reports, 2015/16 – 2018/19

Total loan impairments (non-performing loans) amounted to R873.1 million in 2018/19, a decrease from R1 billion in 2015/16 (Figure 10.7). FSDC also has a large impairment, though there had been some improvement since 2016/17.

Figure 10.7: PDFI loan impairment rates, 2015/16 – 2018/19



Source: Provincial annual reports, 2015/16 – 2018/19

Approximately 6 405 SMMEs were financially supported by PDFIs between 2015/16 and 2018/19.

Between 2015/16 and 2018/19, approximately 6 400 SMMEs were supported by PDFIs (Table 10.). In 2016/17, over R508 million or approximately 15 per cent of the total loans disbursed went to 1 531 SMMEs in provinces.

Table 10.5: Number of SMMEs supported financially by PDFIs, 2015/16 - 2018/19

	2015/16	2016/17	2017/18	2018/19
R million		**Outcome**		
Eastern Cape Development Corporation	260	268	163	228
Free State Development Corporation	41	48	33	26
Gauteng Enterprise Propeller	661	708	614	620
Ithala Development Corporation	336	266	619	914
Limpopo Economic Development Agency	132	116	140	74
Mpumalanga Economic Development Agency	9	26	10	11
North West Development Corporation	–	72	10	-
Total	**1 439**	**1 504**	**1 589**	**1 873**

Source: Annual reports, corporate plans and Annual Performance Plans

Between 2015/16 and 2018/19, the GEP supported the largest number of SMMEs followed by Ithala and the ECDC. The FDC funded the smallest number over the period. In its 2014/15 annual report, the FDC acknowledged a lack of funding for SMMEs and cooperatives, with demand exceeding supply. The entity also indicated that the business environment in the province was economically less competitive compared to Gauteng, KwaZulu-Natal and the Western Cape.

According to a 2019 SMME quarterly update report by the Small Enterprise Development Agency (SEDA), there was a slight increase in the number of SMMEs from 2.5 million in the 2018 third quarter to about 2.6 million in the first quarter of 2019. Employment in the SMME sector increased by 22 per cent between 2018 and 2019. The number of jobs increased from 10.1 million in the third quarter of 2018 to 15.1 million in the same quarter of 2019. The economy contracted sharply in 2020, with the SMME sector badly affected by the pandemic-related lockdown. Many closed down, with resultant unemployment. Over the medium term, government needs to strengthen its SMME support and development efforts by reducing red tape and creating an environment in which they can grow. At present, across provinces PDFI support to SMMEs remains minimal.

Trade and sector development programme

The purpose of this programme is to facilitate trade and export promotion and to attract investment by implementing strategies that position the economic development sector as key to economic growth and development.

Table 10.6 shows that the allocated budget for the programme increased from R2.2 billion in 2015/16 to R2.8 billion in 2019/20. The increase related mainly to the Eastern Cape, KwaZulu-Natal, Gauteng and North West. The budget for the programme declines by 2.3 per cent over the MTEF. The Eastern Cape shows the greatest decrease, followed by North West. The programme caters for transfers to some of the major entities. In KwaZulu-Natal, it caters for transfers to Dube TradePort Corporation, Trade and Investment KwaZulu-Natal (TIKZN), Richards Bay Industrial Development Zone (RBIDZ) and the KwaZulu-Natal Film Commission (KZNFC). Gauteng transfers provide funds to the Gauteng Growth and Development Agency (GGDA) and the Gauteng Tourism Authority. In the Eastern Cape, funds are transferred to the ECDC under this programme; the decrease in 2022/23 relates to the economic stimulus fund coming to an end.

Table 10.6 Expenditure on trade and sector development by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		Outcome			Preliminary outcome		Medium-term estimates	
Eastern Cape	493	232	262	218	573	684	604	222
Free State	39	22	29	50	36	58	63	66
Gauteng	578	677	738	864	876	1 028	857	881
KwaZulu-Natal	940	801	807	762	978	1 005	1 006	1 052
Limpopo	13	15	18	17	21	19	20	21
Mpumalanga	18	23	15	17	18	24	26	30
Northern Cape	29	33	45	64	51	59	62	64
North West	13	30	80	94	155	114	99	100
Western Cape	110	110	111	117	127	182	195	207
Total	**2 233**	**1 943**	**2 105**	**2 202**	**2 834**	**3 173**	**2 932**	**2 644**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
Eastern Cape		3,8%			19,3%		-27,1%	
Free State		-2,1%			64,6%		22,8%	
Gauteng		10,9%			17,4%		0,2%	
KwaZulu-Natal		1,0%			2,7%		2,5%	
Limpopo		13,8%			-10,4%		0,1%	
Mpumalanga		-0,2%			35,4%		18,2%	
Northern Cape		15,2%			16,3%		8,0%	
North West		85,8%			-26,5%		-13,7%	
Western Cape		3,5%			43,7%		17,8%	
Total		**6,1%**			**12,0%**		**-2,3%**	

Source: National Treasury provincial database

In the Western Cape, the allocations for trade and sector development and for skills development and innovation programmes were consolidated under this programme. The province also funds its tourism and trade and investment promotion agency, Wesgro, through the programme. There is an allocation to implement the Apprenticeship Game Changer initiative under the skills development and innovation programme.

The significant increase in the North West from 2017/18 relates to the function shift of the NWDC from the Office of the Premier to the Department of Economy and Enterprise Development. The larger allocation in 2019/20 compared to the two outer years of the MTEF relates to a once-off allocation to assist one of its subsidiaries, the Golden Leopard Resorts SOC Ltd to meet its liabilities.

The Northern Cape allocates transfers to its provincial economic development agency, the Northern Cape Economic Development, Trade and Investment Promotion Agency (NCEDA), under this programme. That provinces use a range of programmes to cater for transfers to their economic development agencies shows that standardisation is lacking in the sector.

Special economic zones

The Special Economic Zones programme, introduced in 2000, led to the establishment of industrial development zones (IDZs) in terms of the Manufacturing Development Act (1993).

After Cabinet had endorsed the programme, six IDZs were designated: Coega, East London, OR Tambo, Dube TradePort, Saldanha Bay and Richards Bay. The aim in locating IDZs near ports or airports was to facilitate the creation of industrial complexes with strategic economic advantages, provide locations for strategic investments and generate employment and other economic and social benefits.

A new SEZ policy was introduced with the Special Economic Zones Act (2014). This provides a framework for the development, operation and management of these entities, including addressing challenges experienced with the IDZ programme. The revised policy aims to:

- Expand the strategic focus to address a range of regional development needs.
- Provide a clear, predictable and systemic planning framework for the development of a variety of SEZs to support industrial policy objectives.
- Clarify and strengthen governance arrangements.
- Expand the range and quality of support measures apart from infrastructure.
- Provide for predictable funding arrangements.

To complement the SEZ strategy, the programme provides a number of investment incentives. These include a preferential 15 per cent corporate tax rate, a building allowance, employment incentives and customs-controlled areas.

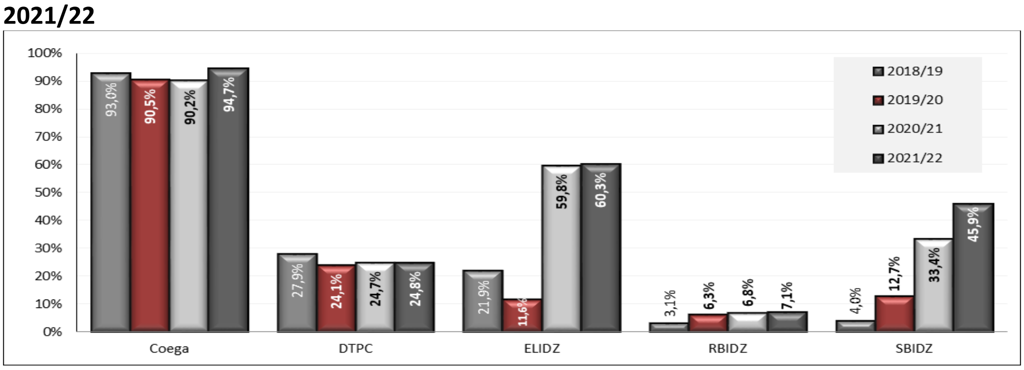
Table 10.7 Departmental funding of special economic zones, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary Outcomes	2020/21	2021/22	2022/23
		Outcome					Medium-term estimates	
COEGA	53	43	40	31	57	82	35	–
Dube Tradeport	478	387	393	357	478	480	511	534
ELIDZ	95	153	184	236	472	113	115	118
Maluti-A-Phofung	–	–	–	4	20	20	20	20
Musina-Makhado	–	–	–	58	58	260	274	220
Richards Bay IDZ	199	126	133	130	137	120	131	138
Saldanha Bay IDZ	29	130	48	56	74	43	40	42
Atlantis SEZ	–	–	–	8	24	35	37	39
Total	**854**	**840**	**797**	**879**	**1 320**	**1 152**	**1 164**	**1 110**
Percentage growth (average annual)		**2015/16 – 2019/20**			**2019/20 – 2020/21**		**2019/20 – 2022/23**	
COEGA		1,7%			44,0%		-100,0%	
Dube Tradeport		0,0%			0,3%		3,7%	
ELIDZ		49,3%			-76,0%		-37,1%	
Maluti-A-Phofung		0,0%			0,0%		0,0%	
Musina-Makhado		0,0%			348,3%		56,0%	
Richards Bay IDZ		0,0%			0,0%		0,0%	
Saldanha Bay IDZ		-8,9%			-12,4%		0,2%	
Atlantis SEZ		26,5%			-42,6%		-17,3%	
Total		**11,5%**			**-12,7%**		**-5,6%**	

Source: National Treasury provincial database and estimates of provincial revenue and expenditure. For Musina-Makhado, the source is Limpopo Provincial Treasury and (2022/23) LEDA's EPRE chapter.

The SEZ fund provides funding for capital expenditure on infrastructure. The SEZ Act brought a ring-fenced and cost sharing approach to the funding of SEZ entities. Previously, transfers from national government were not ring-fenced and the entities were able to use funds for capital projects and for related operational costs.

Figure 10.8: SEZs' own revenue as a percentage of total receipts, 2018/19 - 2021/22



Source: National Treasury, estimates of provincial revenue and expenditure

As at the end of 2017/18, four SEZs were fully operational with a total of 95 investors (Table 10.). The total value of operational investments in the four

SEZs was approximately R338.8 billion, resulting in 12 186 direct employment opportunities.

Table 10.8: Performance of the designated and operational SEZs, 2017/18

SEZ entity	Year of designatio	Total size (ha)	Land allocated	Number of operationa	Value of operational	Total direct	Revenue (Rands)	Exports (Rands)	Value of secured but	Total employme
Coega	2 001	9003 ha(SEZ)	388 ha	45	9.53 billion	7 815	532.8 million	363 million	16.6 billion	8 016
ELIDZ	2 002	462 ha	7.9 ha	32	8.0 billion	3 645	720.7 million	3.9 billion	4.3 billion	5 758
Richards Bay	2 002	383 ha	5.5 ha	2	320.0 billion	93	2.9 million	-	12.4 billion	1 925
Dube Tradeport	2 016	303 ha	54.5 ha	16	1.3 billion	432	137.6 million	363 million	1.4 billion	550
		10406 ha	**455.9 ha**	**95**	**338.83 billion**	**11 985**	**1.3 billion**	**4.6 billion**	**34.71 billion**	**16 249**

Source: Special economic zones advisory annual report, 2017/18

According to 2017/18 data, total exports sales in amounted to R4.6 billion while R1.3 billion in revenue was generated by the four SEZ entities. Only 4.4 per cent of total SEZ land had been allocated to investors.

Table 10.9: Designated but non-operational SEZs, 2017/18

SEZ entity	Year of designatio	Total size (ha)	Signed Investors	Estimated value of
O.R Tambo (Gauteng)	2 002	7,5	4	400
Saldanha Bay (Western Cape)	2 013	356,0	12	323
Maluti-A-Phofung (Free State)	2 014	1 039,0	3	320
Musina-Makhado (Limpopo)	2 017	7 262,0	10	10 000
Total		**8 664,5**	**29**	**11 043**

Source: Special Economic Zones Advisory Board Annual Report, 2017/18

By the end of 2017/18, investment pipelines to the value of R11 billion in the designated SEZs had been signed with 29 investors but were not yet operational.

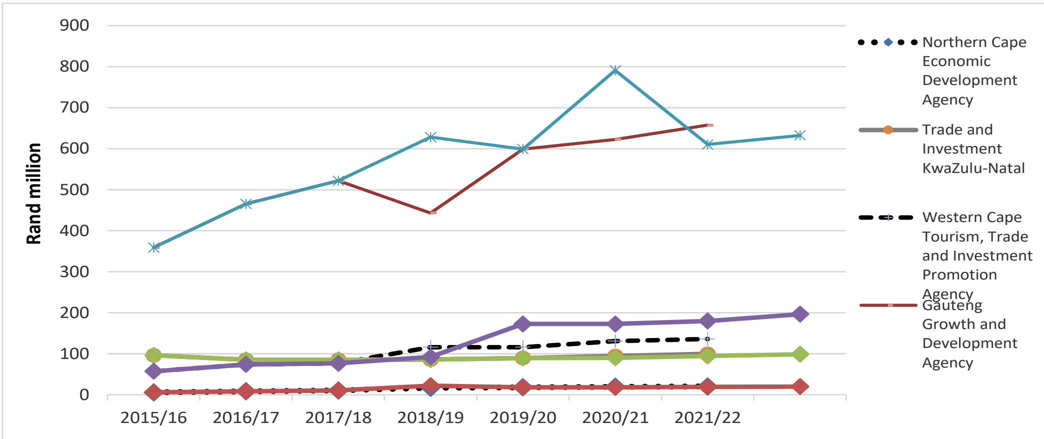
Trade and investment promotion agencies

In most provinces, trade and investment promotion are not standalone entities but form part of provincial economic development agencies which include provincial development finance institutions. The Western Cape and Northern Cape do not have PDFIs and have trade and investment promotion agencies as standalone entities: the Western Cape Tourism, Trade and Investment Promotion Agency (referred to as Wesgro) and NCEDA. KwaZulu-Natal has established TIKZN as a separate entity.

Approximately R6.4 billion is transferred to trade and investment promotion agencies between 2015/16 and 2022/23.

Figure 10.9 shows transfers of over R6.4 billion to standalone trade and investment promotion agencies in the Northern Cape, KwaZulu-Natal, Western Cape and Gauteng between 2015/16 and 2021/22. SEZs are located within these entities in Gauteng and the Northern Cape. The significant increase in the Western Cape between 2017/18 and 2019/20 relates to allocations including hosting 321 international association conferences and initiatives to attract investment.

Figure 10.9: Transfers to provincial trade and investment promotion agencies, 2015/16 – 2022/23



Source: National Treasury provincial database

The objectives of Wesgro, an entity owned by the Western Cape provincial government and the City of Cape Town, include attracting and retaining direct investment in the province, growing exports and marketing the province as a sustainable tourism destination globally. Wesgro's allocation from the provincial government between 2015/16 and 2022/23 is R1.02 billion. One of its strategic targets is to attract and facilitate direct investment of between R5.3 billion and R9.4 billion. The entity indicated that it had secured investment of over R2.22 billion in 2018/19. With the aim of driving exports and facilitating foreign direct investment, the agency signed 37 business agreements with an economic impact of R4.9 billion resulting in 973 job opportunities in the 2019/20 financial year.

The strategic objectives of the GGDA include facilitating investment, global trade activities, partnerships between government and the private sector, revitalising and modernising township economies and implementing strategic economic infrastructure projects that support re-industrialisation in the province. The entity is allocated over R4.6 billion by the provincial government between 2015/16 and 2022/23. Its mandate is carried out through its subsidiaries the Automotive Industry Development Centre (AIDC), the Innovation Hub, Gauteng IDZ and the Greater Newtown Development Company. In the 2018/19 financial year, GGDA attracted and facilitated investments to the value of R5.9 billion (approximately R3.1 billion in foreign direct investment and R2.8 billion in local investment). Of the 2 197 jobs created, 1 262 were permanent and 935 temporary.

Transfers to TIKZN over the eight year period will total R726 million. The entity's mandate is to promote KwaZulu-Natal as a premier investment destination and leader in export trade. Its target is to attract investments to the value of R8.2 billion by 2020/21. In the 2018/19 financial year, it attracted R2.66 billion, creating approximately 2 536 jobs in the province. The 2017/18 annual report shows that the entity facilitated a total of 15 investment projects valued at R2.18 billion and cutting across a number of economic sectors including agriculture, health, manufacturing, property and tourism. The investment was expected to create a total of 3 650 employment opportunities. The largest over-achievement was in 2016/17 when approximately R10 billion investment in the tourism infrastructure sector was secured.

Between 2015/16 and 2022/23, NCEDA's transfers will amount to approximately R124 million. The purpose of the entity is to attract direct investment to the province and to facilitate business through site location, access to incentives and finance and market support. From 2018/19, the entity is responsible for overseeing the establishment of the Upington SEZ.

Economic Planning programme

The purpose of the programme is to develop provincial economic policies and strategies to achieve and measure sustainable economic development. This is done through policy and planning, research and development, development of the knowledge economy and monitoring and evaluation.

Table 10.10 shows expenditure on the programme growing at an annual average rate of 7.6 per cent between 2019/20 and 2022/23, with a 17.3 per cent increase between 2019/20 and 2020/21. Expenditure by the Western Cape, the Free State and Gauteng makes up over 80 per cent of the total allocation between 2019/20 and 2022/23. Projects undertaken in the Western Cape within the programme include the broadband project, the green economy project and funding for leasing of land for the Saldanha Bay IDZ. In the Free State, significant transfers for the operational costs of the province's gambling, liquor and tourism authorities are included in the programme. Eastern Cape and North West spending on economic planning is the lowest among the seven provinces.

Table 10.10 Expenditure on economic planning by province, 2015/16 – 2022/23

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	6	6	5	2	5	8	8	9
Free State	121	68	139	120	149	146	139	146
Gauteng	133	136	77	94	88	159	169	176
KwaZulu-Natal	29	36	24	29	17	39	35	37
Limpopo	11	10	10	10	10	10	11	12
Mpumalanga	17	14	15	19	18	20	20	22
Northern Cape	17	18	21	21	21	26	27	28
North West	4	19	29	7	6	3	5	11
Western Cape	139	296	129	134	182	172	173	177
Total	**476**	**603**	**450**		**496**	**582**	**589**	**618**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	-2,4%	58,0%	23,2%
Free State	5,4%	-1,9%	-0,7%
Gauteng	-9,8%	80,6%	26,0%
KwaZulu-Natal	-12,6%	124,7%	28,9%
Limpopo	-1,2%	-2,5%	6,3%
Mpumalanga	2,1%	8,1%	6,1%
Northern Cape	5,4%	22,7%	9,9%
North West	9,4%	-49,4%	24,3%
Western Cape	7,0%	-5,5%	-1,0%
Total	**1,0%**	**17,3%**	**7,6%**

Source: National Treasury provincial database

Business Regulation and Governance programme

The programme promotes a socially responsible and predictable business environment through good governance across public entities and agencies; lobbies against and addresses barriers in the broader business environment that inhibit business development; and implements and promotes measures that ensure consumers' rights and interests. The programme is also responsible for regulating the liquor, gambling and betting industries, with a significant portion of the expenditure in most provinces being transfers to their liquor, gambling and betting boards. The Western Cape's low expenditure is due to the fact that it relates only to consumer protection as its gambling and racing board and liquor authority fall under different departments. In the Free State, the gambling board and liquor authority are operated jointly with tourism under the economic planning programme.

Table 10.11 Expenditure on business regulation and governance by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	112	120	132	139	141	157	164	173
Free State	–	–	–	–	–	–	–	–
Gauteng	55	73	66	58	105	114	93	98
KwaZulu-Natal	133	144	170	162	176	182	195	203
Limpopo	88	101	107	114	134	126	132	139
Mpumalanga	83	93	103	114	114	120	126	132
Northern Cape	31	34	38	41	43	45	46	48
North West	83	102	114	116	114	132	137	144
Western Cape	11	10	11	10	9	9	9	9
Total	**597**	**678**	**740**	**753**	**837**	**884**	**902**	**947**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	5,9%	11,2%	7,2%
Free State	0,0%	0,0%	0,0%
Gauteng	17,5%	8,3%	-2,2%
KwaZulu-Natal	7,2%	3,7%	4,9%
Limpopo	11,0%	-6,5%	1,1%
Mpumalanga	8,1%	5,6%	5,1%
Northern Cape	8,5%	2,6%	3,6%
North West	8,3%	15,5%	7,9%
Western Cape	-4,5%	-4,8%	0,7%
Total	**8,8%**	**5,6%**	**4,2%**

Source: National Treasury provincial database

Tourism programme

Provincial government investment in tourism amounts to R9.1 billion between

The purpose of the programme is to stimulate sustainable tourism-based and economic growth by creating an enabling environment through legislation, policy and strategies; encouragement of demand and supply; and transformation of the sector.

The NDP recognises tourism as a highly labour intensive sector with the potential to stimulate the development of small businesses and generate significant export earnings[3].

Between 2015/16 and 2022/23, provincial government expenditure on tourism development is expected to total R9.1 billion. There was a dip in expenditure between 2015/16 and 2019/20; however, it increases somewhat over the MTEF. Gauteng does not indicate expenditure under the programme; transfers to its tourism agency are budgeted for under its trade and sector development programme.

[3] Tourism grows a country's national output and increases foreign currency earnings. Export Strategies for Tourism. International Trade Centre (2017).

Table 10.12 Expenditure on tourism development by province, 2015/16 – 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Ca|	4	4	10	10	10	12	12	13
Free State	7	75	9	9	10	11	11	11
Gauteng	–	–	–	–	–	–	–	–
KwaZulu-Na	376	247	208	245	350	321	329	349
Limpopo	186	117	132	132	118	127	133	140
Mpumalan	335	350	358	384	395	413	433	455
Northern C	49	47	54	59	87	79	86	93
North Wes	43	101	158	148	213	188	180	185
Western Ca	40	49	53	59	58	96	100	108
Total	**1 041**	**991**	**983**	**1 046**	**1 241**	**1 246**	**1 283**	**1 353**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Eastern Cape	23,8%	14,4%	8,1%
Free State	8,1%	9,1%	2,7%
Gauteng	0,0%	0,0%	0,0%
KwaZulu-Natal	-1,8%	-8,3%	-0,1%
Limpopo	-10,8%	7,4%	5,8%
Mpumalanga	4,2%	4,6%	4,8%
Northern Cape	15,3%	-9,2%	2,2%
North West	49,4%	-11,8%	-4,5%
Western Cape	9,9%	64,4%	22,8%
Total	**4,5%**	**0,4%**	**2,9%**

Source: National Treasury provincial database

According to Statistics South Africa, the 2016 Tourism Satellite Account showed the sector contributing approximately 2.9 per cent to GDP and 3 per cent to Gross Value Added (GVA). About 4.5 per cent of the national workforce is in the sector.

In most provinces funding for tourism is transferred to public entities responsible for implementing their provinces' tourism strategies. As indicated above, not all of these entities are located this programmes. The Free State and Gauteng do not transfer funds to their entities through this programme; hence the transfers to tourism and related agencies are higher than the total allocation for the programme over the MTEF.

Transfers to the tourism entities are expected to total R19.6 billion between 2015/16 and 2022/23. Between 2015/16 and 2022/23, the Mpumalanga Tourism and Parks Agency receives the largest amounts in transfers followed by the Eastern Cape Parks and Tourism Agency. In the Free State, tourism is jointly operated with the gambling and liquor boards and in the Western

Cape with trade and investment promotion. The transfers increase at above the expected rate of inflation in 2019/20 and 2020/21 and over the MTEF.

Table 10.13 Transfers to provincial tourism and related agencies, 2015/16 - 2022/23

R million	2015/16	2016/17	2017/18	2018/19	2019/20 Preliminary outcome	2020/21	2021/22	2022/23
		Outcome				Medium-term estimates		
Tourism agencies								
Eastern Cape Parks and Tourism Agency	193	196	196	234	215	220	221	226
Gauteng Tourism Authority	94	105	108	120	103	138	145	139
KwaZulu Natal Tourism Authority	118	117	117	151	162	149	143	149
Limpopo Tourism and Parks Board	156	89	103	102	99	96	101	107
Mpumalanga Tourism and Parks Board	309	346	354	379	390	408	427	448
Northern Cape Tourism Authority	20	21	21	23	24	24	25	26
North West Tourism Board	–	93	92	107	100	102	109	114
Other Tourism related agencies								
Free State Gambling, Liquor and Tourism	105	121	113	112	118	115	118	129
Western Cape Tourism, Trade and	58	74	77	92	116	173	180	197
Total	**1 052**	**1 163**	**1 182**	**1 321**	**1 326**	**1 425**	**1 470**	**1 535**

Percentage growth (average annual)	2015/16 – 2019/20	2019/20 – 2020/21	2019/20 – 2022/23
Tourism agencies			
Eastern Cape Parks and Tourism Agency	2,7%	2,5%	1,6%
Gauteng Tourism Authority	2,3%	34,4%	10,7%
KwaZulu Natal Tourism Authority	8,3%	-8,1%	-2,7%
Limpopo Tourism and Parks Board	-10,7%	-3,0%	2,5%
Mpumalanga Tourism and Parks Board	5,9%	4,5%	4,8%
Northern Cape Tourism Authority	5,3%	0,2%	2,8%
North West Tourism Board	0,0%	2,0%	4,6%
Other Tourism related agencies			
Free State Gambling, Liquor and Tourism	3,0%	-2,1%	3,1%
Western Cape Tourism, Trade and	19,2%	48,7%	19,2%
Total	**6,0%**	**7,4%**	**5,0%**

Source: National Treasury provincial database

Medium-term outlook

The NDP envisages reducing the unemployment rate to 6 per cent by 2030. This means that the economy needs to grow by approximately 5.4 per cent every year. According to the 2020 MTBPS, in real terms it was expected to contract by 7.8 per cent in that year due to the COVID-19 pandemic. It is expected to rebound to 3.3 per cent in 2021 and to average 2.1 per cent over the medium term. However, even if these growth rates are achieved, the economy is only expected to recover to 2019 levels in 2024.

The economy's weak rate of growth is reflected in the rising unemployment rate. There is an urgent need for interventions that trigger growth and employment over the medium to long term.

To increase the ease of doing business, through the dtic government has introduced the one-stop shop initiative. One-stop shops serve as entry points for investors needing information about applicable laws and regulations and all other relevant matters; and perform pre- and post-investment screening for appropriate investors and investments into the country on a project by project basis. The national one-stop shop, launched in March 2017, is key to housing all relevant regulatory and administrative departments and agencies in a single location and thus providing investors with an integrated service. It is vital that the three spheres of government work to improve the country's attractiveness as a destination of choice for doing business. Between 2018 to 2019, out of 190 countries South Africa dropped two places (from 82nd to 84th) in the world ranking of ease of doing business.

Conclusion

Between 2015/16 and 2022/23, provinces' budgets for economic development and tourism are expected to total R49.6 billion. Most programmes in the sector are implemented through public entities. Approximately 60 per cent of the total is transferred to these entities, with PDFIs receiving over R14.4 billion during the period. These critical provincial agencies contribute to the drive for sustainable regional economic development and growth through support for SMMEs, attracting and facilitating investment and developing economic infrastructure.