



# 2018/19

THE JOURNEY SO FAR  
**ANNUAL REPORT**

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# PART A

## GENERAL INFORMATION



# 01

## PUBLIC ENTITY'S GENERAL INFORMATION

**REGISTERED NAME**  
**REGISTRATION NUMBER**  
**PHYSICAL ADDRESS**

MPUMALANGA ECONOMIC GROWTH AGENCY (MEGA)  
N/A  
**ABSA SQUARE BUILDING** | NO. 20 PAUL KRUGER STREET  
MBOMBELA | MPUMALANGA | 1201

**POSTAL ADDRESS**

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**TELEPHONE NUMBER**  
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**WEBSITE ADDRESS**  
**EXTERNAL AUDITORS**  
**BANKERS**  
**COMPANY SECRETARY**

WWW.MEGA.GOV.ZA  
AUDITOR GENERAL SOUTH AFRICA  
ABSA / STANDARD BANK  
ADV. P MORGAN



## LIST OF ABBREVIATIONS/ACRONYMS

AGSA	: AUDITOR-GENERAL OF SOUTH AFRICA
APP	: ANNUAL PERFORMANCE PLAN
CAPEX	: CAPITAL EXPENDITURE
CDC	: COEGA DEVELOPMENT CORPORATION
CEO	: CHIEF EXECUTIVE OFFICER
CFO	: CHIEF FINANCIAL OFFICER
CRDP	: COMMUNITY RURAL DEVELOPMENT PROGRAMME
DARDLEA	: DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT, LAND AND ENVIRONMENTAL AFFAIRS
DBSA	: DEVELOPMENT BANK OF SOUTHERN AFRICA
DEDT	: DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM
DIRCO	: DEPARTMENT OF INTERNATIONAL RELATIONS AND COOPERATION
DRDLR	: DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
DRP	: DISASTER RECOVERY PLAN
DWS	: DEPARTMENT OF WATER AND SANITATION
EAP	: EMPLOYEE ASSISTANCE PROGRAMME
EIA	: ENVIRONMENTAL IMPACT ASSESSMENT
EMIA	: EXPORT MARKETING AND INVESTMENT ASSISTANCE
ERM	: ENTERPRISE-WIDE RISK MANAGEMENT
EXCO	: EXECUTIVE COMMITTEE
FER	: FOREIGN ECONOMIC REPRESENTATIVES
FLISP	: FINANCE LINKED INDIVIDUAL SUBSIDY PROGRAMME
ICT	: INFORMATION AND COMMUNICATION TECHNOLOGY
IDC	: INDUSTRIAL DEVELOPMENT CORPORATION
IIA	: INSTITUTE OF INTERNAL AUDITORS
M&E	: MONITORING & EVALUATION
MEGA	: MPUMALANGA ECONOMIC GROWTH AGENCY
MIFPM	: MPUMALANGA INTERNATIONAL FRESH PRODUCE MARKET
MOU	: MEMORANDUM OF UNDERSTANDING
MTSF	: MEDIUM TERM STRATEGIC FRAMEWORK
NEDP	: NATIONAL EXPORTER DEVELOPMENT PROGRAMME
OD	: ORGANISATIONAL DEVELOPMENT
OPEX	: OPERATING EXPENDITURE
PFMA	: PUBLIC FINANCE MANAGEMENT ACT
PIC	: PUBLIC INVESTMENT CORPORATION
SCM	: SUPPLY CHAIN MANAGEMENT
SEZ	: SPECIAL ECONOMIC ZONES
SMME	: SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES
SSAS	: SECTOR SPECIFIC ASSISTANCE SCHEME
the dti	: THE DEPARTMENT OF TRADE AND INDUSTRY
MEGDP	: MPUMALANGA DEVELOPMENT GROWTH AND DEVELOPMENT PATH
IPAP	: INDUSTRIAL POLICY ACTION PLAN
NDP	: NATIONAL DEVELOPMENT PLAN
NGP	: NATIONAL GROWTH PLAN
MDG	: MILLENNIUM DEVELOPMENT PLAN
SDI	: SPATIAL DEVELOPMENT INITIATIVE

# 03

## STRATEGIC OVERVIEW



### 3.1 Vision

To be a capable, credible and resilient institution, making meaningful measurable impact in the growth and development of the Mpumalanga economy.



### 3.2 Mission

Our primary role is to foster the sustainable growth and development of the Mpumalanga economy by attracting, facilitating and maximizing the development impact of investment in the province, thereby reducing unemployment, poverty and inequality.



### 3.3 Core Values

Our central principles and beliefs that guide our attitudes, character, choices and actions are:

- i. **Accountability** : We take our duty to the citizens of Mpumalanga seriously and always place their needs first in all that we do;
- ii. **Responsibility** : As custodians of public funds, we take special care to ensure that these limited resources are appropriately deployed and preserved;
- iii. **Integrity** : We strive to deliver on our commitments;
- iv. **Professionalism** : We value quality and consistency in carrying out our duties; and
- v. **High performance** : We strive for excellence in performance.

### 3.4 Objectives

The objects of MEGA in terms of the MEGA Act 1 of 2010 are:



- i. To provide funding in respect of property development including the granting of housing loans;
- ii. To provide funding in respect of approved enterprise and agricultural development, focusing primarily on previously disadvantaged individuals within the Province;
- iii. To focus on project management, development and management of immovable property; and
- iv. To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment;
- v. The objects of the Agency expressly exclude the objects of the Mpumalanga Tourism and Parks Agency, the Mpumalanga Regional Training Trust and the Mpumalanga Economic Regulators. In achieving its objectives, the Agency shall endeavour to progressively increase its own revenue generation and collection.

# 04

## LEGISLATIVE AND OTHER MANDATES

### 4.1 Constitutional mandates

MEGA has been specifically mandated to stimulate growth in various sectors of the provincial economy and therefore provides opportunities to the residents of Mpumalanga through the funding of projects, promotion of Small, Medium, and Micro Enterprises (SMME's), Co-operatives (Co-ops) and other businesses thereby contributing to the constitutional imperative in Section 22 of the Constitution, which stipulates that citizens have a right to choose their trade, occupation or profession freely while also focusing on economic activity.

### 4.2 Legislative Mandates

#### 4.2.1 MEGA Act 1 of 2010: Section 3

MEGA's legal mandate in terms of Section 3 of the Act, is articulated, as follows:-

- i. To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;
- ii. To focus on project management and development; and to manage immovable property; and
- iii. To promote foreign trade and investment so as to ensure enterprise and agricultural development that will significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment; and
- iv. To progressively increase its revenue generation and collection in the pursuit of its objectives.

### 4.2.2 Public Finance Management Act No 1 of 1999

MEGA is a public institution listed under PFMA schedule 3D by virtue of being a provincial government business enterprise. PFMA Schedule 3D entities are regulated by Sections 47 and 76(4) of the PFMA. In terms of the Act, MEGA has a responsibility to adhere to a number of regulations that ensure the achievement of its objectives such as, real financial growth and sustainability, clean and unqualified audits and improved financial management capability maturity. The regulations in the Act include providing for, *inter alia*:

- i. Sound financial management;
- ii. The efficient and effective management of all revenue, expenditure, assets and liabilities of the company; and
- iii. The provision of responsibilities of persons entrusted with financial management in the organisation.

### 4.2.3 National Credit Act No 34 of 2005

The National Credit Act promotes a fair and non-discriminatory market place for access to consumer credit and therefore places a responsibility on MEGA, as it provides funding in respect of property development, granting of housing loans and enterprise development focusing on previously disadvantaged individuals within the Province, to adhere to the regulations in the Act some of which include:

- i. Promoting fair and non-discriminatory practices in the granting of loans;
- ii. Promoting black economic empowerment and ownership in its funded SMMEs and Co-operatives by applying fair credit and credit-marketing practices;
- iii. Promoting responsible credit granting by giving loans only to qualifying individuals;
- iv. Providing debt restructuring and debt counseling services for over-indebted clients (a risk highlighted in programme 4 below);
- v. Establishing policies and standards relating to loans management and housing finance;
- vi. Promoting a consistent enforcement framework relating to debt management.

## 04 LEGISLATIVE AND OTHER MANDATES CONTINUED

### 4.2.4 Financial Intelligence Centre Act No. 38 of 2001

The Finance Intelligence Centre Act's objective is to establish a Financial Intelligence Centre and a Money Laundering Advisory Council in order to combat money laundering activities and the financing of terrorist and related activities. The Act therefore imposes certain duties on institutions and other persons who might be used for money laundering purposes.

MEGA, through its various programmes, provides finance that facilitates development in the province and therefore recognises that there may be individuals who may circumvent the regulations in the Act. The Act will be applied, as intended, in MEGA's operations.

### 4.2.5 Housing Act No. 107 of 1997

The Housing Act provides for the facilitation of a sustainable housing development process and lays down general principles applicable to housing development. It also defines the functions of national, provincial and local governments in respect of housing and provides for the establishment of a South African Housing Development Board.

The Mpumalanga provincial government has placed the responsibilities outlined in the Act on MEGA. One of MEGA's strategic outcome oriented goals directly addresses this responsibility as it states that it aims "to increase access to affordable housing". Programme 5's performance delivery objectives will facilitate the achievement of this goal through its Loans Management and Housing Development sub-programmes.

### 4.2.6 Agriculture Laws Extension Act No. 87 of 1996

The objective of the Act is to provide for the extension of the application of certain laws relating to agricultural matters to certain territories which form part of the national territory of the Republic of South Africa.

MEGA has a programme that is responsible for the growth and development of the agricultural sector by providing financial and non-financial support to farmers and related agriculture businesses. MEGA has to ensure that its operations are in line with the regulations contained in this ACT so as to contribute to the economic development of the province, as mandated.

### 4.2.7 Other Applicable Acts

The above Acts are legislative mandates that place critical responsibilities on the Board, executive and staff of MEGA in terms of how MEGA's operations are conducted. However there are other Acts that regulate MEGA's operations that include, inter alia:

- i. Basic Conditions of Employment Act, 1997;
- ii. Labour Relations Act no 66 of 1995;
- iii. Companies Act No. 71 of 2008;
- iv. Preferential Procurement Policy Framework Act No. 5 of 2000;
- v. Employment Equity Act No. 55 of 1998;
- vi. Skills Development Act No. 97 of 1998;
- vii. Income Tax Act No. 58 of 1962;
- viii. Broad-Based Black Economic Empowerment Act No. 53 of 2003;
- ix. South African Reserve Bank Act No. 90 of 1989;
- x. Co-operative Banks Act No. 40 of 2007;
- xi. Customs and Excise Act No. 91 of 1964.

## 4.3 Policy mandates

### 4.3.1 National Development Plan

The National Development Plan (NDP) is a government-initiated plan to eliminate poverty and reduce inequality by 2030. The plan sketches out the key structural changes required for sustainable social and economic growth.

MEGA's programmes are aligned to meet the aims of the NDP as MEGA's strategic plan is geared to ensure sustainable development and economic growth in the province that will contribute to job creation, poverty alleviation, redressing the inequalities of the past and the beneficiation of the province's resources. This includes the expansion of infrastructure and the improvement and efficient use of rural spaces through the promotion and development of Co-operatives.

Co-operatives are autonomous associations of persons who entirely co-operate for their mutual social economic and cultural benefits. Co-operatives include non-profit community organisations and businesses that are owned and managed by the people who use the services (consumer co-operative) and by people who work there (worker co-operative) or by people who live there (housing co-operative).



## 04 LEGISLATIVE AND OTHER MANDATES CONTINUED

### 4.3.2 Medium Term Strategic Framework: Outcomes Delivery Agreement

This Medium Term Strategic Framework (MTSF) is Government's strategic plan for the 2014-2019 electoral term. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP. The MTSF sets out the actions Government will take and targets to be achieved. It also provides a framework for the other plans of national, provincial and local government.

The MTSF is structured around 14 priority outcomes which cover the focus areas identified in the NDP and Government's electoral mandate. These are made up of the 12 outcomes which were the focus of the 2009-2014 administration, as well as two new outcomes (social protection, nation-building and social cohesion).

#### A summary of each of these 14 outcomes is provided below

- i. Outcome 1: Improved quality of basic education;
- ii. Outcome 2: A long and healthy life for all South Africans;
- iii. Outcome 3: All people in South Africa are and feel safe;
- iv. Outcome 4: Decent employment through inclusive economic growth;
- v. Outcome 5: A skilled and capable workforce to support an inclusive growth path;
- vi. Outcome 6: An efficient, competitive and responsive economic infrastructure network;
- vii. Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all;
- viii. Outcome 8: Create sustainable human settlements and improved quality of household life;
- ix. Outcome 8: Create sustainable human settlements and improved quality of household life;
- x. Outcome 10: Create a better South Africa and contribute to a better and safer Africa in a better World;
- xi. Outcome 11: Environmental assets and natural resources that are well protected and continually enhanced;
- xii. Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship;
- xiii. Outcome 13: An inclusive and responsive social protection system;
- xiv. Outcome 14: Nation Building and Social Cohesion

### 4.3.2.1 MEGA's Alignment to the Medium Term Strategic Framework

MEGA's programmes are aligned to outcome 4 and its strategic initiatives are geared to ensure sustainable development and economic growth in the province that will contribute to job creation, poverty alleviation, redressing the inequalities of the past and the beneficiation of the province's resources. This includes the expansion of infrastructure and the improvement and efficient use of rural spaces through the promotion and development of SMMEs and Co-operatives.

### 4.3.3 Nine Point Plan: Government Priority

In addition, the entity's activities are linked to the priorities Government has set to achieve. These priorities, referred to as "Nine Point Plan", entails the following:

- i. Revitalisation of agriculture and agro-processing value chain
- ii. Advancing beneficiation, adding value to our mineral wealth
- iii. More effective Implementation of Industrial Policy Action Plan
- iv. Unlocking the potential of SMMEs, Co-ops, township and rural enterprises
- v. Resolving the energy challenge
- vi. Stabilising the labour market
- vii. Scaling-up private sector investment
- viii. Growing the Ocean Economy
- ix. Cross cutting reform to boost and diversify the economy through investment in science & technology, water & sanitation, transport infrastructure, broadband connectivity & state owned companies





## 04 LEGISLATIVE AND OTHER MANDATES CONTINUED

### 4.3.3.1 MEGA's Alignment to the Nine Point Plan

In response to the priorities mentioned above, MEGA has developed specific package of initiatives aligned to the Nine Point Plan and are designed to stimulate economic activity and achieve quantifiable development impact goals in the form of:

- i. Increased investment through 'crowding in' private sector capital and expertise
  - a. MEGA will access investment opportunities for SMMEs through partnerships such as the Standard Bank Partnership, Strategic Development Partners, etc.
  - b. MEGA will collaborate with the Department of Human Settlements to access funds from the FLISP (Finance Linked Individual Subsidy) Programme to augment the provision of home loans in the gap market.
  - c. Through its Property Portfolio, MEGA will package strategic development projects (industrial, commercial, residential) and attract private sector partners.
  - d. Follow a targeted investment promotion approach where a few high impact strategic projects are presented to a carefully selected group of investors and financiers.
- ii. Reduced unemployment, poverty and inequality
  - a. MEGA will substantially grow loan advances, disbursing loans across all customer segments in order to stimulate job opportunities:
  - b. Customized financing approach to finance specific target groups such as the youth, women and people with disabilities.
  - c. Implement strategic investment projects such as the Mpumalanga International Fresh Produce Market, Nkomazi Specials Economic Zone to stimulate economic growth and create job opportunities.
- iii. Efficient utilisation of government resources
  - a. MEGA shall continue restructuring, securing, and maintaining private sector investment on its equity investments, namely: Tekwane Lemon Farm, Loopspruit Winery, Nkomati Anthracite, Kangwane Anthracite and Highveld Fruit Packers.
  - b. MEGA will continue building internal capacity to deliver on its economic growth and developmental mandate.

### 4.3.4. Strategic Oriented Outcomes Mapped to the Millennium Development Goals (MDG)

Millennium Development Goal 1 is to reduce poverty around the world. Target 1B of Goal 1, i.e. achieve full and productive employment and decent work for all including women and young people, is directly linked to outcome 4: decent employment through inclusive growth.

Millennium Development Goal 7 is to ensure environmental sustainability. Target 7D of Goal 1, i.e. achieve significant improvement in the lives of slum dwellers, is linked to outcome 8: sustainable human settlements, and improved quality of life for households.

### 4.3.5 Industrial Policy Action Plan (IPAP) 2010/11 to 2016/17

The IPAP 2013/14-2015/16 is informed by the vision set out for South Africa's development provided by the National Development Plan (NDP). It is located in the framework provided by the programmatic approach of the New Growth Path (NGP) and is one of the key pillars of that document. The National Industrial Policy Framework (NIPF) adopted by Government in 2007 provides the more general industrial policy framework for IPAP and the blueprint for Government's collaborative engagement with its social partners from business, labour and civil society.

MEGA has placed priority on the development and management of its properties, which include heavy duty and light industrial parks that provide factory space for industries. This is aimed towards helping to build South Africa's industrial base in critical sectors of production and value-added manufacturing, which are labour absorbing industries as provided for in IPAP 2. This will address the decline in industrial and manufacturing capacity and contribute to the reduction of chronic unemployment in line with the MEGDP and IPAP.

## 04 LEGISLATIVE AND OTHER MANDATES CONTINUED

### 4.3.6 Spatial Development Initiatives (SDIs)

During the 1990's, South Africa adopted an export-orientated focus which necessitated efficient transportation of goods to the coast with the aim of maximizing competitiveness of export products in the global markets. The Maputo Corridor was then conceptualized as one of the spatial development initiatives.

In line with this initiative, MEGA in conjunction with the Department of Trade and Industry (**the dti**) is involved in the establishment of the Nkomazi Special Economic Zone (SEZ) with a primary purpose of accelerating industrialisation in the province.

### 4.3.7 Mpumalanga Economic Growth and Development Path (MEGDP)

The Mpumalanga Economic Growth and Development Path (MEGDP) outlines a set of strategic choices and potential paths that will contribute towards growing a sustainable Mpumalanga economy which provides economic opportunities and work for all residents. The core vision is to build an equitable and inclusive economy that supports an improved quality of life for all the people of Mpumalanga.

The overarching objectives are:

- i. *Increased employment by developing sectors with sustainable labour absorption potential;*
- ii. *Sustainable economic growth by developing sectors with high growth potential; and*
- iii. *Greater equity and a decreased poverty rate (sustainable human development) as more residents will have access to employment and the benefits of economic growth.*

MEGA has developed its strategic plan and policies towards achieving its mandate in line with the MEGDP. MEGA's Strategic Oriented Goals aimed towards growing a sustainable Mpumalanga economy are outlined under Part B, item 3.4



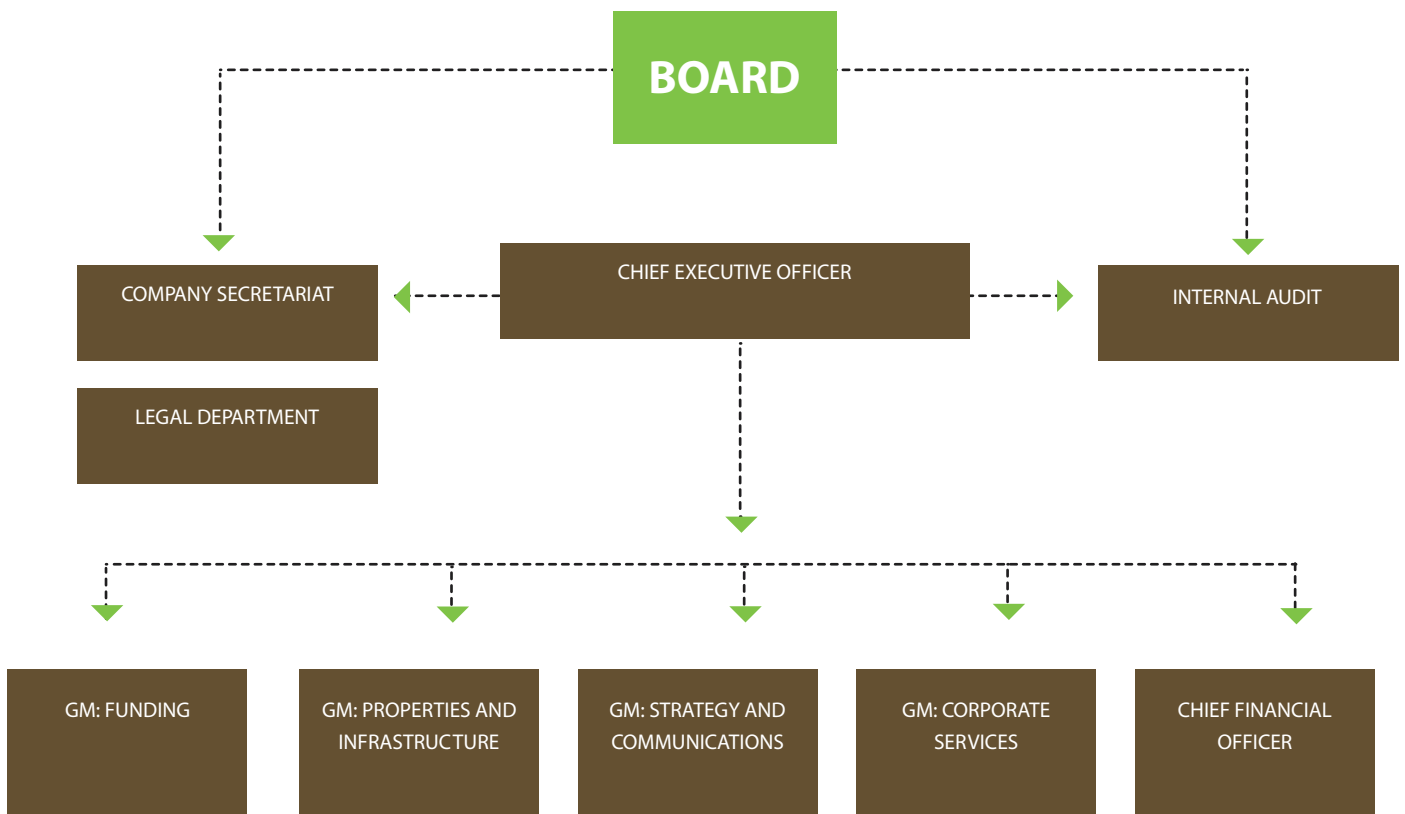
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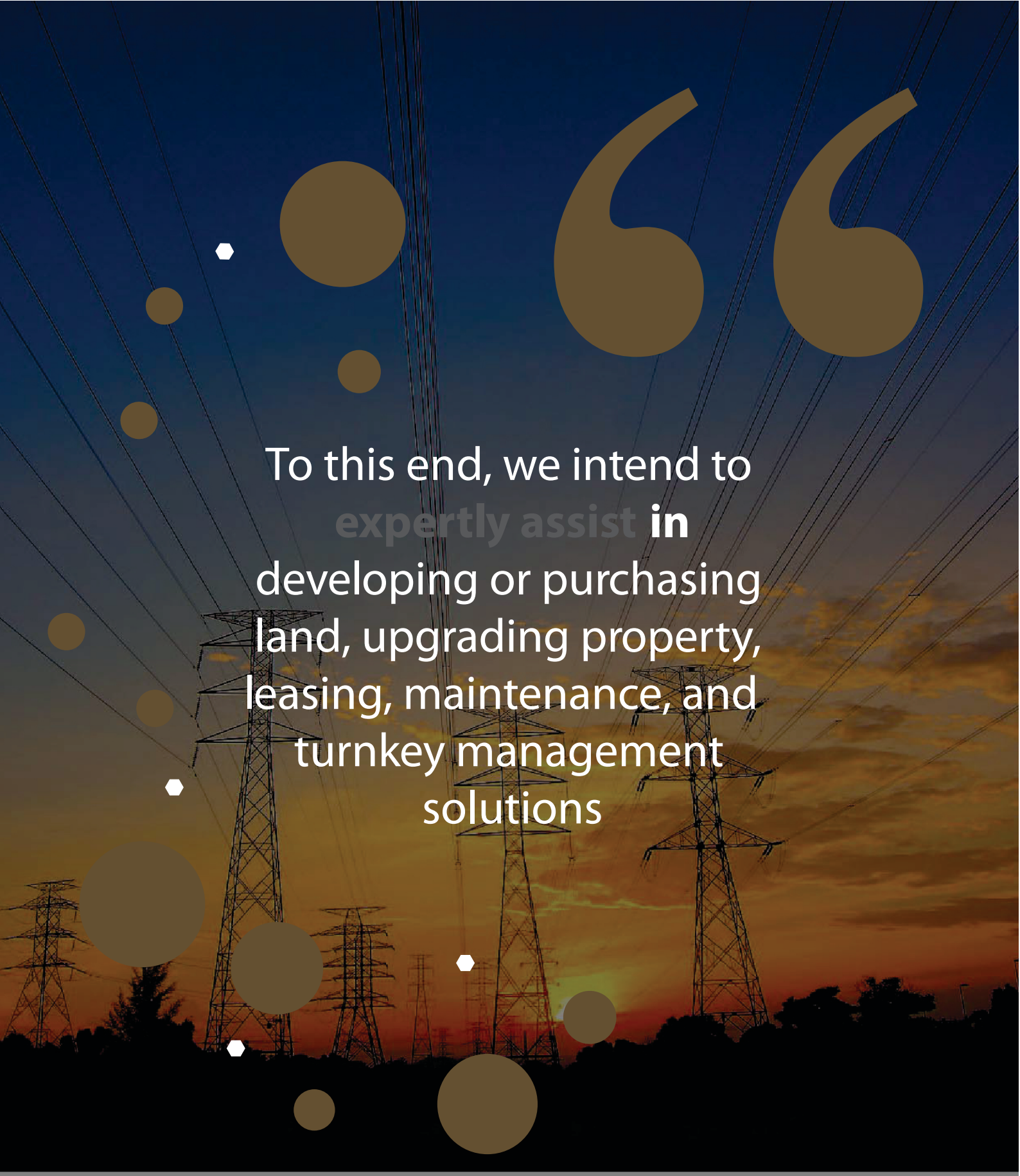
# 05

## HIGH LEVEL ORGANISATIONAL STRUCTURE

Figure 2: High Level Organisational Structure







To this end, we intend to  
**expertly assist in**  
developing or purchasing  
land, upgrading property,  
leasing, maintenance, and  
turnkey management  
solutions



# 06



## FOREWORD BY THE CHAIRPERSON



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Mr. D.S. Mkhwanazi  
Board Chairperson  
**Mpumalanga Economic Growth Agency**

# 07



## CHIEF EXECUTIVE OFFICER'S **OVERVIEW**





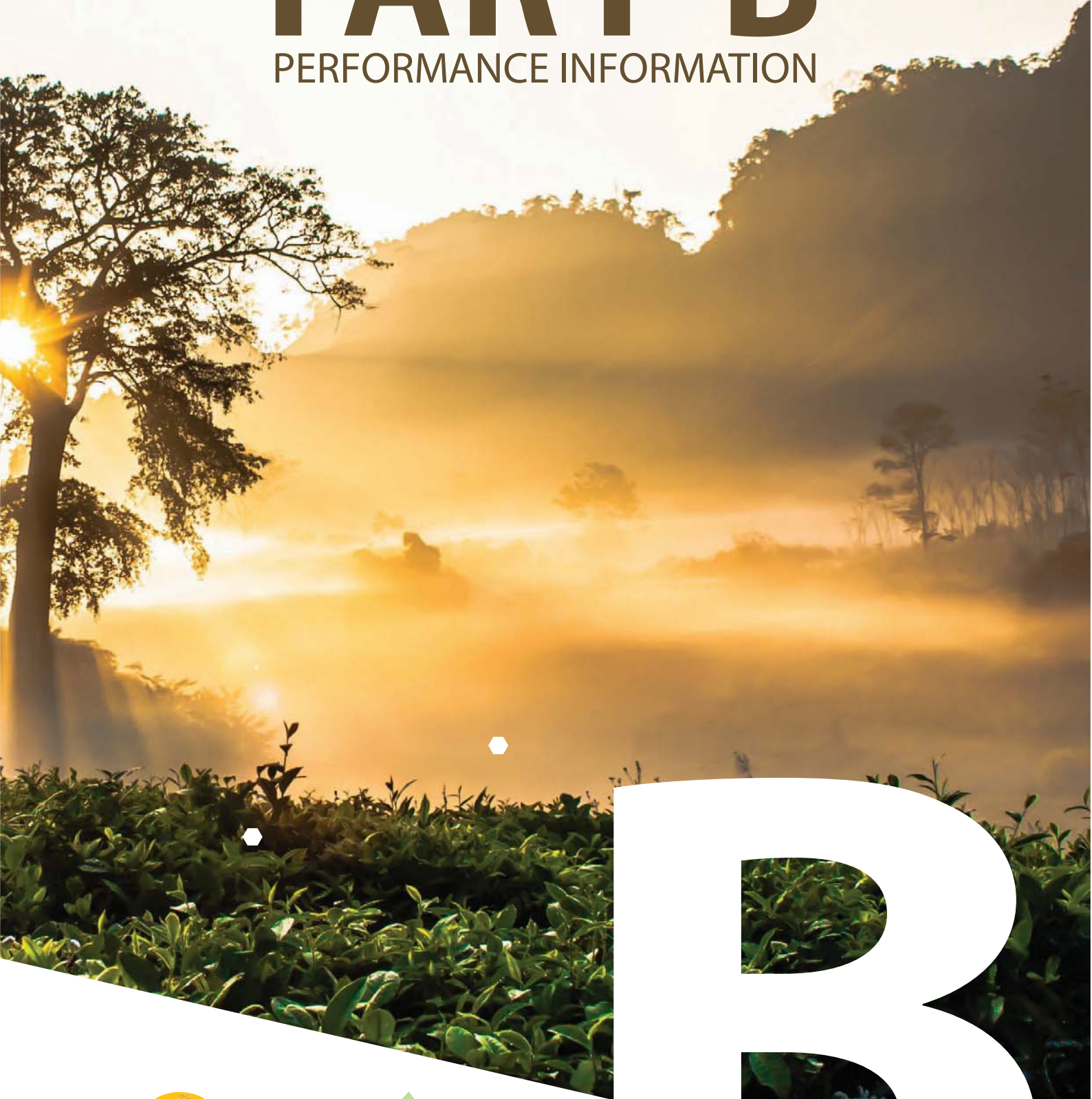


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Mr. C.T. Camane  
Acting Chief Executive Officer  
**Mpumalanga Economic Growth Agency**

# PART B

## PERFORMANCE INFORMATION



# 01

## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

**TO:** The Auditor General  
10 Nel Street, Nelspruit

**DATE:** 31 May 2019

### ANNUAL REPORT FOR THE 2017/18 FINANCIAL YEAR END

This serves to confirm that the annual report of the Mpumalanga Economic Growth Agency (MEGA) has been submitted to the Auditor-General for auditing in terms section 55(1)(c) of the PFMA.

I acknowledge responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and confirm, to the best of my knowledge and belief, the following:

#### Annual Financial statements

- a. The financial statements have been prepared in accordance with IFRS as prescribed in the National Treasury Framework and relevant guidelines specified / issued by the National Treasury.
- b. All amounts appearing on the annual report and information in the annual report are consistent with the financial statements submitted to the auditors for audit purposes.

#### Performance Information

- a. The performance information fairly reflects the operations and actual outputs against planned targets for performance indicators as per the strategic and annual performance plan of the public entity for the financial year ended 31 March 2019.
- b. The report on performance information is in accordance with the requirements of the guidelines on the annual report as issued by National Treasury.
- c. A system of internal controls has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

#### Human Resource Management

- a. The human resource information contained in the respective tables in Part D of the annual report, fairly reflects the information of the public entity for the financial year ended 31 March 2019.

To the best of my knowledge and belief, I confirm the following:

- a. All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.
- b. The annual report is complete, accurate and is free from any omissions
- c. The annual report has been prepared in accordance with the guidelines of the annual report, as issued by National Treasury.
- d. The Annual Financial Statements (Part E) have been prepared in accordance with the IFRS standards applicable to the public entity.
- e. The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- f. The accounting authority is responsible for establishing, and implementing a system of internal controls which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.
- g. The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2019.

Recommended by

Approved by:

Mr. C.T. Camane  
Acting Chief Executive Officer  
Date: 31 May 2019

Honourable P. Ngomane  
MEC: Finance, Economic Development and Tourism  
Date: 31 May 2019

# 02

## AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa [AGSA] currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page (to be inserted) of the Report of the Auditors Report, published as Part E: Financial Information.

# 03

## OVERVIEW OF THE PUBLIC ENTITY'S PERFORMANCE

### 3.1 Service Delivery Environment

#### 3.1.1 Domestic Economic Outlook<sup>1</sup>

The domestic economy tracked world growth relatively closely in the period between 2000 and 2009. However, since the economic downturn in 2008/09, the domestic economy has struggled to achieve even modest world growth levels. In 2017, the annual real economic growth rate for South Africa was 1.3 per cent, following an increase of only 0.6 per cent in 2016. The country's forecasted growth rate up to 2021 is expected to remain lower than world growth prospects, but to surpass growth of advanced economies in 2021 again. The key measure of economic success identified in the National Development Plan 2030 (NDP) is that South Africa achieves annual average gross domestic product (GDP) growth of over 5 per cent up to 2030.

South Africa slightly improved both its score and ranking (51<sup>st</sup> place out of 138, down four places) in the World Economic Forum's (WEF) Global Competitiveness Report 2017-2018. It registered marginal improvements in almost all aspects of competitiveness, however, shortcomings such as stalled infrastructure development may limit South Africa's competitiveness going forward. In the World Bank's Doing Business 2017 report, South Africa ranked 74<sup>th</sup> out of 190 and did not improve its score mainly due to increases in property transfer tax and vehicle tax as well as complicating paying taxes by increasing the time it takes to prepare value added tax (VAT) returns.

The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban areas was 5.2 per cent in November 2018. The Monetary Policy Committee (MPC) announced at the conclusion of its November 2018 meeting that the SARB's national inflation forecast was adjusted to 4.8 per cent and 5.5 per cent for 2018 and 2019, respectively. The forecast for 2020 was kept at 5.4 per cent.

#### 3.1.2 Mpumalanga Economic Outlook<sup>2</sup>

It is estimated that in 2016, Mpumalanga contributed some R323.7 billion in current prices or some 7.4 per cent to the GDP of South Africa. Converted to constant 2010 prices, Mpumalanga's contribution was R222.2 billion.

According to estimates, Mpumalanga's contribution in constant 2010 prices was the fifth largest among the nine provinces. Mpumalanga's contribution decreased from 8.1 per cent in 1995 to 7.3 per cent by 2014 and finally 7.2 per cent in 2016. Gauteng (35.0 per cent) and KwaZulu-Natal (16.0 per cent) were the main contributors to the national economy in 2016. At the start of the period under review, particularly 1996, 1997 and 1999, the economic growth of the province, as measured by growth in the GDP, was higher than the national rate. However, since then the provincial economy has outperformed the national economy in terms of GDP growth only in 2009 and 2014. The average annual growth rate for the country and Mpumalanga over the period 1995 to 2016 was 2.9 per cent and 2.3 per cent, respectively.

<sup>1</sup>Compiled using Quarter 3 Socio-Economic Review and Outlook (SERO) of Mpumalanga – December 2018

<sup>2</sup>Compiled using Quarter 3 Socio-Economic Review and Outlook (SERO) of Mpumalanga – December 2018

Mpumalanga recorded the sixth highest/fourth lowest annual average GDP growth rate in the 21-year period. The forecasted annual growth rates for South Africa and Mpumalanga are projected to remain low and average 1.5 per cent annually between 2017 and 2022



## 3 OVERVIEW OF THE PUBLIC ENTITY'S PERFORMANCE

### 3.2 Organisational Environment

The Mpumalanga government considers MEGA as a critical institution in the execution of its economic policy and is eager to see the institution stabilise, grow sustainably and deliver on its mandate. The provincial government, in turn has entrusted MEGA with, amongst others, the following responsibilities related to the execution of the Mpumalanga Economic Growth and Development Path (MEGDP) and Vision 2030:

- a. Promotion of black industrialists through exploiting opportunities presented by strategic initiatives such as, Industrial Technology Parks, Nkomazi SEZ and etc.
- b. The establishment of the Mpumalanga International Fresh Produce Market (MIFPM) as a critical lever to stimulate increased agricultural production to supply domestic and international markets.
- c. Promote Trade and Investment guided by the Provincial Trade and Investment Strategy that will support key economic sectors of the Province.
- d. To attract private sector investment and to increase infrastructure investment.
- e. Support development of SMMEs and Cooperatives through the Social Enterprise Model (Programme), Government Nutrition Programme, Access to funding using internal funds and strategic partners.

In order to deliver on its mandate, MEGA began the process of positioning itself as a capable, credible and resilient development finance institution that uses smart partnerships with the private sector, leverages government ownership and optimises the utilisation of its assets to make meaningful socio-economic impact. To achieve this, the entity developed the following objectives which are being implemented:

- a. Generating and facilitating suitable high impact investment opportunities in the province;
- b. Developing and harnessing organisational capabilities to successfully execute its strategy; and
- c. Achieving long-term financial sustainability and reducing dependence on government grants.

The organisational development process has largely been completed with the major phases finalised and to that end, and in line with the Migration Strategy and Implementation Plan, the normal recruitment processes to fill critical positions which were not filled through the OD process commenced in 2018. The final phase of the organisational realignment process which pertains to the management of the pool of unplaced employees in terms of Section 189 of the Labour Relations Act, commenced in 2018 through a consultative process facilitated by the Commission for Conciliation, Mediation and Arbitration (CCMA). Although both processes (consultation in terms of Section 189 and recruitment) were put on hold in November 2018 through a moratorium imposed by the Shareholder, once finalised, they will ensure that MEGA has the right skills in the right roles to execute on its mandate.

### 3.2.1 MEGAs Mandate

The Act mandates that MEGA is established to accomplish the following:

- a. To provide funding in respect of property development; approved enterprises; housing loans; and agricultural development; focusing primarily on previously disadvantaged individuals within the Province;
- b. To focus on project management and development; and to manage immovable property;
- c. To promote foreign trade and investment so as to ensure enterprise and agricultural development that significantly contribute to economic growth and development within the Province, with specific emphasis on Black Economic Empowerment;
- d. In achieving its objectives, MEGA shall endeavor to progressively increase its own revenue generation and collection; and
- a. The objectives of MEGA expressly exclude the objectives of the Mpumalanga Tourism and Parks Agency, The Mpumalanga Regional Training Trust and the Mpumalanga Gaming Board.

### 3.2.2 Policy Mandate

The Mpumalanga government considers MEGA as a critical institution in the execution of its economic policy and is eager to see the institution stabilise, grow sustainably and deliver on its mandate. The provincial government, in turn has entrusted MEGA with, amongst others, the following responsibilities related to the execution of the Mpumalanga Economic Growth and Development Path (MEGDP) and Vision 2030:

- a. Promotion of black industrialists through exploiting opportunities presented by strategic initiatives such as, Industrial Technology Parks, Nkomazi SEZ and etc.
- b. The establishment of the Mpumalanga International Fresh Produce Market (MIFPM) as a critical lever to stimulate increased agricultural production to supply domestic and international markets.
- c. Promote Trade and Investment guided by the Provincial Trade and Investment Strategy that will support key economic sectors of the Province.
- d. To attract private sector investment and to increase infrastructure investment.
- e. Support development of SMMEs and Cooperatives through the Social Enterprise Model (Programme), Government Nutrition Programme, access to funding using internal funds and strategic partners.

“The South African growth prospects appear to be showing signs of improvement



### 3.2.3 Measuring Performance through Programme Performance

MEGA's programme performance involved the consolidation of performance achieved by divisions on an annual basis in line with the approved Corporate Plan (Annual Performance Plan).

For the 2018/19 financial year, MEGA planned 58 annual targets, achieved 18 and failed to achieve 40 of its planned targets. This translates to 31% achievement and 69% non-achievement. Calculations are depicted in figure 2 below.

**Figure 2:** Consolidated Annual Performance per Programme / Division

PROGRAMME / DIVISION	PLANNED	ACHIEVED	NOT ACHIEVED	ANNUAL
Office Of The Ceo	5	4	1	80%
Corporate Services	12	3	9	25%
Finance	9	1	8	11%
Strategy and Communication	19	6	13	32%
Properties & Infrastructures	6	2	4	33%
Funding	7	2	5	29%
<b>TOTAL</b>	<b>58</b>	<b>18</b>	<b>40</b>	<b>31%</b>

The major contributors to poor performance by the entity were inadequate budget, cash flow constraints as well as vacancies in critical positions

### 3.3 Key Policy Developments and Legislative Changes

There were no policy developments or legislative changes affecting the entity during the financial year under review.

### 3.4 Strategic Outcome Oriented Goals

The goals of MEGA have been formulated in line with its legislative, policy and other mandates which drive institutional performance.

The eight strategic outcome oriented goals and goal statements which direct the institution are:

<b>Strategic Goal 1</b>	<b>Strengthen internal controls, systems and processes to ensure effective governance and risk management</b>
<b>Goal statement</b>	Provides effective administrative, secretarial and advisory services to the Board
<b>Justification</b>	Board's activities are carried out in line with the PFMA requirements and the Code of Good Practice
<b>Links</b>	An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

<b>Strategic Goal 1.2</b>	<b>Strengthen internal controls, systems and processes to ensure effective governance and risk management</b>
<b>Goal statement</b>	Provide legal support by ensuring that MEGA complies with all statutory and legislative compliance
<b>Justification</b>	Ensuring compliance with all statutory and legislative compliance
<b>Links</b>	An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

<b>Strategic Goal 1.3</b>	<b>Strengthen internal controls, systems and processes to ensure effective governance and risk management</b>
<b>Goal statement</b>	Provide effective internal audit function through a disciplined approach and undertaking root cause analysis to determine cultural weaknesses and recommend controls
<b>Justification</b>	Effective internal controls and systems
<b>Links</b>	An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

<b>Strategic Goal 2.1</b>	<b>Build an enabling organizational culture to support the execution of strategy</b>
<b>Goal statement</b>	To improve individual performance as a contribution to organizational performance through robust implementation
<b>Justification</b>	Individual performance ratings will be averaged divisionally then organizationally in order to determine individual contribution to the organizational performance
<b>Links</b>	A skilled and capable workforce to support an inclusive growth path

<b>Strategic Goal 2.2</b>	<b>Strengthen internal controls, systems and processes to ensure effective governance and risk management</b>
<b>Goal statement</b>	Develop and implement a fully integrated IT systems to support business processes
<b>Justification</b>	Efficient and customer focused IT solutions
<b>Links</b>	An efficient, effective and development-oriented public service

<b>Strategic Goal 2.3</b>	<b>Strengthen internal controls systems through establishment of relevant structures</b>
<b>Goal statement</b>	Promotes risk awareness while monitoring and overseeing the management of key risks facing the organisation in accordance with the Enterprise Risk Management (ERM) Framework
<b>Justification</b>	organizational risk architecture, strategy and protocols that are consistent with best practice
<b>Links</b>	An efficient, effective and development-oriented public service

<b>Strategic Goal 3.1</b>	<b>Strengthen internal controls, systems and processes to ensure effective governance and risk management</b>
<b>Goal statement</b>	Provide support through the planning and monitoring of budgets and expenditure, accounting and finance procurement systems
<b>Justification</b>	To provide an indication of how well the finances of the entity are being managed in an accountable manner
<b>Links</b>	An efficient, effective and development-oriented public service

<b>Strategic Goal 3.2</b>	<b>Develop and implement a funding model for the business that reduces dependence on government grants and ensures long term financial sustainability</b>
<b>Goal statement</b>	A sustainable funding model which supports the strategy and improve potential investment and development
<b>Justification</b>	Implementation of a funding model that reduces dependence on government grants and ensures long term financial sustainability
<b>Links</b>	An efficient, effective and development-oriented public service

<b>Strategic Goal 4.1</b>	<b>Strengthen Internal Controls systems and processes</b>
<b>Goal statement</b>	Ensuring that the corporate strategy is reflected in a corporate plan and in divisional plans, which guide resource allocation and key decisions aimed at ensuring that the entity is achieving its purpose of fostering the sustainable growth and development of the Mpumalanga
<b>Justification</b>	Strengthen internal controls, systems and processes to ensure effective governance and risk management
<b>Links</b>	An efficient, effective and development-oriented public service



<b>Strategic Goal 4.2</b>	<b>Improve MEGA's Corporate Image</b>
<b>Goal statement</b>	Coordinate communications efforts incorporating public and media relations, web design, graphic art, social media, publication development, and print and online content to deliver economic development information and corporate news in a timely
<b>Justification</b>	Improvement of image and reputation through marketing
<b>Links</b>	An efficient, effective and development-oriented public service

<b>Strategic Goal 4.3</b>	<b>Proactively generate compelling investment propositions that are aligned to the province's competitive advantages</b>
<b>Goal statement</b>	Rand Value of foreign and/or domestic sales as indicated by a MEGA client, including potential foreign and / or domestic sales assessed from a post exhibition assessment undertaken by MEGA, and resulting from ongoing MEGA assistance being rendered to the client during the reported financial year.
<b>Justification</b>	Impact and results from Trade Promotion activities and assistance rendered to exporters in Mpumalanga Province.
<b>Links</b>	Decent employment through inclusive economic growth

<b>Strategic Goal 4.4</b>	<b>Impact and results from Trade Promotion activities and assistance rendered to exporters in Mpumalanga Province.</b>
<b>Goal statement</b>	Package investment opportunities and attract investors for key strategic projects in the Province
<b>Justification</b>	Package investment opportunities and attract investors for key strategic projects in the Province
<b>Links</b>	Decent employment through inclusive economic growth

<b>Strategic Goal 4.5</b>	<b>Facilitate successful implementation of investment opportunities by working closely with partner investors and injecting own capital where possible</b>
<b>Goal statement</b>	Ensure formal partnership arrangements with strategic investment partners
<b>Justification</b>	Secure funds available for investment by approved investors.
<b>Links</b>	Decent employment through inclusive economic growth

<b>Strategic Goal 4.6</b>	<b>Ensure that each investment opportunity provides the maximum possible development impact</b>
<b>Goal statement</b>	The goal aims at contributing towards government priorities of reducing unemployment, poverty and inequality by ensuring that investment opportunities provides the maximum possible development impact
<b>Justification</b>	To determine total number of jobs created through investment projects
<b>Links</b>	This programme is linked to outcome 4 which aims at creating decent employment through inclusive economic growth

<b>Strategic Goal 4.7</b>	<b>Host Investor Conference</b>
<b>Objective statement</b>	The objective is to host an anchor event that is the flagship platform for showcasing investment opportunities that it offers
<b>Justification</b>	Carefully selected group of investors and financiers to invest in high impact strategic projects
<b>Links</b>	Linked to "Nine Point Plan" government priority: Cross cutting reform to boost and diversify the economy through investment in science & technology, water & sanitation, transport infrastructure, broadband connectivity & state owned companies



<b>Strategic Goal 5.1</b>	<b>Invest in property portfolio</b>
<b>Objective statement</b>	The goal is to raise capital investment to upgrade/refurbish the existing property portfolio
<b>Justification</b>	Ensure long term financial sustainability of MEGA
<b>Links</b>	Invest in the revitalisation of MEGA's property portfolio

<b>Strategic Goal 5.2</b>	<b>Build infrastructure capabilities</b>
<b>Objective statement</b>	The goal is to build capacity within MEGA to deliver on infrastructure funding mandate
<b>Justification</b>	Best practice infrastructure delivery unit
<b>Links</b>	Linked to "Nine Point Plan" government priority: More effective Implementation of Industrial Policy Action Plan

<b>Strategic Goal 5.3</b>	<b>Identify and attract suitable investors based on an attractive value proposition and attractive investment opportunities</b>
<b>Goal statement</b>	Commitments by Investors to invest in property projects
<b>Justification</b>	Increase the number and value of strategic partnerships facilitated which will increase investment in Property Development and Management projects
<b>Links</b>	This programme is linked to outcome 4 which aims at creating decent employment through inclusive economic growth

<b>Strategic Goal 5.4</b>	<b>Develop MEGA's capability to exit investments timeously for maximum developmental and financial returns</b>
<b>Goal statement</b>	Exit investments timeously for maximum developmental and financial returns
<b>Justification</b>	Exit Poorly performing investments and cut losses
<b>Links</b>	This programme is linked to outcome 4 which aims at creating decent employment through inclusive economic growth

<b>Strategic Goal 5.5</b>	<b>Ensure that each investment opportunity provides the maximum possible development impact</b>
<b>Goal statement</b>	The goal aims at contributing towards government priorities of reducing unemployment, poverty and inequality by ensuring that investment opportunities provides the maximum possible development impact
<b>Justification</b>	Increase the number of employment opportunities created
<b>Links</b>	This programme is linked to outcome 4 which aims at creating decent employment through inclusive economic growth



<b>Strategic Goal 6.1</b>	<b>Massively Grow Loan Advances</b>
<b>Objective statement</b>	The goal aims at substantially growing loan advances, disbursing loans across all customer segments in order to stimulate job opportunities
<b>Justification</b>	Reduced unemployment, poverty and inequality
<b>Links</b>	Linked to “Nine Point Plan” government priority: Unlocking the potential of SMMEs, Co-ops, township and rural enterprises

<b>Strategic Goal 6.2</b>	<b>Raise new capital to fund the loan book</b>
<b>Objective statement</b>	The goal is to increase investment through 'crowding in' private sector capital and expertise
<b>Justification</b>	Raising funds from 3rd parties in new capital to finance the growth in the loan book
<b>Links</b>	Linked to “Nine Point Plan” government priority: Scaling-up private sector investment

<b>Strategic Goal 6.3</b>	<b>Restructure equity investments</b>
<b>Objective statement</b>	The objective is to turn MEGA's equity investment into viable entities and attract private sector partners to achieve financial sustainability
<b>Justification</b>	To achieve financial sustainability
<b>Links</b>	Efficient utilisation of government resources

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.1 PROGRAMME 1: OFFICE OF THE CEO

#### 4.1.1 Programme Description:

The programme provides strategic leadership, ensures good corporate governance and assurance thereby enabling MEGA to deliver on its mandate.

#### The core purpose of the division is as follows:

- a. Effective administrative, secretarial and advisory services to the Board to ensure that the Board's activities are carried out in line with the PFMA requirements and the Code of Good Practice.
- b. Legal support by ensuring that MEGA complies with all statutory and legislative compliance thereby enabling MEGA to deliver on its mandate.
- c. Assist the entity accomplish its objectives by bringing a disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

#### 4.1.2 Highlights / progress made

- a. The division has provided inputs to the Shareholder's Compact, facilitated its adoption by the Board and submission to the shareholder.
- b. The Board Charter and Board Committees' Terms of Reference were reviewed and approved by the Board.
- c. The division provided legal support to the entity and further provided progress reports to the Board and Executive Committee on the status of all legal matters relevant to the entity.
- d. The division provided quality assurance as to the effectiveness of the entity's policies and procedures through its internal audit function.

#### 4.1.3 Challenges

The unanticipated resignation of the entire Board has had a negative impact on the performance of the entity.



The programme provides strategic leadership, ensures good corporate governance

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.1.4 OFFICE OF THE CEO ANNUAL PERFORMANCE

#### 4.1.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 7: ENHANCED OPERATIONAL EXCELLENCE</b>					
Improved internal controls, processes and systems	New Target	4	3	1	Compliance Policy Manual could not be reviewed due to unanticipated resignation of the entire Board
Improved functionality of the Board/ Board Committees structures	1 review performed on Shareholders Compact, Board Charter and Board Committees Terms of Reference	1	1	0	None
Improved compliance with governing Legislation & organisational Policies	1 Governance Policy Manual developed	1	0	1	Compliance Policy Manual could not be reviewed due to unanticipated resignation of the entire Board
Strengthened legal support to enable MEGA to deliver on its mandate	4 reports produced covering all matters relating to legal support	4	4	0	None
Strengthened Internal Controls systems and processes to ensure effective governance and risk management	100% implementation of three (3) year Internal Audit Plan	100%	100%	0	None

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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.1.4.2 Key Performance indicators, Planned Targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 7: ENHANCED OPERATIONAL EXCELLENCE</b>					
Number of initiatives as per divisional plans undertaken to ensure improved internal controls, processes and systems	New Target	4	3	1	Compliance Policy Manual could not be reviewed due to unanticipated resignation of the entire Board
Number of reviews performed on Shareholders Compact, Board Charter and Board Committees Terms of Reference	1 review performed on Shareholders Compact, Board Charter and Board Committees Terms of Reference	1	1	0	None
Number of Governance Policy Manuals developed / reviewed	1 Governance Policy Manual developed	1	0	1	Compliance Policy Manual could not be reviewed due to unanticipated resignation of the entire Board
Number of reports produced covering all matters relating to legal support	4 reports produced covering all matters relating to legal support	4	4	0	None
Level of implementation of three (3) year Internal Audit Plan	100% implementation of three (3) year Internal Audit Plan	100%	100%	0%	None



# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.1.4.3 Strategy to overcome areas of under performance

- a. **Compliance Policy Manual:** The Policy shall be reviewed once the Board has been appointed.
- b. **100% implementation of three (3) year Internal Audit Plan:** The position of Chief Audit Executive shall be prioritised for filling upon the upliftment of the moratorium on filling critical vacant positons by the MEC.

### 4.1.4.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by the Corporate Strategy Unit.

### 4.1.4.5 Linking performance with budgets

	2018/2019			2017/2018		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
OFFICE OF THE CEO	22 328	2 2 443	(115)	2 518	520	2
<b>TOTAL</b>	<b>22 328</b>	<b>22 443</b>	<b>(115)</b>	<b>2 518</b>	<b>2 520</b>	<b>2</b>

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.2 PROGRAMME 2: CORPORATE SERVICES

#### 4.2.1 Programme Description:

The Corporate Services division exists to render a comprehensive integrated human capital management and administration function, integrated Information and communication services as well as Enterprise Wide Risk Management function to enable the organization to deliver on its mandate as enshrined in the Corporate Strategy. It seeks to:

- a. Promote sound employee relations and labour stability.
- b. Promote and practice effective recruitment and retention practices
- c. Encourage a culture of excellence and high work ethic.
- d. Promote a safe and healthy working environment for all employees
- e. To constantly develop individual employees through training interventions.
- f. Create a risk intelligent organization
- g. Provide an all-inclusive integrated and interoperable business systems and processes that enable the execution of the Corporate Strategy.

#### 4.2.2 Highlights / progress made:

- a. **Risk Mitigation:** In the year under review, the entity has made use of the National Treasury Risk Maturity Model. The implementation of risk mitigation plans is slightly above the targeted 20% at 31.5% in the financial year under review. Overall, the implementation of risk mitigation plans for strategic level risks accounted for a lower percentage compared to the operational level risks. This is largely attributable to financial constraints and limited capacity to execute on the plans with the implication that a number of strategic objectives have not been met.
- b. **Risk Maturity Level:** The over achievement in the risk maturity level of the entity (11.3% compared to the 10% target) is largely attributable to the gradual improvements in the culture of risk reporting at operational level, resuscitation of the Risk Champion Corporate Group and the existence of a universal risk mitigation plan that enables a holistic view of interventions to treat risks facing the entity. The ERM unit plans to implement a number of process level interventions in the new financial year that will gradually place the entity on a trajectory to achieve the desired objectives in the medium to long term.
- c. **Information Communication Technology:** The final phase of the ICT strategy implementation (Roadmap Report and ICT Strategy Document) was finalized in the 4<sup>th</sup> quarter of the financial year under review. The Roadmap Report and ICT Strategy Document marked the end of the 4<sup>th</sup> and 5<sup>th</sup> phases of the ICT Strategy development. The IT department also managed to finalize the upgrade of the legacy loans database and is currently in the process of appointing a service provider for the data cleansing process as part of preparation for its migration to a new loans management system to be procured in the coming financial year. During the 4<sup>th</sup> quarter of the financial year under review, the department also managed to implement Active Directory (AD) services for the management of user access and Patch Management for the management of security updates to prevent security breaches within MEGA IT environments.

#### Challenges:

The Moratorium on appointments and the CCMA facilitated consultation process for the management of the pool of unplaced employees had an impact on the filling of critical positions, hence some strategic objectives could not be achieved due to lack of capacity.

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.2.2 CORPORATE SERVICES ANNUAL PERFORMANCE

#### 4.2.3 .1 Strategic Objectives , Planned Targets and Actual Achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 6: HIGH PERFORMING ORGANIZATION</b>					
Effective Performance Management Strategies	New Target	4	1	3	Prolonged OD process negatively affected implementation of HR strategies and initiatives outlined under item 2 to 5 below
Increased performance of employees	New Target	30%	0%	30%	Delays on the cascading of the performance management and development system to Management level
Enhanced organizational culture to support the execution of the strategy	48% achievement on Organisational Culture Index	75%	58%	17%	Prolonged OD process had an impact on staff wellness, productivity and organisational values
Improved efficiency and effectiveness of the Administration	69% achieved on Employee Satisfaction	60%	50%	10%	Prolonged OD process had an impact on staff wellness, productivity and employee satisfaction
Increased alignment between the job requirements and skills level		50%	71%	-21%	Positive Deviation
<b>STRATEGIC GOAL 7: ENHANCED OPERATIONAL EXCELLENCE</b>					
Improved internal controls, processes and systems	New Target	6	3	3	Lack of funds to implement projects
Enhanced all-inclusive and integrated information management system	New Target	10%	5%	5%	Delayed completion of the IT Strategy and lack of funds to implement projects and critical interventions
Increased provision of a secured, stable and compliant ICT environment	New Target	90%	80%	10%	Aging and unreliable internal IT Infrastructure . In addition, there was no budget to procure measuring tools that would maximize accuracy in monitoring and reporting system uptime.

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Improved Records Management practices	New Target	50%	0%	50%	The File Plan was not approved by the Provincial Archivist. The plan is being revised in line with inputs received from the Provincial Archivist
Improved level of risk awareness across the organization	New Target	20%	31.5%	-11.5%	Positive Deviation
Improved Risk Maturity level	New Target	10%	11.3%	-1.3%	Positive Deviation
	New Target	100%	67%	33%	The Risk Management Committee (RMC) was unable to meet most of the financial year.

### 4.2.3.2 Key performance indicators, planned targets and actual achievements

Performance Indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2017/18	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 6: HIGH PERFORMING ORGANIZATION</b>					
Number of interventions as per divisional plans implemented to ensure an effective performance management strategies	New Target	4	1	3	Prolonged OD process negatively affected implementation of HR strategies and initiatives outlined under item 2 to 5 below
% Implementation of Performance Management System	New Target	30%	0%	30%	Delays on the cascading of the performance management and development system to Management level
Organisational Culture Index	48% achievement on Organisational Culture Index	75%	58%	17%	Prolonged OD process had an impact on staff wellness, productivity and organisational values

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

Performance Indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2017/18	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Level of Employee Satisfaction	69% achieved on Employee Satisfaction	69%	50%	10%	Prolonged OD process had an impact on staff wellness, productivity and employee satisfaction
Level of alignment of jobs to skills requirements	New Target	50%	71%	-21%	Positive deviation
<b>STRATEGIC GOAL 7: ENHANCED PERFORMANCE EXCELLENCE</b>					
Number of initiatives as per divisional plans undertaken to ensure improved internal controls, processes and systems	New Target	6	3	3	Lack of funds to implement projects
Level of implementation of an all-inclusive and integrated information management system	New Target	10%	5%	5%	Delayed completion of the IT Strategy and lack of funds to implement projects and critical interventions
% achievement of ICT systems uptime	New Target	90%	80%	10%	Aging and unreliable internal IT Infrastructure . In addition, there was no budget to procure measuring tools that would maximize accuracy in monitoring and reporting system uptime.
Level of implementation of records management system	New Target	50%	0%	50%	The File Plan was not approved by the Provincial Archivist. The plan is being revised in line with inputs received from the Provincial Archivist
% of strategic and operational risks mitigated	New Target	20%	31.5%	-11.5%	Positive deviation
% improvement in risk maturity level	New Target	10%	11.3%	-1.3%	Positive deviation
Level of effectiveness of the RMC	New Target	100%	67%	33%	The Risk Management Committee (RMC) was unable to meet most of the financial year.

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.2.3.3 Strategy to overcome areas of under performance

- a. **Implementation of Performance Management System**  
Intensive training on the performance management and development will be facilitated and performance contracting will be cascaded up to the level of skilled employees (C-salary band).
- b. **Organisational Culture Index and Employee Satisfaction**  
Continue wellness programmes and implement recommendations arising from the surveys conducted
- c. **Level of implementation of an all-inclusive and integrated information management system**  
The entity to host all critical services with external service providers while in a process of upgrading the Internal IT infrastructure.
- d. **% achievement of ICT systems uptime**  
Upgrade IT infrastructure and procure measuring tools that would maximize accuracy in monitoring and reporting system uptime.
- e. **Level of implementation of records management system**  
File Plan was revised and resubmitted to the Provincial Archivist
- f. **Level of effectiveness of the Risk Management Committee (RMC)**  
RMC member training was conducted in November 2018. In addition, the ongoing review of the Committee's Charter will seek to address identified gaps that contribute to the Committee's limited level of effectiveness.

### 4.3.2.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by the Corporate Strategy Unit.

### 4.2.3.5 Linking performance with budgets

2018/2019				2017/2018		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
CORPORATE SERVICES	34 134	28 856	5 275	15 639	14 124	1 515
<b>TOTAL</b>	<b>34 134</b>	<b>28 856</b>	<b>5 275</b>	<b>15 639</b>	<b>14 124</b>	<b>1 515</b>



# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.3 PROGRAMME 3: FINANCE

#### 4.3.1 Programme Description:

The division provides fiscal leadership, safeguarding of assets, ensuring compliance to laws and regulations and providing timely delivery of services to internal and external stakeholders and customers.

#### 4.3.2 Highlights / progress made:

- a. The Division continued its efforts to address previous audit findings on Investment Property.
- b. A Financial Sustainability Model has been developed and was presented to the Board Finance & Investment Committee for consideration and was recommended for further consideration and approval by the full Board. approval, the Financial Sustainability Model will be aligned to the Annual Budget of 2019/20 as well as the T urn-around Initiatives identified by Management to address the current cash flow position of MEGA.

#### 4.3.3 Key Challenges

- a. MEGA experienced a cash crisis as a result of the following factors:
  - i. Expenditure on GNP which was not funded in 2018/19 (R30 million) and in 2017/18 (R42 million);
  - ii. Reduction in the operational grant allocation (R33 million);
  - iii. Other (e.g. loss in rental income, increase in rates & taxes, etc.) R7 million.
- b. The Division remained severely under capacitated from a human resources perspective. In addition, the financial constraints resulted in the withdrawal of external resources which were seconded to alleviate the skills and capacity gaps.



# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.3.4 FINANCE ANNUAL PERFORMANCE

#### 4.3.4.1 Strategic Objectives , Planned Targets and Actual Achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 7: ENHANCED PERFORMANCE EXCELLENCE</b>					
Improved internal controls, processes and systems	New Target	2	0	2	Due to cash flow challenges, the entity could not commence with the mapping of business processes and standard operating procedures
Improved business processes	New Target	1	0	1	Due to cash flow challenges, the entity could not commence with the business process mapping project
Improved standard operating procedures	No standard operating procedures developed	1	0 <b>3</b>	1	Due to cash flow challenges, the entity could not commence with the documenting of standard operating procedures
Improved audit Outcome	Unqualified audit opinion expressed by Auditor-General	Unqualified	Unqualified	0	None
Improved Asset Management	2 updates performed on Fixed Asset Register (FAR)	12	8	4	Fair valuation of Investment Property is expected to be completed in May 2019
Improved compliance with SCM prescripts	New Target	50	0	50	Irregular expenditure recurring from previous financial years remains a challenge
<b>STRATEGIC GOAL 8: REDUCED GOVERNMENT DEPENDENCY</b>					
Rand Value of Revenue Generated	R 164m generated through alternative/ additional revenue streams	R 455m	R 200m	R 255m	Commencement of Phase II of the GNP which entails delivery of dry goods was included in the Annual Target and not yet commenced
Increased Revenue Generated	New Target	3 <sup>3</sup>	0	3	No additional revenue streams were identified in the current financial year
Improved Revenue Collection	Over 180 debtors days	210	345	135	Poor collection in rental income

<sup>3</sup>Refers to revenue collected through the following the existing property portfolio; interest earned and management fees

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.3.4 FINANCE ANNUAL PERFORMANCE

#### 4.3.4.2 Strategic Objectives , Planned Targets and Actual Achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 7: ENHANCED PERFORMANCE EXCELLENCE</b>					
Number of initiatives as per divisional plans undertaken to ensure improved internal controls, processes and systems	New Target	2	0	2	Due to cash flow challenges, the entity could not commence with the mapping of business processes and standard operating procedures
Number business process mapping projects completed	New Target	1	0	1	Due to cash flow challenges, the entity could not commence with the business process mapping project
Frequency of review performed on standard operating procedures	No standard operating procedures developed	1	0	1	Due to cash flow challenges, the entity could not commence with the documenting of standard operating procedures
Audit opinion expressed by Auditor-General	Unqualified audit opinion expressed by Auditor-General	Unqualified	Unqualified	0	None
Frequency of updates performed on Fixed Asset Register (FAR)	2 updates performed on Fixed Asset Register (FAR)	12	8	4	Fair valuation of Investment Property is expected to be completed in May 2019
% reduction in unauthorised expenditure	New Target	50%	0%	50%	Irregular expenditure recurring from previous financial years remains a challenge
<b>STRATEGIC GOAL 8: REDUCED GOVERNMENT DEPENDENCY</b>					
Rand Value of Revenue Generated	R 164m generated through alternative/ additional revenue streams	R 455m	R 200m	R 255m	Commencement of Phase II of the GNP which entails delivery of dry goods was included in the Annual Target and not yet commenced
Number of revenue streams	New Target	3 <sup>4</sup>	0	3	No additional revenue streams were identified in the current financial year
Reduction in debtor days	Over 180 debtors days	210	345	135	Poor collection in rental income

<sup>4</sup>Refers to revenue collected through the following the existing property portfolio; interest earned and management fees

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.3.4.3 Strategy to overcome areas of under performance

**a. Number business process mapping projects completed**

Projects to be budgeted for in phases, starting with two divisions in the 2019/20 financial year

**b. Frequency of review performed on standard operating procedures**

Projects to be budgeted for in phases, starting with two divisions in the 2019/20 financial year.

**c. Frequency of updates performed on Fixed Asset Register (FAR)**

Fair valuation of Investment Property has commenced and the expected completion date is 10 May 2019.

**d. % reduction in unauthorised expenditure**

The following key items relating to unauthorised expenditure from the previous years have been (or are in the process of) addressed as indicated below:-

- i. Insurance tender, Tekwane farm management and Banking tenders were awarded in the 2018/19 financial year to address challenges; and
- ii. A process has been initiated to regularise the GNP contract to avoid further irregular expenditure in 2019/20.

**e) Rand Value of Revenue Generated**

Phase II of the GNP to commence in the next financial year.

**f. Number of revenue streams**

Revenue from UIF - Labour Activation Programme Management fee will be realised in the 2019/20 financial year.

**g. Reduction in debtor days**

The entity will embark on initiatives to intensify debt collection measures.

### 4.3.4.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by the Corporate Strategy Unit.

### 4.3.4.5 Linking Performance with budget

2018/2019				2017/2018		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
FINANCE	38 356	73 939	(35 583)	36 961	35 704	1 257
<b>TOTAL</b>	<b>38 356</b>	<b>73 939</b>	<b>(35 583)</b>	<b>36 961</b>	<b>35 704</b>	<b>1 257</b>

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.4 PROGRAMME 4: STRATEGY AND COMMUNICATIONS

#### 4.4.1 Programme Description:

The Division is responsible for four main functions, namely, strategy and planning, marketing and communication, knowledge management and trade & investment promotion.

- a. **Trade and Investment Promotion** - Promotes the Province as an Investment Destination and Foreign Trade and Logistics Hub, within various sectors and numerous industries.
- b. **Corporate Strategy** - Ensuring that the corporate strategy is reflected in the corporate plan and in divisional plans, which guide resource allocation and key decisions aimed at ensuring that the entity is achieving its purpose of fostering the sustainable growth and development of the Mpumalanga economy.
- c. **Marketing and Communications** - Coordinates communications efforts incorporating public and media relations, web design, graphic art, social media, publication development, and print and online content to deliver economic development information and corporate news in a timely manner

#### 4.4.2 Highlights / progress made:

The division achieved the following milestones in the year under review:

##### a. Trade & Investment Promotion

###### i. Trade Exhibitions

###### China International Import Expo (CIIE)

The Trade Promotion Unit participated in the 1<sup>st</sup> China International Import Expo (CIIE) hosted by the Ministry of Commerce of the People's Republic of China in Shanghai China from the 5<sup>th</sup> to 10<sup>th</sup> November 2018. The CIIE was a significant event aimed at opening up the Chinese market to imports from developing countries and demonstrated the Chinese Government's commitment to supporting trade liberalization and economic globalization. The CIIE also aimed to facilitate and strengthen economic and trade cooperation with the PRC and to promote global trade and world economic growth in order to advance the development of an open and prosperous world economy. MEGA's Trade and Investment Promotion Unit and Properties and Infrastructure Division representing the Nkomazi SEZ, together with 16 SA companies, four other South African Provincial Trade and Investment Agencies, five Export Councils and five designated South African SEZ's and IDZ's participated on the South African Pavilion for Trade and Investment. MEGA recorded over 60 Trade and Investment enquiries and contacts during the trade fair and noted a good demand from China for Mpumalanga products like Citrus Fruit, Macadamia Nuts, Ferro-Alloys and Wood and Timber products.

###### Intra-African Trade Fair (IATF 2018)

The Unit participated in a targeted Foreign Trade Exhibition - the 1<sup>st</sup> Intra-African Trade Fair (IATF 2018) which took place in Cairo Egypt from the 11<sup>th</sup> to 17<sup>th</sup> December 2018. In July 2018 President Cyril Ramaphosa signed the African Continental Free Trade Area (AfCFTA) Agreement. South Africa has now joined more than 50 African states in signing the AfCFTA which is a historic step towards rationalising Africa's regional trade arrangements to deepen economic integration transformation of African economies. In support of the AfCFTA the AU and the Government of Egypt hosted the inaugural edition of the biennial Intra-African Trade Fair (IATF 2018) which is aimed at creating a continental platform for the promotion of intra-African trade and cross-border investment. The South African Department of Trade and Industry (**the dti**) hosted a National Pavilion at the IATF 2018 and MEGA, as the Trade and Investment Promotion Agency for Mpumalanga, was invited to participate. MEGA facilitated the participation of Mpumalanga SMME at the event.

###### Mpumalanga Pavilion (SAITEX 2018)

Mpumalanga Pavilion at the SAITEX 2018 Exhibition was held in Midrand Gauteng from 24<sup>th</sup> to 26<sup>th</sup> June 2018.

###### ii. Business Forums

The unit facilitated two Business Forums as follows: Mpumalanga Province and Province of Maputo Business Forum held on 18 May in Matola City Mozambique; Ghana Business Forum held in Mbombela on 21 June 2018.

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.4.2 Highlights / progress made: Continued

#### iii. Outward Missions

Three outward Missions were held as follows: (1) AIM 2018 Annual Investment Meeting - Dubai UAE held from 9<sup>th</sup> to 11<sup>th</sup> April 2018; (2) SEZ Investment Roadshow

#### iv. Workshops

One [1] NEDP Workshop i.e. Global Export Passport Programme (GEPP) – Phase 2 “Planning for Exports Training was held in Mbombela from 5<sup>th</sup> to 8<sup>th</sup> June 2018.

#### v. Investment Attraction

In terms of the investment pipeline, the following Investment Facilitation work has been done during the year under review:

- a. The FX Group (Pty) Ltd – Particle Board Plant in Lothair, Mpumalanga Province. Value: R 320 million and Job creation: 400.
- b. SANY CIDA (SANY Construction Industry Development Africa) will invest R 100 million for establishing a Prefabricate Concrete Factory in Mpumalanga Province
- c. Solar Power Plant (150MW) in the Nkomazi SEZ, Mpumalanga Province - GREEN THUMB's partner, PHANES GROUP is interested in investing in a possible the Solar Plant in Nkomazi SEZ (Nkomazi Special Economic Zone).
- d. Maboflo Trading – Automotive Engineering Plant – Value R 500 million  
Agrowex (Pty) Ltd – Integrated Agro-processing Plant – Value R 100 million – company applied for DTI
- e. Black Industrialist Scheme (R 50 million). MEGA and Landbank had meeting on 18 September to discuss co-funding the project. Land Bank to provide letter of intent.

#### b. Corporate Strategy

The Corporate Strategy Unit performed the following with regard to its functions relating to performance information management and monitoring & evaluation:

- i. Submitted the 4<sup>th</sup> quarter Report for 2017/18 financial year to the Shareholder on the 26<sup>th</sup> April 2018.
- ii. Two [2] Progress Reports were compiled and submitted to the Legislature on the 25<sup>th</sup> April 2018, as follows: Progress Report on the implementation of the House Resolutions on the “TLP” held at eMalahleni Local Municipality; Progress Report on the implementation of the House Resolutions on the “TLP” held at the Govan Mbeki Municipality.
- iii. Facilitated the development and submission of the 1<sup>st</sup> Quarter Report to the Shareholder by 31<sup>st</sup> July 2018.
- iv. Facilitated the development and submission of the Annual Report for 2017/18 to the Shareholder as well as other stakeholders by 31<sup>st</sup> August 2018.
- v. Coordinated the development and submission of the 2<sup>nd</sup> Quarter Performance Information Reports to the Shareholder and Treasury by 31<sup>st</sup> October 2018
- vi. Developed and submitted the Corporate Plan for 2019/20 and 3<sup>rd</sup> Quarter Report to the Shareholder by 31<sup>st</sup> January 2019.

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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.4.2 Highlights / progress made: Continued

#### c. Marketing and Communications

The Marketing and Communications Unit performed the following with regard to its functions relating to stakeholder management, corporate image as well as brand and reputation management:

- i. Produced two internal Newsletters in April and May 2018.
- ii. Produced an external Newsletter in April 2018
- iii. Performed a verification of MEGA's Corporate Social Responsibility (CSR) project in Nkomazi.
- iv. Facilitated the launching of Elukwatini Galito's.
- v. Participated in three public participations conducted for the Nkomazi Special Economic Zone.
- vi. Facilitated interviews by Nkomazi FM and the announcements of the SEZ public participation forums.
- vii. Participated in the exhibition conducted in Ermelo on "Youth walk into economic opportunities".
- viii. Facilitated logistics and branding for the MYEP Awards.
- ix. Facilitated interviews on Ikwewezi FM on matters related to the entity's Funding mandate.
- x. Participated in the development of economic infrastructure and integration of the economies of KZN, Mpumalanga eSwatini, and Seychelles during the East3Route Forum.
- xi. Facilitated stakeholder engagements on the International Fresh Produce Market Public Participations with Mataffin and Msholozzi Communities on project status and opportunities available.
- xii. Exhibited at the Mpumalanga Trade and Agro Show.

### 4.4.2 Key Challenges:

- a. Some critical positions remain vacant, affecting the implementation of the programmes.
- b. Cash flow constraints affected implementation of some planned targets.



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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.4.4 STRATEGY AND COMMUNICATION ANNUAL PERFORMANCE

#### 4.4.4.1 Strategic Objectives, Planned Targets and Actual Achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>Strategic Goal 3: Increased attraction of suitable investors to the Province based on an attractive value proposition and attractive investment opportunities</b>					
Increased investment opportunities attracted	R420 million Investment Projects facilitated	R 600m	R 150m	R 450m	Cash flow constraints resulted in cancellation of missions for investment attraction
Increased implementation of investment attracted	New Target	R 300m	R 320m	-R 20m	Positive Deviation
Increased key initiatives undertaken to position the Province in key markets	1 International Business Forums / Missions hosted	5	3	2	Events were cancelled due to budgetary constraints
	4 investment Outward Missions conducted	7	3	4	Missions were cancelled due to budgetary constraints
Increased export programmes facilitation through Trade Exhibitions / Missions	4 Foreign Trade Exhibitions / Missions Facilitated	6	3	3	Missions were cancelled due to budgetary constraints
	12 Local Trade Exhibitions / Missions Facilitated	5	4	1	Missions were cancelled due to budgetary constraints
Increased export programmes facilitation through SMMes Support	146 Exporters provided with Foreign Trade Counselling and Support	160	122	38	Client engagement less than expected
	5 NEDP and Sector Specific export training workshops conducted in Mpumalanga	6	4	2	NEDP workshops are driven at the dti and MEGA plays a facilitating role

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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.4.4 STRATEGY AND COMMUNICATION ANNUAL PERFORMANCE

#### 4.4.4.1 Strategic Objectives, Planned Targets and Actual Achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
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#### Strategic Goal 6: High Performing Organization

Effective Performance Management Strategies	New Target	2	2	0	None
Increased Adherence with the requirements of Framework for Managing Programme Performance Information (FMPPi)	7 Organisational Performance Reporting Plans developed	12	13 <sup>5</sup>	-1	Positive deviation
Effective Performance Information Management Strategies	1 strategy / system and reports developed for effective performance information management	5	5 <sup>6</sup>	5	None

#### Strategic Goal 7: Enhanced Operational Excellence

Improved internal controls, processes and systems	New Target	4	2	2	Only three controls / processes were planned for 2018/19 as outlined below
Implement Monitoring and Evaluation Strategies	New Target	12	13 <sup>7</sup>	-1	None
Effective Knowledge Creation and Management Strategy	New Target	4	0 <sup>8</sup>	4	Research Unit not yet capacitated
Conduct an Independent Assessment of the Organisational Performance	1 independent assessment conducted to measure organisational performance	1	1 <sup>9</sup>	0	Positive deviation

<sup>5</sup> The 12 reports consists of: 6 divisional plans, Corporate Plan, Annual Report and 4 Quarterly Reports.

<sup>6</sup> Refers to the review of the Performance Information Management Policy and POEs collated each quarter and packaged into Audit Files.

<sup>7</sup> Refers to (1) Oversight Committee Reports submitted to Office of the Speaker through the Shareholder, (2) Monitoring and Evaluation Reports submitted to the GM for approval; (3) Progress reports on the implementation of house resolutions (4) Impact assessment reports compiled and submitted to Exco / Board and to relevant government structures.

<sup>8</sup> Knowledge creation strategies, multi-functional data management system and market analysis reports

<sup>9</sup> Organisational Surveys conducted in March 2019.

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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

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### 4.4.4 STRATEGY AND COMMUNICATION ANNUAL PERFORMANCE

#### 4.4.4.1 Strategic Objectives, Planned Targets and Actual Achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
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#### Strategic Goal 9 : Improved Corporate Image of MEGA

Implement Marketing Strategy and Branding Policy	New Target	70%	0%	70%	Implement Marketing Strategy and Branding Policy
Increased MEGA Brand and Reputation through the implementation of approved Marketing Strategy and Branding policy	68% rating achieved on MEGA Brand and Reputation Surveys	40%	0%	40%	Lack of online branding presence and tracking tools to detect negative media coverage
Measure improvement in MEGA's Corporate Image through the implementation of approved Marketing Strategy and Branding policy	Achieved only level 1 on MEGA's Corporate Image	3	0	0	Lack of online branding presence and tracking tools to detect negative media coverage
Measure improvement in customer satisfaction through the implementation of approved Marketing Strategy and Branding policy	68% rating achieved on customer satisfaction survey	70%	61%	14%	Long turn-around time on loan approval and lack of maintenance on MEGA properties

#### 4.4.4.2 Key Performance Indicator, Planned Targets and Actual Achievements

Performance Indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
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#### Strategic Goal 3: Increased attraction of suitable investors to the Province based on an attractive value proposition and attractive investment opportunities

Value of partnership agreements signed with investors	R420 million Investment Projects facilitated	R 600m	R 150m	R 450m	Cash flow constraints resulted in cancellation of missions for investment attraction
Value of investment pipeline converted into implementable projects	New Target	R 300m	R 320m	-R 20m	Positive deviation
Number International Business Forums / Missions hosted	1 International Business Forums / Missions hosted	5	3	2	Events were cancelled due to budgetary constraints
Number of investment Outward Missions conducted	4 investment Outward Missions conducted	7	3	4	Missions were cancelled due to budgetary constraints

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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

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### 4.4.4 STRATEGY AND COMMUNICATION ANNUAL PERFORMANCE

#### 4.4.4.2 Key Performance Indicator, Planned Targets and Actual Achievements

Performance Indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of Foreign Trade Exhibitions / Missions Facilitated	4 Foreign Trade Exhibitions / Missions Facilitated	6	3	3	Missions were cancelled due to budgetary constraints
Number of Local Trade Exhibitions / Missions Facilitated	12 Local Trade Exhibitions / Missions Facilitated	5	4	1	Missions were cancelled due to budgetary constraints
Number of Exporters provided with Foreign Trade Counselling and Support	146 Exporters provided with Foreign Trade Counselling and Support	160	122	38	Client engagement less than expected
Number of NEDP and Sector Specific export training workshops conducted in Mpumalanga	5 NEDP and Sector Specific export training workshops conducted in Mpumalanga	6	4	2	NEDP workshops are driven at <b>the dti</b> and MEGA plays a facilitating role

#### Strategic Goal 6: High Performing Organization

Number of interventions outlined in the divisional strategies implemented to ensure an effective performance management strategies	New Target	2	2 <sup>10</sup>	0	None
Number of Organisational Performance Reporting Plans developed	7 Organisational Performance Reporting Plans developed	5	13 <sup>11</sup>	-1	Positive deviation
Number of strategies / systems and reports developed for effective performance information management	1 strategy / system and reports developed for effective performance information management	5	5 <sup>12</sup>	0	None

#### Strategic Goal 7: Enhanced Operational Excellence

Number of initiatives as per divisional plans undertaken to ensure improved internal controls, processes and systems	New Target	4	2	2	Only three controls / processes were planned for 2018/19 as outlined below
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<sup>10</sup> Refer to interventions reported below:

<sup>11</sup> The 12 reports consists of: 6 divisional plans, 2 Corporate Plans, Annual Report and 4 Quarterly Reports.

<sup>12</sup> Refers to the review of the Performance Information Management Policy and POEs collated each quarter and packaged into Audit Files.

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## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

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### 4.4.4 STRATEGY AND COMMUNICATION ANNUAL PERFORMANCE

#### 4.4.4 .2 Key Performance Indicator, Planned Targets and Actual Achievements

Performance Indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Number of reports produced to monitor and evaluate the mandate of the organisation	New Target	5	13 <sup>13</sup>	-8	Positive Deviation
Number of strategies / systems and reports developed for effective knowledge creation and management	New Target	4	0 <sup>14</sup>	4	Research Unit not yet capacitated
Number of independent assessments conducted to measure organisational performance	1 independent assessment conducted to measure organisational performance	1	1 <sup>15</sup>	0	None

#### Strategic Goal 9: Improved Corporate Image of MEGA

Level of implementation of Marketing Strategy and Branding Policy	New Target	70%	0%	70%	Delays in the finalization of the Marketing Strategy and Branding Policy
% Rating of MEGA Brand and Reputation Surveys	68% rating achieved on MEGA Brand and Reputation Surveys	40%	0%	40%	Lack of online branding presence and tracking tools to detect negative media coverage
% Improvement in MEGA's Corporate Image	Achieved only level 1 on MEGA's Corporate Image	3	0	3	Lack of online branding presence and tracking tools to detect negative media coverage
Rating on customer satisfaction survey	68% rating achieved on customer satisfaction survey	75%	61%	14%	Long turn-around time on loan approval and lack of maintenance on MEGA properties

<sup>13</sup> Refers to (1) Oversight Committee Reports submitted to Office of the Speaker through the Shareholder, (2) Monitoring and Evaluation Reports submitted to Exco or the GM; (3) Progress reports on the implementation of house resolutions (4) Impact assessment reports compiled and submitted to Exco / Board and to relevant government structures.

<sup>14</sup> Knowledge creation strategies, multi-functional data management system and market analysis reports

<sup>15</sup> Organisational Surveys conducted in March 2019.

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.4.4 STRATEGY AND COMMUNICATION ANNUAL PERFORMANCE

#### 4.4.4.3 Strategy to overcome areas of under performance

- i. **Partnership agreements signed with investors**  
The entity will in future, plan missions according to available funds and based on trends of the previous financial year.
- ii. **International Business Forums / Missions hosted**  
The entity will in future, plan missions according to available funds and based on trends of the previous financial year.
- iii. **Foreign Trade Exhibitions / Missions Facilitated**  
The entity will in future, plan missions according to available funds and based on trends of the previous financial year.
- iv. **Local Trade Exhibitions / Missions Facilitated**  
The entity will in future, plan missions according to available funds and based on trends of the previous financial year.
- v. **NEDP and Sector Specific export training workshops conducted in Mpumalanga**  
Lobby for more workshops for the Province
- vi. **Strategies / systems and reports developed for effective knowledge creation and management**  
Capacitate the research function within the Corporate Strategy Unit, pending the filling of critical vacant positions.
- vii. **Implementation of Marketing Strategy and Branding Policy**  
Strategy and Policy finalized for referral to the Board Committee (GSEC) pending appointment of the Board.
- viii. **Rating on MEGA Brand and Reputation Surveys**  
Implement recommendations of the organisational survey report.
- ix. **Improvement in MEGA's Corporate Image**  
Implement recommendations of the organisational survey report
- x. **Rating on customer satisfaction survey**  
Implement recommendations of the organisational survey report

#### 4.4.4.4 Changes to Planned Targets

#### 4.4.4.5 Linking Performance with budget

2018/2019				2017/2018		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
STRATEGY AND COMMUNICATIONS	27 143	17 465	9 677	14 751	13 422	1 329
<b>TOTAL</b>	<b>27 143</b>	<b>17 465</b>	<b>9 677</b>	<b>14 751</b>	<b>13 422</b>	<b>1 329</b>



# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY OBJECTIVE

### 4. PROGRAMME 5: PROPERTIES AND INFRASTRUCTURE

#### 4.5.1 Programme Description:

The Division is responsible for three main functions, namely, property development, property management and infrastructure development.

#### 4.5.2 Highlights / Progress made:

##### a. Nkomazi Special Economic Zone

A key highlight within this area was the approval by National Cabinet of the application to designate the Nkomazi as a Special Economic Zone. The next step is for the dti to issue the SEZ licence to the Department of Economic Development and Tourism [DEDT]. Thereafter, the DEDT will establish the Nkomazi SEZ Entity and appoint its Board of Directors.

##### b. Mpumalanga International Fresh Produce Market (MIFPM)

MEGA developed a strategy to construct the MIFPM market in phases to ensure that there is a functional portion of the Fresh Produce Market by end of the 2019/20 financial year from the allocated funds. Work on phase 1 of the project proceed relatively well until the start of the 2019 calendar year (January 2019- March 2019) as there were on-site

#### Strategic Goal 9: Improved Corporate Image of MEGA

disruptions by some of the members of the neighbouring communities who are competing for the limited employment opportunities created through the various stages of the market's construction. The six (6) week delay has had an impact on the timelines for the finalization of phase 1, as well as a financial impact (i.e. under-spending on the allocated phase 1 budget). Additionally, there is still uncertainty on the amount of additional funding likely to be secured from the IDC for the MIFPM as a result of delays in finalizing the bankable feasibility study (BFS) of the project.

#### 4.5.3 Key Challenges

- a. **MIFPM:** there is still uncertainty on the amount to be secured as additional funding as MEGA still awaits the approval of the approximately R400m requested from the IDC, which approval is pending the finalisation of the the bankable feasibility study (BFS) of the project. Another challenge faced during implementation (phase 1) is intermittent disruptions on-site by some of the members of the neighbouring communities who are competing for the limited employment opportunities created through the various stages of the market's construction.

#### Strategic Goal 9: Improved Corporate Image of MEGA

### 4.5.4 PROPERTIES AND INFRASTRUCTURE ANNUAL PERFORMANCE

#### 4.5.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 1: INCREASED GENERATION OF COMPELLING INVESTMENT PROPOSITIONS THAT ARE ALIGNED TO THE PROVINCE'S COMPETITIVE ADVANTAGES</b>					
Increased value of investment projects generated	0 (zero) investment projects approvals				Projects to the value of R 792 million were identified for implementation through the Strategic Development Partnership Programme. The Identification process was concluded late which left little time for all the work required before approval by the Board could be secured

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.5.4 PROPERTIES AND INFRASTRUCTURE ANNUAL PERFORMANCE

#### 4.5.4.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 1: INCREASED GENERATION OF COMPELLING INVESTMENT PROPOSITIONS THAT ARE ALIGNED TO THE PROVINCE'S COMPETITIVE ADVANTAGES</b>					
Increased value of investment projects generated	0 (zero) investment projects approvals	R 350m	R 0	R 350m	Projects to the value of R 792 million were identified for implementation through the Strategic Development Partnership Programme. The Identification process was concluded late which left little time for all the work required before approval by the Board could be secured
Increased value of investment projects generated	0 (zero) investment projects approvals	5	0	5	The identification process for projects to be implemented through the Strategic Development Partnership Programme was concluded late which left little time for all the work required before approval by the Board could be secured
<b>STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE</b>					
Increased implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	Investment projects disbursements valued at R 285 million <sup>16</sup>	R 300m	R 113.6m <sup>17</sup>	R 186.4m	Construction of the top structures for the MIFPM commenced later than originally anticipated due to contract negotiations
Formalised strategic partnerships	0 (zero) strategic partnership agreements signed	5	0	5	The procurement process to appoint SDPs in respect of identified projects commenced as planned but could not be finalized within the 4 <sup>th</sup> quarter of 2018/1m

<sup>16</sup>Refers to the value of funds committed by strategic development partners.

<sup>17</sup>Refers to payment made on MIFPM as per the commitment register.

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES</b>					
Increased attraction of investment to Infrastructure Projects	Investment Projects attracted valued at R 307 million	R 600m <sup>18</sup>	R 1.3bm	-R 650m	Positive deviation
<b>STRATEGIC GOAL 4: OPTIMISED DEVELOPMENTAL IMPACT OF EACH INVESTMENT OPPORTUNITY</b>					
Increased BBBEE participation in various property and infrastructure projects	40% proportion of work allocated to targeted entities	35%	5%	30%	Delays in the commencement of the construction of the top s tructure

<sup>18</sup>Consists of the Letters of Intents and MoU from investors on their interest to invest in the Nkomazi SEZ.

# 04

## PERFORMANCE INFORMATION BY PROGRAMME / ACTIVITY / OBJECTIVE

### 4.5.4 PROPERTIES AND INFRASTRUCTURE ANNUAL PERFORMANCE

#### 4.5.4.2 Strategic objectives, planned targets and actual achievements

Performance Indicator	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 1: INCREASED GENERATION OF COMPELLING INVESTMENT PROPOSITIONS THAT ARE ALIGNED TO THE PROVINCE'S COMPETITIVE ADVANTAGES</b>					
Value of investment projects approvals	0 (zero) investment projects investment projects approvals				Projects to the value of R 792 million were identified for implementation through the Strategic Development Partnership Programme. The Identification process was concluded late which left little time for all the work required before approval by the Board could be secured
Number of investment projects approvals	0 (zero)	5	0	5	The identification process for projects to be implemented through the Strategic Development Partnership Programme was concluded late which left little time for all the work required before approval by the Board could be secured

Performance Indicator	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
<b>STRATEGIC GOAL 2: INCREASED IMPLEMENTATION OF SUITABLE HIGH IMPACT INVESTMENTS OPPORTUNITIES IN THE PROVINCE</b>					
Value of investment projects disbursements	Investment projects disbursements valued at R 285 million <sup>20</sup>	R 300m	R 113.6m <sup>21</sup>	R 186.4m	Construction of the top structures for the MIFPM commenced later than originally anticipated due to contract negotiations
Number of strategic partnership agreements signed	0 (zero) strategic partnership agreements signed	5	0	5	The procurement process to appoint SDPs in respect of identified projects commenced as planned but could not be finalized within the 4 <sup>th</sup> quarter of 2018/19.

<b>STRATEGIC GOAL 3: INCREASED ATTRACTION OF SUITABLE INVESTORS TO THE PROVINCE BASED ON AN ATTRACTIVE VALUE PROPOSITION AND ATTRACTIVE INVESTMENT OPPORTUNITIES</b>					
Rand value of Investment Projects attracted	Investment Projects attracted valued at R 307 million	R 650m <sup>22</sup>	R 13b	-R 650m	Positive Deviation

<b>STRATEGIC GOAL 4: OPTIMISED DEVELOPMENTAL IMPACT OF EACH INVESTMENT OPPORTUNITY</b>					
Proportion of work allocated to targeted entities	40% proportion of work allocated to targeted entities	35%	5%	30%	Delays in the commencement of the construction of the top structure

<sup>19</sup> Refers to the value of funds spent against the funds allocated / committed by government, investors and strategic development partners.

<sup>20</sup> Refers to the value of funds committed by strategic development partners.

<sup>21</sup> Refers to payment made on MIFPM as per the commitment register.

<sup>22</sup> Consists of the Letters of Intent and MoU from investors on their interest to invest in the Nkomazi SEZ.

## 4.5.4.3 Strategy to overcome areas of under performance

- i. **Value of investment projects approvals**  
Proposals are to be invited from appointed Strategic Development Partners (SDPs), and the development agreements with selected SDPs approved and concluded.
- ii. **Number of investment projects approvals**  
Approval of development agreements on specific projects with selected SDPs is to be concluded in the first quarter of the 2019/20 financial year, following finalization of the procurement process envisaged.
- iii. **Value of investment projects disbursements**  
Revision of project plan.
- iv. **Strategic partnership agreements signed**  
The procurement process to appoint SDPs in respect of identified projects is to commence before end of January 2019. Agreements are to be finalized before or early into the year financial year.
- v. **Proportion of work allocated to targeted entities**  
The construction of the top structure to commence in the 2019/20 financial year.

## 4.5.4.4 Changes to Planned Targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by the Corporate Strategy Unit.

## 4.4.4.5 Linking Performance with budget

2018/2019				2017/2018		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
PROPERTIES AND INFRASTRUCTURE	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
PROPERTIES DEVELOPMENT AND MANAGEMENT	161 306	164 663	(3 357)	191 657	177 353	14 304
FRESH PRODUCE MARKET	271 488	163 554	107 934	307 000	301 162	5 838
AGRI-HUBS	-	-	-	-	-	-
SPECIAL ECONOMIC ZONES	6 384	1 730	4 654	7 500	8 447	(947)
<b>TOTAL</b>	<b>439 178</b>	<b>329 947</b>	<b>109 231</b>	<b>506 157</b>	<b>486 962</b>	<b>19 195</b>

**Note:** The budget on the MIFPM was reduced from R 320 488 000 to R 271 488 000 during budget adjustment. This resulted in reduction on the total budget for the sub programme, from R 488 178 000 to R 439 178 000.

## 4.6 PROGRAMME 6: FUNDING

### 4.6.1 Sub Programme 6.1: Funding

The Division is responsible for three main functions, namely, development finance (including post investment support) for SMME's, Co-operatives, Housing and Agricultural Finance; Equity Investments and Programme Management.

### 4.6.2 SMME Development Finance

The sub programme aims to ensure that businesses remain viable, as successful SMME businesses make a direct contribution to the goals set out in the MEDGP of the Province. The programme provides the following support to existing SMME businesses:

#### Financial support

Financial support is given to qualifying businesses by providing loans relating to:

- a. Bridging finance for construction projects;
- b. Acquisition of plant and equipment;
- c. Financing tenders;
- d. Acquiring equity; and
- e. Financing working capital.

#### Non-financial support

Non-financial support services in the programme are provided by Business Advisors who conduct mentorship programmes that are designed to improve business success, and these services include:

- a. Training business owners on how to prepare financial statements and maintain good book keeping practices;
- b. Conducting business management seminars;
- c. Facilitating market linkages, by assisting small businesses to register with relevant government departments, so that their services can be used;
- d. Helping businesses brand and market their products thus facilitating readiness for selling on the market;
- e. By providing regulatory information, and also linking businesses to the relevant authorities or bodies that can regulate their products or services;
- f. Facilitating the preparation of business plans through the Small Enterprise Development Agency (SEDA) for submission to institutions which provide funds to existing and new enterprises.

#### Beneficiation

The programme aims to achieve beneficiation objectives by setting up incubators where potential entrepreneurs will be trained before they set up their own businesses. Specific industries have been targeted. The initiative is aimed at reducing the number of businesses that fail at the initial stage while strengthening existing businesses. Initially incubators will be setup in the wood processing and steel manufacturing industries.

Beneficiation programmes involve supporting SMME's and Co-ops across all sectors by providing:

- a. Information on improving the packaging of their products and services;
- b. Government Incentives (Grant Funding) for infrastructure and non-financial services.

## 4.6 PROGRAMME 6: FUNDING (Continued)

### 4.6.2.1 Agriculture : Emerging Farmer Finance

This sub programme assesses farmer's needs in terms of the ability of the farmer to undertake the proposed business venture. All applications are considered by applying the regulations as required in the National Credit and FICA Acts.

The programme provides the following support to existing businesses:

- a. Market linkages for farm produce;
- b. Organising for farming inputs to be obtained at reasonable prices;
- c. Providing mentorship to ensure business success through exchange programmes with established businesses including those in livestock and crop production;
- d. Assisting in financial management and other specialised areas relevant to the business that has been funded;
- e. Providing agricultural economics information. MEGA has access to statistics on climatic conditions of the province which it provides to farmers and businesses as a value added service;
- f. Pursue profitable business ventures by identifying opportunities in which MEGA can become a strategic partner.

### 4.6.2.2 Equity Investments

The programme has the following projects aimed at facilitating the implementation of high development impact investments resulting in providing additional income streams to fund MEGA's operations namely:

#### Partially Owned Investments

MEGA has shareholdings in other projects or institutions that are intended to contribute to its' sustainability by providing income streams that fund MEGA's operations. The investments are as follows:

- a. Mining - 40% shareholding in Nkomati Anthracite in Nkomazi;
- b. Agriculture - 26% in Highveld Fruit Packers- Apple processing.

#### Wholly Owned Investments

##### Tekwane Citrus Farm

The farm produces citrus fruit which is sold to the local and foreign markets. 80% of the fruit is exported to Europe and the Far East.

Tekwane Citrus Farm has not been able to function optimally and thus generates less than acceptable revenue. The major reasons for lack of profitability of Tekwane Farm include, inter alia: huge overhead costs that drain the operation's profitability as a result of historical decisions relating to the employment of staff; incorrect application of fertilizers and other necessary agricultural products for farming; aging mechanical equipment; and limited capital to fund operations.

MEGA aims at providing interventions for the commercialisation of Tekwane Citrus Farm once land claim issues are resolved. In the interim, a Turnaround plan has been developed and approved in order to increase the current profit margins of the asset.



## 4.6 PROGRAMME 6: FUNDING (Continued)

### Loopspruit Wine Farm

The vineyard farm produces grapes for processing into mampoer and wine sold locally. Bottling of the wine is outsourced to businesses outside the Province, as Mpumalanga does not have a wine bottling plant.

Loopspruit Wine Farm has not been able to realize its potential due to reasons such as administration and management inadequacies, poorly maintained infrastructure, high overhead costs, poor marketing, etc, a result of which, the farm has consistently operated at a loss. Currently, the farm is under care and maintenance.

MEGA aims at providing interventions for the commercialization of Loopspruit Farm and ensuring its subsequent profitability. Town planning and legal processes have commenced to transfer ownership of the farm from National Government to MEGA

### 4.6.3 Highlights / Progress:

#### Loan Funding Activities

During the period under review, loans approved amounted to R 7.8 million while the value of loans disbursed was R 8 million. The value of loans disbursed is made up of transactions approved during the current and prior years.

A breakdown of the allocation of approved funding and loan commitments (year-to-date) is as per the tables below:

**Table 1: Rand Value Loans Approved – 31 March 2018**

Indicator	Loans Approved	
	Rand Value	Number
SMME	R 4,497,624	6
Co-operatives	R 759,764	2
Agricultural enterprises	R 0	0
Housing loans	R 2,589,500	3
<b>TOTALS</b>	<b>R 7 846,889</b>	<b>11</b>

**Table 2: Value of Loans Disbursed – 31 March 2019**

Indicator	Loans Disbursement
	Rand Value
SMME	R 5,707,179
Co-operatives	R 1,248,001
Agricultural enterprises	R 0
Housing loans	R 1,092,719
<b>TOTALS</b>	<b>R 8,047,909</b>

## 4.6 PROGRAMME 6: FUNDING (Continued)

### b. Government Nutrition Programme

#### Phase 1

Phase I of the Government Nutrition Programme (GNP) was implemented in the 2017/18 financial year where MEGA supplied fresh produce to 11 hospitals and 37% of schools (consisting of about 323 626 learners) in the Mpumalanga Province. The value of procurement from accredited SMMEs supplying Phase I of the Government Nutrition Programme year to date amounts to R 66.3 million.

#### Phase 2

By the directive of the Executive Council, the GNP Technical Committee, comprising representatives and Heads of Departments from MEGA; DEDT; DARDLEA; DSD; Education; Health; and Public Works, Roads and Transport, convened a meeting to assess performance, effectiveness and efficiency of the GNP model and provide recommendations before Phase II could be implemented.

During the assessment process, the Technical Committee observed that the GNP implementation does not meet the intended outcomes as conceptualised in the model due to mainly limited financial and non-financial resources (capital shortfall to cover MEGA's operational costs) and the supply capacity development needs for small holder farmers (security of supply in terms of volume, quality and frequency).

The Technical Committee recommended to the EXCO that Phase 2 of the GNP can proceed, following the implementation of the measures to mitigate against identified challenges.

#### 4.6.4 Highlights / Progress:

- a. **GNP:** delays in the commencement of GNP Phase II mainly due to limited financial and non-financial resources and the supply capacity development needs for small-holder farmers.
- b. **SMMEs Development:** inadequate budget and cash flow constraints resulted in fewer loan approvals and lesser amounts being disbursed towards approved loans.

## 4.6 PROGRAMME 6: FUNDING (Continued)

### 4.6.5. Funding

#### 4.6.5.1 Strategic objectives, planned targets and actual achievements

Strategic Objectives	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
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#### Strategic Goal 2: Increased implementation of suitable high impact investments opportunities in the province

Increased implementation of investment opportunities by working closely with partner investors and injecting own capital where possible	R 34.4 million in loan disbursements	R 20m	R 8.4m	R 11.6m	Late disbursement of approved loans due to unavailability of funds.
Increased provision of post investment support to SMMEs	152 post investment support provided to SMMEs	86	126	-40	Positive deviation
Increased access to funding opportunities for businesses through MEGA/Standard Bank Fund	New Indicator	R 135m	R 10.4m	R 124.6m	Limited scope since the funding instrument only covers for contracts with awarded by the provincial government and excludes government entities as well as national departments
Procure from accredited SMMEs participating in the Government Nutrition Programme	R 42 million worth of procurement from accredited SMMEs supplying the Government Nutrition Programme	R 235m	R 72m	R 163m	Delays in the commencement of GNP Phase II due to the following: <ul style="list-style-type: none"> <li>Operational challenges and budget shortfall</li> <li>Supply capacity development needs for small holder farmers</li> </ul>

#### Strategic Goal 8: Reduced Government Dependency

Increased Revenue Generated from Tekwane Citrus farm	New Indicator	R 15m	R 3.5m	R 11.5m	Production was impacted by damage to trees due to hail storms in May 2018
Increased revenue streams	New Indicator	2	0	2	Delays in commencing with commercialisation of MEGA's equity investments
Improved quality to loan book <sup>23</sup>	New Indicator	40%	11%	29%	Ineffective debt collection strategies



## 4.6 PROGRAMME 6: FUNDING (Continued)

### 4.6.5. Funding

#### 4.6.5.2 Key performance Indicators, planned targets and actual achievements

Performance indicators	Baseline / Actual Achievement 2017/2018	Planned Target 2018/19	Actual Achievement 2018/2019	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
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#### Strategic Goal 2: Increased implementation of suitable high impact investments opportunities in the province

Total value of disbursements	R 34.4 million in loan disbursements	R 20m	R 8.4m	R 11.6m	Late disbursement of approved loans due to unavailability of funds.
Number of post investment support provided to SMMEs	152 post investment support provided to SMMEs	86	126	-40	Positive deviation
Value of funding opportunities accessed for businesses through MEGA/Standard Bank Fund	New Indicator	R 135m	R 10.4m	R 124.6m	Limited scope since the funding instrument only covers for contracts with awarded by the provincial government and excludes government entities as well as national departments
Value of procurement from accredited SMMEs supplying the Government Nutrition Programme	R 42 million worth of procurement from accredited SMMEs supplying the Government Nutrition Programme	R 235m	R 72m	R 162m	Delays in the commencement of GNP Phase II due to the following: <ul style="list-style-type: none"> <li>Operational challenges and budget shortfall</li> <li>Supply capacity development needs for small holder farmers</li> </ul>

#### Strategic Goal 8: Reduced Government Dependency

Rand Value of Revenue Generated from Tekwane Citrus farm	New indicator	R 15m	R 3.5m	R 11.5m	Production was impacted by amage to trees due to hail storms
Number of revenue streams	New indicator	2	2	0	Delays in commencing with commercialisation of MEGA's equity investments
Collection Effectiveness Index (CEI) on the new loan book	New indicator <sup>24</sup>	40%	11%	29%	Ineffective debt collection strategies

<sup>23</sup>This percentage expresses the effectiveness of collection efforts over time. The closer to 100 percent, the more effective the collection effort. It is a measure of the quality of collection of receivables, not of time. Baseline 2017/18 is 8%.

**Formula:**  $\frac{\text{Collections}}{(\text{Opening balance} + \text{Closing balance})/2} \times 100$

<sup>24</sup>This percentage expresses the effectiveness of collection efforts over time. The closer to 100 percent, the more effective the collection effort. It is a measure of the quality of collection of receivables, not of time. Baseline 2017/18 is 8%.



## 4.6 PROGRAMME 6: FUNDING (Continued)

### 4.6.5. Funding

#### 4.6.5.3 Strategy to overcome areas of under performance

##### I. Value of loans disbursed

Intensify debt collection to enhance cash position

##### II. Funding opportunities accessed for businesses through MEGA/Standard Bank Fund

Discussions with Standard Bank South Africa are underway with regards to the expansion of the scope that will increase the value and number of loans disbursed through this partnership with an increased resultant impact.

##### III. Value of procurement from accredited SMMEs supplying the Government Nutrition Programme

MEGA to secure working capital through the banks utilizing the contracts signed with Government departments. Negotiations to this effect have been initiated. In addition, DARDLEA has agreed to select and put small holder farmers on the development program aimed at improving their supply capacity for the GNP fresh produce demand.

##### IV. Rand Value of Revenue Generated from Tekwane Citrus farm

Tekwane farm is currently on intense maintenance and care to improve output in the next harvest season. A Farm and Export Management company appointed as an interim solution while preparing for Corporatization of the project.

##### V. Number of new revenue streams

Commence with the commercialisation of MEGA's wholly owned equity investments.

##### VI. Collection Effectiveness Index (CEI) on the new loan book

Capacitate the debt collection unit and intensify post investment support.

#### 4.6.5.4 Changes to planned targets

There were no changes to planned targets for the year except that total targets reported as achieved during the course of the year were adjusted in the Annual Report to ensure alignment between reported achievement and the Portfolio of Evidence (POE) provided as part of the monitoring and evaluation function performed by Corporate Strategy Unit.



## 4.6 PROGRAMME 6: FUNDING (Continued)

### 4.4.4.5 Linking Performance with budget

2018/2019				2017/2018		
Sub- Programme	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
<b>FUNDING</b>	395 640	135 168	260 472	157 600	139 686	17 914
HOUSING	-	-	-	-	-	-
SMME	-	-	-	-	-	-
AGRICULTURE	-	-	-	-	-	-
REVENUE GENERATION	29 360	19 408	9 952	28 201	28 608	(407)
<b>TOTAL</b>	<b>425 000</b>	<b>154 576</b>	<b>270 424</b>	<b>185 801</b>	<b>168 294</b>	<b>17 507</b>

**Note:** The budget on grant revenue was increased by R 15.2 million during budget adjustment. The increase consists of a capital grant amounting to R 13 million towards the township recapitalisation programme and R 2.2 million towards loan advances. This resulted in an increase on the total budget for the sub programme, from R 409 788 000 to R 425 000 000.





# 05

## REVENUE COLLECTION

### 5.1 Revenue Collection

	2018/2019			2017/2018		
Sources of revenue	Budget	Actual Amount Collected	Over/(Under) Collection	Budget	Actual Amount Collected	Over/(Under) Collection
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Municipal Services	85 942	66 552	(19 390)	80 654	76 982	(3 672)
Rent	47 554	36 715	(10 839)	43 993	39 340	(4 653)
Loans	19 722	16 238	(3 484)	14 736	15 500	764
Other	332 798	80 534	(252 264)	105 493	90 391	(15 102)
<b>TOTAL</b>	<b>486 016</b>	<b>200 039</b>	<b>(285 977)</b>	<b>244 876</b>	<b>222 213</b>	<b>(22 663)</b>

### 5.2 Programme Expenditure

	2017/2018			2016/2017		
Sub- Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Office of the CEO	22 328	22 443	(115)	21 704	21 453	251
Corporate Services	34 131	28 856	5 275	31 648	27 653	3 995
Finance	38 356	73 939	(35 583)	36 961	35 704	1 257
Strategy & Communications	27 142	17 465	9 677	25 971	22 434	3 537
Properties & Infrastructure	439 178	329 947	109 231	498 657	478 515	20 142
Funding	425 000	154 576	270 424	185 801	168 294	17 507
<b>TOTAL</b>	<b>986 135</b>	<b>627 226</b>	<b>358 909</b>	<b>800 742</b>	<b>754 053</b>	<b>46 689</b>

## 5.3 Capital investment, maintenance and asset management plan

### 5.3.1 Highlights on capital investment and asset management plan

- MEGA is currently implementing two infrastructure projects, namely: Mpumalanga International Fresh Produce Market and Nkomazi Special Economic Zone.
- No infrastructure projects were completed in the current year as all projects being implemented are multi-year projects.
- A formal approval of R50 million by **the dti was obtained to revitalise Ekandustria industrial park.**
- MEGA received investment proposals by the Strategic Development Partners towards the revitalisation of Siyabuswa, Kabokweni and Elukwatini shopping centres, and 66 Anderson Street office.
- MEGA has refurbished 16 buildings with a total square meter of 25 245.

### 5.3.2 Infrastructure projects

	2018/2019			2017/2018		
Infrastructure Projects	Budget	Actual Expenditure	Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Mpumalanga International Fresh Produce Market (MIFPM)	271 488	163 554	107 934	307 000	301 162	5 838
Nkomazi Special Economic Zone (SEZ)	6 384	1 730	4 654	7 500	8 447	(947)
<b>TOTAL</b>	<b>277 872</b>	<b>165 284</b>	<b>112 588</b>	<b>314 500</b>	<b>309 609</b>	<b>4 891</b>

### 5.3.3 The current state of the public entity's capital assets

	% Good	% Fair	% Poor
• Plant and machinery	4	66	30
• Office furniture, fixtures and equipment	20	60	20
• Motor vehicles	30	55	15
• IT equipment	55	30	15

## 5.3.4 Maintenance Expenditure

	2018/2019			2017/2018		
Maintenance expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Maintenance – vehicles	371	261	110	167	180	(13)
Maintenance – equipment	454	303	151	233	157	76
Maintenance – buildings	3 700	2 158	1 542	3 915	5 651	(1 736)
Maintenance – infrastructure	1 028	4	1 024	1 033	1 146	(113)
<b>TOTAL</b>	<b>5 553</b>	<b>2 726</b>	<b>2 827</b>	<b>5 348</b>	<b>7 134</b>	<b>(1 786)</b>

# PART C

## GOVERNANCE



# 01

## INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

# 02

## PORTFOLIO COMMITTEES

The entity appeared before the Committee to deliberate on the analysis on its Quarter Performance Reports, Budget, and Annual Performance Plan. During the sittings the entity further provided progress reports on the implementation of the House Resolutions.

Dates and purpose of the Committee sittings are reflected on the table below:

DATE OF THE SITTING	PURPOSE OF THE SITTING
15 May 2018	Deliberation on the 2018/19 Budget and Annual Performance Plan
07 June 2018	2018/19 Budget Appropriation Bill
12 Sept 2018	Deliberation on the First Quarter Report
16 Oct 2018	Deliberation on the 2017/18 Annual Report
13 Nov 2018	Deliberation on the Second Quarter Report
26 Mar 2018	Deliberation on the Third Quarter Report

# 03

## EXECUTIVE AUTHORITY

MEGA reports to the Executive Authority on performance in relation to its mandate and targets agreed upon with the Executive Authority in the Shareholders Compact.

In addition, all reports submitted to the Legislature and other government structures are submitted through the Executive Authority (Shareholder).

Apart from the reports to the Shareholder, the entity also attends and presents progress regarding the implementation of strategic initiatives on an ad-hoc basis to various government structures, such as Technical Committees, Provincial Management Committee, Exco Lekgotlas, etc.

# 04

## THE ACCOUNTING AUTHORITY / BOARD

### 4.1 Introduction

MEGA is a schedule 3D entity by virtue of it being the successor in title of the erstwhile MEGA, which was established by the then MEGA Act 4 of 2005. MEGA is governed by a duly appointed Board of Directors. Schedule 3D entities are regulated by Sections 47 & 76(4) of the PFMA. The Board is the Accounting Authority of the Agency as contemplated in Section 49(2) (a) of the Public Finance Management Act of 1999, and Section. 5(1) of the MEGA Act 1 of 2010 (hereafter referred to as the "Act"). The Board shall, in respect of the exercise and performance of its powers and functions, be accountable to the Member of the Executive Council. (Section 5 (2) of the MEGA, Act 1 of 2010).

### 4.2 The Accounting Authority / Board

#### 4.2.1 The Board

The Members of the Board are appointed in terms of the Act by the Member of the Executive Council responsible for Economic Development and Tourism for a period not exceeding four (4) years, but are eligible for re-appointment. The composition of the Board is prescribed by the Act which permits a minimum of nine [9] and a maximum of eleven [11] Members, all of whom shall be non-executive directors. In terms of the Act, the CEO is an ex officio member of the Board without any voting rights at meetings of the Board (Section 5(4) of the MEGA Act 1 of 2010).



BOARD OF  
**DIRECTORS**



# GROUP EXECUTIVES

## 04 THE ACCOUNTING AUTHORITY / BOARD CONTINUED

### 4.2.2 The Role of the Board

In accordance with the aforementioned parameters of corporate governance, the Board must specifically:

- (a) Retain full and effective control over MEGA, and monitor management's implementation of the strategic plans and financial objectives as defined by the Board;
- (b) Define levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to management;
- (c) Continually monitor and review the exercise by management of delegated powers;
- (d) Ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of MEGA;
- (e) Ensure compliance by MEGA with all relevant laws and regulations, audit and accounting principles, MEGA's Code of Ethics and Conduct, and such other principles as may be established by the Board from time to time;
- (f) Regularly review and evaluate the risks to the business of MEGA, including information technology ("IT") risks.
- (g) Ensure the existence of comprehensive, appropriate internal controls to mitigate against such risks, as well as ensure that there is an effective risk-based internal audit;
- (h) Exercise objective judgment on the affairs of MEGA, independent from management, but with sufficient management information to enable a proper and informed assessment to be made; and
- (i) Identify and monitor non-financial aspects relevant to the business of MEGA, and ensure that MEGA acts responsibly towards all relevant stakeholders having a legitimate interest in its affairs in order to ensure that MEGA is seen to be a responsible corporate citizen.

### 4.2.3 Board Charter

The Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and members collectively, as well as certain roles and responsibilities incumbent upon members as individuals.

The Charter accordingly embraces the principles of good governance as set out in the King Code on Good Governance, the Mpumalanga Economic Growth Agency Act, No. 1 of 2010, the Public Finance Management Act, 1999, as amended, as well as the Treasury Regulations ("the PFMA"), the Promotion of Administrative Justice Act, 2000 ("PAJA"), as well as all applicable laws of the Republic of South Africa. The Charter is reviewed by the Board as and when necessary, to ensure that it remains relevant to the business objectives of MEGA.

### 4.2.4 Shareholders Compact

In terms of the Treasury Regulations issued in accordance with the PFMA, MEGA must in consultation with its relevant Executive Authority (MEC for Economic Development & Tourism), annually conclude a Shareholders Compact documenting the mandated key performance measures and indicators to be attained by the organization as agreed between the Board of Directors and the Shareholder.

### 4.2.5 Delegation of Authority

The Board retains full and effective control over the organization. This responsibility is facilitated by a well-developed governance structure comprising of various Board Committees established in terms of Section 24 of the Act and a comprehensive Delegation of Authority Framework. The Delegation of Authority Framework assists in the control of the decision-making processes and does not dilute the duties and responsibilities of the Directors.

### 4.2.6 Board Induction and Orientation

New Directors are taken through an induction programme designed to enhance their understanding of MEGA's legislative framework, its governance processes and the nature and operations of the Agency. Continuous training is provided so that Members are able to:

- (a) Make sensible and informed decisions and contribute independent, value-adding views to Board deliberations;
- (b) Have an understanding of the legal and fiduciary responsibilities incumbent on Board members; and
- (c) Discharge those responsibilities suitably and ensure that all Members are unequivocally committed to furthering the interests of MEGA.

### 4.2.7 Board Evaluation and Performance

Board Members are evaluated collectively and individually through a set of corporate governance questionnaires annexed to the Board Charter. The assessments in the main, serve as tools for improving governance practise thereby assisting the Board to better understand their own roles and responsibilities and how they can more effectively fulfil their fiduciary duties and obligations. The Board evaluation also serves as a formal method to facilitate Board development and foster communications among Directors and between the Board and Management and increase accountability within the organization.

## 04 THE ACCOUNTING AUTHORITY / BOARD CONTINUED

### 4.2.8 Remuneration of Board Members

The Board of Directors are remunerated in accordance with the rate as determined by National Treasury. The Board's travel and subsistence allowances are also paid for by MEGA in line with the HR Policy.

A detailed remuneration table of Board members is contained on page 62 of the Annual Financial Report.

### 4.2.9 Composition of the Board

The Board comprising of eleven [11] Members under the Chairpersonship of Mr. D.N Mculu was appointed in terms of Section 7 (4) of the Act and took office effective from 1<sup>st</sup> June 2015. A list of Board Members and their qualifications is contained in the table below:

BOARD MEMBER	QUALIFICATIONS	DATE OF APPOINTMENT
Mr. DN Mculu <b>Chairperson</b>	B Proc. and Higher Diploma in Company Law.	01/06/15
Ms. GA Deiner <b>Board Member</b>	BA; Higher Diploma in Education; Articles of Clerkship; B. Compt; Admitted to South African Institute of Professional Accountants (SAIPA); Qualified as Certified Estate Agent; Certificate in Risk Assessment and Control Management; Registered Tax Practitioner	01/06/15
Mr. M Petje <b>Board Member</b>	Masters in Philosophy; Bachelor of Arts Degree and Bachelor of Education, Senior Executive Certificate; Public Financial Management Certificate; Inter-Governmental Fiscal Relations Certificate	01/06/15
Ms. T Masenya <b>Board Member</b>	BA Honours, BA Human Resource Management.	01/06/15
Mr. S Khumalo <b>Board Member</b>	Masters in Technology Management B. Eng Management of Technology (Hons); B. Eng Industrial Degree	01/06/15
Ms. M Malumane <b>Board Member</b>	MBA , BSc Information and Knowledge Systems	01/06/15
Mr. S Bhembe <b>Board Member</b>	Master of Business Administration- Finance & Corporate Strategy; Post-Graduate Diploma in Public Management; BA Honours: Economics	01/03/16
Mr. T Masasa <b>Board Member</b>	Chartered Accountant; Bachelor of Commerce	01/03/16
Mr. R Lubisi <b>Board Member</b>	Chartered Accountant; Certificate in Theory of Accountancy; B Compt Honours; B Com-Accounting	01/03/16
Mr. TR Tshabalala <b>Board Member</b>	Chartered Accountant (CA)	30/08/16
Mrs. PM Mooketse <b>Board Member</b>	Metallurgical Engineering. Management Development Program. Senior Management Program. Post Graduate Management. Masters in Business Administration- pending).	30/10/18
Mr. SW Lubisi <b>Board Member</b>	Matric. Certificate in Personnel Management. Certificate in Economics & Public Finance (UNISA)	30/10/18
Mr. XGS Sithole <b>CEO- ex officio</b>	BSc (Hons) (Microbiology).	01/01/145

#### Notes:

##### Resignations:

- Mr. TS Masenya resigned on 27/07/18
- Ms. MMP Malumane resigned on 08/02/18
- Mr. M Petje resigned on 22/01/19

##### New appointments:

- Mr. TR Tshabalala date of appointment 30/10/18
- Ms. PM Mooketse date of appointment 30/10/18
- Mr. SW Lubisi date of appointment 30/10/18

## 04 THE ACCOUNTING AUTHORITY / BOARD CONTINUED

### 4.2.10 Board Meetings

Dates of meetings are scheduled annually in advance. In terms of the King Code on Good Governance, the Board and its Committees should at least have four (4) scheduled meetings per annum. Additional and or special meetings may be convened as and when material issues arise, requiring decisions by the Board. The quorum for Board meetings is 50 % + 1 (simple majority). When compared to the financial year 17/18, where a total of 17 meetings were held the Board in the period under review, held **sixteen (16)** meetings and the attendance by Members at these meetings was as follows:

BOARD MEMBER	MEETINGS ATTENDED
Ms. GA Deiner	16/16
Mr. M Petje	15/16
Mr. R Lubisi	09/16
Ms. T Masenya	12/16
Mr. S Khumalo	04/16
Ms. M Malumane	02/16
Mr. S Bhembe	06/16
Ms. T Masasa	11/16
Mr. TR Tshabalala	06/16
Ms. PM Mooketse	10/16
Mr. SW Lubisi	08/16

**Notes:**

**Resignations:**

Mr. TS Masenya resigned on 27/07/18

Ms. MMP Malumane resigned on 08/02/18

**New appointments:**

Mr. TR Tshabalala date of appointment 30/10/18

Ms. PM Mooketse date of appointment 30/10/18

Mr. SW Lubisi date of appointment 30/10/18

### 4.2.11 Board Committees

The MEGA Board is empowered in terms of Section 24 of the Act to establish Board Committees. Section 24 (1) of the Act further provides that the Board may establish committees, with the power to co-opt other persons, for the purpose of assisting it with due and proper exercise and performance of any of its powers and functions, and may likewise dissolve, extend, enlarge or limit any committee so established.

The Board had during its term constituted various Committees in order to assist the Board in discharging its responsibilities. This assistance is rendered in a form of recommendations and reports submitted to Board meetings ensuring transparency and full disclosure of Committee activities. All Committee Members are Non-Executive Directors and the Board currently consists of five [5] Committees namely:

1. Board Audit, Risk & Compliance Committee
2. Human Resources & Remuneration Committee
3. Finance & Investment Committee
4. Loans Committee
5. Governance, Social & Ethics Committee

#### 4.2.11.1 Human Resources & Remuneration Committee

The Human Resources and Remuneration Committee is comprised of five [5] non- executive directors. The Committee had to be reviewed several times due to the resignation of some of the members of the Committee. The objectives of the Committee are to:

- (a) Oversee the development and implementation of a comprehensive Human Resources Strategy that supports the entity's values, vision, mission and aspirations.
- (b) Review the organization's Human Resource Policies and recommend same for Board approval.
- (c) Ensure that the organization has an effective organizational structure, and competitive human resources and practices.
- (d) Recommend for approval by the Board a system to monitor and measure organizational development and performance.
- (e) In collaboration with the Governance, Social and Ethics Committee, make recommendations to the Board on the selection and appointment processes for the Chief Executive Officer.
- (f) Review at least annually, and recommend to the Board for approval, the CEO's compensation based on the evaluation of the CEO's performance in light of corporate and individual objectives.

# 04 THE ACCOUNTING AUTHORITY / BOARD CONTINUED

## 4.2.11.1 Human Resources & Remuneration Committee

The Human Resources and Remuneration Committee is comprised of five [5] non- executive directors. The Committee had to be reviewed several times due to the resignation of some of the members of the Committee. The objectives of the Committee are to:

- (a) Oversee the development and implementation of a comprehensive Human Resources Strategy that supports the entity's values, vision, mission and aspirations.
- (b) Review the organization's Human Resource Policies and recommend same for Board approval.
- (c) Ensure that the organization has an effective organizational structure, and competitive human resources and practices.
- (d) Recommend for approval by the Board a system to monitor and measure organizational development and performance.
- (e) In collaboration with the Governance, Social and Ethics Committee, make recommendations to the Board on the selection and appointment processes for the Chief Executive Officer.
- (f) Review at least annually, and recommend to the Board for approval, the CEO's compensation based on the evaluation of the CEO's performance in light of corporate and individual objectives.

The Human Resources Committee during the period under review, held three (3) meetings and attendance by Committee members at these meetings was as follows:

COMMITTEE MEMBERS	MEETINGS ATTENDED
Ms. Masenya (Chairperson)*	01/03
Mr. ST Khumalo	00/03
Mr. M Petje	01/03
Mr. R Lubisi	02/03
Ms. PM Mooketse	02/03
Mr. SM Bhembe*	02/03
Mr. SW Lubisi*	01/03

**Notes:**  
§Ms. T Masenya resigned and was substituted by Mr. SM Bhembe  
§Mr. SW Lubisi & Ms. PM Mooketse appointed as members of the Committee on 30/07/18.

## 4.2.11.2 Finance and Investment Committee

The Finance and Investment Committee is comprised of four (4) non-executive directors. The objectives of the Committee are *inter alia* to:

- (a) Provide inputs on the Strategic Plan of the organization for subsequent approval by the Board.
- (b) Review the accuracy of the draft budget as submitted by management, and ensure that management has aligned same with the approved Strategic Plan.
- (c) Review the financial quarterly performance reports as submitted by management and recommend same for Board approval.
- (d) Ensure that MEGA has and maintains sound financial policies.
- (e) Ensure proper control over MEGA's investment projects.

## 04 THE ACCOUNTING AUTHORITY / BOARD CONTINUED

The Finance and Investment Committee during the period under review, held five (5) meetings and the attendance by Committee members at these meetings was as follows

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. M Petje (Chairperson)	5
Ms. T Masenya	5
Ms. M Malumane	5
Mr. U Khumalo*	0
Mr. L Maloba*	0

### 4.2.11.2 Finance and Investment Committee

The Finance and Investment Committee during the period under review, held five (5) meetings and the attendance by Committee members at these meetings was as follows

COMMITTEE MEMBERS	MEETINGS ATTENDED
Mr. M Petje (Chairperson)	05/05
Ms. T Masenya*	00/05
Ms. M Malumane*	00/05
Mr. TR Tshabalala*	04/05
Ms. P Mooketse*	04/05
Ms. P Mooketse	03/05

#### Notes:

##### Resignations:

§Mr. TS Masenya resigned on 27/07/18

§Ms. MMP Malumane resigned on 08/02/18

##### New appointments:

§Mr. TR Tshabalala date of appointment 30/10/18

§Ms. PM Mooketse date of appointment 30/10/18

### 4.2.11.3 Loans Committee

The Loans Committee is comprised of four (4) non-executive directors. The objectives of the Committee are inter alia to:

- (a) Consider loan applications for Business Development, Agriculture and Housing between the values of R5m – R10m in terms of the Delegations of Authority Framework approved by the Board.
- (b) Recommend all loans above R10m to the Board for approval.
- (c) Recommend the design, selection, implementation, oversight and performance of any rating systems employed by the Agency.
- (d) Recommend any debt write-offs to the Board, Audit Risk & Compliance Committee in line with MEGA's policies.
- (e) Recommend debt restructuring to the Board with regards to clients affected by economic/climate conditions and any other conditions that may warrant Board's intervention.
- (f) Recommend to the Board, any new lending product area, market or lending jurisdiction.
- (g) Annually review the loan policies and procedures and present them to the Board for approval.
- (h) Regularly analyse the loan portfolio and monitor lending areas for alignment to the Agency's risk appetite.
- (i) Update the Board with regards to the market credit risks and any other matters connected therewith.