

# Vote 27

## Economic Development

### Adjusted budget summary

| 2010/11                          |  |                        |          |          |
|----------------------------------|--|------------------------|----------|----------|
| R thousand                       | Main appropriation                       | Adjusted appropriation | Decrease | Increase |
| <b>Amount to be appropriated</b> | <b>418 597</b>                           | <b>449 840</b>         | –        | 31 243   |
| <i>of which:</i>                 |  |                        |          |          |
| Current payments                 | 95 211                                   | 96 861                 | –        | 1 650    |
| Transfers and subsidies          | 318 597                                  | 348 190                | –        | 29 593   |
| Payments for capital assets      | 4 789                                    | 4 789                  | –        | –        |
| Executive authority              | Minister of Economic Development         |                        |          |          |
| Accounting officer               | Director-General of Economic Development |                        |          |          |

### Aim

*The aim of the Economic Development Department is to promote economic development through participatory, coherent and coordinated economic policy and planning for the benefit of all South Africans.*

### Mid-year performance status

| Indicator   | Programme                          | Outcome   | Annual performance                                 |  |                              |
|---|------------------------------------|---|--|--|------------------------------|
|   |                                    |   | Projected for 2010/11 as published in the 2010 ENE | Achieved in the first six months of 2010/11 (April to September) | Changed estimate for 2010/11 |
| As published in the 2010 ENE  | Programme linked to the indicator  | Outcome the indicator is linked to (if relevant)    |  |  |                              |
| Number of policy and analytical papers on economic policy challenges per year   | Economic Policy Development        | Decent employment through inclusive economic growth | 10   | 7  | –                            |
| Number of policy platforms on economic policy challenges per year   | Economic Policy Development        | Decent employment through inclusive economic growth | 10   | 3  | –                            |
| Number of engagements with provincial and local governments per year  | Economic Planning and Coordination | Decent employment through inclusive economic growth | 10   | 6  | –                            |
| Number of strategic engagements with development finance institutions and economic regulatory bodies per year             | Economic Planning and Coordination | Decent employment through inclusive economic growth | 6  | 6  | –                            |
| Value of special financing facilitated for small businesses, targeted growth sectors and companies in distress per year   | Economic Planning and Coordination | Decent employment through inclusive economic growth | R2bn   | R2bn   | –                            |
| Number of sector plans produced or reviewed per year  | Economic Planning and Coordination | Decent employment through inclusive economic growth | 5  | 3  | –                            |
| Number of spatial plans produced or reviewed per year   | Economic Planning and Coordination | Decent employment through inclusive economic growth | 10   | 4  | –                            |
| Number of interventions to promote economic development through leveraging off state expenditure and procurement per year | Economic Planning and Coordination | Decent employment through inclusive economic growth | 10   | 4  | –                            |
| Number of social dialogue and capacity building engagements per year  | Economic Development and Dialogue  | Decent employment through inclusive economic growth | 10   | 10   | –                            |
| Number of economic development agreements (sectoral, workplace and national) facilitated with social partners per year    | Economic Development and Dialogue  | Decent employment through inclusive economic growth | 10   | 4  | –                            |

## Mid-year progress

The Economic Development Department was established in April 2010 and is still in the process of recruiting personnel. The department should reach full capacity within the next five years. In the first half of 2010/11, progress has been on track towards meeting the targets set for the year as a whole. The department makes a critical contribution to the creation of decent employment, and to the acceleration of economic growth and the equitable distribution of economic benefits. In addition, the department is developing a new growth path document, which will guide the department's policy coordination role and align economic policies across government towards a stronger focus on employment creation and equity.

## Adjusted Estimates of National Expenditure 2010

| Programme                                   |                    | 2010/11                   |                           |                      |                   |                                 |                        |
|---|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
| R thousand                                  | Main appropriation | Adjustments appropriation |                           |                      |                   | Total adjustments appropriation | Adjusted appropriation |
|   |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments |                                 |                        |
| 1. Administration                           | 44 802             | –                         | –                         | (750)                | 1 075             | 325                             | 45 127                 |
| 2. Economic Policy Development              | 18 150             | –                         | –                         | –                    | 437               | 437                             | 18 587                 |
| 3. Economic Planning and Coordination       | 344 402            | –                         | 28 843                    | 750                  | 619               | 30 212                          | 374 614                |
| 4. Economic Development and Dialogue        | 11 243             | –                         | –                         | –                    | 269               | 269                             | 11 512                 |
| <b>Total</b>                                | <b>418 597</b>     | <b>–</b>                  | <b>28 843</b>             | <b>–</b>             | <b>2 400</b>      | <b>31 243</b>                   | <b>449 840</b>         |
| <b>Economic classification</b>              |                    |                           |                           |                      |                   |                                 |                        |
| <b>Current payments</b>                     | <b>95 211</b>      | <b>–</b>                  | <b>–</b>                  | <b>(750)</b>         | <b>2 400</b>      | <b>1 650</b>                    | <b>96 861</b>          |
| Compensation of employees                   | 59 457             | –                         | –                         | –                    | 2 400             | 2 400                           | 61 857                 |
| Goods and services                          | 35 754             | –                         | –                         | (750)                | –                 | (750)                           | 35 004                 |
| <b>Transfers and subsidies</b>              | <b>318 597</b>     | <b>–</b>                  | <b>28 843</b>             | <b>750</b>           | <b>–</b>          | <b>29 593</b>                   | <b>348 190</b>         |
| Departmental agencies and accounts          | 248 868            | –                         | 28 843                    | 750                  | –                 | 29 593                          | 278 461                |
| Public corporations and private enterprises | 69 729             | –                         | –                         | –                    | –                 | –                               | 69 729                 |
| <b>Payments for capital assets</b>          | <b>4 789</b>       | <b>–</b>                  | <b>–</b>                  | <b>–</b>             | <b>–</b>          | <b>–</b>                        | <b>4 789</b>           |
| Machinery and equipment                     | 3 789              | –                         | –                         | –                    | –                 | –                               | 3 789                  |
| Software and other intangible assets        | 1 000              | –                         | –                         | –                    | –                 | –                               | 1 000                  |
| <b>Total</b>                                | <b>418 597</b>     | <b>–</b>                  | <b>28 843</b>             | <b>–</b>             | <b>2 400</b>      | <b>31 243</b>                   | <b>449 840</b>         |

## Programme 1: Administration

| Subprogramme                         |                    | 2010/11                   |                           |                      |                   |                                 |                        |
|--------------------------------------|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
| R thousand                           | Main appropriation | Adjustments appropriation |                           |                      |                   | Total adjustments appropriation | Adjusted appropriation |
|                                      |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments |                                 |                        |
| Ministry                             | 16 292             | –                         | –                         | –                    | 1 075             | 1 075                           | 17 367                 |
| Office of the Director-General       | 4 640              | –                         | –                         | –                    | –                 | –                               | 4 640                  |
| General Management Services          | 23 870             | –                         | –                         | (750)                | –                 | (750)                           | 23 120                 |
| <b>Total</b>                         | <b>44 802</b>      | <b>–</b>                  | <b>–</b>                  | <b>(750)</b>         | <b>1 075</b>      | <b>325</b>                      | <b>45 127</b>          |
| <b>Economic classification</b>       |                    |                           |                           |                      |                   |                                 |                        |
| <b>Current payments</b>              | <b>40 013</b>      | <b>–</b>                  | <b>–</b>                  | <b>(750)</b>         | <b>1 075</b>      | <b>325</b>                      | <b>40 338</b>          |
| Compensation of employees            | 24 589             | –                         | –                         | –                    | 1 075             | 1 075                           | 25 664                 |
| Goods and services                   | 15 424             | –                         | –                         | (750)                | –                 | (750)                           | 14 674                 |
| <b>Payments for capital assets</b>   | <b>4 789</b>       | <b>–</b>                  | <b>–</b>                  | <b>–</b>             | <b>–</b>          | <b>–</b>                        | <b>4 789</b>           |
| Machinery and equipment              | 3 789              | –                         | –                         | –                    | –                 | –                               | 3 789                  |
| Software and other intangible assets | 1 000              | –                         | –                         | –                    | –                 | –                               | 1 000                  |
| <b>Total</b>                         | <b>44 802</b>      | <b>–</b>                  | <b>–</b>                  | <b>(750)</b>         | <b>1 075</b>      | <b>325</b>                      | <b>45 127</b>          |

**Programme 2: Economic Policy Development**

| Subprogramme                            |                    | 2010/11                   |                           |                      |                   |                                 |                        |
|---|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
| R thousand                              | Main appropriation | Adjustments appropriation |                           |                      |                   | Total adjustments appropriation | Adjusted appropriation |
|   |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments |                                 |                        |
| Growth Path and Creation of Decent Work | 4 789              | -                         | -                         | -                    | 437               | 437                             | 5 226                  |
| Economic Policy                         | 6 555              | -                         | -                         | -                    | -                 | -                               | 6 555                  |
| Broad-Based Black Economic Empowerment  | 4 738              | -                         | -                         | -                    | -                 | -                               | 4 738                  |
| Second Economy                          | 2 068              | -                         | -                         | -                    | -                 | -                               | 2 068                  |
| <b>Total</b>                            | <b>18 150</b>      | <b>-</b>                  | <b>-</b>                  | <b>-</b>             | <b>437</b>        | <b>437</b>                      | <b>18 587</b>          |
| <b>Economic classification</b>          |                    |                           |                           |                      |                   |                                 |                        |
| <b>Current payments</b>                 | <b>18 150</b>      | <b>-</b>                  | <b>-</b>                  | <b>-</b>             | <b>437</b>        | <b>437</b>                      | <b>18 587</b>          |
| Compensation of employees               | 10 155             | -                         | -                         | -                    | 437               | 437                             | 10 592                 |
| Goods and services                      | 7 995              | -                         | -                         | -                    | -                 | -                               | 7 995                  |
| <b>Total</b>                            | <b>18 150</b>      | <b>-</b>                  | <b>-</b>                  | <b>-</b>             | <b>437</b>        | <b>437</b>                      | <b>18 587</b>          |

**Programme 3: Economic Planning and Coordination**

| Subprogramme                                    |                    | 2010/11                   |                           |                      |                   |                                 |                        |
|---|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
| R thousand                                      | Main appropriation | Adjustments appropriation |                           |                      |                   | Total adjustments appropriation | Adjusted appropriation |
|   |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments |                                 |                        |
| Spatial, Sector and Planning                    | 12 409             | -                         | -                         | -                    | 619               | 619                             | 13 028                 |
| Economic Development, Financing and Procurement | 3 806              | -                         | -                         | -                    | -                 | -                               | 3 806                  |
| Investment for Economic Development             | 156 634            | -                         | -                         | 750                  | -                 | 750                             | 157 384                |
| Competitiveness and Trade for Decent Work       | 171 552            | -                         | 28 843                    | -                    | -                 | 28 843                          | 200 395                |
| Green Economy                                   | 1                  | -                         | -                         | -                    | -                 | -                               | 1                      |
| <b>Total</b>                                    | <b>344 402</b>     | <b>-</b>                  | <b>28 843</b>             | <b>750</b>           | <b>619</b>        | <b>30 212</b>                   | <b>374 614</b>         |
| <b>Economic classification</b>                  |                    |                           |                           |                      |                   |                                 |                        |
| <b>Current payments</b>                         | <b>25 805</b>      | <b>-</b>                  | <b>-</b>                  | <b>-</b>             | <b>619</b>        | <b>619</b>                      | <b>26 424</b>          |
| Compensation of employees                       | 17 675             | -                         | -                         | -                    | 619               | 619                             | 18 294                 |
| Goods and services                              | 8 130              | -                         | -                         | -                    | -                 | -                               | 8 130                  |
| <b>Transfers and subsidies</b>                  | <b>318 597</b>     | <b>-</b>                  | <b>28 843</b>             | <b>750</b>           | <b>-</b>          | <b>29 593</b>                   | <b>348 190</b>         |
| Departmental agencies and accounts              | 248 868            | -                         | 28 843                    | 750                  | -                 | 29 593                          | 278 461                |
| Public corporations and private enterprises     | 69 729             | -                         | -                         | -                    | -                 | -                               | 69 729                 |
| <b>Total</b>                                    | <b>344 402</b>     | <b>-</b>                  | <b>28 843</b>             | <b>750</b>           | <b>619</b>        | <b>30 212</b>                   | <b>374 614</b>         |

**Programme 4: Economic Development and Dialogue**

| Subprogramme                                      |                    | 2010/11                   |                           |                      |                   |                                 |                        |
|---|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
| R thousand  | Main appropriation | Adjustments appropriation |                           |                      |                   | Total adjustments appropriation | Adjusted appropriation |
|   |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments |                                 |                        |
| National Social Dialogue and Strategic Frameworks | 7 682              | -                         | -                         | -                    | 269               | 269                             | 7 951                  |
| Sector and Workplace Social Dialogue              | 400                | -                         | -                         | -                    | -                 | -                               | 400                    |
| Capacity Building for Economic Development        | 1 710              | -                         | -                         | -                    | -                 | -                               | 1 710                  |
| Productivity, Entrepreneurship and Innovation     | 1 451              | -                         | -                         | -                    | -                 | -                               | 1 451                  |
| <b>Total</b>                                      | <b>11 243</b>      | <b>-</b>                  | <b>-</b>                  | <b>-</b>             | <b>269</b>        | <b>269</b>                      | <b>11 512</b>          |

**Programme 4: Economic Development and Dialogue (continued)**

| Subprogramme                   | 2010/11            |                           |                           |                      |                   |                                 |                        |
|--------------------------------|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
|                                | Main appropriation | Adjustments appropriation |                           |                      |                   | Total adjustments appropriation | Adjusted appropriation |
|                                |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments |                                 |                        |
| R thousand                     |                    |                           |                           |                      |                   |                                 |                        |
| <b>Economic classification</b> |                    |                           |                           |                      |                   |                                 |                        |
| <b>Current payments</b>        | 11 243             | -                         | -                         | -                    | 269               | 269                             | 11 512                 |
| Compensation of employees      | 7 038              | -                         | -                         | -                    | 269               | 269                             | 7 307                  |
| Goods and services             | 4 205              | -                         | -                         | -                    | -                 | -                               | 4 205                  |
| <b>Total</b>                   | <b>11 243</b>      | <b>-</b>                  | <b>-</b>                  | <b>-</b>             | <b>269</b>        | <b>269</b>                      | <b>11 512</b>          |

**Details of adjustments to Estimates of National Expenditure 2010**

**Unforeseeable and unavoidable expenditure – R28.843 million**

Programme 3: Economic Planning and Coordination

An additional R28.843 million is allocated as a transfer to the Competition Commission for completing the fast-track settlement process in the construction industry, for litigation, for a new cartel unit, and to meet the high demand for investigations.

**Virements and shifts**

**Programmes**

1. Administration
2. Economic Policy Development
3. Economic Planning and Coordination
4. Economic Development and Dialogue

| FROM:                                |              |              | TO:                                  |   |            |
|--------------------------------------|--------------|--------------|--------------------------------------|---|------------|
| Programme by economic classification | Motivation   | R thousand   | Programme by economic classification | Motivation                                    | R thousand |
| <b>Programme 1</b>                   |              | <b>(750)</b> | <b>Programme 3</b>                   |   | <b>750</b> |
| Goods and services                   | Vacant posts | (750)        | Departmental agencies and accounts   | For the South African Micro Finance Apex Fund | 750        |
| Percentage of programme budget       |              | 1.7%         |                                      |   |            |
| <b>Total</b>                         |              | <b>(750)</b> |                                      |   | <b>750</b> |

**Other adjustments – R2.4 million**

**Adjustments due to significant and unforeseeable economic and financial events**

An additional R2.4 million is allocated for higher personnel remuneration increases than the main budget provided for, including the increased housing allowance, as follows:

Programme 1: Administration

R1.075 million

Programme 2: Economic Policy Development

R437 000

Programme 3: Economic Planning and Coordination

R619 000

## Programme 4: Economic Development and Dialogue

R269 000

**Expenditure for 2009/10 and preliminary expenditure for 2010/11**

| Programme                                   | 2009/10                |                 |                             | 2010/11                 |                 |                             |
|---|------------------------|-----------------|-----------------------------|-------------------------|-----------------|-----------------------------|
|   | Expenditure outcome    |                 |                             | Preliminary expenditure |                 |                             |
| R thousand                                  | Adjusted appropriation | Apr 09 - Mar 10 | % of adjusted appropriation | Adjusted appropriation  | Apr 10 - Sep 10 | % of adjusted appropriation |
| 1. Administration                           | 29 000                 | 16 653          | 57.4                        | 45 127                  | 14 490          | 32.1                        |
| 2. Economic Policy Development              | –                      | –               | 0.0                         | 18 587                  | 701             | 3.8                         |
| 3. Economic Planning and Coordination       | 287 192                | 297 992         | 103.8                       | 374 614                 | 155 813         | 41.6                        |
| 4. Economic Development and Dialogue        | –                      | –               | 0.0                         | 11 512                  | –               | 0.0                         |
| <b>Total</b>                                | <b>316 192</b>         | <b>314 645</b>  | <b>99.5</b>                 | <b>449 840</b>          | <b>171 003</b>  | <b>38.0</b>                 |
| <b>Economic classification</b>              |                        |                 |                             |                         |                 |                             |
| <b>Current payments</b>                     | <b>22 999</b>          | <b>14 214</b>   | <b>61.8</b>                 | <b>96 861</b>           | <b>14 345</b>   | <b>14.8</b>                 |
| Compensation of employees                   | 12 643                 | 7 865           | 62.2                        | 61 857                  | 8 449           | 13.7                        |
| Goods and services                          | 10 356                 | 6 349           | 61.3                        | 35 004                  | 5 896           | 16.8                        |
| <b>Transfers and subsidies</b>              | <b>287 192</b>         | <b>297 992</b>  | <b>103.8</b>                | <b>348 190</b>          | <b>155 618</b>  | <b>44.7</b>                 |
| Departmental agencies and accounts          | 221 211                | 232 011         | 104.9                       | 278 461                 | 155 618         | 55.9                        |
| Public corporations and private enterprises | 65 981                 | 65 981          | 100.0                       | 69 729                  | –               | 0.0                         |
| <b>Payments for capital assets</b>          | <b>6 001</b>           | <b>2 439</b>    | <b>40.6</b>                 | <b>4 789</b>            | <b>1 040</b>    | <b>21.7</b>                 |
| Machinery and equipment                     | 6 001                  | 2 439           | 40.6                        | 3 789                   | 1 040           | 27.4                        |
| <b>Total</b>                                | <b>316 192</b>         | <b>314 645</b>  | <b>99.5</b>                 | <b>449 840</b>          | <b>171 003</b>  | <b>38.0</b>                 |

**Main expenditure trends for the first half of 2010/11**

In 2009/10, the Economic Development Department's operational and capital expenses were incurred through the Department of Trade and Industry, which established a division in its financial management systems to account for these expenses. All aspects of financial management were coordinated by the office of the chief financial officer of the Department of Trade and Industry. As at 30 September 2009, the Department of Trade and Industry reported expenses of R5.1 million on behalf of the Economic Development Department. Total expenditure for 2009/10 was R314.6 billion or 99.5 per cent of the 2009/10 adjusted appropriation.

Expenditure in the first six months of 2010/11 was R171 million, or 38 per cent of the adjusted appropriation of R449.8 million for the year as a whole. Expenditure is marginally below the norm, due to the high vacancy rate associated with the start up and initiation of operations in the new department.

## Departmental receipts

| R thousand                           | Adjusted estimate | 2010/11         |                   |                 |  |
|--------------------------------------|-------------------|-----------------|-------------------|-----------------|--|
|                                      |                   | Budget estimate | Actual receipts   |                 |  |
|                                      |                   |                 | Adjusted estimate | Apr 10 - Sep 10 | Apr 10 - Sep 10 % of adjusted estimate |
| <b>Departmental receipts</b>         | <b>484 781</b>    | <b>230 000</b>  | <b>230 000</b>    | <b>67 659</b>   | <b>29.4</b>                            |
| Fines, penalties and forfeits        | –                 | 140 000         | 140 000           | 67 563          | 48.3                                   |
| Interest, dividends and rent on land | 484 781           | 90 000          | 90 000            | 96              | 0.1                                    |
| <b>Total</b>                         | <b>484 781</b>    | <b>230 000</b>  | <b>230 000</b>    | <b>67 659</b>   | <b>29.4</b>                            |

### Main departmental revenue trends for the first half of 2010/11

Departmental revenue collection for 2009/10 was accounted for by the Department of Trade and Industry. The dividend declared by the Industrial Development Corporation in 2009/10 was R120 million, and fines and penalties paid over by the Competition Commission were R336 million. Departmental revenue collection in the first six months of 2010/11 was R67.7 million, or 29.4 per cent of the adjusted revenue estimate of R230 million for the year as a whole. The main sources of revenue continue to be fines and penalties paid over by the Competition Commission and dividends paid by the Industrial Development Corporation to government, its sole shareholder.

## Changes to transfers and subsidies, including conditional grants

### Summary of changes to transfers and subsidies per programme

| R thousand  | Main appropriation | 2010/11                   |                           |                      |                   |                                 | Adjusted appropriation |
|---|--------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------------|------------------------|
|   |                    | Adjustments appropriation |                           |                      |                   |                                 |                        |
|   |                    | Roll-overs                | Unforeseeable/unavoidable | Virements and shifts | Other adjustments | Total adjustments appropriation |                        |
| <b>3. Economic Planning and Coordination Departmental agencies and accounts Departmental agencies (non-business entities)</b> |                    |                           |                           |                      |                   |                                 |                        |
| <b>Current</b>  | <b>170 900</b>     | –                         | <b>28 843</b>             | <b>750</b>           | –                 | <b>29 593</b>                   | <b>200 493</b>         |
| Competition Commission  | 88 818             | –                         | 28 843                    | –                    | –                 | 28 843                          | 117 661                |
| South African Micro Finance Apex Fund   | 82 082             | –                         | –                         | 750                  | –                 | 750                             | 82 832                 |