

# Vote 4

## Economic Development, Tourism and Environmental Affairs

R thousand	2016/17			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Operational budget	2 701 170	2 602 709	(98 461)	
MEC remuneration <sup>1</sup>	1 822	1 902		80
<b>Total amount to be appropriated</b>	<b>2 702 992</b>	<b>2 604 611</b>	<b>(98 381)</b>	
<i>of which:</i>				
Current payments	823 031	758 899	(64 132)	
Transfers and subsidies	1 871 620	1 837 535	(34 085)	
Payments for capital assets	8 341	8 171	(170)	
Payments for financial assets	-	6		6
Responsible MEC	MEC for Economic Development, Tourism and Environmental Affairs			
Administering department	Economic Development, Tourism and Environmental Affairs			
Accounting Officer	Head: Economic Development, Tourism and Environmental Affairs			

### 1. Vision and mission

#### Vision

The vision of the Department of Economic Development, Tourism and Environmental Affairs (DEDTEA) is: *Leading the attainment of inclusive and sustainable economic growth for job creation.*

#### Mission

The department's mission is to: *Provide leadership and facilitate integrated economic planning, be a catalyst for economic transformation and sustainable development, implement strategies that drive economic growth and promote sound environmental management, create a conducive environment for trade, investment and tourism and monitor and enforce sound business and consumer regulations.*

### 2. Strategic objectives

**Strategic policy direction:** The strategic focus for DEDTEA during the 5-year period is to build a resilient KZN provincial economy that can respond to global factors, stimulating provincial economic development, alignment of functions and purpose of all economic development entities, as well as building a vibrant organisation. The key strategic goals and objectives of the department include integrated economic planning and development in the province, sustainable and inclusive economic growth for job creation, preferred tourism destination in the country, sustainable environmental management and achieve institutional excellence responsive to the needs of the country.

The department has identified the following strategic goals and objectives:

**Lead and co-ordinate integrated economic planning and development.**

- Co-ordinate social partners and other stakeholders in the province.
- Collect, process, maintain and report on economic and other social data.

<sup>1</sup> At the time of going to print with the 2016/17 EPRE, the proclamation determining the 2015 salary adjustment relating to office bearers had not been signed, hence this amount remained unchanged from the 2015/16 EPRE. Similarly, at the time of going to print with this document, the proclamation determining the 2016 salary adjustment relating to office bearers has not been signed. As such, the above-mentioned adjustment now aligns the MEC's salary to the 2015 salary level.

- Track the implementation of economic interventions.
- Provide research on priority and strategic sectors.
- Develop and maintain an efficient regulatory and governance framework.
- Influence policy direction for economic and infrastructure development.

***Facilitate sustainable and inclusive economic growth to ensure job creation.***

- Facilitate the implementation of economic transformation strategies and policies.
- Implement existing productive and service sector strategies and plans.
- Promote SMMEs and co-operatives.
- Facilitate trade and investment.

***Provide preferred tourism destination in the country.***

- Provide guidance, support and direction in terms of tourism policies, legislation and strategies.
- Implement the KZN Tourism Master Plan.

***Implement sustainable environmental management.***

- Implement environmental management strategies and plans.
- Streamline the process of Environmental Impact Assessments (EIAs).
- Promote and facilitate integrated environmental management through capacity building and awareness raising programmes and projects.

### **3. Summary of adjusted estimates for the 2016/17 financial year**

The main appropriation of DEDTEA was R2.703 billion as per the *EPRE*. During the year, the department's baseline was reduced by R98.381 million resulting in an adjusted appropriation of R2.605 billion. The main reasons for this reduction, as well as other adjustments, are summarised below, and explained in detail in Section 4:

- *Virement between programmes:* The department undertook the following virements across programmes. This also affected economic classification and sub-programmes, as detailed later:
  - Programme 1: Administration was increased by R22.774 million, which is made up of savings moved from Programme 4: Business Regulation and Governance and Programme 7: Environmental Affairs, as explained:
    - R6.664 million savings were identified from Programme 4 under *Compensation of employees* (R2.213 million) mainly due to lengthy recruitment processes, and *Goods and services* (R4.451 million) relating to consumer awareness campaign events being cancelled due to unforeseen circumstances, as well as the implementation of cost-cutting on items such as advertising, travel and subsistence, minor assets and catering. These savings were moved to Programme 1 under *Goods and services* to defray spending pressures driven by higher than projected costs relating to the printing of the budget speech and the Specialised Investment Advisory Team, whose services are used as and when they are required by the department in terms of a service level agreement, as well as to fund resettlement costs for relocation of the Ministry from Durban to Pietermaritzburg and to offset spending pressures brought about by legal costs under the Office of the MEC.
    - Savings of R16.110 million were moved from Programme 7 to this programme within *Goods and services* due to delays in the implementation of the Invasive Alien Species programme (IASP). These delays are due to the fact that suppliers who provide this service were not registered on the suppliers' database. These savings were utilised to offset spending pressures brought about by consultants assisting in the department's SCM unit to alleviate work pressure caused by the function shift in respect of Environmental Affairs from the Department of Agriculture and Rural Development (DARD), as well as the Specialised Investment Advisory Team, which was under-budgeted for by the department.

- o Programme 2: Integrated Economic Development services shows a net increase of R1.714 million as a result of the following virements:
  - R17.905 million savings were identified from Programme 6: Tourism under *Goods and services* due to cost-cutting and reprioritisation from events such as the Metro FM Awards and the East3 Route. These savings were moved to offset spending pressures driven by events/projects such as the South African Music Conference and the launch of the Essence Festival under *Transfers and subsidies to: Provinces and municipalities* (R2 million), as well as various events under *Goods and services* (R15.905 million) including the Youth Business Campaign, the KZN Youth Expo 2016, the Career and Business Skills Development event, the uThungulu Women in Business Conference Awards, the Future Leaders Awards and the Youth Technical Skills programme.
  - Mitigating this to some extent was the reduction of R16.191 million under Ithala Finance Development Corporation (Ithala) due to the entity's healthy positive cash balance. These savings of R9.391 million, R3.800 million and R3 million were moved from Programme 2 to Programmes 3, 6 and 7, respectively. These savings were moved within *Transfers and subsidies* to cater for pressures in some of the public entities, such as the Dube TradePort Corporation (DTPC) in Programme 3, KZN Sharks Board (KZNSB) and KZN Tourism Authority (TKZN) in Programme 6, and Ezemvelo KwaZulu-Natal Wildlife (EKZNW) in Programme 7.
- o Programme 3: Trade and Sector Development was increased by R33.629 million, as follows:
  - Savings were identified from Programme 2 under Ithala due to the entity's healthy positive cash balance. As such, R9.391 million was moved to this programme with R1 million of this to be used to increase the transfer to DTPC to fund the development of a framework plan for the Automotive Supplier Park project aimed at stimulating economic growth and job creation in the automotive industry through large-scale investment in strategic economic infrastructure and to boost the auto manufacturing sector in the province, and to the Moses Kotane Institute (MKI) which was increased by R8.391 million to cater for the Science, Technology, Engineering and Mathematics (STEM) fund, as well as for the set-up of the Information Communication Technology (ICT) institute for Software Engineering and Business Process Outsourcing in eight TVET colleges in the province and for the ICT Hub.
  - Savings of R4.500 million were moved from Programme 6 under *Goods and services* as a result of reprioritisation undertaken and cost-cutting implemented on events such as the East3 Route and Metro FM Awards. These savings were moved to Programme 3 for the Durban Fashion Fair, the Culture Food and Music Festival and the KZN Industrial Economic Hubs.
  - The balance of R19.738 million was moved from Programme 7 due to delays in the implementation of the IASP, and this was moved to Programme 3 to fund various projects including the KZN Industrial Economic Hubs, the Film Strategy, the Amakha Essential Co-operative, the Aerotropolis Institute and the KZN Craft Hub within *Goods and services*.
- o Programme 4: Business Regulation and Governance was reduced by R6.664 million. Savings were identified from Programme 4 under *Compensation of employees* (R2.213 million) mainly due to lengthy recruitment processes, and *Goods and services* (R4.451 million) relating to consumer awareness campaign events being cancelled due to unforeseen circumstances, as well as the implementation of cost-cutting on items such as advertising, travel and subsistence, minor assets and catering. Savings were moved to Programme 1 under *Goods and services* to defray spending pressures driven by higher than projected costs relating to the printing of the budget speech and the Specialised Investment Advisory Team, to fund resettlement costs for relocation of the Ministry from Durban to Pietermaritzburg and to offset spending pressures brought about by legal costs under the Office of the MEC.
- o Programme 6: Tourism shows a net decrease of R20.105 million, made up of R3.800 million moved from Programme 2 to Programme 6 to increase the transfer to TKZN (R800 000) for the STEM Festival Conference and to KZNSB (R3 million) for the provision of safe and reliable

river crossing boats for the community in the Mfolozi area, which will be done in partnership with the Mfolozi Municipality and the Maritime Centre of Excellence under KZNSB. Savings of R23.905 million were identified against *Goods and services* due to reprioritisation from events and cost-cutting implemented on the Metro FM Awards and the East3 Route events, and were re-directed, as follows:

- R17.905 million was moved to Programme 2 to offset spending pressures driven by events/projects such as the South African Music Conference and the launch of the Essence Festival under *Transfers and subsidies to: Provinces and municipalities* (R2 million), as well as various events under *Goods and services* (R15.905 million) including the Youth Business Campaign, the KZN Youth Expo 2016, the Career and Business Skills Development event, the uThungulu Women in Business Conference Awards, the Future Leaders Awards and the Youth Technical Skills programme.
- R4.500 million moved to Programme 3 under *Goods and services* (R4 million) for the Culture and Food Festival and the Industrial Economic Hubs and to *Transfers and subsidies to: Provinces and municipalities* (R500 000) for the Durban Fashion Fair.
- R1.500 million was moved to Programme 7 under *Goods and services* for the Trash to Cash Campaign training which was held on 26 March 2016, and was thus only payable in 2016/17.
- o Programme 7: Environmental Affairs shows a net decrease of R31.348 million largely due to delays in the implementation of the IASP. Savings were moved to Programmes 1 and 3, as follows:
  - R16.110 million was moved to Programme 1 under *Goods and services* to offset spending pressures brought about by consultants assisting in the department's SCM unit, as well as the Specialised Investment Advisory Team which was under-budgeted for by the department.
  - R19.738 million was moved to Programme 3 under *Goods and services* to fund various projects including the KZN Industrial Economic Hubs, the Film Strategy aimed at developing a roadmap for the film industry in terms of identifying bottlenecks, opportunities and strengths in order to create much needed jobs, and to deal with issues of poverty and inequality, to the Amakha Essential Co-operative which produces essential oils and contributes to job creation, poverty alleviation, and advancement of women and youth, the Aerotropolis Institute aimed at assisting in the development of an aerotropolis close to Durban's King Shaka International Airport (KSIA) and the KZN Craft Hub.
  - Mitigating this reduction was R4.500 million added to Programme 7 from Programmes 2 and 6. Savings of R1.500 million were identified in Programme 6 to fund the Trash to Cash Campaign training which was held on 26 March 2016, and R3 million from Programme 2 to increase the transfer to EKZNW.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained, such as the increase in transfers to entities, as well as the introduction of several new transfers. Legislature approval is required for the net reduction in *Payments for capital assets* and the virements undertaken to Programme 1 which exceed the 8 per cent limit permitted in terms of the PFMA. Also, the reductions in the transfers to Ithala and specifically and exclusively appropriated funds to the Small Business Growth Enterprise (SBGE) require Legislature approval.

- *Shifts:* The department undertook extensive shifting of funds between programmes, where the original purpose of the funds remains unchanged. Besides this, the department undertook extensive shifts between economic classifications, and these are detailed in Section 4 of this report.

The department undertook the following shifts between programmes:

- o A net amount of R4.335 million was shifted between Programme 3 and Programme 2, the purpose of the funds remains unchanged:
  - R5 million for the Industrial Economic Hubs was moved from *Goods and services* in Programme 3 to *Transfers and subsidies to: Public corporations and private enterprises* in

Programme 2 for transfer to Ithala, as this public entity has been appointed as the implementing agent in respect of the Industrial Economic Hubs.

- R665 000 was moved from *Goods and services* in Programme 2 to *Transfers and subsidies to: Public corporations and private enterprises* in Programme 3. This was transferred to the KZN Fashion Council which was assigned to undertake the Africa Fashion Exchange in line with its youth economic empowerment programme, and the event took place from 20 to 24 June 2016.
- o Programme 5 was reduced by R300 000 due to the re-classification of funds in respect of the Forward Keys project which was re-classified under *Goods and services* to Programme 6 against *Transfers and subsidies to: Departmental agencies and accounts*, since TKZN has been assigned to implement this project. The purpose of the funds remains unchanged.
- o R1 million for the Ndumo Nkululeko Regeneration Programme in respect of the Ndumo Lodge upgrade was moved from Programme 6 under *Transfers and subsidies to: Public corporations and private enterprises* to Programme 7 against *Transfers and subsidies to: Departmental agencies and accounts*, since this project will be implemented by EKZNW.
- *Other adjustments:* The department's budget allocation was decreased by a net amount of R98.381 million, as explained below:
  - o Additional funding of R1.224 million was allocated against *Compensation of employees* in Programme 1. This additional funding was to cover the above-budget 2016 wage adjustment determined at 7.6 per cent as opposed to the 7.2 per cent provided for in the budget, leaving a shortfall of 0.4 per cent. These funds were provided from the provincial fiscus, and were allocated in 2016/17 (without carry-through costs) in accordance with the information provided by the department in costing the gap. This additional amount fully compensates the department for the shortfall related to the above-budget 2016 wage adjustment. EKZNW also received additional funding of R395 000 for the 2016 wage adjustment and this was allocated against *Transfers and subsidies to: Departmental agencies and accounts* in Programme 7.
  - o An amount of R100 million was reduced from the department's budget and moved to the Department of Health. This was part of the funds not surrendered by the department when the 2016/17 EPRE was tabled. These funds are moved to assist the Department of Health with its exchange rate pressures relating to the procurement of medicines and medical supplies. This budget cut results in a reduction of the department's baseline and was effected, as follows:
    - R64.882 million was reduced from *Transfers and subsidies to: Public corporations and private enterprises* in respect of the transfer to Ithala in Programme 2. Of this, R35.997 million was reduced from the KZN Property Development Holdings allocation and R28.885 million in respect of the SBGE.
    - R35.118 million was cut from *Transfers and subsidies to: Non-profit institutions* in Programme 2, which relates to the transfer to the SBGE which was erroneously shown as R69.040 million in the 2016/17 EPRE, with an over-provision of R37 million.

Tables 4.1 and 4.2 reflect a summary of the 2016/17 adjusted appropriation of the department, summarised according to programme and economic classification. Details of the economic classification are given in *Annexure – Vote 4: Economic Development, Tourism and Environmental Affairs*.

**Table 4.1 : Summary by programmes**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	226 179	-	-	22 774	-	1 224	23 998	250 177
2. Integrated Economic Development Services	414 345	-	-	1 714	4 335	(100 000)	(93 951)	320 394
3. Trade and Sector Development	769 338	-	-	33 629	(4 335)	-	29 294	798 632
4. Business Regulation and Governance	111 786	-	-	(6 664)	-	-	(6 664)	105 122
5. Economic Planning	38 525	-	-	-	(300)	-	(300)	38 225
6. Tourism	285 323	-	-	(20 105)	(700)	-	(20 805)	264 518
7. Environmental Affairs	857 496	-	-	(31 348)	1 000	395	(29 953)	827 543
<b>Total</b>	<b>2 702 992</b>	-	-	-	-	<b>(98 381)</b>	<b>(98 381)</b>	<b>2 604 611</b>
<b>Amount to be voted</b>								<b>(98 381)</b>

Table 4.2 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
Current payments	823 031	-	-	(16 756)	(48 600)	1 224	(64 132)	758 899
Compensation of employees	346 398	-	-	(41 448)	-	1 224	(40 224)	306 174
Goods and services	476 633	-	-	24 692	(48 600)	-	(23 908)	452 725
Interest and rent on land	-	-	-	-	-	-	-	-
Transfers and subsidies to:	1 871 620	-	-	16 920	48 600	(99 605)	(34 085)	1 837 535
Provinces and municipalities	6 050	-	-	5 000	(2 500)	-	2 500	8 550
Departmental agencies and accounts	1 315 649	-	-	13 804	13 268	395	27 467	1 343 116
Higher education institutions	8 500	-	-	3 617	2 500	-	6 117	14 617
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	281 740	-	-	(12 641)	65 749	(64 882)	(11 774)	269 966
Non-profit institutions	254 334	-	-	6 309	(30 417)	(35 118)	(59 226)	195 108
Households	5 347	-	-	831	-	-	831	6 178
Payments for capital assets	8 341	-	-	(170)	-	-	(170)	8 171
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	4 141	-	-	3 830	-	-	3 830	7 971
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	4 200	-	-	(4 000)	-	-	(4 000)	200
Payments for financial assets	-	-	-	6	-	-	6	6
Total	2 702 992	-	-	-	-	(98 381)	(98 381)	2 604 611
Amount to be voted								(98 381)

#### 4. Changes to programme purposes and service delivery measures

The department made no changes to the purpose of their programmes.

It is noted, however, that there are a few discrepancies between the *EPRE* and the APP. According to the department, when the *EPRE* was finalised, it was still in the process of finalising the APP. As such, some of the targets were amended and these changes were not brought into the *EPRE*. The department is now aligning the non financial information to the APP information.

##### 4.1 Programme 1: Administration

The main purpose of Programme 1 is to provide for the overall management of the department, and to render a support service to the other programmes in respect of transversal functions.

Tables 4.3 and 4.4 reflect a summary of the 2016/17 adjusted appropriation of Programme 1, summarised according to sub-programme and economic classification.

Details of the main adjustments, which led to an overall increase of R23.998 million, are given in the paragraphs following the tables.

Table 4.3 : Programme 1: Administration

		Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Unforeseeable/ unavoidable			Other adjustments			
R thousand	Main appropriation	Roll-overs	Virement	Shifts				
1. Office of the MEC	25 984		2 290	5		2 295	28 279	
2. Office of the HOD	31 676		18 980	(500)		18 480	50 156	
3. Financial Management	39 976		166	500	1 224	1 890	41 866	
4. Corporate Services	128 543		1 338	(5)		1 333	129 876	
Total	226 179	-	-	22 774	-	1 224	23 998	
Amount to be voted							23 998	

Table 4.4 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments	
<b>Current payments</b>	<b>223 916</b>	-	-	<b>19 078</b>	-	<b>1 224</b>	<b>20 302</b>
Compensation of employees	88 281			(11 377)		1 224	(10 153)
Goods and services	135 635			30 455			30 455
Interest and rent on land							-
<b>Transfers and subsidies to:</b>	<b>578</b>	-	-	<b>1 798</b>	-	-	<b>1 798</b>
Provinces and municipalities	50						-
Departmental agencies and accounts	5			4			4
Higher education institutions							-
Foreign governments and international organisations							-
Public corporations and private enterprises							-
Non-profit institutions							-
Households	523			1 794			1 794
<b>Payments for capital assets</b>	<b>1 685</b>	-	-	<b>1 892</b>	-	-	<b>1 892</b>
Buildings and other fixed structures							-
Machinery and equipment	1 685			1 892			1 892
Heritage assets							-
Specialised military assets							-
Biological assets							-
Land and subsoil assets							-
Software and other intangible assets							-
<b>Payments for financial assets</b>				<b>6</b>			<b>6</b>
<b>Total</b>	<b>226 179</b>	-	-	<b>22 774</b>	-	<b>1 224</b>	<b>23 998</b>
<b>Amount to be voted</b>							<b>23 998</b>

**Virement – Programme 1: Administration: R22.774 million**

The main appropriation of Programme 1 was increased by R22.774 million. Although these funds were moved to all sub-programmes, the bulk was re-allocated to the sub-programme: Office of the HOD, as follows:

- Savings of R6.664 million were identified under *Compensation of employees* and *Goods and services* in Programme 4. The savings against *Compensation of employees* of R2.213 million were mainly due to lengthy recruitment processes, whereas the *Goods and services* savings of R4.451 million related to consumer awareness campaign events, which were cancelled due to unforeseen circumstances, as well as the implementation of cost-cutting on items such as advertising, travel and subsistence, minor assets and catering. These funds were moved to *Goods and services* in Programme 1 to defray spending pressures driven by higher than projected costs relating to the Specialised Investment Advisory Team whose services are used as and when they are required by the department in terms of a service level agreement. This was allocated under the sub-programme: Office of the HOD. Funds were also allocated for the printing of the budget speech, resettlement costs for relocation of the Ministry from Durban to Pietermaritzburg, as well as legal costs under the office of the MEC.
- Savings of R16.110 million, identified under *Goods and services* in Programme 7 due to delays in the implementation of IASP, were moved to this programme under *Goods and services* to offset spending pressures brought about by consultants assisting in the department's SCM unit under the sub-programme Financial Management, as well as the Specialised Investment Advisory Team which was under-budgeted for by the department. Expenditure of R17.399 million was incurred in respect of the Specialised Investment Advisory Team by mid-year and only R9.300 million was budgeted for this project.

In addition to the above virements, the following virements were undertaken within Programme 1:

- R11.377 million savings identified under *Compensation of employees* as a result of delays in filling budgeted vacant posts due to lengthy recruitment processes, were moved within Programme 1, across the following economic categories:
  - R7.681 million was moved to *Goods and services* to defray spending pressures due to higher than anticipated costs in respect of SITA, legal costs, and costs relating to the consultants assisting in the SCM unit.

- o R4 000 was moved to *Transfers and subsidies to: Departmental agencies and accounts* to provide for SABC TV licences, which were under-budgeted for.
- o R1.794 million was moved to *Transfers and subsidies to: Households* to cater for unanticipated staff exit costs.
- o R1.892 million was moved to *Machinery and equipment* to provide for the procurement of water tanks for head office and all district offices, in line with the department's drought relief initiative, which aims to enable the department to become more water-sufficient.
- o R6 000 was moved to *Payments for financial assets* to defray spending pressures relating to staff debts written-off, which was not budgeted for.

These virements are permissible in terms of the PFMA and Treasury Regulations. The required Treasury approval was obtained for the increase in *Transfers and subsidies to: Departmental agencies and accounts*. However, the virements to this programme exceed the 8 per cent limit permitted in terms of the PFMA, and therefore Legislature approval is required. On the other hand, approval is not required in terms of the PFMA and Treasury Regulations for the increase under *Transfers and subsidies to: Households*, since it relates to staff exit costs.

### Shifts – Programme 1: Administration

The following shifts were undertaken across sub-programmes, and these movements are not visible at economic category level, where the original purpose of funds remains unchanged:

- R5 000 for SABC TV licences was erroneously budgeted for within *Transfers and subsidies to: Departmental agencies and accounts* under the sub-programme: Corporate Services and was moved to the Office of the MEC sub-programme.
- R500 000 which was budgeted to develop integrated policies and procedures for the funding of departmental projects was inadvertently budgeted for under the sub-programme: Office of the HOD instead of the sub-programme: Financial Management, and this was corrected.

### Other adjustments – Programme 1: Administration: R1.224 million

The department received additional funding of R1.224 million to cover the above-budget 2016 wage adjustment and this was allocated against *Compensation of employees* under the sub-programme: Financial Management.

## 4.2 Programme 2: Integrated Economic Development Services

The main purpose of this programme is the provision of strategic leadership, direction and co-ordination of economic empowerment initiatives in KZN.

Tables 4.5 and 4.6 reflect a summary of the 2016/17 adjusted appropriation of Programme 2, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R93.951 million, are provided in the paragraphs following the tables.

Table 4.5 : Programme 2: Integrated Economic Development Services

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments	
1. Enterprise Development	337 417			(31 123)	5 000	(126 123)	211 294
2. Regional and Local Economic Development	43 724			(9 219)		(9 219)	34 505
3. Economic Empowerment	33 204			42 056	(665)	41 391	74 595
<b>Total</b>	<b>414 345</b>	<b>-</b>	<b>-</b>	<b>1 714</b>	<b>4 335</b>	<b>(93 951)</b>	<b>320 394</b>
Amount to be voted							(93 951)



Table 4.6 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments	
<b>Current payments</b>	<b>148 506</b>	-	-	<b>18 569</b>	<b>(3 865)</b>	-	<b>14 704</b>
Compensation of employees	66 339			(8 476)		(8 476)	57 863
Goods and services	82 167			27 045	(3 865)	23 180	105 347
Interest and rent on land						-	-
<b>Transfers and subsidies to:</b>	<b>265 764</b>	-	-	<b>(17 217)</b>	<b>8 200</b>	<b>(100 000)</b>	<b>(109 017)</b>
Provinces and municipalities				2 000		2 000	2 000
Departmental agencies and accounts						-	-
Higher education institutions	6 000					-	6 000
Foreign governments and international organisations						-	-
Public corporations and private enterprises	121 600			(16 191)	40 240	(64 882)	80 767
Non-profit institutions	133 440			(1 882)	(32 040)	(35 118)	64 400
Households	4 724			(1 144)		(1 144)	3 580
<b>Payments for capital assets</b>	<b>75</b>	-	-	<b>362</b>	-	-	<b>362</b>
Buildings and other fixed structures						-	-
Machinery and equipment	75			362		362	437
Heritage assets						-	-
Specialised military assets						-	-
Biological assets						-	-
Land and subsoil assets						-	-
Software and other intangible assets						-	-
<b>Payments for financial assets</b>						-	-
<b>Total</b>	<b>414 345</b>	-	-	<b>1 714</b>	<b>4 335</b>	<b>(100 000)</b>	<b>320 394</b>
<b>Amount to be voted</b>							<b>(93 951)</b>

**Virement – Programme 2: Integrated Economic Development Services: R1.714 million**

The main appropriation of Programme 2 was increased by a net amount of R1.714 million due to the following virements, which affected all sub-programmes and various economic categories. Besides the funds moved to Programme 2 from Programme 6, as well as from this programme to Programmes 3, 6 and 7, there were also savings identified under the sub-programmes: Enterprise Development and Regional and Local Economic Development and these were moved to the Economic Empowerment sub-programme, as explained below:

- R17.905 million savings under *Goods and services* in Programme 6, realised as a result of cost-cutting and reprioritisation of funds from projects such as the Metro FM Awards and the East3 Route, were moved to offset spending pressures in respect of the following projects:
  - R2 million was moved to *Transfers and subsidies to: Provinces and municipalities* for transfer to the eThekweni Metro for the South African Music Conference in the amount of R1.500 million and for the launch of the Essence Festival in the amount of R500 000. The department appointed the Metro to co-ordinate these events.
  - R15.905 million was moved to *Goods and services* to defray spending pressures relating to the following events and programmes:
    - R2 million to fund the Youth Business Campaign which took place on 26 March 2016. This campaign was aimed at promoting entrepreneurship and encourages young people to become involved in business and to become Small, Micro and Medium Enterprise.
    - R2 million to fund the KZN Youth Expo 2016 which was held from 25 to 26 March 2016. This expo focused on developing skills of students involved in emerging business and potential business people in the media and entertainment industry.
    - R2.500 million to fund the Career and Business Skills Development project which took place on 23 March 2016. The project sought to promote a culture of self-reliance through business skills development on entrepreneurship.
    - R2 million to fund the uThungulu Women in Business Conference Awards which was held on 23 March 2016.
    - R3 million to fund the Future Leaders Awards which took place on 27 March 2016.

- R4.405 million to fund the Youth Technical Skills programme which is linked to employment placement opportunities, where youth with grade 10 and above are trained on various technical skills in the Manufacturing, Engineering and Related Services Sector Education and Training Authority and construction SETA trades covering diesel mechanics, welding, fitter and turning, steel work, bricklaying and plumbing.
- R16.191 million was moved from Programme 2 to Programmes 3, 6 and 7 within *Transfers and subsidies* to cater for pressures in some of the public entities. These funds were reduced from Ithala's Enterprise Development Fund under *Transfers and subsidies to: Public corporations and private enterprises* taking into account the entity's healthy positive cash balance. These identified savings were moved to cater for pressures identified under the following public entities:
  - o R1 million was moved to increase the transfer to DTPC under *Transfers and subsidies to: Departmental agencies and accounts* in Programme 3 to provide for the development of a framework plan for the Automotive Supplier Park project.
  - o R3 million was moved to *Transfers and subsidies to: Departmental agencies and accounts* in Programme 7, for transfer to EKZNW for the development of concept plans required for revamping three resorts (Midmar, Amatikhulu and Umlalazi), conducting a fleet needs analysis and for the appointment of legal advisors in respect of the proposed outsourcing of the commercial operations of the Ntshondwe resort in the Ithala Game Reserve.
  - o R8.391 million was moved to *Transfers and subsidies to: Non-profit institutions* in Programme 3 for transfer to the MKI in respect of the STEM fund, to set up an ICT institute for Software Engineering and Business Process Outsourcing in eight identified TVET colleges across the province, and for the ICT Hub.
  - o R3 million was moved to *Transfers and subsidies to: Departmental agencies and accounts* in Programme 6 for transfer to the KZNSB to fund the Maritime Centre of Excellence's initiative relating to the provision of safe and reliable river crossing boats for the community in the Mfolozi area, as explained previously.
  - o R800 000 was moved to *Transfers and subsidies to: Departmental agencies and accounts under TKZN* in Programme 6 for the STEM Festival Conference which was assigned to this entity by the department.

In addition to the above virements, the following virements were undertaken within Programme 2:

- Savings of R8.476 million identified under *Compensation of employees* due to lengthy recruitment processes and these were utilised as follows:
  - o R8.074 million was moved to *Goods and services* for the Youth Technical Skills programme.
  - o R40 000 was moved to *Transfers and subsidies to: Households* to cater for higher than anticipated staff exit costs.
  - o R362 000 was moved to *Machinery and equipment* to provide for higher than anticipated costs relating to the replacement of computers.
- R3.066 million savings identified under *Transfers and subsidies* relating to the SBGE (R1.882 million) under *Transfers and subsidies to: Non-profit institutions* and R1.184 million under *Transfers and subsidies to: Households* attributed to UniZulu bursaries for students studying towards the Diploma in Co-operative Management were utilised to fund the Youth Technical Skills programme within Programme 2 under *Goods and services*.

These virements are permissible in terms of the PFMA and Treasury Regulations. In respect of the increase in *Transfers and subsidies*, the required Treasury approval was granted. However, the reductions in the transfers to Ithala and the SBGE require Legislature approval.

#### **Shifts – Programme 2: Integrated Economic Development Services: R4.335 million**

The following shifts were undertaken between this programme and Programme 3, and the original purpose of the funds remains unchanged:

- R5 million for the KZN Industrial Economic Hubs was moved from *Goods and services* in Programme 3 to *Transfers and subsidies to: Public corporations and private enterprises* in Programme 2 for transfer to Ithala under the sub-programme: Enterprise Development, as this entity has been appointed as the implementing agent in respect of the Industrial Economic Hubs.
- R665 000 was moved from *Goods and services* in Programme 2 to *Transfers and subsidies to: Public corporations and private enterprises* in Programme 3. These funds were transferred to the KZN Fashion Council which was assigned to undertake the Africa Fashion Exchange in line with its youth economic empowerment programme. Approximately 50 young people in KZN participated by showcasing African cuisine, fashion designed by young people, as well as airport activations that involve young people who are promoters. This event was held from 20 to 24 June 2016.
- R2.900 million relating to the Black Industrialist programme was moved from *Goods and services* to be correctly classified against *Transfers and subsidies to: Public corporations and private enterprises* within Programme 2, and the purpose of the funds remains unchanged. This programme focuses on black South African entities that are directly involved in the production of goods on a large scale, with an interest of at least 51 per cent ownership, management and operation of an industrial enterprise that aims to unlock the country's productive assets for massive employment.
- R200 000 relating to SMMEs moved from *Goods and services* to *Transfers and subsidies to: Public corporations and private enterprises* within Programme 2. These funds were transferred to Commerce Edge which is an entity that was co-ordinating the KZN Enterprise and Supplier Development Expo. Commerce Edge was utilised to provide a six square metre exhibition stand for 20 SMMEs from all districts in KZN to showcase their products at the KZN Enterprise and Supplier Development Expo which took place from 8 to 9 June 2016. SMMEs were selected from various SMME-related databases of the department and its entities.
- R100 000 was moved from *Goods and services* to be correctly placed under *Transfers and subsidies to: Public corporations and private enterprises* within Programme 2. This relates to a sponsorship in respect of the Women Enterprise Development programme to the Simile Manufacture Primary Co-operative which is formed by a group of women who established a small scale manufacturing sewing factory.
- R32.040 million allocated for transfer to the SBGE was moved within Programme 2 from *Transfers and subsidies to: Non-profit institutions* to *Transfers and subsidies to: Public corporations and private enterprises* for transfer to Ithala, within the sub-programme: Enterprise Development. This shift was required because the SBGE is being incubated under Ithala as a business unit, and the purpose of the funds remain unchanged.

#### **Other adjustments – Programme 2: Integrated Economic Development Services: (R100 million)**

An amount of R100 million was reduced from the department's budget and moved to the Department of Health. This forms part of the funds not surrendered by the department when the 2016/17 *EPRE* was tabled. The full amount was effected in respect of Programme 2. This budget cut resulted in a reduction in the department's 2016/17 main appropriation, effected as follows:

- R64.882 million was cut from *Transfers and subsidies to: Public corporations and private enterprises* in respect of the transfer to Ithala. Of this, R35.997 million was reduced from the KZN Property Development Holdings allocation (also shown in Table 4.26) and R28.885 million from the transfer to the SBGE.
- R35.118 million was reduced from *Transfers and subsidies to: Non-profit institutions*. This amount relates to the transfer to the SBGE which was erroneously shown as R69.040 million in the 2016/17 *EPRE*, with an over-provision of R37 million.

#### **Service delivery measures – Programme 2: Integrated Economic Development Services**

Table 4.7 shows the service delivery information for Programme 2 as per the department's 2016/17 APP and the *EPRE*, as well as the actual achievements for the first six months of the year.

**Table 4.7 : Service delivery measures – Programme 2: Integrated Economic Development Services**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actuals	2016/17 Adjusted target
<b>1. Enterprise Development – SMMEs and Co-operatives</b>				
1.1 SMMEs and Co-operatives registered (have been in operation for more than two years)	• No. of reports on SMMEs and Co-operatives registered (that have been in operation for more than two years)	4	2	
1.2 SMMEs and Co-operatives supported	• No. of SMMEs and co-operatives registered in KZN that have been in operation for more than 2 years	2 119	808	
<b>2. Regional and Local Economic Development</b>				
2.1 Employment opportunities supported by RLED	• No. of employment opportunities supported	80	-	
2.2 Capacity building intervention conducted	• No. of jobs created	100	-	
<b>3. Economic Empowerment</b>				
3.1 BEE Stakeholder engagement initiative co-ordinated	• No. of BEE structures co-ordinated	5	4	
3.2 Facilitate the implementation of economic transformation strategies and policies	• No. of specific interventions implemented	3	6	

### 4.3 Programme 3: Trade and Sector Development

The main purpose of this programme is to stimulate economic growth through industry development, trade and investment promotion.

Tables 4.8 and 4.9 reflect a summary of the 2016/17 adjusted appropriation of Programme 3, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall increase of R29.294 million, are given in the paragraphs below the tables.

**Table 4.8 : Programme 3: Trade and Sector Development**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Trade and Investment Promotion	477 461			5 986	1 000		6 986	484 447
2. Sector Development	165 507			27 643	(5 335)		22 308	187 815
3. Strategic Initiatives	126 370						-	126 370
<b>Total</b>	<b>769 338</b>	<b>-</b>	<b>-</b>	<b>33 629</b>	<b>(4 335)</b>	<b>-</b>	<b>29 294</b>	<b>798 632</b>
Amount to be voted								<b>29 294</b>

**Table 4.9 : Summary by economic classification**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>39 983</b>	<b>-</b>	<b>-</b>	<b>20 774</b>	<b>(7 000)</b>	<b>-</b>	<b>13 774</b>	<b>53 757</b>
Compensation of employees	15 934			(3 829)			(3 829)	12 105
Goods and services	24 049			24 603	(7 000)		17 603	41 652
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>729 355</b>	<b>-</b>	<b>-</b>	<b>12 811</b>	<b>2 665</b>	<b>-</b>	<b>15 476</b>	<b>744 831</b>
Provinces and municipalities				1 500	3 000		4 500	4 500
Departmental agencies and accounts	466 643			2 000	1 000		3 000	469 643
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises	149 070			920	(1 335)		(415)	148 655
Non-profit institutions	113 642			8 391			8 391	122 033
Households							-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>44</b>
Buildings and other fixed structures							-	-
Machinery and equipment				44			44	44
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>769 338</b>	<b>-</b>	<b>-</b>	<b>33 629</b>	<b>(4 335)</b>	<b>-</b>	<b>29 294</b>	<b>798 632</b>
Amount to be voted								<b>29 294</b>

### Virement – Programme 3: Trade and Sector Development: R33.629 million

The department undertook virements from Programmes 2, 6 and 7. The funds were added to the sub-programme: Trade and Investment Promotion and the sub-programme: Sector Development, as summarised below:

- Savings of R9.391 million was moved from *Transfers and subsidies to: Public corporations and private enterprises* in Programme 2 to *Transfers and subsidies* in this programme. These savings were identified under Ithala due to the entity's healthy positive cash balance, and were utilised as explained below:
  - R1 million was moved DTPC under to *Transfers and subsidies to: Departmental agencies and accounts* to provide for the development of a framework plan for the Automotive Supplier Park project.
  - R8.391 million was moved to *Transfers and subsidies to: Non-profit institutions* to fund the MKI in respect of the STEM fund and to set up an ICT institute for Software Engineering and Business Process Outsourcing in eight identified TVET colleges across the province, as well as for the ICT Hub.
- Savings of R4.500 million identified in Programme 6 against *Goods and services* as a result of cost-cutting implemented on events such as the East3 Route and the Metro FM Awards, were moved to this programme, as follows:
  - R500 000 was moved to *Transfers and subsidies to: Provinces and municipalities* for the Durban Fashion Fair which will be co-ordinated by the eThekweni Metro.
  - R4 million was moved to *Goods and services* to address spending pressures in respect of the Culture Food and Music Festival (R2 million) which was held on 28 March 2016 and the KZN Industrial Economic Hubs (R2 million).
- R19.738 million savings identified under *Goods and services* in Programme 7 from the budget relating to IASP, were moved to *Goods and services* in this programme to fund projects such as R6 million relating to the KZN Industrial Economic Hubs, R1 million for Wifi Hotspots which is an ICT programme, the department is involved in undertaking research before rolling out Wifi in key economic and tourist' zones in KZN, R568 000 for the Film Strategy, R1 million for the Amakha Essential Co-operative, R2.300 million for the Aerotropolis Institute, R2.500 million in respect of Durban Aerotropolis Masterplan, R2 million for the Aerotropolis Project Management Unit where the department appointed consultants to assist with the implementation of the aerotropolis project, R1.500 million for the KZN Craft Hub and R2.870 million to fund the KZN Integrated Maritime Strategy Implementation.

The following virements were undertaken within this programme:

- R3.829 million savings from *Compensation of employees* attributed to lengthy recruitment processes was moved to *Goods and services* (R3.785 million) to fund projects such as the KZN Economic Council (R3 million), for travelling and subsistence (R392 000) and advertising (R393 000), as well as R44 000 to *Machinery and equipment* to offset spending pressures brought about by unanticipated costs of replacing computers.
- R2.550 million savings were identified under *Transfers and subsidies to: Public corporations and private enterprises* in respect of Teledialogue/Tele-Festival (R200 000), KZN Tooling Initiative (R350 000) and the Maritime Cluster (R2 million), since the contracts for these projects were lower than the budget allocated for each. These savings were moved to *Goods and services* to fund the KZN Economic Council. These movements require Legislature approval.
- R5.470 million savings were identified under *Goods and services* due to delays in the implementation of projects such as the High Speed Rail project (renamed to KSIA public transport link) were moved to *Transfers and subsidies*, as follows:
  - R1 million was moved to *Transfers and subsidies to: Provinces and municipalities* under the Alfred Duma Municipality towards the Ladysmith Airport to assist with the development of an

integrated master plan and infrastructure upgrades (in total, this project is allocated R2 million, if the shift described below is taken into account).

- o R1 million was moved to *Transfers and subsidies to: Departmental agencies and accounts* to increase the transfer to DTPC for the Automotive Supplier Park project.
- o R3.470 million was moved to *Transfers and subsidies to: Public corporations and private enterprises*. Of this, R1 million was utilised to fund the KZN Fashion Council for the Fashion Week, R2 million was allocated to increase the transfers relating to the study and fencing of the Mkuze Airport undertaken by the uMhlosinga Development Agency, and R470 000 to cater for the Aerotropolis Conference.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained, such as the increase in transfers to entities, as well as the introduction of several new transfers. However, the reductions in the transfer payments in respect of the Teledialogue/Tele-Festival and Aerotropolis and the Maritime Cluster require Legislature approval.

### **Shifts – Programme 3: Trade and Sector Development: (R4.335 million)**

The department undertook shifts within Programme 3 and to other programmes and across economic categories which resulted in the net reduction of R4.335 million against this programme. The purpose of the funds remains unchanged:

- R665 000 was moved from *Goods and services* in Programme 2 to *Transfers and subsidies to: Public corporations and private enterprises* in Programme 3 in respect of the Africa Fashion Exchange conducted by the KZN Fashion Council, as explained earlier.
- R5 million was moved from *Goods and services* in Programme 3 to *Transfers and subsidies to: Public corporations and private enterprises* in Programme 2 under Ithala, as the entity has been appointed to be the implementing agent for the Industrial Economic Hubs.
- R3 million was re-classified from *Goods and services* to *Transfers and subsidies to: Provinces and municipalities* within Programme 3. The department entered into a partnership with municipalities that will be implementing various projects. These funds will be transferred to various municipalities, as follows:
  - o R1 million for the Richards Bay Airport towards a feasibility study to be undertaken. Funds will be transferred to the uMhlathuze Municipality.
  - o R1 million allocated to the Alfred Duma Municipality for the Ladysmith Airport in assisting with the development of an integrated master plan and infrastructure upgrades.
  - o R1 million for the Ladysmith Black Mambazo Academy, also allocated to the Alfred Duma Municipality.
- R2 million for the Maritime Cluster was re-classified from *Transfers and subsidies to: Public corporations and private enterprise* to *Goods and services* within Programme 3. A decision was taken by the department to appoint a service provider for the implementation of this project.
- R1 million was moved from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* under DTPC for the cutflower project which is assigned to DTPC as the implementing agent. This is the process of setting up a cutflower hub at the iLembe Agrivillage that will be responsible to collect, sort and package cut flowers from KwaZulu-Natal and these will then be flown from the Dube TradePort Cargo Terminal to Hamad International Airport directly by Qatar Airways, and then be dispatched from the cutflower warehouse to 150 destinations throughout the world.

### **Service delivery measures – Programme 3: Trade and Sector Development**

Table 4.10 shows the service delivery information for Programme 3 as per the department's 2016/17 APP and the EPRE, as well as the actual achievements for the first six months of the year.

Table 4.10 : Service delivery measures – Programme 3: Trade and Sector Development

Outputs		Performance indicators	Performance Targets		
			2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
<b>1. Trade and Investment Promotion</b>					
1.1	Progress reports on trade, exports and investment promoted	<ul style="list-style-type: none"><li>No. of investment and/or export strategies completed</li><li>Value of exports facilitated</li><li>No. of trade exhibitions hosted at airport</li></ul>	4 - 1	- - -	
<b>2. Sector Development</b>					
2.1	Productive and service sector strategies and plans implemented	<ul style="list-style-type: none"><li>No. of jobs created and sustained</li></ul>	60	-	
2.2	Economic transformation strategies and policies implemented	<ul style="list-style-type: none"><li>No. of business plans completed</li><li>No. of strategic interventions implemented</li><li>No. of people trained</li><li>No. of clusters supported (KZN Music Cluster, KZN CTC, KZNFC, KZNFI)</li></ul>	2 20 300 5	- 5 50 -	
<b>3. Strategic Initiatives</b>					
3.1	Stakeholder engagement report on strategic industrial interventions	<ul style="list-style-type: none"><li>% of resolutions adopted and implemented by social partners</li></ul>	65%	-	
3.2	Productive and service sector strategies and plans implemented	<ul style="list-style-type: none"><li>No. of investment projects facilitated by aerotropolis and IEHs</li><li>No. of jobs created through aerotropolis initiative</li><li>No. of jobs created through maritime initiative</li><li>No. of jobs created through IEHs initiative</li><li>No. of business plans or master plans completed</li><li>No. of review reports on strategic sector</li></ul>	3 50 22 74 4 2	- - - - - -	

#### 4.4 Programme 4: Business Regulation and Governance

The aim of this programme is to enable an equitable and socially responsible business environment. Tables 4.11 and 4.12 summarise the 2016/17 adjusted appropriation of Programme 4, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall decrease of R6.664 million, are given in the paragraphs following the tables.

Table 4.11 : Programme 4: Business Regulation and Governance

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Regulation Services	5 879			(270)			(270)	5 609
2. Consumer Protection	32 154			(6 394)			(6 394)	25 760
3. Liquor Regulation	73 753						-	73 753
<b>Total</b>	<b>111 786</b>	<b>-</b>	<b>-</b>	<b>(6 664)</b>	<b>-</b>	<b>-</b>	<b>(6 664)</b>	<b>105 122</b>
Amount to be voted								<b>(6 664)</b>

Table 4.12 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>38 033</b>	<b>-</b>	<b>-</b>	<b>(6 832)</b>	<b>-</b>	<b>-</b>	<b>(6 832)</b>	<b>31 201</b>
Compensation of employees	21 241			(2 351)			(2 351)	18 890
Goods and services	16 792			(4 481)			(4 481)	12 311
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>73 753</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>73 891</b>
Provinces and municipalities							-	-
Departmental agencies and accounts	73 753						-	73 753
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households				138			138	138
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>30</b>
Buildings and other fixed structures							-	-
Machinery and equipment				30			30	30
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>111 786</b>	<b>-</b>	<b>-</b>	<b>(6 664)</b>	<b>-</b>	<b>-</b>	<b>(6 664)</b>	<b>105 122</b>
Amount to be voted								<b>(6 664)</b>

**Virement – Programme 4: Business Regulation and Governance: (R6.664) million**

The main appropriation of Programme 4 was decreased by R6.664 million which was moved from the sub-programme: Regulation Services (R270 000) and Consumer Protection (R6.394 million), as follows:

- Savings of R6.832 million were identified under *Compensation of employees* (R2.351 million) due to lengthy recruitment processes, and *Goods and services* (R4.481 million) relating to consumer awareness campaign events which were cancelled due to unforeseen circumstances, as well as cost-cutting on items such as advertising, travel and subsistence, minor assets and catering. These savings were moved, as explained below:
  - R6.664 million was moved to *Goods and services* in Programme 1 to offset spending pressures relating to higher than projected costs with respect to the printing of the budget speech and the Specialised Investment Advisory Team whose services are sought as and when they are required by the department in terms of a service level agreement, resettlement costs for relocation of the Ministry from Durban to Pietermaritzburg, as well as legal costs under the Office of the MEC.

The balance of R168 000 was utilised within Programme 4 to defray pressures, as follows:

- R138 000 was moved to offset spending pressures against *Transfers and subsidies to: Households* which relates to unanticipated staff exit costs.
- R30 000 was moved to *Machinery and equipment* to cater for the unanticipated replacement of computer equipment.

These virements are permissible in terms of the PFMA and Treasury Regulations.

**Service delivery measures – Programme 4: Business Regulation and Governance**

Table 4.13 shows the service delivery information for Programme 4 as per the department's 2016/17 APP and the *EPRE*, as well as the actual achievements for the first six months of the year.

**Table 4.13 : Service delivery measures – Programme 4: Business Regulation and Governance**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
<b>1. Regulation Services</b>				
1.1 Formal and Informal Business Regulation	<ul style="list-style-type: none"> <li>• No. of municipalities monitored and evaluated with implementation of regulations of barriers identified</li> <li>• No. of provincial informal economy policy alignment programmes facilitated</li> <li>• No of barriers identified</li> <li>• No of barriers addressed</li> </ul>	31 20 3 3	18 13 1 1	
<b>2. Consumer Protection</b>				
2.1 Develop and maintain an efficient regulatory and governance framework	<ul style="list-style-type: none"> <li>• No. of consumer education programmes conducted</li> <li>• No. of inspections conducted</li> <li>• No of written complaints resolved</li> <li>• No. of written complaints received</li> </ul>	1 500 400 1 936 2 420	589 291 1 628 2 737	
<b>3. Liquor Regulation</b>				
3.1 Develop and maintain an efficient regulatory and governance framework	<ul style="list-style-type: none"> <li>• No. of KZNLA monitoring reports (tracking the effectiveness of the KZNLA in regulating the industry)</li> <li>• No. of reviews of the legislative framework relating to liquor, consumer and regulation services</li> </ul>	4 4	1 -	

**4.5 Programme 5: Economic Planning**

The purpose of this programme is to develop provincial economic policies and strategies to achieve and measure sustainable economic development. Tables 4.14 and 4.15 reflect a summary of the 2016/17 adjusted appropriation of Programme 5, summarised according to sub-programme and economic classification.



Details of the main adjustments, which resulted in an overall decrease of R300 000, are given in the paragraphs following the tables.

Table 4.14 : Programme 5: Economic Planning

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Policy and Planning	7 445				(300)		(300)	7 145
2. Research and Development	15 499			4 516			4 516	20 015
3. Knowledge Management	7 419			(4 154)			(4 154)	3 265
4. Monitoring and Evaluation	8 162			(362)			(362)	7 800
<b>Total</b>	<b>38 525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300)</b>	<b>-</b>	<b>(300)</b>	<b>38 225</b>
<b>Amount to be voted</b>								<b>(300)</b>

Table 4.15 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>32 000</b>	<b>-</b>	<b>-</b>	<b>328</b>	<b>(6 800)</b>	<b>-</b>	<b>(6 472)</b>	<b>25 528</b>
Compensation of employees	16 938			(1 416)			(1 416)	15 522
Goods and services	15 062			1 744	(6 800)		(5 056)	10 006
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>2 500</b>	<b>-</b>	<b>-</b>	<b>3 617</b>	<b>6 500</b>	<b>-</b>	<b>10 117</b>	<b>12 617</b>
Provinces and municipalities					500		500	500
Departmental agencies and accounts					3 500		3 500	3 500
Higher education institutions	2 500			3 617	2 500		6 117	8 617
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households							-	-
<b>Payments for capital assets</b>	<b>4 025</b>	<b>-</b>	<b>-</b>	<b>(3 945)</b>	<b>-</b>	<b>-</b>	<b>(3 945)</b>	<b>80</b>
Buildings and other fixed structures							-	-
Machinery and equipment	25			55			55	80
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets	4 000			(4 000)			(4 000)	-
<b>Payments for financial assets</b>							-	-
<b>Total</b>	<b>38 525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300)</b>	<b>-</b>	<b>(300)</b>	<b>38 225</b>
<b>Amount to be voted</b>								<b>(300)</b>

### Virement – Programme 5: Economic Planning

The following virements were undertaken within Programme 5, between sub-programmes and economic categories. Savings were identified from the sub-programme: Knowledge Management (R4.154 million) and the sub-programme: Monitoring and Evaluation (R362 000) and were moved to the sub-programme: Research and Development:

- Savings of R1.416 million were identified under *Compensation of employees* due to lengthy recruitment processes. These were moved to *Goods and services* to offset spending pressures brought about by higher than anticipated costs for administrative fees, training and development, as well as operating payments.
- R4 million savings were identified under *Software and other intangible assets* ascribed to the Integrated Statistical database project which is not going to be procured in 2016/17 due to challenges in finding a suitable supplier. This reduction requires Legislature approval, and these savings were moved, as follows:
  - R328 000 was moved to *Goods and services* to cater for administrative fees, training and development, as well as operating payments, as mentioned previously.
  - R3.617 million was moved to *Transfers and subsidies to: Higher education institutions* for the implementation of the Solar PV Rooftop project assigned to Mangosuthu University of Technology (MUT) and Durban University of Technology (DUT). The cost for this project was higher than budgeted.
  - R55 000 was moved to *Machinery and equipment* to fund the procurement of computer equipment which was higher than anticipated.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained, such as the increase in transfer for the implementation of the Solar PV Rooftop project. The reduction in *Payments for capital assets* requires Legislature approval.

### Shifts – Programme 5: Economic Planning: (R300 000)

The following shifts were undertaken across economic categories between programmes and within the programme, which resulted in a net decrease of R300 000. The original purpose of the funds remains unchanged, and these shifts are described as follows:

- R6.800 million was incorrectly allocated under *Goods and services* in Programme 5, and these funds were moved to be correctly placed as follows:
  - R300 000 relating to the Forward Keys project was incorrectly allocated to *Goods and services* in Programme 5. These funds were moved to *Transfers and subsidies to: Departmental agencies and accounts* in Programme 6, as TKZN is responsible for the implementation of this project.
  - R500 000 relating to the Innovation Forums initiative moved from *Goods and services* to *Transfers and subsidies to: Provinces and municipalities* within Programme 5, because the department appointed Innovate Durban (an entity of the eThekweni Metro) to co-ordinate these forums. These funds will be utilised to support and stimulate and instil a culture of innovation in the communities around the innovation parks or hubs, also known as Techno-Hubs.
  - R3.500 million was shifted from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* within Programme 5. These funds are for Industrial Symbiosis which comprises catalytic packaged projects aimed at funding waste related projects, as well as the Biogas pilot /Bio-energy research project aimed at assisting with the development and promotion of renewable energy. Funds were moved to *Transfers and subsidies* as these projects are to be administered by the Council for Scientific and Industrial Research (CSIR).
  - R2.500 million relating to the Solar PV Rooftop project was shifted from *Goods and services* to *Transfers and subsidies to: Higher education institutions* for transfer to DUT who is responsible for this project.
  - A correction was also made within *Transfers and subsidies to: Higher education institutions* where R2.500 million for the KZN University Technology Transfer programme was erroneously allocated to MUT in Programme 5 in the *EPRE*. The purpose of the funds remains unchanged, and the funds are now allocated as follows:
    - R1.100 million to UniZulu.
    - R1.046 million to UKZN.
    - R354 000 to DUT.

### Service delivery measures – Programme 5: Economic Planning

Table 4.16 shows the service delivery information for Programme 5: Economic Planning as per the department's 2016/17 APP and the *EPRE*, as well as the actual achievements for the first six months of the year. One target have been adjusted, as reflected in Table 4.16 (under the column "2016/17 Revised target"), to align the target in the *EPRE* to the department's tabled 2016/17 APP.

**Table 4.16 : Service delivery measures – Programme 5: Economic Planning**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid -year actual	2016/17 Revised target
<b>1. Policy and Planning</b>				
1.1 Economic policy and strategy development	<ul style="list-style-type: none"> <li>• No. of policy advocacy reports</li> <li>• No. of economic strategies reviewed</li> <li>• No. of strategies implemented</li> <li>• No. of policy briefs</li> <li>• No. of strategy implementation tracking reports</li> </ul>	2 - 2 2 2	1 1 3 - -	6

Table 4.16 : Service delivery measures – Programme 5: Economic Planning

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid -year actual	2016/17 Revised target
<b>2. Research and Development</b>				
2.1 Research Reports on priority and strategy sectors	<ul style="list-style-type: none"> <li>No. of research reports on priority and strategy sectors</li> <li>No. of research and development initiatives supported</li> </ul>	11	5	
		5	2	
<b>3. Knowledge Management</b>				
3.1 Collect, process, maintain and report on economic and other social data	<ul style="list-style-type: none"> <li>No. of operational integrated statistical databases</li> <li>No. of updated project analysis reports against APP targets</li> <li>No. of reports tracking provincial knowledge base indicators</li> </ul>	1	-	
		4	2	
		4	2	
<b>4. Monitoring and Evaluation</b>				
4.1 Evaluation assessment reports	<ul style="list-style-type: none"> <li>No. of evaluation assessment reports</li> </ul>	5	1	
4.2 Annual evaluation plans	<ul style="list-style-type: none"> <li>Approved 3-year evaluation plan</li> </ul>	1	1	

## 4.6 Programme 6: Tourism

The main purpose of this programme is to stimulate economic growth through tourism development.

Tables 4.17 and 4.18 reflect a summary of the 2016/17 adjusted appropriation of Programme 6, according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R20.805 million, are given in the paragraphs following the tables.

Table 4.17 : Programme 6: Tourism

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Tourism Planning	12 183			(2 564)			(2 564)	9 619
2. Tourism Growth and Development	261 561			(14 260)	(700)		(14 960)	246 601
3. Tourism Sector Transformation	11 579			(3 281)			(3 281)	8 298
<b>Total</b>	<b>285 323</b>	<b>-</b>	<b>-</b>	<b>(20 105)</b>	<b>(700)</b>	<b>-</b>	<b>(20 805)</b>	<b>264 518</b>
Amount to be voted								<b>(20 805)</b>

Table 4.18 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>96 452</b>	<b>-</b>	<b>-</b>	<b>(27 835)</b>	<b>(29 112)</b>	<b>-</b>	<b>(56 947)</b>	<b>39 505</b>
Compensation of employees	17 412			(3 847)			(3 847)	13 565
Goods and services	79 040			(23 988)	(29 112)		(53 100)	25 940
Interest and rent on land							-	-
<b>Transfers and subsidies to:</b>	<b>188 791</b>	<b>-</b>	<b>-</b>	<b>7 730</b>	<b>28 412</b>	<b>-</b>	<b>36 142</b>	<b>224 933</b>
Provinces and municipalities	6 000			1 500	(6 000)		(4 500)	1 500
Departmental agencies and accounts	171 021			3 800	7 768		11 568	182 589
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises	11 070			2 630	26 844		29 474	40 544
Non-profit institutions	700			(200)	(200)		(400)	300
Households							-	-
<b>Payments for capital assets</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>
Buildings and other fixed structures							-	-
Machinery and equipment	80						-	80
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
<b>Payments for financial assets</b>							-	-
<b>Total</b>	<b>285 323</b>	<b>-</b>	<b>-</b>	<b>(20 105)</b>	<b>(700)</b>	<b>-</b>	<b>(20 805)</b>	<b>264 518</b>
Amount to be voted								<b>(20 805)</b>

**Virement – Programme 6: Tourism: (R20.105 million)**

The department undertook virements within and to other programmes and economic categories, resulting in a decrease of R20.105 million as explained below:

- Savings of R3.800 million were moved from Programme 2 under *Transfers and subsidies to: Public corporations and private enterprises*, reduced from the transfer to Ithala due to positive cash balances held by this entity. These savings were moved to *Transfers and subsidies to: Departmental agencies and accounts* in this programme to increase the transfer to TKZN (R800 000) for the STEM Festival Conference and R3 million to KZNSB for the Maritime Centre of Excellence relating to the provision of safe and reliable river crossing boats for the community in the Mfolozi area.
- Savings of R27.835 million identified under *Compensation of employees* (R3.847 million) due to delays in the filling of critical posts, *Goods and services* (R23.988 million) as a result of cost-cutting and reprioritisation relating to events such as the Metro FM Awards and the East3 Route, were moved as follows:
  - R17.905 million was moved to Programme 2, as follows:
    - R15.905 million was moved to *Goods and services* with R3 million going to the Future Leaders Awards (R3 million), R2 million for the Youth Business Campaign, R2 million for the KZN Youth Expo 2016, R2 million for the uThungulu Women Business Conference, R2.500 million for Career and Business Skills and R4.405 million for the Youth Technical Skills programme.
    - R2 million was moved to *Transfers and subsidies to: Provinces and municipalities* for transfer to the eThekweni metro to fund the South African Music Conference (R1.500 million) and R500 000 to cater for the launch of the Essence Festival which was held in November 2016.
  - R4.500 million was moved to Programme 3. Of this, R4 million was moved to *Goods and services* for the Culture and Food Festival and the Industrial Economic Hubs. The balance of R500 000 was moved to *Transfers and subsidies to: Provinces and municipalities* for the Durban Fashion Fair.
  - R1.500 million was moved to Programme 7 under *Goods and services* to cater for the Trash to Cash Campaign training which was held on 26 March 2016. This training was aimed at training people to clean the environment and minimise waste that goes to landfill sites while simultaneously creating sustainable jobs.

The following virements of R3.930 million were undertaken within Programme 6:

- R1.500 million for Woza eDurban New Year's Picnic was moved to *Transfers and subsidies to: Provinces and municipalities*.
- R2.430 million was moved to *Public corporations and private enterprises*, with R1.200 million being for the KZN Liaison Campaign, R1.200 million for The New Age Business Briefing (SABC Business Breakfast), and R30 000 for the eKasi Tour 2016.
- R9.570 million savings were identified as a result of the cancellation of the World Amateur Golfers Tournament (R9.070 million) and the reduction of the Ndumo Lodge upgrade (R500 000) allocation. These funds were re-allocated within *Transfers and subsidies to: Public corporations and private enterprises* in Programme 6, as follows.
  - R1.500 million was allocated for the Spring Day Music Explosion 2016.
  - R1.200 million was allocated for the Umgababa New Year's Picnic 2016.
  - R1.500 million was allocated for the KwaDukuza Festival 2016.
  - R1 million was allocated for the Indlamu Sakhisizwe Cultural Tourism 2016.
  - R500 000 was allocated for Indlamu Cosmopolitan 2016.

- R1.200 million was allocated for the Durban Summer Beach Festival 2016.
- R670 000 was allocated for the eKasi Tour 2016.
- R1 million was allocated for the Richards Bay Imbizo 2016.
- R1 million was allocated for the Impucuzeko Maskandi Festival 2016.
- R200 000 savings were identified under *Transfers and subsidies to: Non-profit institutions* relating to the WowZulu Production in respect of Ndumo Lodge upgrade, and this was moved to *Transfers and subsidies to: Public corporations and private enterprises* to fund the eKasi Tour 2016.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained, such as the increase in transfers to entities, as well as the introduction of several new transfers. However, the reductions in the transfer payments in respect of the World Amateur Golfers Tournament (R9.070 million) and the reduction in the Ndumo Lodge upgrade allocations require Legislature approval.

### Shifts – Programme 6: Tourism: (R700 000)

The department undertook the following shifts from Programme 6 to other programmes and within the programme:

- R1 million for the Ndumo Nkululeko Regeneration Programme (Ndumo Lodge upgrade) was moved from Programme 6 under *Transfers and subsidies to: Public corporations and private enterprises* to Programme 7 against *Transfers and subsidies to: Departmental agencies and accounts*, because this project will be implemented by EKZNW.
- R300 000 relating to the Forward Keys project was moved from Programme 5 under *Goods and services*, to this programme under *Transfers and subsidies to: Departmental agencies and accounts*, as TKZN is responsible for the implementation of this project.
- R6 million for Africa Bike week was re-classified from *Transfers and subsidies to: Provinces and municipalities* to *Transfers and subsidies to: Public corporations and private enterprises* within Programme 6. The transfer will no longer be made to the Ugu District Municipality, but the funds will be paid directly to the service provider.
- R29.812 million was re-classified within Programme 6 from *Goods and services* to *Transfers and subsidies* within the programme. The funds will be transferred, as follows:
  - R1 million relating to a sponsorship for the Ugu Jazz Festival 2016 was inadvertently budgeted for under *Goods and services* rather than *Transfers and subsidies to: Public corporations and private enterprises* within Programme 6. Funds were transferred to a private enterprise who was responsible to co-ordinate this festival. This shift was undertaken to correctly place the budget.
  - R500 000 for the Tourism Sustaining Competitive and Responsible Enterprises which is undertaken in partnership with the International Labour Organisation was budgeted for under *Goods and services*, and a shifting of funds was undertaken to *Transfers and subsidies to: Public corporations and private enterprises* within Programme 6.
  - R20.844 million for the Metro FM Awards was erroneously budgeted for under *Goods and services* and was moved to be correctly placed under *Transfers and subsidies to: Public corporations and private enterprises*. These funds will be transferred to the service provider who is appointed by the department to co-ordinate this event.
  - R7.468 million was shifted from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* under TKZN within this programme. These funds are for the Loeries Creative Week event (R4.168 million) that took place from 15 to 21 August 2016 and R2.575 million for the Vodacom Durban July 2016 event which was held from 2 to 3 July 2016, as well as R725 000 for the Metro FM Awards.
- R700 000 was shifted from *Transfers and subsidies* to *Goods and services* within Programme 6. Of this, R500 000 for the Blue Flag impact study was moved from *Transfers and subsidies to: Public*

corporations and private enterprises and R200 000 for the Simunye Information Centre moved from *Transfers and subsidies to: Non-profit institutions*. A decision was taken by the department not to transfer these funds to Africa Ignite which was assigned for the refurbishment of the Simunye Information Centre and to CSIR for the Blue Flag impact study. The implementation of these projects will be carried out internally through the appointment of a service provider following SCM processes.

### Service delivery measures – Programme 6: Tourism

Table 4.19 shows the service delivery information for Programme 6 as per the department's 2016/17 APP and the *EPRE*, as well as the actual achievements for the first six months of the year.

**Table 4.19 : Service delivery measures – Programme: Tourism**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
<b>1. Tourism Planning</b>				
1.1 Tourism stakeholder engagement reports	• % of resolutions adopted and implemented by social partners	95%	-	
1.2 Tourism policies, legislation and strategies developed	• No. of tourism research, policies, strategies and frameworks identified and developed	7	1	
<b>2. Tourism Growth and Development</b>				
2.1 Progress reports on the implementation of the KZN Tourism Master Plan	• No. of tourism interventions implemented towards growth and employment creation	5	-	
	• No. of tourist guides/tourism businesses registered	500	316	
<b>3. Tourism Sector Transformation</b>				
3.1 Tourism transformation and policies Implemented	• No. of tourism specific interventions implemented	15	8	

### 4.7 Programme 7: Environmental Affairs

This programme aims to ensure effective compliance and governance in respect of environmental management.

Tables 4.20 and 4.21 reflect a summary of the 2016/17 adjusted appropriation of Programme 7, according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R29.953 million, are given in the paragraphs following the tables.

**Table 4.20 : Programme 7: Environmental Affairs**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>1. Environmental Policy Planning and Co-Ordination</b>	<b>8 711</b>			<b>4 286</b>			<b>4 286</b>	<b>12 997</b>
Intergovt. Co-ordination, Spatial and Dev Planning	7 606			4 543			4 543	12 149
Climate Change Management	1 105			(257)			(257)	848
<b>2. Compliance and Enforcement</b>	<b>37 934</b>			<b>(4 095)</b>			<b>(4 095)</b>	<b>33 839</b>
Enviro. Quality Managemt Compliance and Enforcemnt	37 934			(4 095)				37 934
<b>3. Environmental Quality Management</b>	<b>49 643</b>			<b>(7 506)</b>			<b>(7 506)</b>	<b>42 137</b>
Impact Management	23 279			(6 405)			(6 405)	16 874
Air Quality Management	3 953			1 605			1 605	5 558
Pollution and Waste Management	22 411			(2 706)			(2 706)	19 705
<b>4. Biodiversity Management</b>	<b>720 253</b>			<b>(27 444)</b>	<b>1 000</b>	<b>395</b>	<b>(26 049)</b>	<b>694 204</b>
Biodiversity and Protected Area Plan. and Managemt	155 681			(35 844)	(50 000)		(85 844)	69 837
Conservation Agencies and Services	554 227			8 000	51 000	395	59 395	613 622
Coastal Management	10 345			400			400	10 745
<b>5. Environmental Empowerment Services</b>	<b>34 323</b>			<b>(1 524)</b>			<b>(1 524)</b>	<b>32 799</b>
Environmental Capacity Development and Support	34 323			(1 524)			(1 524)	32 799
<b>6. Environmental Affairs Services Support</b>	<b>6 632</b>			<b>4 935</b>			<b>4 935</b>	<b>11 567</b>
Environmental Services Administrative Support	6 632			4 935			4 935	11 567
<b>Total</b>	<b>857 496</b>	<b>-</b>	<b>-</b>	<b>(31 348)</b>	<b>1 000</b>	<b>395</b>	<b>(29 953)</b>	<b>827 543</b>
Amount to be voted								(29 953)

Table 4.21 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments	
<b>Current payments</b>	<b>244 141</b>	-	-	(40 838)	(1 823)	-	(42 661)
Compensation of employees	120 253			(10 152)			(10 152)
Goods and services	123 888			(30 686)	(1 823)		(32 509)
Interest and rent on land							-
<b>Transfers and subsidies to:</b>	<b>610 879</b>	-	-	8 043	2 823	395	11 261
Provinces and municipalities							-
Departmental agencies and accounts	604 227			8 000	1 000	395	9 395
Higher education institutions							-
Foreign governments and international organisations							-
Public corporations and private enterprises							-
Non-profit institutions	6 552				1 823		1 823
Households	100			43			43
<b>Payments for capital assets</b>	<b>2 476</b>	-	-	1 447	-	-	1 447
Buildings and other fixed structures							-
Machinery and equipment	2 276			1 447			1 447
Heritage assets							-
Specialised military assets							-
Biological assets							-
Land and subsoil assets							-
Software and other intangible assets	200						-
<b>Payments for financial assets</b>							-
<b>Total</b>	<b>857 496</b>	-	-	(31 348)	1 000	395	(29 953)
<b>Amount to be voted</b>							<b>(29 953)</b>

### Virement – Programme 7: Environmental Affairs: (R31.348) million

The department undertook virements within and to other programmes and economic categories, as explained below:

- Net savings of R40.838 million were identified against *Compensation of employees* (R10.152 million) due to delays in filling posts and *Goods and services* (R30.686 million) relating to the IASP. These savings were moved to address the following pressures:
  - R16.110 million was moved to Programme 1 under *Goods and services* to offset spending pressures brought about by the appointment of consultants assisting the department's SCM unit to alleviate work pressure caused by the function shift in respect of Environmental Affairs from the DARD, as well as for the Specialised Investment Advisory Team which was under-budgeted for by the department.
  - R19.738 million was moved to Programme 3 under *Goods and services* to fund projects such as R6 million to the KZN Industrial Economic Hubs, R1 million for the Wifi Hotspots, R568 000 for the Film Strategy, R1 million for the Amakha Essential Co-operative, R2.300 million for the Aerotropolis Institute, R2.500 million in respect of the Durban Aerotropolis Masterplan, R2 million for the Aerotropolis Project Management Unit, R1.500 million for the KZN Craft Hub and R2.870 million to fund the KZN Integrated Maritime Strategy Implementation.
  - R1.500 million was moved from Programme 6 to Programme 7 within *Goods and services* to fund the Trash to Cash Campaign training which was held on 26 March 2016.
  - Savings of R3 million were identified from Programme 2 against *Transfers and subsidies to: Public corporations and private enterprises* under Ithala due to the entity's healthy positive cash balance. These were moved to *Transfers and subsidies to: Departmental agencies and accounts* under EKZNW to develop concept plans for revamping three resorts, namely Midmar, Amatikhulu and Umlalazi, as well as to conduct a fleet needs analysis, and to appoint legal advisors on the proposed outsourcing of the commercial operations of the Ntshondwe resort at Ithala Game Reserve.

In addition to the above-mentioned virements across programmes, the following were undertaken within Programme 7:

- R5 million was moved from the IASP to *Transfers and subsidies to: Departmental agencies and accounts* towards EKZNW's drought relief initiative. EKZNW facilities require borehole pumps and water tanks.

- o R43 000 was moved to *Transfers and subsidies to: Households* for staff exit costs.
- o R1.447 million was moved to *Machinery and equipment* for the purchase of equipment such as borehole pumps and water tanks in respect of the drought relief programme of the department.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained, such as the increase in transfers to EKZNW, as well as the introduction of a new transfer payment.

### Shifts – Programme 7: Environmental Affairs: R1 million

The department undertook the following shifts from Programme 6 to Programme 7 and within the programme:

- R1 million for the Ndumo lodge upgrade was moved from *Transfers and subsidies to: Public corporations and private enterprises* in Programme 6 to be correctly placed under *Transfers and subsidies to: Departmental agencies and accounts* in this programme. The department has appointed EKZNW to be the implementing agent for this project.
- R1.823 million for the Integrated Greening programme undertaken by the Wildlands Conservation Trust was inadvertently allocated against *Goods and services* and these funds are now correctly placed against *Transfers and subsidies to: Non-profit institutions* within Programme 7.

### Other adjustments – Programme 7: Environmental Affairs: R395 000

EKZNW received additional funding of R395 000 for the above-budget 2016 wage adjustment. These funds are allocated against *Transfers and subsidies to: Departmental agencies and accounts*.

### Service delivery measures – Programme 7: Environmental Affairs

Table 4.22 shows the service delivery information for Programme 7: Environmental Affairs as per the department's 2016/17 APP and the *EPRE*, as well as the actual achievements for the first six months of the year. Nine targets have been adjusted, as reflected in Table 4.22 (under the column "2016/17 Revised target"), to align the target in the *EPRE* to the department's tabled 2016/17 APP.

**Table 4.22 : Service delivery measures – Programme 7: Environmental Affairs**

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
1. Environmental Policy Planning and Co-ordination				
1.1 Progress reports on the development of environmental strategies and plans	• No. of intergovernmental sector tools reviewed	61	-	
	• No. of legislative tools developed	14	-	4
	• No. of environmental research projects undertaken	3	-	4
	• No. of functional environmental information management systems	12	-	
	• No. of climate change response tools developed	1	-	
2. Compliance and Enforcement				
2.1 Environmental regulation and governance reports	• No. of enforcement actions finalised for non-compliance with environmental legislation	360	193	300
	• No. of compliance inspections conducted	770	422	800
	• No. of received S24G applications finalised	20	10	25
3. Environmental Quality Management				
3.1 Air Quality Management (AQM)	• % of EIA applications finalised within legislated timeframes	98%	98%	
3.2 Impact management	• No. of designated organs of state with approved AQMPs	1	-	
3.3 Pollution and waste management	• % Atmospheric Emission Licences with complete applications issued within legislated timeframes	100%	-	
	• % of facilities with Atmospheric Emission Licences reporting to the National Atmospheric Emissions Inventory System (NAEIS)	70%	-	100%
	• % of waste licence applications finalised within legislated timeframes	85%	100%	



Table 4.22 : Service delivery measures – Programme 7: Environmental Affairs

Outputs		Performance indicators	Performance targets		
			2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
4. Biodiversity Management					
4.1	Progress reports on biodiversity management	• No. of coastal management programmes adopted	2	-	
		• No. of hectares cleared of invasive alien species	160 000	12 222	
		• Reduction in the percentage rate of decline of existing endangered species	7%	-	8%
5. Environmental Empowerment Services					
5.1	Progress reports on the implementation of environment empowerment services	• No. of environmental capacity building activities conducted	44	31	50
		• No. of environmental awareness activities conducted	1 000	562	
		• No. of work opportunities created through environmental initiatives	7 500	2 000	8 000

## 5. Specifically and exclusively appropriated allocations

Table 4.23 shows the amounts that are specifically and exclusively appropriated for specific purposes in terms of the KZN Adjustments Appropriation Act.

Note that transfers to public entities and conditional grants (which are also specifically and exclusively appropriated funds) are not included here, as they are discussed in Sections 8 and 10 below.

Details of the main adjustments, which resulted in an overall decrease of R69.040 million in respect of the department's specifically and exclusively appropriated funding, are provided in the paragraphs following the table.

Table 4.23 : Summary of specifically and exclusively appropriated funding

R thousand		Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
			Unforeseeable/			Other			
			Roll-overs	unavoidable	Virement	Shifts	adjustments		
1. Prog. 2: KZN Growth Fund Trust		64 400						-	64 400
2. Prog. 2: Small Business Growth Enterprise		69 040			(1 882)	(32 040)	(35 118)	(69 040)	-
3. Prog. 3: Moses Kotane Institute		45 431						-	45 431
4. Prog. 6: Africa Bike Week event		6 000						-	6 000
Total		184 871	-	-	(1 882)	(32 040)	(35 118)	(69 040)	115 831
Amount to be voted									(69 040)

The transfer to the SBGE was erroneously shown as R69.040 million in the 2016/17 *EPRE*, with an over-provision of R37 million. The previously mentioned budget cut was effected on this R37 million over-provision and part of it was moved to *Goods and services* to offset spending pressures relating to the Youth Technical Skills programme. The allocation of R32.040 million for the transfer to the SBGE was shifted to Ithala because the SBGE has been incubated under Ithala as a business unit. The specifically and exclusively appropriated funds for SBGE were moved as follows:

- *Virements*: R1.882 million was identified as savings from the R37 million over-provision relating to the transfer to the SBGE, and was moved from the SBGE to *Goods and services* to fund the Youth Technical Skills programme.
- *Shifts*: R32.040 million, which was the correct allocation for the transfer to SBGE, was shifted after the SBGE was incubated under Ithala as a business unit, as explained previously. As a result of this shift, the budget for SBGE will no longer be included under the specifically and exclusively appropriated funding table. It should be noted that, subsequent to this shifting of funds, a budget cut of R28.885 million was effected on the SBGE allocation.
- *Other adjustments*: R35.118 million budget cut was effected on the department's baseline against the SBGE's allocation. This cut was effected from the amount which was erroneously shown as R69.040 million in the 2016/17 *EPRE*, with an over-provision of R37 million.

Legislature approval is required for the reduction in the specifically and exclusively appropriated funds.

## 6. Gifts, donations and sponsorships

The department is not envisaging any gifts, donations and sponsorship in excess of R100 000 in 2016/17.

## 7. Infrastructure

Table 4.24 shows the summary of infrastructure payments per main category. There were no adjustments made in respect of infrastructure payments.

**Table 4.24 : Summary of infrastructure payments by category**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Existing infrastructure assets</b>	-	-	-	-	-	-	-	-
Maintenance and repair: Current							-	-
Upgrades and additions: Capital							-	-
Refurbishment and rehabilitation: Capital							-	-
<b>New infrastructure assets: Capital</b>							-	-
<b>Infrastructure transfers</b>	463 691	-	-	-	-	-	-	463 691
Infrastructure transfers: Capital	463 691						-	463 691
Infrastructure transfers: Current							-	-
<b>Infrastructure: Payments for fin assets</b>							-	-
<b>Infrastructure: Leases</b>							-	-
Capital infrastructure	463 691	-	-	-	-	-	-	463 691
Current infrastructure	-	-	-	-	-	-	-	-
<b>Total</b>	463 691	-	-	-	-	-	-	463 691
Amount to be voted								-

## 8. Conditional grants

Table 4.25 provides a summary of conditional grants. There were no adjustments made to the conditional grant allocation of the department.

**Table 4.25 : Summary of changes to conditional grants**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>7. Environmental Affairs</b>	6 927	-	-	-	-	-	-	6 927
EPWP Integrated Grant for Provinces	6 927						-	6 927
<b>Total</b>	6 927	-	-	-	-	-	-	6 927
Amount to be voted								-

## 9. Transfers and subsidies

Table 4.26 shows the summary of transfers and subsidies by programme and main category.

Details of the main adjustments, which resulted in an overall decrease of R34.085 million in the transfers and subsidies allocation, are provided in the paragraphs before and after the table.

- *Virement*: The department undertook the following virements affecting transfers and subsidies, which resulted in a net increase of R16.920 million, as follows:
  - Savings of R1.798 million were moved from *Compensation of employees* within Programme 1 to various transfers and subsidies categories, as follows:
    - R4 000 was moved to *Departmental agencies and accounts* for SABC TV licences which were under-budgeted.
    - R1.794 million was moved to *Households* to cater for unanticipated staff exit costs, which are difficult to predict.

Table 4.26 : Summary of transfers and subsidies by programme and main category

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Unforeseeable/			Other			
		Roll-overs	unavoidable	Virement	Shifts	adjustments		
<b>1. Administration</b>	<b>578</b>	-	-	<b>1 798</b>	-	-	<b>1 798</b>	<b>2 376</b>
Provinces and municipalities	50	-	-	-	-	-	-	50
Motor vehicle licences	50						-	50
Departmental agencies and accounts	5	-	-	4	-	-	4	9
SABC TV licences	5			4			4	9
Households	523	-	-	1 794	-	-	1 794	2 317
Social benefit - Bursaries	523						-	523
Staff exit costs				1 794			1 794	1 794
<b>2. Integrated Economic Development Services</b>	<b>265 764</b>	-	-	<b>(17 217)</b>	<b>8 200</b>	<b>(100 000)</b>	<b>(109 017)</b>	<b>156 747</b>
Provinces and municipalities	-	-	-	2 000	-	-	2 000	2 000
South African Music Conference				1 500			1 500	1 500
Essence Festival				500			500	500
Higher education institutions	6 000	-	-	-	-	-	-	6 000
UKZN RLED Initiative	6 000						-	6 000
Public corporations and private enterprises	121 600	-	-	(16 191)	40 240	(64 882)	(40 833)	80 767
Commerce Edge					200		200	200
Black Industrialist programme					2 900		2 900	2 900
Women Enterprise Development					100		100	100
Ithala	121 600			(16 191)	37 040	(64 882)	(44 033)	77 567
Non-profit institutions	133 440	-	-	(1 882)	(32 040)	(35 118)	(69 040)	64 400
SBGE	69 040			(1 882)	(32 040)	(35 118)	(69 040)	-
KZNGFT	64 400						-	64 400
Households	4 724	-	-	(1 144)	-	-	(1 144)	3 580
Social benefits - Bursaries	4 724			(1 184)			(1 184)	3 540
Staff exit costs				40			40	40
<b>3. Trade and Sector Development</b>	<b>729 355</b>	-	-	<b>12 811</b>	<b>2 665</b>	-	<b>15 476</b>	<b>744 831</b>
Provinces and municipalities	-	-	-	1 500	3 000	-	4 500	4 500
Richards Bay Airport					1 000		1 000	1 000
Durban Fashion Fair				500			500	500
Ladysmith Airport				1 000	1 000		2 000	2 000
Ladysmith Black Mambazo Academy				-	1 000		1 000	1 000
Departmental agencies and accounts	466 643	-	-	2 000	1 000	-	3 000	469 643
TIK	82 420						-	82 420
DTPC	384 223			2 000	1 000		3 000	387 223
Public corporations and private enterprises	149 070	-	-	920	(1 335)	-	(415)	148 655
RBIDZ	126 370						-	126 370
KZN Fashion Council	5 000			1 000	665		1 665	6 665
KZN Clothing & Textile	700						-	700
Ugu ICT Incubator	2 700						-	2 700
Music Cluster	3 000						-	3 000
Study Mkuze Airport	4 000			2 000			2 000	6 000
Teledialogue/Tele-Festival and Aerotropolis	1 000			(200)			(200)	800
KZN Tooling initiative	1 500			(350)			(350)	1 150
KZN Exporter Awards	800						-	800
Aerotropolis International Conference				470			470	470
Maritime Cluster	4 000			(2 000)	(2 000)		(4 000)	-
Non-profit institutions	113 642	-	-	8 391	-	-	8 391	122 033
KZN Film Commission	68 211						-	68 211
MKI	45 431			8 391			8 391	53 822
<b>4. Business Regulation and Governance</b>	<b>73 753</b>	-	-	<b>138</b>	-	-	<b>138</b>	<b>73 891</b>
Departmental agencies and accounts	73 753	-	-	-	-	-	-	73 753
KZNLA	73 753						-	73 753
Households	-	-	-	138	-	-	138	138
Staff exit costs				138			138	138
<b>5. Economic Planning</b>	<b>2 500</b>	-	-	<b>3 617</b>	<b>6 500</b>	-	<b>10 117</b>	<b>12 617</b>
Provinces and municipalities	-	-	-	-	500	-	500	500
eThekweni: Innovation Forums initiative					500		500	500
Departmental agencies and accounts	-	-	-	-	3 500	-	3 500	3 500
CSIR - Industrial Symbiosis					1 000		1 000	1 000
CSIR - Biogas pilot/ bio-energy research					2 500		2 500	2 500
Higher education institutions	2 500	-	-	3 617	2 500	-	6 117	8 617
Technology Transfer: UniZulu					1 100		1 100	1 100
Solar PV Rooftop: DUT				718	2 500		3 218	3 218
Solar PV Rooftop:MUT				2 899			2 899	2 899
Technology Transfer: MUT	2 500				(2 500)		(2 500)	-
Technology Transfer: UKZN					1 046		1 046	1 046
Technology Transfer: DUT					354		354	354

Table 4.26 : Summary of transfers and subsidies by programme and main category

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Unforeseeable/		Other				
		Roll-overs	unavoidable	Virement	Shifts	adjustments		
6. Tourism	188 791	-	-	7 730	28 412	-	36 142	224 933
Provinces and municipalities	6 000	-	-	1 500	(6 000)	-	(4 500)	1 500
eThekwini - Woze Durban				1 500			1 500	1 500
Ugu District Munic. - Africa Bike Week event	6 000				(6 000)		(6 000)	-
Departmental agencies and accounts	171 021	-	-	3 800	7 768	-	11 568	182 589
KZN Sharks Board	69 175			3 000			3 000	72 175
Tourism KwaZulu Natal	101 846			800	7 768		8 568	110 414
Public corporations and private enterprises	11 070	-	-	2 630	26 844	-	29 474	40 544
World Amateur Golfers Tournament	9 070			(9 070)			(9 070)	-
Ugu Jazz festival					1 000		1 000	1 000
Ndumo Lodge upgrade	1 500			(500)	(1 000)		(1 500)	-
Tourism SCORE					500		500	500
Blue Flag impact study	500				(500)		(500)	-
Africa Bike Week event					6 000		6 000	6 000
Spring Day Music Explosion 2016				1 500			1 500	1 500
Umgababa New Years Picnic 2016				1 200			1 200	1 200
Kwadukuza Festival 2016				1 500			1 500	1 500
Indlamu Sakhisizwe Cultural Tourism				1 000			1 000	1 000
indlamu cosmopolitan 2016				500			500	500
Durban Summer Beach Festival 2016				1 200			1 200	1 200
eKasi Tour 2016				900			900	900
Richards Bay Imbizo 2016				1 000			1 000	1 000
Impucuzeko Maskandi Festival 2016				1 000			1 000	1 000
KZN Liaison Campaign				1 200			1 200	1 200
The New Age Business Briefing				1 200			1 200	1 200
Metro FM Awards					20 844		20 844	20 844
Non-profit institutions	700	-	-	(200)	(200)	-	(400)	300
Simunye Info. Centre	200				(200)		(200)	-
WowZulu Production - Ndumo Lodge upgrade	500			(200)			(200)	300
7. Environmental Affairs	610 879	-	-	8 043	2 823	395	11 261	622 140
Departmental agencies and accounts	604 227	-	-	8 000	1 000	395	9 395	613 622
EKZNW	604 227			8 000	1 000	395	9 395	613 622
Non-profit institutions	6 552	-	-	-	1 823	-	1 823	8 375
WESSA	450						-	450
Wildlands Conservation Trust					1 823		1 823	1 823
SAAMBR	6 102						-	6 102
Households	100	-	-	43	-	-	43	143
Staff exit costs	100			43			43	143
Total	1 871 620	-	-	16 920	48 600	(99 605)	(34 085)	1 837 535
Amount to be voted								(34 085)

- *Virement*: continued:

- o Programme 2 shows a reduction of R17.217 million as a result of the following virements:

- Savings of R2 million moved from *Goods and services* in Programme 6 due to cost-cutting and reprioritisation relating to events such as the Metro FM Awards and the East3 Route, were utilised to offset spending pressures under *Provinces and municipalities* in respect of the South African Music Conference and the launch of the Essence Festival. Both events were co-ordinated by the eThekweni Metro on behalf of the department.
- R16.191 million was moved from Programme 2 to Programmes 3, 6 and 7. These funds were reduced from Ithala under *Public corporations and private enterprises* due to the entity's healthy positive cash balance. These savings were moved to cater for pressures under the following public entities:
  - R1 million was moved to *Departmental agencies and accounts* under DTPC to fund for the development of framework plan for the Automotive Supplier Park project in Programme 3.
  - R3 million was moved to *Departmental agencies and accounts* in Programme 6 for the provision of safe and reliable river crossing boats for the community in the Mfolozi area, which will be done in partnership with the Mfolozi Municipality and the Maritime Centre of Excellence under KZNSB.

- R800 000 was moved to *Departmental agencies and accounts* under TKZN in Programme 6 for the STEM Festival Conference.
- R3 million was moved to *Departmental agencies and accounts* under EKZNW in Programme 7, to fund the development of concept plans required for revamping three resorts (Midmar, Amatikhulu and Umlalazi), conducting a fleet needs analysis and for the appointment of legal advisors on the proposed outsourcing of the commercial operations of the Ntshondwe resort at the Ithala Game Reserve.
- R8.391 million was moved under *Non-profit institutions* in Programme 3 to fund MKI in respect of the STEM Fund, to set up an ICT institute for Software Engineering and Business Process Outsourcing in eight TVET colleges across the province and for the ICT Hub.
- R1.144 million was reduced under *Households*. Of this, the reduction of R1.184 million is attributed to UniZulu bursaries for students studying towards a Diploma in Co-operative Management and moved to *Goods and services* to fund the Youth Technical Skills programme. Mitigating this reduction were savings of R40 000 identified under *Compensation of employees* due to lengthy recruitment processes were moved to *Households* to cater for higher than anticipated staff exit costs.
- o R12.811 million was added to Programmes 3, as follows:
  - R1.500 million savings were moved from Programme 6 under *Goods and services* as a result of cost-cutting implemented on events such as the East3 Route and Metro FM Awards to this programme under *Provinces and municipalities* for the Durban Fashion Fair and for the Ladysmith Airport.
  - R2 million was moved to *Departmental agencies and accounts* to increase the transfer to DTPC for the Automotive Supplier Park, as mentioned above. Of this, R1 million came from Programme 2 and R1 million was from savings identified from within Programme 3.
  - A net amount of R920 000 under *Public corporations and private enterprises* was made up by R2.550 million savings moved from this category since costs for these projects were lower than the budget allocated in respect of Teledialogue/Tele-Festival (R200 000), the KZN Tooling Initiative (R350 000) and the Maritime Cluster (R2 million). These savings were moved to *Goods and services* to fund the KZN Economic Council. Mitigating this was R3.470 million which was moved to *Public corporations and private enterprises*. Of this, R1 million was utilised to fund the KZN Fashion Council for Fashion week, R2 million to increase transfers relating to the study and fencing of the Mkuze Airport which is transferred to uMhlozinga Development Agency and R470 000 to cater for the Aerotropolis Conference.
  - R8.391 million was moved to *Non-profit institutions* in Programme 3 to fund the MKI in respect of the STEM Fund, set up an ICT institute for Software Engineering and Business Process Outsourcing in eight TVET colleges across the province and for the ICT Hub.
- o Programme 4 was allocated R138 000 to address pressures against *Households* which relates to unanticipated staff exit costs.
- o In Programme 5 there is a virement of R3.617 million which was moved to *Higher education institutions* for the implementation of the Solar PV Rooftop project, assigned to MUT and DUT.
- o A net increase of R7.730 million in Programme 6 was due to the following:
  - R1.500 million for Woza eDurban New Year's Picnic was moved to *Provinces and municipalities* in this programme.
  - Savings of R3.800 million was moved from Programme 2 under *Public corporations and private enterprises*. This was reduced from the transfer to Ithala due to the entity's healthy positive cash balance. These savings were moved to *Departmental agencies and accounts* in this programme to increase transfers to TKZN (R800 000) for the STEM Festival

Conference and R3 million to KZNSB for the provision of safe and reliable river crossing boats for the community in the Mfolozi area, which will be undertaken by the Maritime Centre of Excellence in partnership with the Mfolozi Municipality.

- R2.430 million was moved to *Public corporations and private enterprises*, with R1.200 million for the KZN Liaison Campaign, R1.200 million for The New Age Business Briefing (SABC Business Breakfast), and R30 000 for the eKasi Tour 2016.
- R200 000 savings from *Non-profit institutions* relating to the transfer to the Wow-Zulu production for the Ndumo Lodge upgrade was moved to *Public corporations and private enterprises* to fund the eKasi Tour 2016.
- R9.570 million savings were identified as a result of the cancellation of the World Amateur Golfers Tournament (R9.070 million) and the reduction of the Ndumo Lodge upgrade (R500 000) allocation. These funds were re-allocated within *Public corporations and private enterprises* as follows:
  - R1.500 million allocated for the Spring Day Music Explosion 2016.
  - R1.200 million allocated for the Umgababa New Year's Picnic 2016.
  - R1.500 million allocated for the KwaDukuza Festival 2016.
  - R1 million allocated for the Indlamu Sakhisizwe Cultural Tourism 2016.
  - R500 000 allocated for the Indlamu Cosmopolitan 2016.
  - R1.200 million allocated for the Durban Summer Beach Festival 2016.
  - R670 000 allocated for the eKasi Tour 2016.
  - R1 million allocated for the Richards Bay Imbizo 2016.
  - R1 million allocated for the Impucuzeko Maskandi Festival 2016.
- o With regard to Programme 7, R8.043 million was moved *Transfers and subsidies* as follows:
  - R8 million was moved to EKZNW for projects including concept plans for revamping three resorts, namely Midmar, Amatikhulu and Umlalazi, and to conduct a fleet needs analysis, as well as to appoint legal advisors on the proposed outsourcing of the commercial operations of the Ntshondwe resort at the Ithala Game Reserve (R3 million) and drought relief programme (R5 million), as explained previously.
  - R43 000 was moved to *Households* for staff exit costs.
- *Shifts*: The following shifts were undertaken, which resulted in a net increase of R48.600 million, and the purpose of these funds remains unchanged:
  - o Programme 2: Shifting of funds was undertaken in respect of transfers and subsidies and these are explained below:
    - R200 000 relating to SMMEs was moved from *Goods and services* to *Public corporations and private enterprises* within Programme 2. These funds were transferred to Commerce Edge, and were utilised to provide a six square metre exhibition stand for 20 SMMEs from all districts in KZN to showcase their products at the KZN Enterprise and Supplier Development Expo which took place from 8 to 9 June 2016. SMMEs were selected from various SMME-related databases of the department and its entities.
    - R2.900 million for the Black Industrialist programme was shifted from *Goods and services* to be correctly classified against *Public corporations and private enterprises* within Programme 2.
    - R100 000 for the Women Enterprise Development programme was moved from *Goods and services* to be correctly placed against *Public corporations and private enterprises* within

Programme 2. This relates to a sponsorship to the Simile Manufacture Primary Co-operative which is formed by a group of women who established a small scale manufacturing sewing factory.

- The transfer to Ithala was increased by R37.040 million. Of this, R32.040 million relates to the transfer to SBGE which was moved from *Non-profit institutions* to *Public corporations and private enterprises* for transfer to Ithala, within Programme 2. This shift was required because the SBGE is being incubated under Ithala as a business unit. The balance of R5 million relates to the KZN Industrial Economic Hubs which was moved from *Goods and services* in Programme 3 to *Public corporations and private enterprises*, as Ithala has been appointed as the implementing agent in respect of the Industrial Economic Hubs.
- o The department undertook shifts within Programme 3 and to other programmes and economic categories, as follows:
  - R1 million for the Richards Bay Airport towards a feasibility study was re-classified from *Goods and services* to *Provinces and municipalities* within Programme 3 as these funds will be transferred to the uMhlathuze Municipality.
  - R1 million allocated to the Alfred Duma Municipality for the Ladysmith Airport in assisting with the development of an integrated master plan and infrastructure upgrades. These funds were moved from *Goods and services* to *Provinces and municipalities*.
  - R1 million allocated to the Alfred Duma Municipality for the Ladysmith Black Mambazo Academy was moved from *Goods and services* to be correctly placed against *Provinces and municipalities* within Programme 3.
  - R1 million for the cut flower project was moved from *Goods and services* to *Departmental agencies and accounts* under DTPC as this project is assigned to DTPC as the implementing agent on behalf of the department.
  - R665 000 was moved from *Goods and services* in Programme 2 to *Public corporations and private enterprises* in Programme 3. This is in respect of the KZN Fashion Council for the Africa Fashion Exchange, as explained earlier.
  - R2 million for the Maritime Cluster was re-classified from *Public corporations and private enterprises* to *Goods and services* within Programme 3.
- o Programme 5 shifts include the following:
  - R500 000 for the Innovation Forums initiative moved from *Goods and services* to *Provinces and municipalities* within Programme 5 because the department appointed Innovate Durban (an entity of the eThekweni Metro) to co-ordinate these forums. These funds will be utilised to support, stimulate and instil a culture of innovation in the communities around the innovation parks or hubs, also known as Techno-Hubs.
  - R3.500 million was shifted from *Goods and services* to *Departmental agencies and accounts* within Programme 5. These funds are for Industrial Symbiosis which comprises catalytic packaged projects aimed at funding waste related projects and the Biogas pilot /Bio-energy Research project aimed at assisting with the development and promotion of renewable energy. These funds are moved to *Transfers and subsidies* because these projects are to be administered by CSIR.
  - R2.500 million for the Solar PV Rooftop project was shifted from *Goods and services* to *Higher education institutions* under DUT who is responsible for this project.
  - R2.500 million relating to the KZN University Technology Transfer programme was erroneously allocated to MUT against *Higher education institutions* in Programme 5. The purpose of the funds remains unchanged, and these funds are now correctly allocated to UniZulu (R1.100 million), UKZN (R1.046 million) and DUT (R354 000).
  -

- Programme 6 shifting of funds moved to other programmes and within the programme:
  - R6 million for Africa Bike week was re-classified from *Provinces and municipalities* to *Public corporations and private enterprises* within Programme 6.
  - R7.768 million was added to the transfer to TKZN. Of this, R300 000 relates to the Forward Keys project and this was moved from Programme 5 under *Goods and services*, to this programme under *Departmental agencies and accounts*, as TKZN is responsible for the implementation of this project. An amount of R7.468 million was shifted from *Goods and services* to *Departmental agencies and accounts* under TKZN within this programme. These funds are for the Loeries Creative Week event (R4.168 million) that took place from 15 to 21 August 2016 and for the Vodacom Durban July 2016 event (R2.575 million) which was held from 2 to 3 July 2016, as well as for the Metro FM Awards (R725 000).
  - R1 million relating to a sponsorship for the Ugu Jazz Festival 2016, was inadvertently budgeted for under *Goods and services* rather than *Public corporations and private enterprises* within Programme 6. This shift was undertaken to correctly place the budget.
  - R1 million for the Ndumo Nkululeko Regeneration Programme (Ndumo Lodge upgrade) was moved from Programme 6 under *Public corporations and private enterprises* to Programme 7 against *Departmental agencies and accounts*, because this project will be implemented by EKZNW.
  - R500 000 for the Tourism Sustaining Competitive and Responsible Enterprises (SCORE) which is undertaken in partnership with the International Labour Organisation was budgeted for under *Goods and services*, and the funds are shifted to *Public corporations and private enterprises* within Programme 6.
  - R20.844 million for the Metro FM Awards was erroneously budgeted for under *Goods and services* and was moved to be correctly placed under *Public corporations and private enterprises*.
  - R700 000 was moved from *Transfers and subsidies* to *Goods and services* within Programme 6. Of this, R500 000 was for the Blue Flag impact study which is moved from *Public corporations and private enterprises* and R200 000 for the Simunye Information Centre moved from *Non-profit institutions*. A decision was taken by the department not to transfer these funds to Africa Ignite which was assigned for the refurbishment of the Simunye Information Centre and the CSIR for the Blue Flag impact study. The implementation of these projects will be carried out internally through the appointment of a service provider following SCM processes.
- The department undertook the following shifts from Programme 6 to Programme 7 and within the programme:
  - R1 million for the Ndumo Lodge upgrade was moved from *Public corporations and private enterprises* in Programme 6 to be correctly place under *Departmental agencies and accounts* in this programme. The department has appointed EKZNW to be the implementing agent for this project.
  - R1.823 million for the Integrated Greening programme undertaken by the Wildlands Conservation Trust was mistakably allocated against *Goods and services* and these funds were correctly placed under *Non-profit institutions* within Programme 7.
- *Other adjustments: Transfers and subsidies* were decreased by a net amount of R99.605 million as follows:
  - An amount of R100 million was reduced from the department's budget and moved to the Department of Health, this was part of the funds not surrendered by the department when the 2016/17 EPRE was tabled. These funds are moved to assist the Department of Health with its exchange rate pressures. This budget cut results in a reduction in the department's baseline and was effected as follows;



- R64.882 million was cut from *Public corporations and private enterprises* under the transfer to Ithala in Programme 2. Of this, R35.997 million was reduced from the KZN Property Development Holdings allocation and R28.885 million from the SBGE.
- R35.118 million was reduced under: *Non-profit institutions* in Programme 2. This amount relates to the transfer to the SBGE which was erroneously shown as R69.040 million in the 2016/17 EPRE, with an over-provision of R37 million.
- o EKZNW received additional funding of R395 000 for the 2016 wage adjustment, these funds are allocated against *Departmental agencies and accounts* in Programme 7.

## 10. Transfers to public entities

Table 4.27 below reflects transfers made by the department to public entities. Details of the main adjustments, which resulted in an overall decrease of R20.070 million in transfers to public entities, are provided in the paragraphs following the table.

**Table 4.27 : Summary of transfers to public entities**

R thousand		Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
			Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts			Other adjustments
Prog 2. Ithala Development Corporation		121 600			(16 191)	37 040	(64 882)	(44 033)	77 567
Enterprise Development Fund		82 200			(16 191)			(16 191)	66 009
KZN Property Development Holdings SOC Ltd		39 400					(35 997)	(35 997)	3 403
SBGE						32 040	(28 885)	3 155	3 155
KZN Industrial Economic Hub						5 000		5 000	5 000
Prog 3. DTPC		384 223			2 000	1 000		3 000	387 223
Prog 3. KZNFC		68 211						-	68 211
Prog 3. RBIDZ		126 370						-	126 370
Prog 3. TIK		82 420						-	82 420
Prog 4. KZNLA		73 753						-	73 753
Prog 6. KZNSB		69 175			3 000			3 000	72 175
Prog 6. TKZN		101 846			800	7 768		8 568	110 414
Prog 7. EKZNW		604 227			8 000	1 000	395	9 395	613 622
Bhambatha lodge, Ingodini Border Caves		4 500						-	4 500
Subsidy from Vote 4		540 487					395	395	540 882
Invasive Alien Species		50 000						-	50 000
Rhino anti-poaching		9 240						-	9 240
Ithala Game Reserve					3 000			3 000	3 000
Drought Relief Programme					5 000			5 000	5 000
Ndumo Lodge upgrade						1 000		1 000	1 000
Total		1 631 825	-	-	(2 391)	46 808	(64 487)	(20 070)	1 611 755
Amount to be voted									(20 070)

- *Virement*: The department undertook the following virements affecting transfers and subsidies and this resulted in a net reduction of R2.391 million as explained below:
  - o R16.191 million savings were identified from Ithala under the Enterprise Development fund due to the entity's healthy positive cash balance. These savings were moved to cater for pressures under the following public entities:
    - R1 million to provide for the development of a framework plan for the Automotive Supplier Park project assigned to DTPC. Another R1 million was from savings identified under *Goods and services* due to delays in implementation of projects such as the High Speed Rail project (also known as KSIA public transport link).
    - R3 million was moved to EKZNW to provide funds for the development of concept plans required for revamping three resorts (Midmar, Amatikhulu and Umlalazi), conducting a fleet needs analysis and to appoint legal advisors on the proposed outsourcing of the commercial operations of the Ntshondwe resort at Ithala Game Reserve, as explained previously.
    - R8.391 million was utilised to fund the MKI in respect of the STEM Fund, set up an ICT institute for Software Engineering and Business Process Outsourcing in eight identified TVET colleges across the province and for ICT Hub.

- R3 million was allocated to the KZNSB for the Maritime Centre of Excellence initiative to provide safe and reliable river crossing boats for the community in the Mfolozi area, which will be done by in a partnership with the Mfolozi Municipality.
  - R800 000 for the STEM Festival Conference was moved to TKZN.
- o R5 million was moved from IASP to fund EKZNW's drought relief programme.
- *Shifts:* The department undertook a shifting of funds which resulted in an increase of R46.808 million against the transfers to public entities:
  - o A shifting of R37.040 million was undertaken to increase the transfer to Ithala:
    - R5 million for the KZN Industrial Economic Hubs was moved from *Goods and services*, as Ithala has been appointed as the implementing agent in respect of the Industrial Economic Hubs.
    - R32.040 million allocated for transfer to SBGE was moved to Ithala because the SBGE is being incubated under Ithala as a business unit.
  - o R1 million for the Ndumo Lodge upgrade was moved from *Transfers and subsidies to: Public corporations and private enterprises* to be correctly placed under EKZNW, since it is the implementing agent for this project.
  - o R1 million for the cutflower project was moved from *Goods and services* to increase the transfer to DTPC, as it was appointed as the implementing agent for this project.
  - o R7.768 million was moved to TKZN to fund the Loeries Creative Week event (R4.168 million) that took place from 15 to 21 August 2016, for the Vodacom Durban July 2016 (R2.575 million) event which was held from 2 to 3 July 2016, Metro FM Awards (R725 000), and the Forward Keys project (R300 000), since TKZN is responsible to co-ordinate these projects/events on behalf of the department.
- *Other adjustments:* The transfer to public entities allocation was reduced by a net amount of R64.487 million, as follows:
  - o Budget cuts were effected against the department, of which R64.882 million was effected against Ithala. Of this, R35.997 million was reduced from the KZN Property Development Holdings allocation and R28.885 million from the SBGE allocation.
  - o EKZNW received additional funding of R395 000 for the 2016 wage adjustment.

## 11. Transfers to local government

Table 4.28 shows the details of transfers to local government. It is noted that the amount against *Provinces and municipalities* in Table 4.26 includes provision for motor vehicle licences. This amount is excluded from the transfers to local government table, as these funds will not be transferred to any municipality.

Details of the main adjustments, which resulted in an overall increase of R2.500 million, are provided in the paragraphs following the table.

**Table 4.28 : Summary of transfers to local government**

	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
A KZN2000 eThekweni Metro	-	-	-	4 000	500	-	4 500	4 500
Total: Ugu Municipalities	6 000	-	-	-	(6 000)	-	(6 000)	-
C DC21 Ugu District Municipality	6 000	-	-	-	(6 000)	-	(6 000)	-
Total: uThukela Municipalities	-	-	-	1 000	2 000	-	3 000	3 000
B KZN232 Alfred Duma	-	-	-	1 000	2 000	-	3 000	3 000
Total: King Cetshwayo District Municipality	-	-	-	-	1 000	-	1 000	1 000
B KZN282 uMhlathuze	-	-	-	-	1 000	-	1 000	1 000
	6 000	-	-	5 000	(2 500)	-	2 500	8 500
								2 500

- **Virement:** The department undertook the following virements affecting transfers to municipalities:
  - R4 million was allocated to eThekweni Metro to fund South African Music Conference (R1.500 million), R500 000 to cater for the Durban Fashion Fair, R500 000 for the launch of Essence Festival and R1.500 million for Woza eDurban New Year's Picnic. The eThekweni Metro is appointed by the department to facilitate these events.
  - R1 million for the Ladysmith Airport is allocated under the Alfred Duma Municipality. These funds will be utilised to assist with the development of an integrated master plan and infrastructure upgrades.
- **Shifts:** The department undertook the following shifts:
  - R500 000 for the Innovation Forums initiatives is placed under Innovate Durban (an entity under the eThekweni Metro) that is assigned to co-ordinate the Techno-Hubs forums.
  - R6 million for Africa Bike week moved from *Transfers and subsidies to: Provinces and municipalities* to be re-classified under *Transfers and subsidies to: Public corporations and private enterprises*, as these funds will be transferred directly to the service provider.
  - R2 million will be transferred to the Alfred Duma Municipality for the Ladysmith Airport (R1 million) for assisting with the development of an integrated master plan and infrastructure upgrades and R1 million for the Ladysmith Black Mambazo Academy.
  - R1 million was shifted to this category with respect to the Richards Bay Airport towards a feasibility study to be undertaken. The funds will be transferred to the uMhlathuze Municipality.

## 12. Actual payments and revised spending projections for the rest of 2016/17

Tables 4.29 and 4.30 reflect actual payments as at the end of September 2016 projected payments for the rest of the financial year and the total revised spending in rand value and as a percentage of the Adjusted Appropriation per programme and economic classification. The tables also show the 2015/16 Audited outcome. Comments are given above and below the tables.

- Programme 1 reflects fairly high spending of 52.2 per cent of budget, which is slightly high compared to the straight-line benchmark of 50 per cent. This can be ascribed to outstanding 2015/16 invoices in respect of building leases, which were only submitted by the Department of Public Works (DOPW) in 2016/17.
- Programme 2 spending is relatively low at 47.1 per cent due to lengthy recruitment processes, and delays caused by longer than anticipated administration processes which affected the implementation of several projects, such as the Local Competitiveness Fund (LCF) programme, which is aimed at encouraging partnerships which facilitate private sector investment in sustainable local economic development projects in sectors such as the automotive sector. Also affected by delays in administration processes was the Call for Proposal (CFP) support programme to small-scale sugar-cane growers, the Youth Technical Skills, as well as the BEE advisory council.
- Spending against Programme 3 is high at 65.4 per cent of the annual budget compared to the straight-line benchmark of 50 per cent. The department and various entities reviewed the quarterly payment schedules when concluding the SLAs. TIK, DTPC, RBIDZ, MKI and KZNFC received increased transfers in line with these entities' activities.

**Table 4.29 : Actual payments and revised spending projections by programme**

Table 120: Total payments and forecast spending projections by programme							
R thousand	2015/16 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '16 - September 2016		October '16 - March 2017		
					% of budget		% of budget
1. Administration	185 577	250 177	130 599	52.2	119 578	47.8	250 177
2. Integrated Economic Development Services	427 599	320 394	150 913	47.1	169 481	52.9	320 394
3. Trade and Sector Development	939 786	798 632	522 129	65.4	276 503	34.6	798 632
4. Business Regulation and Governance	96 704	105 122	61 684	58.7	43 438	41.3	105 122
5. Economic Planning	29 492	38 225	11 922	31.2	26 303	68.8	38 225
6. Tourism	375 674	264 518	139 290	52.7	125 228	47.3	264 518
7. Environmental Affairs	928 753	827 543	475 049	57.4	352 494	42.6	827 543
<b>Total</b>	<b>2 983 585</b>	<b>2 604 611</b>	<b>1 491 586</b>	<b>57.3</b>	<b>1 113 025</b>	<b>42.7</b>	<b>2 604 611</b>

Table 4.30 : Actual payments and revised spending projections by economic classification

	2015/16 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		
			April '16 - September 2016		October '16 - March 2017		Projected actual
R thousand			% of budget		% of budget		
Current payments	650 090	758 899	292 940	38.6	465 959	61.4	758 899
Compensation of employees	276 699	306 174	145 538	47.5	160 636	52.5	306 174
Goods and services	373 391	452 725	147 402	32.6	305 323	67.4	452 725
Interest and rent on land		-		-	-	-	-
Transfers and subsidies to:	2 329 046	1 837 535	1 196 437	65.1	641 098	34.9	1 837 535
Provinces and municipalities	9 553	8 550		-	8 550	100.0	8 550
Departmental agencies and accounts	1 543 700	1 343 116	901 315	67.1	441 801	32.9	1 343 116
Higher education institutions	2 000	14 617		-	14 617	100.0	14 617
Foreign governments and international organisations		-		-	-	-	-
Public corporations and private enterprises	540 534	269 966	147 942	54.8	122 024	45.2	269 966
Non-profit institutions	222 421	195 108	141 624	72.6	53 484	27.4	195 108
Households	10 838	6 178	5 556	89.9	622	10.1	6 178
Payments for capital assets	3 842	8 171	2 203	27.0	5 968	73.0	8 171
Buildings and other fixed structures	17	-		-	-	-	-
Machinery and equipment	3 825	7 971	2 203	27.6	5 768	72.4	7 971
Heritage assets		-		-	-	-	-
Specialised military assets		-		-	-	-	-
Biological assets		-		-	-	-	-
Land and subsoil assets		-		-	-	-	-
Software and other intangible assets		200		-	200	100.0	200
Payments for financial assets	607	6	6	100.0	-	-	6
Total	2 983 585	2 604 611	1 491 586	57.3	1 113 025	42.7	2 604 611

- Programme 4 spending was high at 58.7 per cent compared to the straight-line benchmark of 50 per cent because the quarterly payment schedule of KZNLA was revised by the department and the entity when concluding the SLA. As such, the transfer was increased from the original projections to be aligned with the entity's activities for the first half of the year. Also contributing marginally was unanticipated spending relating to staff exit costs.
- Programme 5 was extremely low at 31.2 per cent of the annual budget compared to the straight-line benchmark of 50 per cent. This low spending is mainly ascribed to the moratorium on the filling of non-critical vacant posts, delays in the signing of SLAs for the Solar PV Rooftop project, as well as the Bio-Gas project in respect of research and development projects conducted in partnership with other institutions. Also contributing was no spending recorded to install the Statistical Database software because the service provider is taking longer than anticipated.
- Spending against Programme 6 is higher than the 50 per cent straight-line benchmark, at 52.7 per cent due to the increased transfers to KZNSB and TKZN, as the quarterly payment schedules were revised by the department and both the entities when concluding the SLA. Furthermore, the TKZN transfer included additional funding for the Loeries Creative Week, and the Vodacom Durban July events.
- Programme 7 spending was high at 57.4 per cent because EKZWN received an increased transfer compared to projections in line with the SLA between the department and the entity. *Transfers and subsidies to: Households* was high due to unanticipated staff exit costs, which are difficult to predict.

With regard to economic classification categories:

- Spending against *Compensation of employees* was slightly lower than the 50 per cent straight-line benchmark at 47.5 per cent due to delays in the filling of posts, as well as the moratorium in the filling of posts.
- Spending against *Goods and services* was at 32.6 per cent which is lower than the 50 per cent benchmark. This mainly emanates from slow administration processes which affected the implementation of several projects associated with the LCF programme and the CFP support programme, as explained above. There are also challenges in implementation of the KZN Industrial Hub projects, since the project manager post was vacant, and there were also savings relating to IASP. Also contributing were delays in the implementation of the Nkululeko Cwaka Msinga project, where the implementation of the project is dependent on COGTA processes, as they are dealing with planning for this project. There was also a saving as a result of cost-cutting implemented in respect of

the Mbumbulu May Day and Vodacom Durban July. Also contributing was low spending due to a consumer awareness campaign event, which did not take place as anticipated.

The spending against the *Transfer and subsidies* categories were high because most public entities received increased transfers in the second quarter.

- With regard to expenditure against *Transfer and subsidies to: Departmental agencies and accounts*, 67.1 per cent of its annual budget was transferred in the first half of the financial year. This is largely attributed to the quarterly payment schedules which were revised upward by the department in respect of most public entities including TIK, DTPC, KZNLA, KZNSB, EKZNW and TKZN. The quarterly payment schedules for all these entities were revised and increased to be aligned with these entities' activities. In addition, the TKZN transfer was increased because of the Vodacom Durban July 2016 and the Loeries Creative Week events that were co-ordinated by the entity on behalf of the department.
- With regard to expenditure against *Transfers and subsidies to: Public corporations and private enterprises*, spending was 54.8 per cent which is higher than 50 per cent benchmark due to transfer payments made to various private enterprises for events including the Youth Business Campaign, the KZN Youth Expo 2016, the Career and Business Skills Development, the uThungulu Women in Business Conference Awards, the Future Leaders Awards, the Culture Food and Music Festival and the SABC Summer Song 2015.
- *Transfers and subsidies to: Non-profit institutions* spending was at 72.6 per cent, and this is significantly higher than the straight line benchmark of 50 per cent due to the KZN Growth Fund Trust annual allocation which was transferred in full to the entity, and the increased transfer received by KZNFC and MKI, after the quarterly payment schedules were revised and increased to be aligned with these entities' activities.
- *Transfers and subsidies to: Households* spending was for higher than the 50 per cent straight-line benchmark at 89.9 per cent because external bursaries relating to the Postgraduate Diplomas and Masters in LED offered by UKZN were paid earlier than anticipated. Also contributing were staff exit costs which were higher than anticipated.
- With regard to *Machinery and equipment*, only 27.6 per cent was paid which is far lower than the 50 per cent benchmark due to delays in the relocation of the Ministry office from Durban to Pietermaritzburg. Also contributing were lengthy recruitment processes, as well as the moratorium on the filling of non-critical posts, and therefore there was lower expenditure for additional equipment requirements.

The department is projecting a balanced budget at year-end after the adjustments have been made.



Table 4.A : Summary by economic classification : Economic Development, Tourism and Environmental Affairs

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>823 031</b>	-	-	(16 756)	(48 600)	1 224	(64 132)	758 899
Compensation of employees	346 398	-	-	(41 448)	-	1 224	(40 224)	306 174
Salaries and wages	295 618	-	-	(29 097)	-	1 224	(27 873)	267 745
Social contributions	50 780	-	-	(12 351)	-	-	(12 351)	38 429
Goods and services	476 633	-	-	24 692	(48 600)	-	(23 908)	452 725
Administrative fees	1 245	-	-	320	-	-	320	1 565
Advertising	12 182	-	-	1 618	-	-	1 618	13 800
Assets less than capitalisation threshold	6 828	-	-	(5 231)	-	-	(5 231)	1 597
Audit cost: External	4 800	-	-	(204)	-	-	(204)	4 596
Bursaries: Employees	1 775	-	-	(1 065)	-	-	(1 065)	710
Catering: Departmental activities	8 016	-	-	(4 396)	-	-	(4 396)	3 620
Communication (G&S)	13 176	-	-	(3 069)	-	-	(3 069)	10 107
Computer services	15 078	-	-	1 311	-	-	1 311	16 389
Cons & prof serv: Business and advisory services	171 904	-	-	76 438	(46 477)	-	29 961	201 865
Cons & prof serv: Infras and planning	-	-	-	-	-	-	-	-
Cons & prof serv: Laboratory services	20	-	-	-	-	-	-	20
Cons & prof serv: Scientific and tech services	-	-	-	-	-	-	-	-
Cons & prof serv: Legal costs	2 720	-	-	1 545	-	-	1 545	4 265
Contractors	16 286	-	-	7 821	-	-	7 821	24 107
Agency and support / outsourced services	71 386	-	-	(23 569)	(1 823)	-	(25 392)	45 994
Entertainment	340	-	-	(270)	-	-	(270)	70
Fleet services (incl. govt motor transport)	4 219	-	-	(316)	-	-	(316)	3 903
Housing	-	-	-	-	-	-	-	-
Inventory: Clothing material and accessories	5 415	-	-	(2 612)	-	-	(2 612)	2 803
Inventory: Farming supplies	10 900	-	-	(4 990)	-	-	(4 990)	5 910
Inventory: Food and food supplies	60	-	-	(60)	-	-	(60)	-
Inventory: Fuel, oil and gas	-	-	-	-	-	-	-	-
Inventory: Learner and teacher support material	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	100	-	-	-	-	-	-	100
Inventory: Medical supplies	-	-	-	-	-	-	-	-
Inventory: Medicine	-	-	-	-	-	-	-	-
Medsas inventory interface	-	-	-	-	-	-	-	-
Inventory: Other supplies	40	-	-	171	-	-	171	211
Consumable supplies	1 543	-	-	944	-	-	944	2 487
Consumable: Stationery, printing and office supplies	4 321	-	-	(1 988)	-	-	(1 988)	2 333
Operating leases	37 220	-	-	(3 653)	-	-	(3 653)	33 567
Property payments	18 606	-	-	2 156	-	-	2 156	20 762
Transport provided: Departmental activity	3 650	-	-	(2 332)	-	-	(2 332)	1 318
Travel and subsistence	45 841	-	-	(7 090)	-	-	(7 090)	38 751
Training and development	2 895	-	-	(740)	-	-	(740)	2 155
Operating payments	5 157	-	-	(80)	(300)	-	(380)	4 777
Venues and facilities	8 910	-	-	(4 726)	-	-	(4 726)	4 184
Rental and hiring	2 000	-	-	(1 241)	-	-	(1 241)	759
Interest and rent on land	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Rent on land	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to</b>	<b>1 871 620</b>	-	-	<b>16 920</b>	<b>48 600</b>	<b>(99 605)</b>	<b>(34 085)</b>	<b>1 837 535</b>
Provinces and municipalities	6 050	-	-	5 000	(2 500)	-	2 500	8 550
Provinces	50	-	-	-	-	-	-	50
Provincial Revenue Funds	-	-	-	-	-	-	-	-
Provincial agencies and funds	50	-	-	-	-	-	-	50
Municipalities	6 000	-	-	5 000	(2 500)	-	2 500	8 500
Municipalities	6 000	-	-	1 500	(6 000)	-	(4 500)	1 500
Municipal agencies and funds	-	-	-	3 500	3 500	-	7 000	7 000
Departmental agencies and accounts	1 315 649	-	-	13 804	13 268	395	27 467	1 343 116
Social security funds	-	-	-	-	-	-	-	-
Entities receiving funds	1 315 649	-	-	13 804	13 268	395	27 467	1 343 116
Higher education institutions	8 500	-	-	3 617	2 500	-	6 117	14 617
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	281 740	-	-	(12 641)	65 749	(64 882)	(11 774)	269 966
Public corporations	247 970	-	-	(16 191)	37 040	(64 882)	(44 033)	203 937
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	247 970	-	-	(16 191)	37 040	(64 882)	(44 033)	203 937
Private enterprises	33 770	-	-	3 550	28 709	-	32 259	66 029
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	33 770	-	-	3 550	28 709	-	32 259	66 029
Non-profit institutions	254 334	-	-	6 309	(30 417)	(35 118)	(59 226)	195 108
Households	5 347	-	-	831	-	-	831	6 178
Social benefits	100	-	-	1 975	-	-	1 975	2 075
Other transfers to households	5 247	-	-	(1 144)	-	-	(1 144)	4 103
<b>Payments for capital assets</b>	<b>8 341</b>	-	-	<b>(170)</b>	-	-	<b>(170)</b>	<b>8 171</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	4 141	-	-	3 830	-	-	3 830	7 971
Transport equipment	2 500	-	-	(1 464)	-	-	(1 464)	1 036
Other machinery and equipment	1 641	-	-	5 294	-	-	5 294	6 935
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	4 200	-	-	(4 000)	-	-	(4 000)	200
<b>Payments for financial assets</b>	<b>-</b>	-	-	<b>6</b>	-	-	<b>6</b>	<b>6</b>
<b>Total</b>	<b>2 702 992</b>	-	-	-	-	<b>(98 381)</b>	<b>(98 381)</b>	<b>2 604 611</b>
<b>Amount to be voted</b>							<b>(98 381)</b>	