

















**EASTERN CAPE** 

# **ESTIMATES OF PUBLIC ENTITIES REVENUE & EXPENDITURE**

2019/20







# **EASTERN CAPE ESTIMATES OF PUBLIC ENTITIES REVENUE & EXPENDITURE**

2019

To obtain additional information and / or copies of this document, please contact:

Eastern Cape Provincial Treasury Division: Communication Services Private Bag X0029 Bhisho 5605

Contact Person: Ms. N. Skoti

Tel.: (040) 101 0157

Email: customercare@ectreasury.gov.za

The document is also available on the internet at: www.ectreasury.gov.za

PR No.: PR562/2019 ISBN: 998-0-621-4787-9

### **FOREWORD**

When we conceptualised the Developmental State, we had always envisaged the role of State Owned Entities to be drivers for growth and development through improved human and technical capacity as well as better systems for effectiveness and efficiencies.

The Eastern Cape economy is interlinked with both the national and global economic environment. To that extent, the province is not spared from the impact of uncertain and slow global economic recovery, low investor confidence and the structural bottlenecks that deter private sector commitment in our economy.

The National Treasury revised the GDP growth forecast from 0.7 per cent in the 2018 MTBPS to a projected GDP growth of 1.5 per cent in 2019, rising moderately to 2.1 per cent by 2021, which is far less than the 5.4 per cent growth, needed to grow the economy, absorb labour and generate adequate tax revenue for the country.

Public Entities, especially the government business enterprises (3D's), have a direct role in building business confidence to the province. Given that they already enjoy a significant share of foreign direct investment through the automotive sector amongst others, they have a critical role to play in promoting investments by domestic and foreign investors that will increase levels of direct employment. The automotive sector is currently the key driver of the regional gross domestic product (R-GDP). Two of our Special Economic Zones, East London Industrial Development Zone (ELIDZ) and Coega Development Corporation (CDC) are critical players in this sector for local economic growth and value chain development.

The Eastern Cape government has made a provision of R 1,097 Billion for the 2019 MTEF to support inclusive economic and leverage additional private sector investment through the ECDC, Coega Development Corporation, the ELIDZ and Eastern Cape Performing Arts Council in the form of the provincial stimulus package. Furthermore, budget for capital projects in economic infrastructure has increased significantly over the MTEF due to additional funding from Department of Trade and Industry (DTI) through ELIDZ for zone development, and from National Department of Environmental Affairs (DEA) for capital projects at nature reserves through Eastern Cape Parks and Tourism Agency (ECPTA).

The benefits that accrue from this economic sector are contributing to employment creation and alleviating poverty through increasing the manufacturing base in the province. Whilst this is far from the needed economic growth projected in the National Development Plan to rid South Africa of poverty and inequality, it certainly does represent a positive shift.

The revenue contribution of the Gambling Board as well as the Liquor Board has increased significantly in the period under review. Already, some of the public entities contribute to economic growth, diversification, capital infrastructure development and increased revenue into the provincial own revenue. The province is also supporting Rural Enterprise Development hubs (RED Hubs) initiative and provides co-funding for Amajingqi Macadamia Nut project in Willowvale through in the Land Bank. In addition, public entities are contributing to enhancing liquor regulations and promoting responsible gambling.

The province continues to implement austerity measures within its public entities due to the current economic outlook and prevailing fiscal constraints, and in line with the cost containment measures announced by National & Provincial Government. Provincial Treasury is in the process of reviewing the provincial governance framework that will serve as a guideline for controlling departments when appointing board of directors for public entities, promoting uniform and transparent administrative processes, and in determining the remuneration in line with government policy imperatives.

Furthermore, a continued focus is being put on the transitional arrangements of the two provincial Industrial Development Zones (IDZs) to become fully flagged Special Economic Zones (SEZs) in line with enhancing regional exporting capacity and diversifying the economic sectors supported by the province

HONOURABLE LUBABALO OSCAR MABUYANE

**MEC FOR FINANCE** 

# **TABLE OF CONTENTS**

FOF	REWORD	3
LIS	F OF ACRONYMS	6
EXE	CUTIVE SUMMARY	8
1.	Eastern Cape Development Corporation (ECDC)	. 15
2.	Eastern Cape Gambling Board (ECGB)	. 25
3.	Eastern Cape Liquor Board (ECLB)	. 33
4.	Eastern Cape Provincial Arts and Culture Council (ECPACC)	. 41
5.	Eastern Cape Parks & Tourism Agency (ECPTA)	. 49
6.	Eastern Cape Rural Development Agency (ECRDA)	. 57
7.	Eastern Cape Socio Economic Consultative Council (ECSECC)	. 67
8.	East London Industrial Development Zone (ELIDZ)	.75
9.	Mayibuye Transport Corporation (MTC)	. 83
10.	Coega Development Corportation (CDC)	. 89
TA	BLE	
Tab	le A: Table A: Summary of transfers to provincial public entities	9
	le B: Summary of actual revenue and estimates by source and entity	
	le C: Summary of actual and projected expenditure	
	le D: Summary of actual and projected personnel numbers, including Accounting Authorities (Board of Directors)	
	le 9.1: 2017/18 Budget and MTEF Estimates	
	le 10.1: ECDC Personnel information	
	le 9.1: 2017/18 Budget and MTEF Estimates	
Tab	le 10.: ECGB Personnel information	.31
Tab	le 3.1: 2017/18 Budget and MTEF Estimates	. 38
Tab	le 3.2: ECLB Personnel Information	. 39
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	. 46
Tab	le 10.1: ECPACC Personnel information	. 47
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	. 55
Tab	le 10.1: ECPTA Personnel information	. 56
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	. 63
Tab	le 10.1: ECRDA Personnel Information	. 65
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	.72
Tab	le 10.1: ECSECC Personnel information	.73
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	. 80
Tab	le 10.1: ELIDZ Personnel Information	. 82
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	. 87
Tab	le 10.1: MTC Personnel Information	. 88
Tab	le 9.1: 2017/18 Budget and MTEF Estimates	.94
Tab	le 10.1: CDC Personnel Information	. 95

#### **LIST OF ACRONYMS**

AGSA Auditor-General South Africa
APP Annual Performance Plan

ARDA Agrarian Research and Development Agency

BCMM Buffalo City Metropolitan Municipality

CATHSSETA Culture Arts Tourism Hospitality Sport Sector Education and Training Authority

CDC Coega Development Corporation

CEO Chief Executive Officer

CoE Compensation of Employees

CPI Consumer Price Index

DBSA Development Bank of South Africa

**DoT** Department of Transport

**DEDEAT** Department of Economic Development, Environment Affairs and Tourism

DRDAR Department of Rural Development and Agrarian Reform

**DSDSP** Department of Social Development and Special Programmes

DSRAC Department of Sport, Recreation, Arts and Culture

DTI Department of Trade and Industry

ECDC Eastern Cape Development Corporation

ECCB Eastern Cape Gambling Board
ECLB Eastern Cape Liquor Board

**ECPACC** Eastern Cape Provincial Arts and Culture Council

ECPTA Eastern Cape Parks and Tourism Agency
ECRDA Eastern Cape Rural Development Agency

**ECSECC** Eastern Cape Socio-Economic Consultative Council

**ELIDZ** East London Industrial Development Zone

**EPRE** Estimates of Provincial Revenue and Expenditure

FAS Foetal Alcohol Syndrome

GEF Global Environmental Foundation
HIPP High Impact Priority Programme
IDZ Industrial Development Zones

MDA Manufacturing Development Act 187 of 1993

MEC Member of Executive Council

METT-SA Management Effective Tracking Tool- South Africa

MTC Mayibuye Transport Corporation

MTEF Medium-Term Expenditure Framework

NAF National Arts Festival

NDP National Development Plan

NFVF National Film and Video Foundation

NT National Treasury

OEM Original Equipment Manufacture

OTP Office of the Premier

PEOH Port Elizabeth Opera House

PFMA Public Finance Management Act 1 of 1999 (as amended)

PICC Presidential Infrastructure Coordinating Committee

**PSDF** Provincial Spatial Development Framework

PT Provincial Treasury

RED Rural Enterprise Development

RFP Request for Proposal

SABC South African Broadcasting Corporation

SANBI South African National Bio-diversity Institute

SAPS South African Police Service

SATMA South African Traditional Music Awards

SEZ Special Economic Zone

SEZ Act Special Economic Zone Act 16 of 2014

SIIDP Social Integrated Infrastructure Development Programme

**SMME** Small Medium and Micro Enterprise

TEP Tourism Enterprise Partnership

TVET Technical and Vocational Education and Training.

## **EXECUTIVE SUMMARY**

The Eastern Cape Government has ten provincial public entities. Six of these are listed as Schedule 3C in the Public Finance Management Act, No.1 of 1999 (PFMA) as amended, namely:

- Eastern Cape Socio-Economic Consultative Council (ECSECC)
- Eastern Cape Rural Development Agency (ECRDA)
- Eastern Cape Parks and Tourism Agency (ECPTA)
- Eastern Cape Gambling Board (ECGB)
- Eastern Cape Liquor Board (ECLB)
- Eastern Cape Provincial Arts and Culture Council (ECPACC)

Three public entities are listed as provincial government business enterprises (Schedule 3D) in the PFMA, namely:

- Eastern Cape Development Corporation (ECDC)
- East London Industrial Development Zone (ELIDZ) and
- Mayibuye Transport Corporation (MTC).

Coega Development Corporation (CDC) is an unlisted provincial public entity.

#### Summary of transfers to provincial public entities

Table A: Summary of transfers to provincial public entities

	A	udited Outcon	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-	term receipts	estimate	% change	Avg from 2019/20
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22	from 2018/19	to 2021/22
E01 IDZ: East London Industrial Development Zone (Pty) Ltd (ELIDZ)	116 990	144 217	757 848	112 172	525 727	525 727	1 319 134	120 244	123 857	150.9	(43.9)
E02 ECD: Eastern Cape Development Corporation (ECDC)	221 180	155 523	186 663	198 434	253 403	253 403	482 439	502 231	529 269	90.4	4.7
E03 PAC: Eastern Cape Provincial Arts and Culture Council (ECPACC)	13 591	12 300	12 400	12 300	12 300	12 300	12 720	13 179	13 719	3.4	3.9
E04 GBB: Eastern Cape Gambling Board (ECGB)	43 843	50 134	53 627	55 761	55 761	55 761	58 710	60 634	62 969	5.3	3.6
E05 ELB: Eastern cape Liquor Board (ECLB)	43 792	49 711	56 865	59 541	61 531	61 531	62 483	66 413	69 066	1.5	5.1
E06 PTA: Eastern Cape Parks and Tourism Board (ECPTA)	254 782	204 643	225 126	280 751	294 262	294 262	376 936	239 127	239 470	28.1	(18.2)
E07 RDA: Eastern Cape Rural Development Agency(ECRDA)	173 637	201 086	236 335	248 928	263 928	263 928	192 564	184 385	186 244	(27.0)	(1.6)
E08 SEC: Eastern Cape Socio Economic Consultative Council (ECSECC)	44 679	37 826	40 167	41 429	42 241	42 241	43 752	46 202	48 743	3.6	5.5
E09 CDC: Coega Development Corporation (CDC)	338 619	223 900	324 504	30 000	61 934	61 934	56 620	63 327	35 000	(8.6)	(100.0)
E10 MTC: Mayibuye Transport Corporation (MTC)	109 404	116 029	118 445	114 581	129 581	129 581	120 997	127 772	134 799	(6.6)	5.5
Total payments and estimates	1 360 517	1 195 369	2 011 980	1 153 897	1 700 668	1 700 668	2 726 355	1 423 514	1 443 136	60.3	(23.2)
Total provincial payments and estimates	65 168 278	69 486 988	74 629 820	78 433 947	79 109 119	80 066 390	82 198 245	86 113 903	89 736 613	2.7	4.5
Percentage Share	2%	2%	3%	1%	2%	2%	3%	2%	2%		

Source: Provincial Treasury Database, 2019/20

Table A above indicates that total transfers to provincial public entities and government business enterprises (including transfers received from sources other than the Provincial Revenue Fund) from the 2015/16 to 2021/22 financial years. Total transfers increased from R1.360 billion in 2015/16 to a revised estimate of R1.700 billion in 2018/19. In 2019/20, total transfers are projected to increase to R2.726 billion (60.3 per cent) due to additional allocation from Department of Trade and Industry (DTI) through ELIDZ for zone development, from National Department of Environmental Affairs (DEA) for capital projects at nature reserves and stimulus package to support SMMES through ECDC. Over the 2019 MTEF, provincial transfers are projected to decrease by 23.2 per cent mainly due to the once-off DTI allocation to ELIDZ in 2019/20.

#### Revenue

Table B: Summary of actual revenue and estimates by source and entity

	Αι	ıdited Outcoı	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-1	term receipts	s estimate	% change from
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22	2018/19
Revenue										
Tax revenue	182 195	192 875	200 116	216 210	216 210	216 613	228 319	240 875	254 124	5.4
Non-tax revenue	2 443 860	2 326 504	3 261 570	2 166 299	3 140 854	3 140 623	3 729 534	2 508 147	2 573 010	18.8
Sale of goods and services other than capital assets	853 915	886 708	965 622	806 338	812 621	812 489	872 304	956 512	1 003 894	7.4
Entity revenue other than sales	41 258	30 239	37 168	28 019	28 200	28 450	29 083	32 916	29 995	2.2
Transfers received	1 360 517	1 195 369	2 011 980	1 153 897	1 700 668	1 700 668	2 726 355	1 423 514	1 443 136	60.3
Sale of capital assets	7 525	15 975	67 004	15 000	15 016	15 016	5 000	5 000	5 000	(66.7)
Financial transactions in assets and liabilities	147 557	159 977	104 908	112 352	114 110	113 760	58 902	59 058	62 245	(48.2)
Other non-tax revenue	33 088	38 236	74 889	50 693	470 239	470 240	37 890	31 147	28 739	(91.9)
Total revenue	2 626 055	2 519 379	3 461 686	2 382 509	3 357 064	3 357 236	3 957 853	2 749 022	2 827 134	17.9
504107.5										
E01 IDZ: East London Industrial Development Zone (Pty) Ltd (ELIDZ)	227 880	264 568	886 339	259 704	673 259	673 259	1 491 648	298 629	312 053	121.6
E02 ECD: Eastern Cape Development Corporation (ECDC)	539 464	506 891	649 761	473 982	615 657	615 657	664 071	684 928	717 623	7.9
E03 PAC: Eastern Cape Provincial Arts and Culture Council (ECPACC)	14 130	14 138	13 549	12 825	12 825	12 825	13 350	13 914	14 459	4.1
E04 GBB: Eastern Cape Gambling Board (ECGB)	211 317	232 023	249 335	265 028	266 896	266 019	280 185	293 111	308 802	5.3
E05 ELB: Eastern cape Liquor Board (ECLB)	68 254	72 395	77 935	83 421	88 724	89 773	87 726	93 066	97 185	(2.3)
E06 PTA: Eastern Cape Parks and Tourism Board (ECPTA)	282 932	226 046	249 041	307 054	326 555	326 555	409 580	294 607	271 896	25.4
E07 RDA: Eastern Cape Rural Development Agency (ECRDA)	212 797	229 338	272 892	266 236	281 236	281 236	210 323	202 245	204 896	(25.2)
E08 SEC: Eastern Cape Socio Economic Consultative Council (ECSECC)	44 978	38 521	44 316	41 729	46 178	46 178	44 102	46 552	49 128	(4.5)
E09 CDC: Coega Development Corporation (CDC)	879 789	786 837	867 289	520 678	878 882	878 882	595 539	646 041	665 487	(32.2)
E10 MTC: Mayibuye Transport Corporation (MTC)	144 514	148 622	151 229	151 852	166 852	166 852	161 329	175 929	185 605	(3.3)
Total Revenue	2 626 055	2 519 379	3 461 686	2 382 509	3 357 064	3 357 236	3 957 853	2 749 022	2 827 134	17.9

Table B above shows the summary of actual and projected revenue trends from the 2015/16 to 2021/22 financial years. Total revenue collected increased from R2.626 billion in 2015/16 to revised estimate of R3.357 billion in 2018/19.

In 2019/20, total revenue is projected to increase to R3.957 billion (17.9 per cent) due to the increase in transfers received. Over the 2019 MTEF, the total revenue is projected to decrease to R2.749 billion in 2020/21 and R2.827 billion by 2021/22.

#### **Expenditure**

Table C: Summary of actual and projected expenditure

R thousand	Αι	idited Outcor	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-1	erm receipts	s estimate	% change from
	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22	2018/19
Expenses	33 088	38 236	74 889	50 693	470 239	470 240	37 890	31 147	28 739	(91.9)
Current expense	1 621 234	1 778 362	1 817 313	1 770 824	1 833 198	1 833 270	1 941 522	2 013 008	2 083 984	5.9
Compensation of employees	786 079	852 483	915 941	939 067	939 727	939 685	994 979	1 072 583	1 129 582	5.9
Goods and services	824 955	887 080	887 090	826 929	889 612	889 761	942 827	936 432	950 191	6.0
Interest on rent and land	10 200	38 799	14 282	4 828	3 859	3 824	3 716	3 993	4 212	(2.8)
Transfers and subsidies	66 214	54 526	88 808	121 024	128 945	128 945	375 235	379 101	400 808	191.0
Payments for capital assets	127 645	430 113	439 012	173 560	1 017 099	1 016 796	1 352 555	55 528	26 479	33.0
Payments for financial assets	105 707	185 318	143 896	100 892	161 612	161 612	60 222	60 510	61 739	(62.7)
Total expenses	1 920 800	2 448 319	2 489 029	2 166 300	3 140 854	3 140 623	3 729 534	2 508 147	2 573 011	18.8
E01 IDZ: East London Industrial Development Zone (Pty) Ltd (ELIDZ)	205 094	249 488	418 139	259 704	673 259	673 259	1 491 648	298 629	312 053	121.6
E02 ECD: Eastern Cape Development Corporation (ECDC)	467 754	595 571	649 678	473 982	615 657	615 657	664 071	684 928	717 623	7.9
E03 PAC: Eastern Cape Provincial Arts and Culture Council (ECPACC)	14 371	14 374	13 273	12 825	12 825	12 825	13 350	13 914	14 459	4.1
E04 GBB: Eastern Cape Gambling Board (ECGB)	53 288	61 475	63 168	72 248	74 116	73 885	76 609	78 339	82 217	3.7
E05 ELB: Eastern cape Liquor Board (ECLB)	44 100	50 196	49 320	59 991	65 294	65 294	62 983	66 963	69 646	(3.5)
E06 PTA: Eastern Cape Parks and Tourism Board (ECPTA)	212 397	226 046	239 497	307 054	326 555	326 555	409 580	294 607	271 896	25.4
E07 RDA: Eastern Cape Rural Development Agency(ECRDA)	201 799	209 578	272 892	266 236	281 236	281 236	210 323	202 245	204 896	(25.2)
E08 SEC: Eastern Cape Socio Economic Consultative Council (ECSECC)	42 973	39 288	44 110	41 729	46 178	46 178	44 102	46 552	49 128	(4.5)
E09 CDC: Coega Development Corporation (CDC)	562 031	835 297	580 229	520 678	878 882	878 882	595 539	646 041	665 487	(32.2)
E10 MTC: Mayibuye Transport Corporation (MTC)	116 993	167 007	158 723	151 852	166 852	166 852	161 329	175 929	185 605	(3.3)
Total Revenue and estimates	1 920 800	2 448 319	2 489 029	2 166 300	3 140 854	3 140 623	3 729 534	2 508 147	2 573 011	18.8

Table C above shows a summary of payments and projected expenditure from the 2015/16 to the 2021/22 financial years. Total expenditure increased from R1.920 billion in 2015/16 to a revised estimate of R3.140 billion in 2018/19 due to increase in payments for capital assets for economic infrastructure (mainly ELIDZ, ECDC and CDC).

In 2019/20, total expenditure is projected to increase to R3.729 billion (18.8 per cent) due to additional funding from Department of Trade and Industry (DTI) through ELIDZ for zone development, from National Department of Environmental Affairs (DEA) for capital projects at nature reserves and stimulus package to support SMMES through ECDC. Over the 2019 MTEF, total expenditure is projected to decrease to R2.508 billion in 2020/21 and R2.573 billion in 2021/22 due to once-off allocation from DTI and DEA in 2019/20.

Expenditure on Compensation of Employees increased from R786.079 million in 2015/16 to revised estimate of R939.685 million in 2018/19. In 2019/20, compensation of employees is projected to increase to R994.979 million (5.9 per cent) and increase marginally over the 2019 MTEF.

Expenditure on Goods and Services includes all operational expenditure incurred in the carrying out of mandated activities. Expenditure on Goods and Services increased from R824.955 million in 2015/16 to R889.761 million in 2018/19. In 2019/20, the expenditure on Goods and Services is projected to further increase to R942.827 million (6 per cent) and marginally increase over the 2019 MTEF.

Transfers and subsidies increased from R66.214 million in 2015/16 to R128.945 million in 2018/19. In

2019/20, the transfers and subsidies are projected to increase to R375.235 million (191 per cent) mainly due to stimulus package allocated to ECDC for SMME's and ECRDA co-funding for Amajingqa Macadamia Nut project through Land Bank. Over the 2019 MTEF, transfers and subsidies are projected to increase marginally to R379.101 million in 2020/21 and R400.808 million by 2021/22.

Payments for capital assets increased from R127.645 million in 2015/16 to a revised estimate of R1.016 billion in 2018/19. In 2019/20, payments for capital assets are projected to increase to R1.352 billion (33 per cent) mainly due to the SEZ infrastructure funds. Over the 2019 MTEF, payments for capital assets is projected to decrease to R55.528 million in 2020/21 and R26.479 million in 2021/22 mainly due to once-off SEZ infrastructure funds in 2019/20 financial year.

Payments for financial assets relates to loan disbursements made by ECDC and ECRDA. Payments for financial assets increased from R105.707 million in 2015/16 to a revised estimate of R161.612 million in 2018/19. In 2019/20, payments for financial assets are projected to decrease to R60.222 million (62.7 per cent). Over the 2019 MTEF, the payments for financial assets are projected to increase minimally to R60.510 million in 2020/21 and R61.739 million in 2021/22.

#### **Personnel Information**

Table D: Summary of actual and projected personnel numbers, including Accounting Authorities (Board of Directors)

	Au	dited outcon	пе	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	s estimate
Salary level	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members	89	86	85	87	86	86	90	90	90
Executive Management	39	44	44	44	44	44	44	44	44
Senior Management	99	93	97	94	95	95	95	96	96
Middle Management	300	326	318	290	290	289	302	302	302
Professionals	400	380	384	391	393	390	393	393	393
Semi-skilled	1167	1041	872	855	848	858	867	867	867
Very low skilled	225	223	362	251	258	257	256	256	256
Total	2319	2193	2162	2012	2014	2019	2047	2048	2048
E09 CDC: Coega Development Corporation (CDC)	926	751	722	536	536	536	563	563	563
E02 ECD: Eastern Cape Development Corporation (ECDC)	191	217	211	185	185	185	175	175	175
E04 GBB: Eastern Cape Gambling Board (ECGB)	56	56	56	58	69	69	74	74	74
E05 ELB: Eastern cape Liquor Board (ECLB)	74	75	76	81	81	81	81	81	81
E03 PAC: Eastern Cape Provincial Arts and Culture Council (ECPACC)	26	26	25	26	26	26	29	29	29
E06 PTA: Eastern Cape Parks and Tourism Board (ECPTA)	527	514	484	519	509	519	519	519	519
E07 RDA: Eastern Cape Rural Development Agency(ECRDA)	89	179	162	164	164	164	164	164	164
E08 SEC: Eastern Cape Socio Economic Consultative Council (ECSECC)	60	56	55	56	57	57	56	56	56
E01 IDZ: East London Industrial Development Zone (Pty) Ltd (ELIDZ)	101	87	94	99	99	94	99	99	99
E10 MTC: Mayibuye Transport Corporation (MTC)	269	232	277	288	288	288	287	288	288
Total	2319	2193	2162	2012	2014	2019	2047	2048	2048
Compensation (R'000)	798 740	864 939	933 815	962 008	961 031	963 684	1 009 350	1 088 937	1 150 628
Unit cost (R'000)	344	394	432	478	477	477	493	532	562

Table D above illustrates the summary of personnel numbers and Accounting Authorities (Board members) of provincial public entities and government business enterprises. The number of board members (non-executive directors) varied over the past 4 years, decreasing from 89 in 2015/16 to 86 2018/19. In 2019/20, it is projected that the number of members of the Accounting Authority will increase to 90 and remains constant over the 2019 MTEF.

The total number of personnel of provincial public entities including board members decreased from 2 319 in 2015/16 to a revised estimate of 2 019 in 2018/19 mainly within ECDC and CDC. In 2019/20, personne numbers are projected to increase to 2 047 and marginally increase to 2 048 in 2021/22.







# **EASTERN CAPE DEVELOPMENT CORPORATION (ECDC)**

#### 1. Legislative Mandate

The Eastern Cape Development Corporation (ECDC) is a schedule 3D public entity in terms of the Public Finance Management Act (PFMA), which requires the entity to operate and trade under normal business principles with objectives of generating profits.

ECDC was established in accordance with the Eastern Cape Development Corporation Act 2 of 1997 to address prevailing socio-economic challenges and market failures within the Province.

The mandate of ECDC is to plan, finance, co-ordinate, market, promote and contribute to the development of its people in the fields of industry, commerce, agriculture, transport and finance; focusing primarily on financial and non-financial support to enterprises (emerging and existing), investor support to local and international companies and government and the delivery of socio-economic infrastructure.

#### 2. Vision

An innovative leader for promoting inclusive sustainable economic growth and development of the Eastern Cape.

#### 3. Mission

To promote inclusive sustainable socio-economic development through focused:

- Provision of innovative enterprise development financial services
- Leverage of resources, through strategic alliances, investment and partnerships.

#### 4. Strategic goals and Objectives

- Stimulate economic activities through focused investment and development of vital economic sectors.
- Attain financial sustainability through efficient use of resources.

#### 5. Main Services

ECDC offers a range of finance products and enterprise support services related to the following operational areas:

- a. SMME development finance & support;
- b. Trade, Investment and Innovation;
- c. Properties Management and Development;
- d. Strategic Projects; and
- e. Shared Services

#### 6. Programme details

#### **6.1 SMME Development Finance and Support:**

This programme consists of the SMME development finance support which provides a suite of finance products to emerging and established entrepreneurs, non-financial Business Support. The Unit also administers the Imvaba Co-operative Fund for the development and support of the co-operative organisations and EC Jobs Stimulus Fund for the support of the distressed industries through an incentive for saving, retaining and creating of jobs in the Eastern Cape Province.

#### 6.2 Trade, Investment and Innovation:

This programme consists of 3 functions. Innovation assists prospective clients in designated sectors to access support to exploit and optimize value chains. Trade promotion or market access provides access

to foreign and international market for local products. Investment promotion attracts foreign and local direct investors to come and invest in the Province.

#### **6.3 Property Management and Development:**

This programme leases out industrial and commercial premises to tenants (local, foreign and international).

#### **6.4 Strategic Projects:**

Strategic Projects Unit has been incorporated into the Properties Units but the programme is still responsible for strategic infrastructure investments. The sub-unit also provides project management services to sector departments and other entities in relation to socio-infrastructure development projects.

#### 6.5 Shared Services:

The programme is responsible for the general administration functions of the entity, including the corporate services functions and other governance related support functions.

#### 7. 2018/19 Performance review

#### 7.1 Key achievements

#### **SMME Development Finance and Support**

As at end of the third quarter of 2018/19, the Unit disbursed loans for the amount of R26.9 million to 136 SMMEs. A total of 520 jobs were facilitated, retained or saved during the review period as a result of the application of the loan finance instruments to stimulate economic activity.

Business support has been provided to 177 SMMEs. The support comes in the form of feasibility study support, business plans for start-up businesses as well as support to existing SMMEs with marketing material, website development, assistance with financial statements, and mentorship, training and marketing opportunities through the creative industries programme. A number of targeted mentorship programmes have been initiated to support designated groups and/or priority sectors and support was provided to 5 incubators in the Province.

The Unit also approved financial assistance to 17 co-operatives during the period under review. Of the 17 supported, 10 are agricultural co-ops. The EC Jobs Fund has to-date disbursed R3.26 million to qualifying companies saving 326 jobs.

#### **Trade, Investment and Innovation**

By the end of the third quarter of the 2018/19 financial year, the Unit facilitated 2 905 jobs, of which 2 371 are youth. The jobs numbers were bolstered by the ECDC's interventions in the film sector. The trade promotion unit as part of ECDC's ongoing support to exporters, provided 72 SMME's with integrated export support through their involvement in various exhibitions and international missions. The unit's various training programmes, resulted in 165 entrepreneurs being trained in critical skills that are needed to be successful entrepreneurs.

Export Help Desks in Port Elizabeth and East London are fully operational. Government, private and foreign investment into the Province totals R158.2 million to date, up to the end of the third quarter.

#### **Property Management and Development**

As at end of December 2018, the total collection was at R54.9 million from rental revenue and arrear rental collections. Property to the value of R2 million was disposed off during that period. The refurbishment of the Garden Court in Mthatha has also been completed and has been officially opened for business; this was R64 million investment by ECDC in this iconic building.

#### **Strategic Projects**

The Makana Sanitation and the Department of Education school projects continue from last year, and additional projects including the revitalisation of industrial parks, Dimbaza revitalisation and informal trade infrastructure development.

#### 7.2 Key challenges

#### **SMME** development finance and support

The key challenge is that of insufficient liquidity to provide high-value financing solutions for clients and programme implementation. The Eastern Cape has a highly diversified market leading to overstretched resources (both financial and human resources) and there is constant competition from other national development finance institutions and commercial lenders.

Since ECDC focuses on lower end of the lending spectrum, there are high loan default rates due to a number of factors including a culture of entitlement, direct payments (non-adherence to cessions) and the general risk of exposure resulting in high impairment rates. This then also affects debt collection coupled with the loan book heavy with "historical" loans affecting impairment calculations and performance perceptions.

With respect to business support there is a lower than average quality of final products namely business support interventions due to low levels of entrepreneurial expertise amongst SMME's compared to the use of third parties to provide business development services. Many of these challenges are predominantly historical in nature. In adopting a more targeted approach, ECDC hopes to depend less heavily on SMMEs supported by contracts in the provincial and/or municipal government spending arena and source clients operating outside of government fiscus and from the private sector.

#### **Trade, Investment and Innovation**

Eastern Cape's competitiveness and reputation is a major challenge especially since ECDC is active within the global arena. However the competitiveness of provincial offerings and development support on the international market will impair its outcomes.

The cost-competitiveness of energy, labour, and logistics remain key challenge for the Province coupled with the current fiscal constraints also posing a major constraint. The outworking's of the investment downgrade for South Africa's credit rating still remains a challenge especially since the delivery of this Unit hinges on external factors such as national stability, land tenure and balance of payments.

With respect to trade, the rising export costs, high levels of competitiveness in the export industry and access to trade finance remain binding challenges. The unit has highlighted the lack of updated information with regard to exporters and manufacturers in the province, and that the number of black-owned businesses that are export-ready remains very low.

There is a need to initiate a ring-fenced or dedicated fund for innovation and new product development. This funding product is envisaged to assist previously disadvantaged groups who have no capital back-up to support their innovative ideas as banks and other financiers remain risk averse. This dedicated fund is expected to assist the province to unlock new opportunities in areas such as the Oceans Economy, ICT, Film Industry, Agro-processing and Mining. The environment is also plagued by unexpected changes in policies and laws.

#### **Property Management and Development**

The rental collections are performing just above fifty percent of the expected market return relative to the size of the portfolio. The collection rate is attributable to disrepair of buildings and infrastructure and the delinquency of tenants.

Likewise, there is challenge with respect the capital investment into the state of the art buildings and capital injection is needed to bring buildings up to a reasonable market standard as well as investing into developing vacant land with high potential to provide returns. A process is underway over the coming period to engage private sector to assist in developing and managing certain key properties.

Renewed focus on debt collection and addressing defaulting tenants has resulted in higher year-on-year rental collection for the period, and this is expected to continue into the final quarter of the year. Prioritising internal capacity with respect to improving conditions of high potential industrial and commercial properties is expected to assist with higher rental collection rates and increased revenue.

#### **Strategic Projects**

There are serious challenges in the provincial coordination of the infrastructure projects which needs focused attention. The Unit was created to assist government to deliver on certain critical infrastructure projects however, the coordination has been lacking in aligning the infrastructure projects to the expertise in the corporation.

The viability of the unit depends heavily on its ability to secure funding for the implementation of projects for which it has concluded the planning. While the demand for implementation expertise in relation to social and economic infrastructure projects appears to be on the rise, the unit needs to secure allocated funding to ensure continued viability.

#### 8. 2019/20 Performance outlook

In the 2019/20 financial year, the ECDC is targeting the following key performance outputs:

- Provide non-financial developmental support to 150 SMMEs;
- Provide and disburse R55 million in loans to SMMEs:
- Attract local and foreign direct investments worth R370 million into the province.
- Facilitate the creation and saving of approximately 1365 jobs (of which 245 are youth jobs and 980 jobs saved through Jobs Fund support).
- Provide financial support to 20 co-operatives; and
- Facilitate innovation through support to 12 development projects in key sectors.

#### 9. Expenditure estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main appropriation	Adjusted appropriation	Revised estimate	Mediu	m-term estir	nates
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue									
Non-tax revenue	539 464	506 891	649 761	473 982	615 657	615 657	664 071	684 928	717 623
Sale of goods and services other than capital assets	128 034	133 342	202 962	96 204	96 204	96 204	82 571	88 938	93 830
Entity revenue other than sales	22 987	18 251	26 721	11 400	11 400	11 400	7 600	8 018	8 459
Transfers received	221 180	155 523	186 663	198 434	253 403	253 403	482 439	502 231	529 269
of which:									
Departmental transfers	221 180	153 023	184 022	181 375	236 344	236 344	472 139	502 231	529 269
Other transfers	-	2 500	2 641	17 059	17 059	17 059	10 300	-	-
Sale of capital assets	6 844	15 718	67 000	15 000	15 000	15 000	5 000	5 000	5 000
Financial transactions in assets and liabilities	135 100	155 711	98 281	108 600	108 600	108 600	55 000	55 000	58 025
Other non-tax revenue	25 319	28 346	68 135	44 344	131 050	131 050	31 461	25 741	23 040
Total revenue before deposits into the PRF	539 464	506 891	649 761	473 982	615 657	615 657	664 071	684 928	717 623
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	539 464	506 891	649 761	473 982	615 657	615 657	664 071	684 928	717 623
Expenses									
Current expense	281 750	292 508	291 480	242 039	256 734	256 734	247 534	256 790	267 206
Compensation of employees	102 903	126 712	140 180	118 322	118 322	118 322	119 135	126 878	130 365
Goods and services	178 723	165 795	151 300	123 717	138 412	138 412	128 399	129 912	136 841
Interest on rent and land	123	1	-	-	-	-	-	-	-
Transfers and subsidies	30 567	30 462	32 249	35 071	42 992	42 992	351 237	373 138	394 517
Payments for capital assets	63 124	104 601	204 949	101 872	160 211	160 211	10 300	-	-
Payments for financial assets	92 313	168 000	121 000	95 000	155 720	155 720	55 000	55 000	55 900
Total expenses	467 754	595 571	649 678	473 982	615 657	615 657	664 071	684 928	717 623
Surplus / (Deficit)	71 710	(88 680)	83	-	-	-	-	-	-

Non-tax revenue has been projected to increase from R473.984 million which is the main budget for 2018/19 financial year to R615.657 million revised estimate for the same financial year. This is due to mid-year adjustment estimates of R50 million for financing of SMMEs, R4.399 million for support to incubators and funds retained from 2017/18 financial year to complete the projects that were work-in progress as at 31 March 2018. Furthermore, in 2019 MTEF period the non-tax revenue is projected to increase due to additional funding provided for the implementation of the stimulus package related projects.

Transfers received have increased from a revised estimate of R253.403 million in 2018/19 to R482.439 million in 2019/20 mainly due to additional funding allocated for the Provincial Economic Stimulus Package. Transfers are projected to increase over the 2019 MTEF period to R529.269 million in 2021/22.

Compensation of Employees (COE) is projected to increase from a revised estimate of R118.322 million in 2018/19 to R119.135 million in 2019/20 financial year and that is as a result of a reduction in personnel numbers. Over the MTEF, COE is projected to grow by projected inflation to accommodate annual cost of living adjustment.

Goods and Services are projected to increase from a main appropriation of R123.717 million in 2018/19 to R128.399 million in 2019/20 mainly as a result of the increased spending on grant funded SMME development projects. Over the MTEF, Goods and Services are projected to increase with inflationary adjustments.

Transfers and subsidies relate to funding provided to the Economic Stimulus Package projects, Automotive Industry Development Centre (AIDC), Jobs Fund recipients and Imvaba Co-operatives. Over the 2019 MTEF, this funding is projected to increase from a revised estimate of R42.992 million in 2018/19 to R394.517 million in 2021/22.

#### **10. Personnel Information**

Table 10.1: ECDC Personnel information

	Au	dited outco	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	2 109	3 094	2 500	2 500	2 500	2 500	2 500	2 785	2 952
Personnel numbers (head count)	9	9	9	9	9	9	9	9	9
Unit cost	234	344	278	278	278	278	278	309	328
Executive Management									
Personnel cost (R thousand)	14 194	12 141	14 500	14 296	14 296	14 296	13 125	13 847	14 678
of which:									
Chief Financial Officer remuneration (R thousand)	1 557	2 097	2 097	1 500	1 500	1 500	1 521	1 605	1 701
Chief Executive officer remuneration (R thousand)	2 104	2 669	2 669	2 794	2 794	2 794	2 834	2 990	3 169
Personnel numbers (head count)	9	9	9	8	8	8	9	9	9
Unit cost	1 577	1 349	1 611	1 787	1 787	1 787	1 458	1 539	1 631
Senior Management									
Personnel cost (R thousand)	20 509	23 161	30 844	22 495	22 495	22 495	24 829	26 194	27 764
Personnel numbers (head count)	17	23	28	20	20	20	21	21	21
Unit cost	1 206	1 007	1 102	1 125	1 125	1 125	1 182	1 247	1 322
Middle Management									
Personnel cost (R thousand)	13 453	21 369	24 912	21 326	21 326	21 326	24 508	27 047	28 670
Personnel numbers (head count)	26	26	23	23	23	23	24	24	24
Unit cost	517	822	1 083	927	927	927	1 021	1 127	1 195
Professionals									
Personnel cost (R thousand)	36 101	50 333	45 761	42 599	42 599	42 599	39 194	41 350	43 831
Personnel numbers (head count)	60	75	74	72	72	72	60	60	60
Unit cost	602	671	618	592	592	592	653	689	731
Semi-skilled									
Personnel cost (R thousand)	17 754	18 542	21 511	15 650	15 650	15 650	16 064	16 948	17 965
Personnel numbers (head count)	63	66	61	46	46	46	45	45	45
Unit cost	282	281	353	340	340	340	357	377	399
Very low skilled									
Personnel cost (R thousand)	892	1 167	2 652	1 956	1 956	1 956	1 415	1 493	1 583
Personnel numbers (head count)	7	9	7	7	7	7	7	7	7
Unit cost	127	130	379	279	279	279	202	213	226
Total for entity									
Personnel cost (R thousand)	105 012	129 807	142 680	120 822	120 822	120 822	121 635	129 664	137 443
Personnel numbers (head count)	191	217	211	185	185	185	175	175	175
Unit cost	550	598	676	653	653	653	695	741	785

In 2019/20 the personnel number reduce the cost of employment.	rs including board	members is 175, I	lower than 2018/19	strategic focus to







# **EASTERN CAPE GAMBLING BOARD (ECGB)**

#### 1. Legislative Mandate

The Eastern Cape Gambling Board is listed in Schedule 3C of the Public Finance Management Act (PFMA), Act No.1 of 1999 as amended and reporting to the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). The entity was established in terms of the Gambling and Betting Act No 5 of 1997 (Eastern Cape) and the most recent amendment act (Act 1 of 2015) changed its name to the Eastern Cape Gambling Board.

ECGB's mandate is to oversee all gambling and betting activities in the province and matters related thereto as contemplated in the Act and to advise the Member of the Executive Council of the province for Economic Development, Environmental Affairs and Tourism with regard to gambling matters and to exercise certain powers contemplated in the Act.

#### 2. Vision

The best, most efficient and empowering gambling regulator.

#### 3. Mission

Committed to promoting a socially responsible gambling industry through regulation, licensing and appropriate enforcement; and to further ensure that the Eastern Cape gambling industry is conducted honestly and competitively with maximum contribution to society.

#### 4. Strategic objectives

The entity has the following strategic objectives to ensure that the mandate of the entity is achieved:

- To develop a highly capable work force of individuals and teams in order to optimize service delivery;
- To award gambling licenses to suitable and qualified applicants;
- To strengthen effective compliance and adherence with all relevant and applicable pieces of legislation;
- To organise public education and awareness sessions regarding excessive and irresponsible gambling;
- To guide the development and generation of information within the gambling industry in order to make informed decisions and choices about gambling;
- To protect the public and gambling operators from unlicensed gambling operators and illegal competition; and
- To promote good corporate governance and financial management systems for accountability purposes.

#### 5. Main services

The entity's main services are summarised as follows:

- To collect revenue in the form of gambling taxes, and pay it over to the provincial fiscus through DEDEAT;
- To conduct investigations and regulatory functions to ensure that the license award processes are flawless;
- To conduct revenue and compliance audits to ensure compliance and adherence to license conditions, legislation and regulations;
- To conduct awareness programmes to educate the public on gambling related issues in the province;
- To conduct sweeps and inspections in an effort to protect the public interest and the licensed operators from unfair and illegal competition;
- To ensure accurate budgeting, sound cash flow management and preparation of management accounts and annual financial statements in accordance with relevant standards and legislation;

- To conduct research surveys and seminars to guide the development of information in the gambling industry; and
- To implement socio-economic development projects in order to empower communities that are the most vulnerable and impoverished in the province.

#### 6. Programme details

ECGB delivers on its mandate by organizing its operations into activities, which pursue the organization's high-level goals and objectives through the following programmes:

#### • Corporate services management and administration:

Provides corporate administrative and management support services to the organisation and the board of directors, to ensure that the ECGB's mandate is executed, achieved and reported accordingly.

#### Gambling regulation:

Implements the Eastern Cape Gambling Act and other statutory mandates through conducting investigations, licensing, compliance, revenue and environmental audits, gambling control, and law enforcement. Furthermore, to inform the public about gambling economic opportunities within the province.

#### Research and Public Education:

To build a strong foundation for valid and reliable empirical research to inform operational, policy advisory and public interest activities such as responsible gambling. A robust research agenda is developed and updated annually to reflect evolving research priorities, which includes the implementation of research findings and recommendations. Furthermore, to protect and educate consumers and the public on responsible gambling.

#### 7. 2018/19 performance review

#### 7.1. Key Achievements

The ECGB is one of the largest contributors of tax revenue to the provincial fiscus in terms of gambling and betting taxes collected from licensees. The entity has contributed R143.526 million in tax collections to the provincial fiscus as at the end of third quarter 2018/19 financial year.

As at the end of the third quarter, the entity conducted 110 inspections, 50 compliance audits and 53 revenue audits in order to ensure tax revenue is correct, valid, accurate and complete and that licensees comply with the ECGB Act, other statutory legislation and commitments made prior to award of licenses.

The entity has further conducted 4 sweeps on possible illegal gambling in the province and 4 awareness programmes on gambling economic opportunities.

In order to minimize the harmful effects of excessive gambling, awareness programmes on responsible gambling were conducted in various municipalities of the province. Various platforms such as electronic media, print media and event platforms such as the Berlin November Traditional Horseracing were also utilised in the period under review to further popularize the responsible gambling messaging campaign.

The entity has conducted three (3) socio economic development initiatives to empower communities who are in areas compounded with poverty, and to support impoverished communities in terms of the Provincial Anti-Poverty Strategy including designated & vulnerable groups (the youth, elderly, disabled persons and women).

#### 7.2 Key Challenges

- Increased regulatory costs due to increased number of licensees;
- Due to the rapid growth of the Eastern Cape Gambling industry and increased complexity of Information Technologies used by the operators, audit software and/or document management system remains a challenge for ECGB; and
- Increased litigation challenges against regulatory decisions of the Board.

#### 8. 2019/20 Performance Outlook

Over the 2019 MTEF, ECGB will be focusing on the following policy priorities:

- Collection of gambling taxes from licensees and deposits of tax revenue to the Provincial Revenue Fund (PRF), is projected to exceed R200 million during 2019/20. This is to be achieved while ensuring a well-regulated gambling industry in the province and strengthening effective compliance and adherence to relevant legislation. ECGB will utilise a Compliance Barometer as an innovative dashboard that demonstrates areas of non-compliance by the industry, based on the 153 compliance and revenue audits that will be conducted during 2019/20.
- Funding required for the rollout of Independent Site Operators will continue to be pursued, in efforts to
  grow the industry and provincial tax revenue collections, primarily in areas of the province that do not
  have much access to gambling.
- Focus of the organization will include conducting 140 inspections at licensed premises as well as 5 sweeps for illegal operations. ECGB will continue to investigate ICT capabilities that can assist with strategies to detect illegal internet gambling within the province, while also implementing systems that support automation of functions.
- Education of the public and other stakeholders is another key priority, and the Board will continue to conduct innovative research and knowledge management that will guide appropriate policy decisions and can be shared through relevant research seminars. Partnerships with other Organs of the State will be engaged, and ECGB will provide information and education regarding excessive gambling as well as further informing potential business entrepreneurs about economic opportunities within the provincial gambling sector. This includes planning and hosting 12 campaigns and information sessions on responsible gambling and the mitigation of excessive gambling, while reaching in excess of 1 million people each year with messages of responsible gambling and wellness through electronic, print media and event platforms. Furthermore, the entity will implement 2 economic opportunity awareness campaigns per year targeting potential entrepreneurs to inform and educate them about relevant economic opportunities within the gambling sector in the province.
- The Board will continue its socio-economic development (SED) and empowerment programmes whilst working with our social and strategic partners to champion social changes in the most impoverished areas of the Province as guided by the Anti-Poverty Strategy of the Province. This includes conducting 4 SED projects per annum, as well as coordinating the implementation of the developed Corporate Social Investment (CSI) Framework of the Industry, which guides the CSI contributions of licensees aimed at achieving and sustaining positive socio-economic development of communities in order to address any negative impact of excessive gambling.

#### 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main Appropriation	Adjusted Appropriation	Revised estimate	Mediu	m-term esti	mates
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	158 125	170 800	180 151	192 780	192 780	192 134	203 576	214 772	226 585
Non-tax revenue	53 192	61 223	69 184	72 248	74 116	73 885	76 609	78 339	82 217
Sale of goods and services other than capital assets	5 340	4 950	10 097	11 163	11 523	11 391	12 506	13 130	14 446
Entity revenue other than sales	1 300	1 693	1 618	1 675	1 675	1 925	1 964	2 003	2 103
Transfers received	43 843	50 134	53 627	55 761	55 761	55 761	58 710	60 634	62 969
of which:	-	-	-	-	-	-	-	-	-
Departmental transfers	43 843	49 454	53 072	55 761	55 761	55 761	58 710	60 634	62 969
Other transfers	-	680	555	-	-	-	-	-	-
Sale of capital assets	(9)	10	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	1 758	1 408	-	-	-
Other non-tax revenue	2 718	4 436	3 842	3 649	3 399	3 400	3 429	2 572	2 699
Total revenue before deposits into the PRF	211 317	232 023	249 335	265 028	266 896	266 019	280 185	293 111	308 802
Less Deposits into the Provincial Revenue Fund	158 125	170 800	180 151	192 780	192 780	192 134	203 576	214 772	226 585
Total revenue	53 192	61 223	69 184	72 248	74 116	73 885	76 609	78 339	82 217
Expenses	-	-	-	-	-	-	-	-	-
Current expense	51 221	57 618	60 293	68 498	67 857	67 928	73 668	74 959	79 067
Compensation of employees	30 156	35 498	37 832	43 117	42 944	42 805	48 586	51 728	54 935
Goods and services	21 065	22 120	22 461	25 381	24 913	25 123	25 082	23 231	24 132
Interest on rent and land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	2 067	3 857	2 875	3 750	6 259	5 957	2 941	3 380	3 150
Payments for financial assets		-	-	-	-	-	-	-	
Total expenses	53 288	61 475	63 168	72 248	74 116	73 885	76 609	78 339	82 217
Surplus / (Deficit)	(96)	(252)	6 016	-	-	-	-	-	-

Non-tax revenue increased from R53.192 million in 2015/16 to a revised estimate of R73.885 million in 2018/19. In 2019/20, non-tax revenue is projected to increase to R76.609 million and continue to increase in the outer years to R78.339 million in 2020/21 and R82.217 million in 2021/22.

Departmental transfers increased from R43.843 million in 2015/16 to R55.761 million in 208/19. Over the 2019 MTEF, transfers increase to R58.710 million in 2019/20, R60.634 million in 2020/21 and R62.969 million in 2021/22. The increase below inflation is due to budget baseline reductions both nationally and in the province.

Compensation of Employees increased from R30.156 million in 2015/16 to R42.805 million in the 2018/19 financial year. The increase resulted from filled vacancies, in terms of the approved staff complement. It continues to increase from a revised estimate of R42.805 million in 2018/19 to R48.586 million in 2019/20 due to additional posts as a result of a recent organisational structure review as well as salary related adjustments as per the treasury guidelines. It increases by inflationary cost of living adjustment in 2020/21 to R51.728 million and R54.935 million in 2021/22.

Goods and Services increase from R21.065 million in 2015/16 to a revised estimate of R25.123 million in the 2018/19 financial year due to inflationary cost pressures.

Over the 2019 MTEF, goods and services reduces to R25.082 million in 2019/20, R23.231 million in 2020/21 and minimal increase in 2021/22 to R24.132 million. This is due to reduced licensing activity as well as certain budget cuts implemented. Cost effective procurement strategies will continue to be implemented.

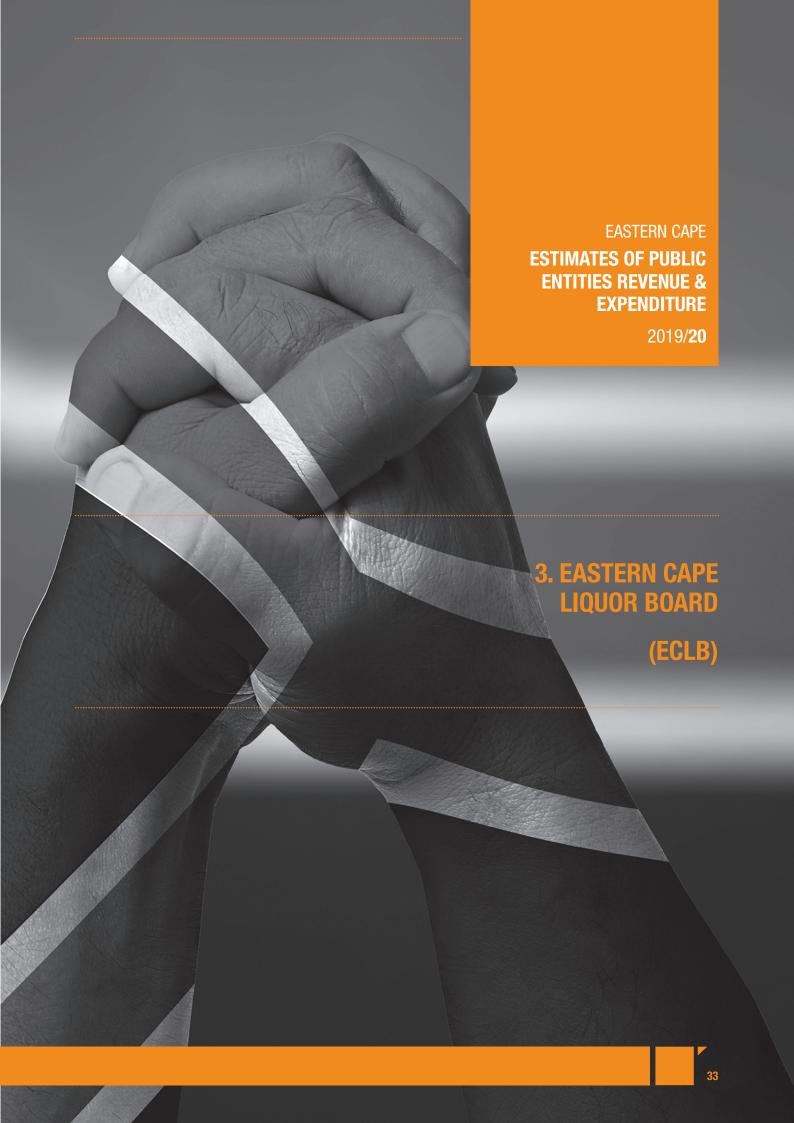
Payments of Capital Assets increase from R2.067 million in 2015/16 to a revised estimate of R5.957 million in 2018/19 due to the development of a Gambling Regulatory System. This reduces in 2019/20 to R2.941 million due to once-off development of Gambling Regulatory System; then increases to R3.380 million in 2020/21 and R3.150 million in R2021/22. ECGB will continue to utilise any available funds for required capital expenditure such as the expansion of the current building to meet space requirements.

#### 10. Personnel information

Table 10.1: ECGB Personnel information

	Au	ıdited outcor	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	1 060	1 234	1 190	1 600	1 600	1 260	1 387	1 463	1 543
Personnel numbers (head count)	8	8	8	8	7	7	8	8	8
Unit cost	133	154	159	200	229	180	173	183	193
Executive Management									
Personnel cost (R thousand)	5 723	7 278	7 962	8 560	8 673	8 673	9 385	10 089	10 795
of which:									
Chief Financial Officer remuneration (R thousand)	1 572	1 996	2 183	2 401	2 433	2 433	2 632	2 830	3 028
Chief Executive officer remuneration (R thousand)	2 626	3 287	3 596	3 865	3 916	3 916	4 238	4 555	4 874
Personnel numbers (head count)	3	3	3	3	3	3	3	3	3
Unit cost	1 908	2 426	2 654	2 853	2 891	2 891	3 128	3 363	3 598
Senior Management									
Personnel cost (R thousand)	5 620	6 214	5 973	7 287	6 171	6 032	7 083	7 614	8 147
Personnel numbers (head count)	4	4	4	4	5	5	5	5	5
Unit cost	1 405	1 554	1 493	1 822	1 342	1 311	1 417	1 523	1 629
Middle Management									
Personnel cost (R thousand)	3 470	5 482	6 473	8 127	7 333	7 333	7 758	8 340	8 924
Personnel numbers (head count)	6	6	6	8	7	7	7	7	7
Unit cost	578	914	1 079	1 016	1 048	1 048	1 108	1 191	1 275
Professionals									
Personnel cost (R thousand)	11 803	12 707	13 252	13 082	13 807	13 807	14 981	16 105	17 232
Personnel numbers (head count)	19	19	19	19	21	21	21	21	21
Unit cost	621	669	697	689	657	657	713	767	821
Semi-skilled									
Personnel cost (R thousand)	3 110	3 541	3 842	5 397	5 695	5 695	7 784	8 368	8 954
Personnel numbers (head count)	12	12	12	12	15	15	19	19	19
Unit cost	259	295	320	450	380	380	410	440	471
Very low skilled									
Personnel cost (R thousand)	430	276	330	664	1 265	1 265	1 594	1 213	884
Personnel numbers (head count)	4	4	4	4	11	11	11	11	11
Unit cost	108	69	83	166	111	111	145	110	80
Total for entity									
Personnel cost (R thousand)	31 216	36 732	39 022	44 717	44 544	44 065	49 972	53 191	56 478
Personnel numbers (head count)	56	56	56	58	69	69	74	74	74
Unit cost	557	656	703	771	646	639	675	719	763

Personnel numbers (including board members) increased from 56 in 2015/16 to 69 in 2018/19. The entity is projecting to increase personnel numbers to 74 in 2019/20 due to an organizational structure review that was finished with the Board approving additional posts, primarily on the semi-skilled level, in order to address areas of staff shortages. No additional posts have been budgeted for over the 2019 MTEF.





# **EASTERN CAPE LIQUOR BOARD (ECLB)**

#### 1. Legislative Mandate

Eastern Cape Liquor Board is listed in Schedule 3C of the Public Finance Management Act (PFMA), Act No.1 of 1999 as amended and reporting to the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). The Eastern Cape Liquor Board (ECLB) was established in terms of the Eastern Cape Liquor Act, No 10 of 2003.

ECLB is mandated to regulate the registration of retail sales and micro – manufacturing of liquor in the Eastern Cape Province; to encourage and support the liquor industry; to manage and reduce the socio-economic effects of excessive alcohol consumption; and to develop new entrants in the liquor industry.

#### 2. Vision

To be a reputable world class liquor regulator.

#### 3. Mission

To establish a responsibly regulated, compliant and sustainable liquor industry which strives to minimise the harmful effects of alcohol.

#### 4. Strategic objectives

The entity has the following strategic objectives to ensure that the mandate of the entity is achieved:

- To process all fully compliant liquor applications within the timeframe as prescribed by the Act;
- To facilitate the implementation of programmes geared towards the empowerment of marginalised liquor traders;
- To take appropriate steps against those selling liquor outside the regulatory framework;
- To reduce the adverse effects of excessive alcohol consumption by educating communities about dangers of alcohol abuse; and
- To enable adherence to good corporate governance practices through the provision of systems.

#### 5. Main services

The entity's main services are summarised as follows:

- Conduct pre-registration inspections to verify whether applications meet the requirements of the Act;
- Processing fully compliant liquor licence applications within 60 days, renewing and issuing licences to suitable applicants to ensure efficient licensing;
- Empowering liquor traders through business skills programmes;
- Conduct compliance monitoring inspections at registered liquor outlets to ensure that they are fully compliant with the Act and regulations;
- Enforcing liquor legislation and registration conditions by conducting blitz operations with law enforcement agencies; and
- Conduct awareness programmes and social responsibility programmes, primarily to educate the public on the dangers of alcohol abuse as well as to present the ECLB brand.

#### 6. Programme details

ECLB delivers on its mandate by organising its operations into activities which pursue the organisation's high level goals and objectives through the following programmes:

- **Licensing:** Administers the processing of applications for registration of retail sales and micromanufacturing in accordance with the provisions of the Liquor Act and other applicable statutory provisions; encourages and support the development of new entrants into the Liquor Industry.
- Compliance and enforcement: Ensures full compliance with the Liquor Act by means of conducting preregistrations to verify whether applications meet the requirements of the Act; and performs compliance
  and monitoring inspections to ensure that registered retail establishments fully comply with the Act and
  applicable regulations.
- **Social accountability:** Educates the public on the dangers of alcohol abuse with a special focus on youth, pregnant women and road users. In addition, the programme safeguards the image of the organisation.

## 7. 2018/19 Performance review

### 7.1. Key achievements

Revenue generated from licence fees and from issuing of licences is all paid over to the Provincial Revenue Fund through DEDEAT as Tax Revenue.

In the 2018/19 financial year, the entity has collected R12.624 million at the end of the third quarter to be deposited to the provincial fiscus, and this amount is expected to increase to approximately R20 million by the end of the financial year.

A total of 7 176 active licenses are expected to be renewed, and out of these 3 700 licenses have already been renewed at the end of the third quarter.

The following are some of the ECLB achievements as at the end of the third quarter:

- A total of 964 liquor license applications were considered of which 604 were approved for the year under review.
- The entity has also facilitated a seminar on exporting programmes run by Eastern Cape Development Corporation for the craft brewers. Dockside Breweries were selected by the Department of Trade and Industry and the Eastern Cape Chamber of Commerce to participate in business expo that was held in Germany in October 2018.
- Furthermore, 4 752 compliance monitoring inspections were conducted on registered liquor outlets.
- To enhance effective compliance enforcement, the ECLB continues to work closely with different stakeholders like South African Police Service (SAPS) and the National Liquor Authority, which resulted in fifty-one (51) blitz operations mounted in the pursuance of illegal and inconsiderate liquor trading.
- The entity continues to roll out the Liquor Traders Development Programme which is aimed at educating
  and assisting liquor traders to grow their businesses so that they can move up the value chain of the
  liquor industry.
- The entity continues to conduct intervention initiatives that seek to alleviate the abuse of alcohol in communities and to further discourage abuse of alcohol and reckless behaviour.
- During the period under review, community and school based interventions were conducted resulting in 38 144 people reached through awareness campaigns and interventions.

## 7.2. Key Challenges

- Due to constrained fiscal outlook and declining revenue envelope, the entity does not have sufficient resources to deal with the transformational agenda of the industry as stipulated in the mandate.
- Fiscal constraints have hindered the ability of the entity to make a meaningful dent in sustaining the empowerment of new entrants, contribute to employment creation and revenue generation. Reduction in the number of compliance enforcement visits could potentially open up the institution to litigations.

• Fiscal constraints has further resulted in the inability to fill vacant posts within the Compliance and Enforcement division as well as the inability to implement the proposed Eastern Cape Liquor Authority law, which seeks to streamline and improve the liquor regulation processes.

#### 8. 2019/20 Performance Outlook

Over the 2019/20 MTEF, ECLB will be focusing on the following priorities:

- Development of a thriving liquor Industry capable of creating jobs and sustainable economy
  - o A total of 7 176 active licences are expected to be renewed which translates to approximately 21 528 jobs created.
  - o The Liquor Traders Development programme has begun to zoom in on transformation and empowerment challenges, moving beyond business skills acquisition mode of intervention with 900 liquor traders earmarked for empowerment in the 2019/20 financial year.
  - The entity will continue to assist liquor traders in forming cooperatives to encourage bulk-buying and using this as a bridging mechanism towards distribution.
- Promotion of compliance and adherence to good corporate practices
  - o The entity continues to implement cost containment measures and is committed to maintaining a clean audit.
  - o The ECLB will continue rolling out the Code of Conduct for liquor traders through workshops and training in order for Liquor Traders to improve compliance.
  - o 5 000 compliance monitoring inspections and 600 pre-registration compliance inspections will be conducted in the 2019/20 financial year.
  - o The Eastern Cape Liquor Authority Bill which will improve liquor regulation processes has been considered by the Legislature and awaiting final approval.
- Promotion of social accountability to realise safe and healthy communities
  - o The entity collaborates with various stakeholders in an endeavour to alleviate the scourge of excessive alcohol consumption, enforce compliance with regulations and license conditions as well as empower liquor traders.
  - The entity has established and sustained relationships with sector departments, municipalities, law enforcement agencies, community based structures, traditional leaders, liquor industry, NGOs, institutions of higher learning and civil society amongst others. Through these strategic alliances, the entity will be able to achieve greater impact than it could generate on its own.
  - o The entity will conduct 150 awareness interventions with the aim of reaching 46 000 people.
- Provision of enabling systems to achieve efficiency and effectiveness
  - o In line with advancements in technology, the entity is considering to automate processes and ensure that all systems and services are integrated with the aim of moving to a paperless environment.
  - o The entity continues to mobilise various stakeholders for collaborations with a view to augment its capacity and resources.

# 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main Appropriation	Adjusted Appropriation	Revised estimate	Mediu	m-term estir	nates
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	24 070	22 075	19 965	23 430	23 430	24 479	24 743	26 103	27 539
Non-tax revenue	44 184	50 320	57 970	59 991	65 294	65 294	62 983	66 963	69 646
Sale of goods and services other than capital assets	-	-	-	-	5	5	-	-	-
Entity revenue other than sales	356	565	1 084	450	581	581	500	550	580
Transfers received	43 792	49 711	56 865	59 541	61 531	61 531	62 483	66 413	69 066
of which:	-	-	-	-	-	-	-	-	-
Departmental transfers	43 792	48 392	56 668	59 541	59 541	59 541	62 483	66 413	69 066
Other transfers	-	-	-	-	-	-	-	-	-
Sale of capital assets	(5)	(13)	(8)	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	41	57	29	-	3 177	3 177	-	-	-
Total revenue before deposits into the PRF	68 254	72 395	77 935	83 421	88 724	89 773	87 726	93 066	97 185
Less Deposits into the Provincial Revenue Fund	24 070	22 075	19 965	23 430	23 430	24 479	24 743	26 103	27 539
Total revenue	44 184	50 320	57 970	59 991	65 294	65 294	62 983	66 963	69 646
Expenses	-	-	-	-	-	-	-	-	-
Current expense	43 907	48 612	48 968	59 074	62 798	62 798	62 240	65 790	68 427
Compensation of employees	30 403	33 051	32 424	39 570	39 754	39 754	42 753	45 089	46 890
Goods and services	13 468	15 558	16 544	19 469	23 044	23 044	19 450	20 663	21 497
Interest on rent and land	36	3	-	35	-	-	37	38	40
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	193	1 584	352	917	2 496	2 496	743	1 173	1 220
Payments for financial assets	-	-	-	-		-	-	-	-
Total expenses	44 100	50 196	49 320	59 991	65 294	65 294	62 983	66 963	69 646
Surplus / (Deficit)	84	124	8 650	-	-	-	-	-	-

Non-tax revenue increased from R44.184 million in 2015/16 to a revised estimate of R65.294 million in 2018/19 due to the increased operational requirements, additional allocation received for operations to correct the ECLB baseline as well as funding received from the industry. Over the 2019 MTEF, non-tax revenue increases to R62.983 million, R66.963 million and R69.646 million, respectively. Departmental transfers increased from R43.792 million in 2015/16 to R59.541 million in 2018/19. Over the 2019 MTEF, the transfers are projected to increase to R62.483 million, R66.413 million and R69.066 million, respectively.

Compensation of Employees increased from R30.403 million in 2015/16 to R39.754 million in 2018/19, due to additional positions as well as the cost of living adjustment. Over the 2019 MTEF, compensation of employees increases to R42.753 million in 2019/20, R45.089 million in 2020/21 and R46.890 million in 2021/22 by inflationary cost of living adjustment.

Goods and services increased from R13.468 million in 2015/16 to a revised estimate of R23.044 million in 2018/19. This is mainly due to the additional allocation to correct the ECLB baseline in order to meet the entity's legislative imperatives as well as the additional allocation for the Social Accountability division for conducting education awareness programmes. In the 2019/20 financial year, the expenditure on goods and services is projected to decrease to R19.450 million mainly due to budget cuts implemented. Goods and services grows progressively to R20.663 million in 2020/21 and R21.497 million in 2021/22.

Payments of capital assets increased from R193 thousand in 2015/16 to a revised estimate of R2.496 million for the purchase of furniture. In the 2019 financial year, this reduces to R743 thousand due to the once-off purchase of furniture in 2018/19. This grows progressively to R1.173 million in 2020/21 and R1.220 million in 2021/22.

# 10. Personnel information

Table 10.1: ECLB Personnel Information

	Αι	ıdited outcoı	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	Medium-term receipts estimate		
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22	
Board Members										
Personnel cost (R thousand)	529	384	285	760	760	760	760	760	802	
Personnel numbers (head count)	5	3	4	5	5	5	5	5	5	
Unit cost	106	128	71	152	152	152	152	152	160	
Executive Management										
Personnel cost (R thousand)	2 957	3 134	3 343	3 555	3 555	3 555	3 843	4 054	4 277	
of which:										
Chief Financial Officer remuneration (R thousand)	1 181	1 269	1 333	1 418	1 418	1 418	1 533	1 617	1 706	
Chief Executive officer remuneration (R thousand)	1 756	1 865	2 010	2 137	2 137	2 137	2 310	2 437	2 571	
Personnel numbers (head count)	2	2	2	2	2	2	2	2	2	
Unit cost	1 479	1 567	1 672	1 778	1 778	1 778	1 922	2 027	2 138	
Senior Management										
Personnel cost (R thousand)	3 709	3 949	4 242	4 491	4 491	4 491	4 855	5 122	5 404	
Personnel numbers (head count)	3	3	3	3	3	3	3	3	3	
Unit cost	1 236	1 316	1 414	1 497	1 497	1 497	1 618	1 707	1 801	
Middle Management										
Personnel cost (R thousand)	9 931	10 744	8 513	11 386	11 386	11 570	12 308	12 985	13 699	
Personnel numbers (head count)	14	14	13	13	13	13	13	13	13	
Unit cost	709	767	655	876	876	890	947	999	1 054	
Professionals										
Personnel cost (R thousand)	5 425	6 277	6 665	9 134	9 134	9 134	9 874	10 417	10 990	
Personnel numbers (head count)	12	15	17	19	19	19	19	19	19	
Unit cost	452	418	392	481	481	481	520	548	578	
Semi-skilled										
Personnel cost (R thousand)	7 794	8 089	8 995	9 951	9 951	9 951	10 757	11 349	11 973	
Personnel numbers (head count)	32	31	33	31	31	31	31	31	31	
Unit cost	244	261	273	321	321	321	347	366	386	
Very low skilled										
Personnel cost (R thousand)	587	858	666	1 053	1 053	1 053	1 116	1 162	1 226	
Personnel numbers (head count)	6	7	4	8	8	8	8	8	8	
Unit cost	98	123	167	132	132	132	140	145	153	
Total for entity										
Personnel cost (R thousand)	30 932	33 435	32 709	40 330	40 330	40 514	43 513	45 849	48 371	
Personnel numbers (head count)	74	75	76	81	81	81	81	81	81	
Unit cost	418	446	430	498	498	500	537	566	597	

The approved staff establishment has increased over the past 3 years due to an increase in licensing activity, requiring additional regulation by the ECLB. The personnel numbers will be maintained at 81 over the 2019 MTEF.







# **EASTERN CAPE PROVINCIAL ARTS AND CULTURE COUNCIL (ECPACC)**

## 1. Legislative Mandate

The Eastern Cape Provincial Arts and Culture Council (ECPACC), was established in terms of the Eastern Cape Provincial Arts and Culture Council Act of 2000, and listed in the Public Finance Management Act (PFMA) as a Schedule 3C entity under the control of the Department of Sports, Recreation, Arts and Culture (DSRAC).

# 2. Vision

To create an enabling environment for the development of arts and culture in the province.

#### 3. Mission

To promote, support, develop, protect, preserve the arts, enhance public appreciation and participation in the arts and ensure the development of a broad, inclusive and identifiable Eastern Cape culture.

## 4. Strategic Objectives

In accordance with the aim and responsibilities to promote, support, develop, protect and preserve arts and culture in the province, the entity has the following strategic objectives:

- Develop sustainable skills and capabilities that enable the Arts to inspire, enrich and build the Nation;
- Generation, advancement, distribution of industry knowledge and build strong networks and collaboration;
- Ensure efficient management and development of arts and cultural facilities.
- Develop platforms for resource mobilisation;
- Accelerate the support and development of the film industry in line with the transformation agenda of the country;
- Increase number of people trained in the industry to improve the technical capacity and operational effectiveness;
- Increase number and quality of films produced and directed by Previously Disadvantaged Individuals (PDI) and promote their consumption;
- Facilitate access to production and screening facilities;
- Develop Craft Hubs as interdependent subsidiaries that supports the execution of the Visual Arts and Craft Sector mandate by 2019;
- Establish partnerships with the industry stakeholders in order to advance the development of the craft sector;
- Develop and implement an incubation programme that will provide a holistic development support thereby creating sustainable visual arts and craft entrepreneurs; and
- Product refinement as well as quality assurance.

#### 5. Main Services

In an effort to deliver on its mandate, the entity's main services are summarised as follows:

- Development and support of arts and cultural activities including drama, dance, music, poetry and crafts;
- Coordinate and ensure access to markets for arts and cultural products with key industry role players both locally and internationally;
- Provision of craft materials, tools, equipment and other resources to enable a more meaningful participation by arts and culture practitioners;
- Coordinate and facilitate training and development to improve art production, nurture self-sustainability and evolve from livelihood-orientated projects to sustainable small enterprises; and

• Provision of support to film production in the province in order to increase the provincial content on local and national media (radio and television).

# 6. Programme Details

#### • A vibrant Cultural and Creative Industry:

A vibrant cultural industry offering opportunities for economic development and wealth creation in the Province.

## Provincial Film and Theatre Support:

A sustainable, diverse and multi-disciplinary audiovisual industry.

## • Visual Arts and Craft Sector Development:

A transformed visual arts & craft economy creating decent work and sustainable livelihoods for all.

#### 7. 2018/19 Performance review

#### 7.1 Key Achievements

Nine (9) Eastern Cape performing artists/arts productions were granted funding to showcase at the Fringe Stage of the 2018 National Arts Festival. Dakawa Jazz Festival was supported by the entity where renowned musicians were featured in the programme with emerging jazz artists. This platform created opportunities and exposure for upcoming artists who performed alongside the very best musicians in the jazz industry. Crafters were selected and supported to exhibit their arts and craft products at the Village Green exhibition area as the Eastern Cape Handmade Showcase Crafters.

Mt Frere Community Arts Centre (CAC) benefitted from a visual arts workshop conducted for 10 artists from the local community. Music equipment was handed over to artists affiliated to Willowvale CAC and Gompo CAC through the National Department of Arts and Culture (DAC) partnership programme. The National Arts Council (NAC) funded governance and leadership training programme for Community Art Centers was successfully conducted followed by a CAC Policy Dialogue. Moving into Dance production was supported by ECPACC, which excelled in a dance competition in Johannesburg, leading to the selection of two (2) dancers to attend an accredited Dance Course for the 2019 academic year.

ECPACC in collaboration with the Department of Sport, Recreation, Arts and Culture hosted a very successful Film Indaba, which was attended by scores of film makers, KZN Film Commission as well the National Film and Video Foundation (NFVF) who shared their experienced and different offerings they have to support film sector development in the Eastern Cape.

A theatre production named "The Life and Times of Nelson Mandela" was supported and showcased at the internationally acclaimed Grahamstown National Arts Festival (NAF) 2018 during the period under review. The show was based on the contribution of Nelson Mandela and the role he has played in the struggle for democracy in the history of South Africa and the world.

ECPACC further gave endorsement and technical support to 'Knuckle City', a feature film that was shot in Mdantsane between July and August 2018. The film commemorates the heritage and legacy of boxing culture through cinema. The film is directed by Mdantsane born, internationally acclaimed film maker Jahmil X.T. Qubeka and is supported by The Department of Trade and Industry and Mzansi Magic. ECPACC supported the special film screening of "Five Fingers for Marseilles" which was attended by Sean Drummond (Writer & Co-Producer) and Vuyo Dabula (Actor).

Amathole Craft Hub facilitated the order of craft cooperate gifts for BCMM and staged a Mandela Centenary-themed exhibition at the BRICS Summit 2018. Crafters sold their products to various members of the BRICS community attending the summit. All Craft Hubs conducted craft product assessments throughout the districts. This assessment was aimed at gathering knowledge on the capacity of the crafters in terms of producer's capabilities, product type, materials used, design expertise and the artistic appeal of their

products. In total, 111 craft enterprises were assessed and this assessment will inform the development of product refinement and quality improvement programmes in order to ensure a training programme that addresses specific problems.

A Sewing workshop was conducted at Amathole Craft Hub where the training focused on technical aspects of product refinement. This workshop was in partnership with Cape Peninsula University of Technology (CPUT) and Department of Rural Development & Agrarian Reform (DRDAR). The Eastern Cape Craft Hub in collaboration with Eastern Cape Development Corporation (ECDC) conducted a product development workshop over three (3) days. The workshop was targeted at beaders from the OR Tambo District and amongst them were Master beaders who participated in 360 Degrees Vanishing in Houston, Texas – USA. The focus of the training was to introduce new products that were inspired by the Mandela / Sisulu Centenary Celebrations to respond to the needs of Mandela Merchandise.

## 7.2 Key Challenges

- Budgetary constraints continue to reduce the potential of the entity to conduct periodic impact assessments, monitoring and evaluation of funded projects and community art centres.
- There is a need to fill critical posts such as the Human Resource Manager and Arts Development Officers that poses a risk as the entity is unable to ensure that resources are effectively utilised.
- ECPACC's Information Technology system is aging and reached useful life and need replacement. Urgent investment in IT systems is required to mitigate IT threats of loss of data.
- The escalating of the Eastern Cape Development Corporation rental costs at the Eastern Cape Craft Hub
  (Mthatha) and the inaccessibility of these facilities remain a challenge and thus hinder the potential of the
  craft hubs to generate more revenue and boost the income of crafters.

#### 8. 2019/20 Performance outlook

Over the 2019 MTEF, ECPACC has prioritized the following areas:

- Develop the entity's institutional structure that is relevant, resilient and sustainable in the delivery of its mandate;
- Create a reputable organisational image and enhance stakeholder relations;
- Development of a sustainable capability that enables the art sector to inspire, enrich and build the nation;
- Generation, advancement, distribution of industry knowledge and build strong networks and collaboration.
- Develop sustainable skills and capabilities that enable the Arts to inspire, enrich and build the Nation.
- Ensure efficient management and development of arts and cultural facilities.
- Develop platforms for resource mobilisation.
- Accelerate the support and development of the film industry in line with the transformation agenda of the country.
- Increase number of people trained in the industry to improve the technical capacity and operational effectiveness.
- Increase number and quality of films produced and directed by PDI's and promote their consumption.
- Develop Craft Hubs as interdependent subsidiaries that supports the execution of the Visual Arts and Craft Sector mandate by 2020.
- Establish partnerships with the industry stakeholders in order to advance the development of the craft sector.
- Develop and implement an incubation programme that will provide a holistic development support thereby creating sustainable visual arts and craft entrepreneurs.
- Work closely with the newly launched Eastern Cape Chapter of the Cultural and Creative Industries
  Federation of South Africa (CCIFSA) to put in place meaningful empowerment programmes that will upskill
  Eastern Cape artists in order to be able to access resources, infrastructure, funding and investment.

# 9. Expenditure estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main Appropriation	Adjusted Appropriation	Revised estimate	Medium-term estimates		
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	14 130	14 138	13 549	12 825	12 825	12 825	13 350	13 914	14 459
Sale of goods and services other than capital assets	81	76	252	400	400	400	500	600	600
Entity revenue other than sales	110	151	114	125	125	125	130	135	140
Transfers received	13 591	12 300	12 400	12 300	12 300	12 300	12 720	13 179	13 719
of which:									
Departmental transfers	13 591	12 300	12 400	12 300	12 300	12 300	12 720	13 179	13 719
Other transfers	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	348	1 611	783	-	-	-	-	-	-
Total revenue before deposits into the PRF	14 130	14 138	13 549	12 825	12 825	12 825	13 350	13 914	14 459
Less Deposits into the Provincial Revenue Fund	_	-	-	-	-	-	-	-	-
Total revenue	14 130	14 138	13 549	12 825	12 825	12 825	13 350	13 914	14 459
Expenses									
Current expense	14 371	14 374	13 273	12 825	12 825	12 825	13 350	13 914	14 459
Compensation of employees	5 378	5 159	5 567	6 646	6 646	6 646	6 879	7 325	7 801
Goods and services	8 993	9 215	7 706	6 179	6 179	6 179	6 471	6 589	6 658
Interest on rent and land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total expenses	14 371	14 374	13 273	12 825	12 825	12 825	13 350	13 914	14 459
Surplus / (Deficit)	(241)	(236)	276	-	-	-	-	-	-

Non-tax revenue decreased from R14.130 million in 2015/16 to R13.549 million in 2017/18 mainly due to the decrease in Departmental transfers. Non-tax revenue decreased from R13.549 million in 2017/18 to R12.825 million in 2018/19 due to decrease in Departmental transfer and completion of the training program funded by CATHSSETA. Over the 2019 MTEF, there is a projected increase from R13.350 million in 2019/20 to R14.459 million in 2021/22 in line with inflationary adjustments.

Compensation of Employees (CoE) increased from R5.378 million in 2015/16 to a revised estimate of R6.646 million in 2018/19, this represents an average cost of living escalation of 7 per cent per annum and furthermore, the appointment of a Supply Chain Management Officer and Personnel Assistant to the Chief Executive Officer during 2018/19, which are existing posts on the establishment resulted in an increase in the CoE expenditure. Over the 2019 MTEF, the Compensation of Employees budget grows by an annual average of 6.7 per cent and the cost of living adjustment has been calculated to be aligned to budgetary parameters.

Goods and Services declined from R8.993 million in 2015/16 to an estimate of R6.179 million in 2018/19 as a consequence of the provincial budget cuts due to tight fiscal environment. An increase in goods and services expenditure is projected owing to the gradual increase in Departmental transfers over the 2019 MTEF period.

# 10. Personnel information

Table 10.1: ECPACC Personnel information

	Αι	ıdited outcoı	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-term receipts estimate		
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	100	164	257	150	150	150	330	345	360
Personnel numbers (head count)	6	6	6	6	6	6	9	9	9
Unit cost	17	27	43	25	25	25	37	38	40
Executive Management									
Personnel cost (R thousand)	971	306	637	927	927	927	1 101	1 167	1 237
of which:									
Chief Financial Officer remuneration (R thousand)	-	-	-	-	-	-	-	-	-
Chief Executive officer remuneration (R thousand)	971	306	637	927	927	927	1 101	1 167	1 237
Personnel numbers (head count)	1	1	1	1	1	1	1	1	1
Unit cost	971	306	637	927	927	927	1 101	1 167	1 237
Senior Management									
Personnel cost (R thousand)	713	777	832	857	857	857	933	989	1 048
Personnel numbers (head count)	1	1	1	1	1	1	1	1	1
Unit cost	713	777	832	857	857	857	933	989	1 048
Middle Management									
Personnel cost (R thousand)	2 240	2 439	2 228	3 125	3 125	3 125	2 579	2 747	2 925
Personnel numbers (head count)	5	5	5	5	5	5	5	5	5
Unit cost	448	488	446	625	625	625	516	549	585
Professionals									
Personnel cost (R thousand)	-	-	-	-	-	-	365	389	414
Personnel numbers (head count)	-	-	-	-	-	-	1	1	1
Unit cost							365	389	414
Semi-skilled									
Personnel cost (R thousand)	765	857	1 021	930	930	930	1 217	1 302	1 393
Personnel numbers (head count)	5	5	5	5	5	5	6	6	6
Unit cost	153	171	204	186	186	186	203	217	232
Very low skilled									
Personnel cost (R thousand)	689	780	849	807	807	807	684	732	783
Personnel numbers (head count)	8	8	7	8	8	8	6	6	6
Unit cost	86	98	121	101	101	101	114	122	131
Total for entity									
Personnel cost (R thousand)	5 478	5 323	5 824	6 796	6 796	6 796	7 209	7 670	8 161
Personnel numbers (head count)	26	26	25	26	26	26	29	29	29
Unit cost	211	205	233	261	261	261	249	264	281

The total personnel numbers have remained constant over the years. The personnel numbers will be maintained over the 2019 MTEF period with the total cost increasing from R7.209 million in 2019/20 to R8.161 million in 2021/22. The number of Council members will increase from six (6) to nine (9) from 2019/20 to establish sub-committees of the entity.







# **EASTERN CAPE PARKS & TOURISM AGENCY (ECPTA)**

## 1. Legislative mandate

The Eastern Cape Parks and Tourism Agency (ECPTA) is listed in schedule 3C of the Public Finance Management Act (PFMA), reporting to the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). ECPTA was established in July 2010 through the merger of the Eastern Cape Parks and Eastern Cape Tourism Board in terms of the Eastern Cape Parks and Tourism Agency Act (Act No.2 of 2010).

The mandate of the ECPTA is to provide for the effective management and conservation of biodiversity and eco-systems in defined protected areas, as well as to foster, promote, sustainably develop, market and transform the tourism industry within the Province. The entity therefore is entrusted with protecting the environmental assets of the Province for the benefit of present and future generations, prevent pollution and ecological degradation, promote conservation, secure ecologically sustainable development and use of natural resources, while promoting responsible economic and social development.

# 2. Vision

Responsible tourism and conservation management that underpins sustainable development of the Eastern Cape.

## 3. Mission

ECPTA will become the premier conservation and tourism agency by actively pursuing equitable low-carbon economic growth through innovation and collaboration in these sectors.

# 4. Strategic objectives

The entity has the following strategic objectives aligned to national and provincial policy priorities:

- To implement a decision support system for biodiversity conservation in the province throughout the MTEF period;
- To expand the protected area system as mandated throughout the MTEF period;
- To encourage participation of previously disadvantaged individuals in the mainstream tourism industry throughout the MTEF period;
- To encourage participation of previously disadvantaged individuals in the conservation and game farming industries throughout the MTEF period;
- To develop provincial nature reserves as tourism products throughout the MTEF period;
- To maintain effective management of protected areas throughout the MTEF period;
- To mobilise resources for tourism and conservation development on reserves throughout the MTEF period;
- To ensure that the Province is ranked in the top three most-visited destinations in the domestic market by 2020; and
- To ensure the organisation's ability to meet its mandate by providing cross-cutting support services throughout the MTEF period and improve revenue generation.

# 5. Main services

In line with its mandate, the main services rendered by the Agency are as follows:

- Combat poaching, illegal use of natural resources and trade in endangered species;
- Provide scientific and technical advice to promote biodiversity conservation best practice as well as
  effective and appropriate planning and policy development;
- Ensure the expansion of the protected areas estate of the province;

- Create employment opportunities through Green Job projects, the Expanded Public Works Programmes (EPWP) and seasonal harvesting of natural resources;
- Create economic opportunities by creating a demand for goods and services and unlocking opportunities for economic development for entrepreneurs, concessionaires, eco-tourism and cultural tourism linkages;
- Promote the utilisation of natural endowments on provincial reserves for appropriate activities that generate revenue;
- Develop economic infrastructure relating to tourism, reserves operations and public servitudes;
- Provision of ecological goods and services, for example clean water through catchments management, combating soil erosion and carbon sequestration;
- Facilitate access to natural resources within designated reserves;
- Support human capital development initiatives to ensure optimal socio-economic impact on communities;
   and
- Strengthen the capacity of communities to effectively participate in biodiversity conservation and comanagement of Provincial Parks.

# 6. Programme details

The programme details of the entity are as follows:

- **Operations:** is responsible for managing the tourism and reserves regional operations and effectively managing and safe guarding the reserves (protected areas). These responsibilities are executed in accordance with sections 12 and 13 of the ECPTA Act 2 of 2010.
- Marketing: The Marketing Programme is responsible for the marketing and promotion of the Eastern
  Cape Province as a tourism destination in accordance with section 13 of the ECPTA Act 2 of 2010. It is
  responsible for marketing the ECPTA managed nature reserves in the province to prospective tourist and
  tour operators through institutionalizing the Adventure Province brand.
- Corporate Management Support: Corporate Management Support Programme is responsible for
  establishing and managing the cross-cutting processes, systems and structures required for the efficient
  and effective operation of the Eastern Cape Parks and Tourism Agency in accordance with section 28 of
  the ECPTA Act 2 of 2010.

### 7. 2018/19 Performance review

# 7.1 Key achievements

The ECPTA achieved its third consecutive clean audit in the 2017/18 financial year. This was supported by achievement of 93 per cent of planned strategic plan and annual performance plan targets.

The ECPTA achieved an average Management Effective Tracking Tool- South Africa (METT-SA) score of 75 against the national standard of 67. This achievement cements the agency's reputation as a leading protected area management authority.

ECPTA has made significant strides in the biodiversity economy as part of the Department of Environmental Affairs (DEA) National Biodiversity Economy Strategy. Three sites owned by previously disadvantaged individuals have been supplied with game from ECPTA reserves on a custodianship basis. One of these sites is Brakfontein farm, which lies adjacent to the Double Drift portion of the Great Fish River Nature Reserve, of which the Likhayalethu communities won the land claim for Double Drift.

The Brakfontein project received an infrastructure development grant from the DEA's wildlife economy programme and ECPTA, as the Implementing Agent, has been developing the property thus facilitating the property's readiness to receive game.

Tourism products from the Eastern Cape were again the majority group entering the National Lilizela Tourism

Excellence awards in the country. ECPTA actively supported entrants to prepare submissions to meet the Lilizella requirements.

In improving brand awareness, the entity has established event partnerships, which include partnership with Metro FM heatwave and Ebubeleni music festival.

#### 7.2 Key challenges

Significant strides have been made in combatting rhino poaching in the north parts of the country. Consequently, there has been a gradual relocation of poaching activity to the southern provinces of KwaZulu-Natal and the Eastern Cape. This increase in poaching incidents has prompted the ECPTA to elevate the risk response.

Sources of revenue are generally categorised as hospitality and wildlife. Wildlife revenue relates to the implementation of the annual game off-take plan, a process whereby ECPTA optimally manages game populations on reserves. Wildlife revenue is therefore secondary to the mandate to manage game and flora. Revenue thus offsets operating expenses incurred in the process of implementing the annual game off-take plan. These sources of revenue are unpredictable due to market fluctuations.

There has been a decrease in the number of tourists due to increasingly hostile economic environment, as fewer people having disposable income to travel. Furthermore, the primary category of visitor to the province is visiting friends and relatives. This market segment creates a challenge for tourism agencies as they do not spend money on accommodation, limiting the tourism revenue potential. ECPTA has therefore identified the need to ensure that visitors are provided with alternative options for activities and experiences in addition to accommodation.

The condition of access roads, electricity and water supply still pose a challenge and risk to the ECPTA's ability to drive its commercialisation strategy. Private sector partners are reluctant to invest in developing tourist attractions, and thus enhance the Province's natural endowment, if there is no realistic prospect of related investment in public infrastructure such as roads and bulk services. Therefore, investment in infrastructure needs to be revitalised to prevent further damage to the provincial tourism brand and realise positive returns from investments in marketing activities.

#### 8. 2019/20 Performance outlook

Over the MTEF, the ECPTA will focus on the following policy priorities which are aligned to national strategic policy imperatives:

#### Decent employment through inclusive economic growth (Outcome 4)

- Intensify efforts to transform the economy by creating employment opportunities through Green Job projects for permanent, contract, casual and EPWP appointments by recruiting people from communities near reserves.
- Create economic opportunities by creating a demand for goods and services and unlocking opportunities for economic development for entrepreneurs, concessionaries, eco-tourism and cultural tourism linkages.
- Provide seasonal employment opportunities by providing access to Protected Areas for the harvesting of natural resources from reserves – e.g. thatching grass, marine resources, firewood, game, etc.
- Create employment opportunities for tour operators and service providers in the tourism industry.
- Prepare potential tourism entrepreneurs to participate in the mainstream tourism economy by providing access to mentoring and skills development opportunities.

## An efficient, competitive and responsive economic infrastructure network (Outcome 6)

 Develop economic infrastructure relating to tourism, reserve operations and public servitudes, including bulk services infrastructure that will directly and indirectly benefit communities who live around Provincial Parks.

- Support the education curriculum and infrastructure by developing environmental education centres in the reserves.
- Develop recreational and tourism infrastructure in Protected Areas.
- Develop tourism routes to the benefit of rural and remote communities.
- Protect and enhance our environmental assets and natural resources (Outcome 10)
- Provision of ecological goods and services e.g. clean water through efficient management of water catchment areas, combating soil erosion, carbon sequestration.
- Facilitate access to natural resources from reserves e.g. thatching grass, fish, firewood, venison, etc. to communities.
- Combat poaching, illegal use of natural resources and trade in endangered species.
- Promote environmental education and awareness programmes for sustainable natural resource use.

#### An efficient, effective and development orientated public service (Outcome 12)

- Increase public access to Provincial Parks and tourism products.
- Strengthen the capacity of communities to effectively participate in biodiversity conservation management and co-management of Provincial Parks.
- Collaborate with relevant role players for the advancement of effective resource management.
- Promote the Eastern Cape as a preferred tourism destination through institutionalising the provincial tourism brand and working towards regaining a top-three SA Tourism ranking as a domestic tourism destination.

## 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcon	ne	Main Appropriation	Adjusted Appropriation	Revised estimate	Mediu	m-term estir	nates
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	282 932	226 046	249 041	307 054	326 555	326 555	409 580	294 607	271 896
Sale of goods and services other than capital assets	25 761	19 323	22 585	22 885	25 232	25 232	24 178	44 194	24 883
Entity revenue other than sales	2 389	2 080	1 330	3 418	3 418	3 418	8 466	11 286	7 543
Transfers received	254 782	204 643	225 126	280 751	294 262	294 262	376 936	239 127	239 470
of which:									
Departmental transfers	193 081	196 205	195 953	206 805	208 179	208 179	215 119	226 986	236 470
Other transfers	3 965	8 438	25 794	73 946	86 083	86 083	161 817	12 141	3 000
Sale of capital assets	-	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	-	-	-	-	3 643	3 643	-	-	-
Total revenue before deposits into the PRF	282 932	226 046	249 041	307 054	326 555	326 555	409 580	294 607	271 896
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	282 932	226 046	249 041	307 054	326 555	326 555	409 580	294 607	271 896
Expenses									
Current expense	194 204	208 855	223 024	255 371	266 189	266 189	293 418	263 635	269 738
Compensation of employees	121 973	130 293	141 930	154 590	153 093	153 093	158 417	174 425	185 951
Goods and services	72 231	78 562	81 094	100 781	113 096	113 096	135 001	89 210	83 787
Interest on rent and land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	18 193	17 191	16 473	51 683	60 366	60 366	116 162	30 972	2 158
Payments for financial assets	_	-	-	-	-	-	-	-	
Total expenses	212 397	226 046	239 497	307 054	326 555	326 555	409 580	294 607	271 896
Surplus / (Deficit)	70 535	-	9 544	(0)	(0)	(0)	(0)	-	(0)

Non-tax revenue has increased from R282.932 million in 2015/16 to a revised estimate of R326.555 million in 2018/19 due to conditional grants from the National Department of Tourism (NDT) and other partners. In 2019/20, non-tax revenue increases to R409.580 million mainly due to increase in conditional grants from the NDT reduces in 2020/21 and 2021/22 due to the temporary nature of the NDT grant.

Compensation of Employees increased from R121.973 million in 2015/16 to a revised estimate of R153.093 million in 2018/19 financial year. Over the 2019/20 MTEF, compensation of employees expenditure increases to R158.417 million, R174.425 million and R185.951 million, respectively; based on annual salary increases within the treasury-stipulated limits.

Goods and Services increased from R72.231 million in 2015/16 to revised estimate of R113.096 million in 2018/19 mainly due to work relating to the NDT-funded projects and grants from Commission on Restitution of Land rights and Sanparks. In 2019/20, goods and services is projected at R135.001 million mainly due to the conditional grants received from National Department of Tourism. Goods and services decreases to R89.210 million in 2020/21 and further in 2021/22 to R83.787 million mainly due to the transient nature of the NDT grant.

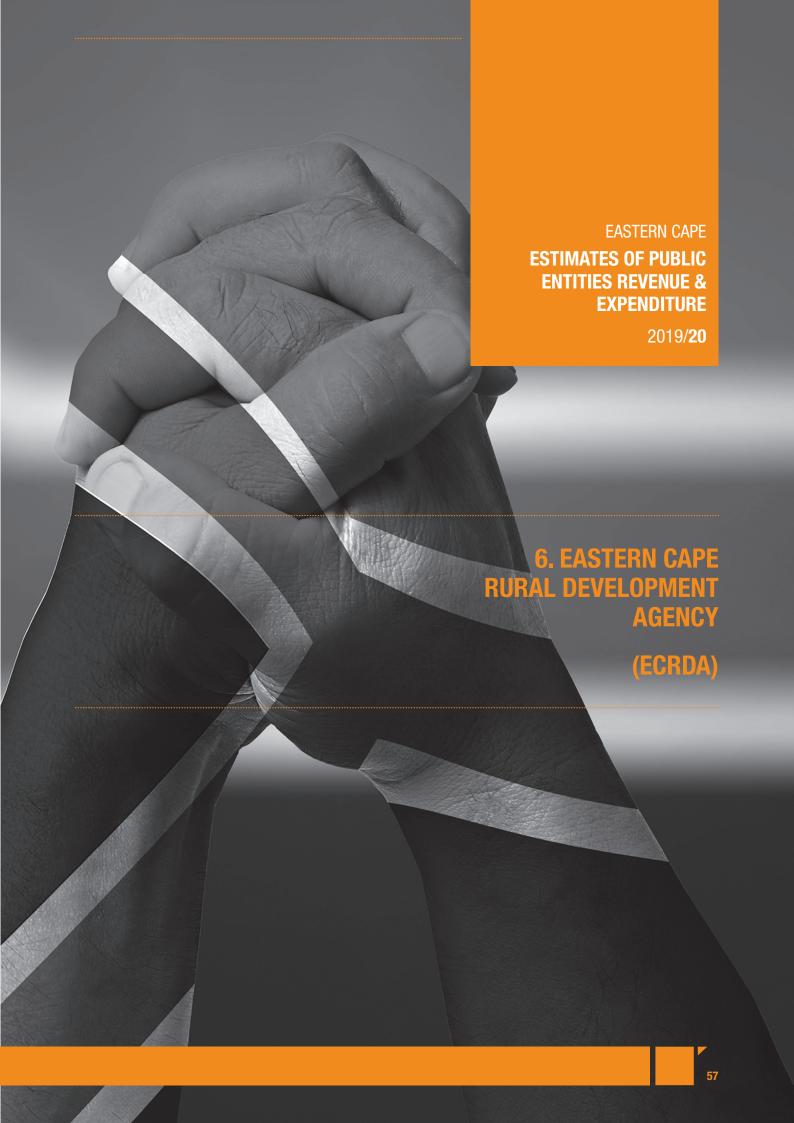
Payments of Capital assets increased from R18.193 million in 2015/16 to revised estimate of R60.366 million in 2018/19, and further increase in 2019/20 to R116.162 million due increase in NDT grant of which R42 million is allocated specifically for building an Interpretive Centre at the Baviaanskloof World Heritage site. The grant decreases in the outer years.

# 10. Personnel information

Table 10.1: ECPTA Personnel information

	Au	ıdited outcoı	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	Medium-term receipts estimate		
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22	
Board Members										
Personnel cost (R thousand)	1 193	1 265	1 356	1 450	1 450	1 450	1 552	1 661	1 777	
Personnel numbers (head count)	10	9	9	9	9	9	9	9	9	
Unit cost	119	141	151	161	161	161	172	185	197	
Executive Management										
Personnel cost (R thousand)	6 679	7 470	8 008	8 560	8 560	8 560	9 168	9 810	10 497	
of which:										
Chief Financial Officer remuneration (R thousand)	1 355	1 520	1 629	1 744	1 744	1 744	1 865	1 996	2 135	
Chief Executive officer remuneration (R thousand)	2 359	1 838	1 970	2 108	2 108	2 108	2 255	2 413	2 582	
Personnel numbers (head count)	5	5	5	5	5	5	5	5	5	
Unit cost	1 336	1 494	1 602	1 712	1 712	1 712	1 834	1 962	2 099	
Senior Management										
Personnel cost (R thousand)	30 824	34 491	32 972	35 280	34 280	35 280	34 750	40 392	43 220	
Personnel numbers (head count)	35	34	36	40	40	40	40	40	40	
Unit cost	881	1 014	916	882	857	882	869	1 010	1 080	
Middle Management										
Personnel cost (R thousand)	13 530	15 865	17 989	19 249	18 249	19 249	20 596	22 037	23 580	
Personnel numbers (head count)	33	62	57	38	38	38	38	38	38	
Unit cost	410	256	316	507	480	507	542	580	621	
Professionals										
Personnel cost (R thousand)	17 250	21 091	20 860	22 320	22 320	22 320	23 883	25 554	27 343	
Personnel numbers (head count)	62	31	37	56	56	56	56	56	56	
Unit cost	278	680	564	399	399	399	426	456	488	
Semi-skilled										
Personnel cost (R thousand)	36 278	36 000	41 461	44 370	43 423	44 370	44 628	50 792	54 347	
Personnel numbers (head count)	227	221	220	235	225	235	235	235	235	
Unit cost	160	163	188	189	193	189	190	216	231	
Very low skilled										
Personnel cost (R thousand)	17 412	15 375	20 640	24 811	24 811	24 811	25 393	26 839	26 964	
Personnel numbers (head count)	155	152	120	136	136	136	136	136	136	
Unit cost	112	101	172	182	182	182	187	197	198	
Total for entity										
Personnel cost (R thousand)	123 166	131 558	143 286	156 040	153 093	156 040	159 969	177 086	187 728	
Personnel numbers (head count)	527	514	484	519	509	519	519	519	519	
Unit cost	234	256	296	301	301	301	308	341	362	

The ECPTA has approved an establishment of 629 posts. As at the end of the third quarter, 519 positions were filled, which remains constant over the 2019 MTEF. The board is comprised of nine (9) members and will be capped at this level over the MTEF period.





# **EASTERN CAPE RURAL DEVELOPMENT AGENCY (ECRDA)**

## 1. Legislative mandate

Eastern Cape Rural Development Agency (ECRDA) is listed as a schedule 3C entity in terms of the Public Finance Management Act No.1 of 1999 (PFMA), as amended, reporting to the Department of Rural Development and Agrarian Reform (DRDAR). The ECRDA was established in terms of the Eastern Cape Rural Finance Corporation Amendment Act of 2012. The mandate of the ECRDA is to promote, support, coordinate and facilitate the implementation of integrated rural development in the Eastern Cape.

## 2. Vision

ECRDA envisions a vibrant and sustainable rural economy that improves the livelihoods of rural communities within in the Eastern Cape.

#### 3. Mission

To drive, coordinate and facilitate implementation of integrated high impact programmes of rural development and agrarian reform in the Eastern Cape by forming partnerships with rural communities, the private and other public sector organisations with the main objective of building a vibrant and sustainable rural economy.

# 4. Strategic Objectives

In order to effectively deliver on the mandate and strategy, the ECRDA has identified and prioritized five strategic objectives for the 2019 MTEF as illustrated below:

- Improve and maintain the management of Financial, ICT and Human Resources;
- Maximise the economic and social benefit to rural communities in the Eastern Cape;
- Facilitate functional partnerships for financial and technical support to projects;
- Secure development investments for the Eastern Cape; and
- Support entrepreneurs by providing access to financial, technical, business support and capacity building.

#### 5. Main Services

The strategic focus of the ECRDA is directed towards 5 key policy priorities in support of the rural development in the province:

- Rural Enterprise Development (RED) Hubs (Agro-Progressing) The project is built around the support of 3 elements, which make up the basic 'value-chain' of the rural economy:
  - o **Production** Maize/Sorghum grown /produced in the community at a sustainable scale;
  - o Processing Maize/Sorghum processed in order to derive benefit from the value chain; and
  - Marketing Farmers/ corporative organizations should be able to sell their produce directly to the communities and obtain access to commercial markets such retail sector, through "Off take agreements".
- Livestock development facilitate the commercialisation of livestock production in the emerging and communal areas so that the participants can take part in the mainstream economy of the country. This includes development of livestock marketing infrastructure and coordinating opportunities for livestock farmers.
- Forestry and Timber Development planning, promotion, initiating, resourcing, facilitating and supporting the establishment of commercial and community owned and operated forestry in the province.

- Renewable Energy The programmes within this division are focussed on:
  - The identification, assessment and establishment of alternative energy solutions to meet the energy requirements of the RED Hubs and other Development Initiatives within the Eastern Cape,
  - o The identification, assessment and establishment of bio-fuels processing facilities,
  - o The facilitation of bio-energy feedstock production, aggregation and marketing,
  - The provision of alternative energy generation to rural communities as to reduce the reliance on the conventional grid.
- Rural Finance (Loan Finance and support services) provision of loans to rural communities in support
  of rural development initiatives. This also includes provision of business and technical related support
  and establishment of most fit for purpose legal entities (Co-operatives).
- Subsidiary and Administered Entities (Kangela Citrus Farm and Magwa & Majola Tea Estates)
   provision of technical and management support over the two tea estates and the citrus farm which produces oranges.

## 6. Programme details

- Programme 1 (Administration): good governance and clean administration;
- **Programme 2 (High Impact Priority Programmes)**: RED Hubs / Agri-Parks Agro-processing, livestock, forestry, renewable energy, aquaculture and rural SMME's; and
- Programme 3 (Rural Finance) provision of micro-finance and business support to emerging farmers and independent enterprises; Co-ordinate and facilitate external funding and packaging projects for investment opportunities.

## 7. 2018/19 Performance review

#### 7.1 Key achievements

- Agro Processing Programme: During the 2018/19 financial year, ECRDA supported four operational Rural Enterprise Development (RED) Hubs at Mqanduli, Ncora, Mbizana and Emalahleni with R24.5 million. This financial support assisted mainly with the infrastructure, machinery and equipment including the general operations of the RED Hubs. It is the expectation of the entity that these RED Hubs would be able to produce appropriate yields of both maize and sorghum in the 2019 MTEF period.
  - o MQANDULI RED HUB the Mqanduli milling plant which has a 0.9 ton processing capacity per hour was fully-operational in the period under review. The milling plant has produced 136.70 tons of produce over the period. During the 2018/19 financial year the Mqanduli RED Hub was formally listed as a supplier for SPAR in the Eastern Cape.
  - o MBIZANA RED HUB the Mbizana RED Hub milling plant was commissioned during the previous financial year. The mill has a one-ton-per-hour processing capacity, which can be increased to four tons per hour. South African President Jacob Zuma launched the RED Hub in March 2017. The milling plant produced 282.53 tons during the period under review. The produce was sold to both informal market and formal retail sector (e.g. Spar Supermarket).
- Livestock Marketing and Development Feedlots: The ECRDA has successfully implemented two feedlots namely: Lingomso LamaNdungwane and Ncora. At Lingomso LamaNdungwane, ECRDA built two feeding kraals with feeding furrows that could hold 40 animals in total. Machinery for the feedlot includes; tractor, hammer mill, water pumps and water reticulation material. Complete beef finisher to feed the animals was also procured for the feedlot. By the end of the financial year, 30 animals were being fed at the feedlot and at the same time nine people were employed for different functions like security of the cattle at night, feeders and a manager.
  - At Ncora, the ECRDA supplied hammer mill, tractor, feed mixer, hay making equipment, a fine seed planter and feed. By the end of the 2018/19 financial year, seventy-three animals were being fed at

Ncora. Currently, there are also nine people employed at Ncora with youth accounting for five of the people employed there.

### Livestock marketing infrastructure and livestock sales

ECRDA successfully built three loading ramps (Xolani, Crossroads, and Gcinisa) and two auction pens at Tylden and kwa Nobumba to facilitate livestock marketing in the previously disadvantaged areas. Fifty people were employed across all sites during construction of these marketing infrastructures for at least ten days.

In addition to that, ECRDA conducted four training sessions with assistance of Frontier Bonsmara and Tuli Stud breeders from Makana Municipal area. Farmers who attended all the sessions got certificates of attendance for finishing the program.

Three exposure trips to a feedlot, a commercially run auction and bull testing station were also organised for the previously disadvantaged farmers as part of capacity building for these farmers. The relationship that ECRDA had established with Frontier Bonsmara Stud breeders saw these breeders offering stud bulls to the farmers from the Ngqushwa Municipal area at a discounted price of R20 000 compared to normal selling price of R35 000 for a bull. Farmers that participated in the capacity program included farmers from Zigudu & Ncora (Ntsika Yethu Municipality), Mqanduli (King Sabata Dalindyebo Municipality) and Peddie (Ngqushwa Municipal area)

• **Forestry Development:** The organisation began with the design, development and implementation of vegetable projects at Sinawo and Izinini Projects in an endeavour to complement the forestry projects. These vegetable projects have been successfully implemented as a result they started selling their products to major retailers such Spar and Boxer Cash Carry retailers.

In strengthening the governance in the forestry projects, seven governance policies were developed, approved and implemented at project level for all six community forestry projects. These policies include:

- · Asset and tool management policy,
- Vehicle policy,
- Sales policy,
- Petty cash management policy etc.

As such, in the beginning of the financial year ECRDA set itself a target of planting 200 hectares (ha) of hardwood trees across six projects and the actual planted area was 326.32 hectors exceeding the target by 126.32 hectors. These are community-driven projects in which the landowners contribute their land pockets under a legal entity to manage their assets in the form of trusts, co-operatives and Communal Property Associations.

Renewable Energy Mini-Grid: The Eastern Cape Province Sustainable Energy Strategy encourages
sustainable rural energy initiatives as a catalyst for local economic development and the curbing of
devastating energy poverty levels. ECRDA is partnering with DEDEAT, DRDAR, Raymond Mhlaba Local
Municipality and the Government of Lower Saxony to establish a mini grid at Upper Blinkwater as a pilot
project to assess the viability and practicality of establishing mini grids in areas where the National Grid
does not reach.

This project aims to establish a 100-kW mini-grid, to electrify a small village of approximately 67 households located at Upper Blinkwater in the Fort Beaufort area. There is currently no ESKOM electricity in the area. The project will consist of a low voltage PV system, storage batteries and a diesel backup generator with a low voltage overhead connection to each house. It is envisaged that ninety-seven percent of the power will come from renewable energy. The project is operating against a very tight time frame with ECRDA having funded the construction of the first phase of implementation at a cost of R1 300 000 with the installation of the solar PV system and fencing to provide power to the 67 households.

## 7.2 Key challenges

The ECRDA continue to experience challenges in three of its programmes. Management with the support of the Board will work with employees and stakeholders to resolve challenges and find means to deliver on the mandate of the ECRDA.

**Administration:** The challenges experienced by this programme relate mainly to the non-alignment of the organisational structure to the strategy. The alignment of the organisational structure to enable strategy implementation is being addressed through an ongoing process that includes but not limited to; a skills audit and the diagnostic evaluation and comparison of the ECRDA Structure with other DFI's and developmental agencies. This process is inclusive of consultation processes with labour and once finalised will be implemented.

Another challenge faced by the organisation is the dwindling financial resources due to budget cuts experienced throughout government departments and its entities. To resolve this the organisation plan to find additional revenue streams and investments for development initiatives.

**HIPP's:** The lack of a successful marketing plan of the RED Hub products had a negative impact on the sustainability of the mills. This challenge will be addressed in the next financial year with the implementation of a clear marketing strategy. The quality of feedstock required for the mills are also a challenge that would need to be addressed in collaboration with DRDAR, whom is ultimately responsible for primary production.

Many of the development projects in the rural sphere is negatively impacted by disagreements between community members where these projects are being implemented. Social facilitation is ongoing at all projects, however the ECRDA may need to consider reviewing the strategy on social facilitation and find new and innovative ways to identify hotspots and mitigate the challenges before they become destructive.

**Rural Finance:** The recovery of loans in the high-risk environment, in which the ECRDA operates, will always be a challenge. The ECRDA should approach loan clients on a case-by-case manner to establish which entrepreneurs or projects require what level of support to enable them to be successful and to ultimately be able to repay loans. Once the level of support has been established the ECRDA can facilitate such support to the client and thus implement the "follow the rand" principle.

Another challenge is how the ECRDA can package its projects to attract investment. This requires projects to be sustainable and to have a return on investment that would be attractive to both public and private investors. The ECRDA has already embarked on a process towards ensuring projects that are being implemented become sustainable and the next financial year will see some of these projects being packaged to invite investment.

#### 8. 2019/20 Performance outlook

The ECRDA is repositioning itself as a Provincial Rural Development Co-ordination entity. The re-engineering of its inner mechanisms to ensure that the agency can deliver on rural development initiatives in a more effective and efficient manner will commence during the 2019/20 financial year.

The focus will be on strengthening social facilitation to enhance community cohesion, participation and market linkages.

ECRDA will drive the RED Hubs towards sustainability over the next few years to ensure each hub is made up of independent enterprises that are sustainable on their own. In addition to focusing on the 4 RED Hubs ECRDA will support development projects in the following sectors; Livestock, Forestry, Aquaculture, Renewable Energy and Rural SMME's.

The ECRDA rural finance component will continue to provide smaller loans for primary production, agroprocessing and non-agricultural entrepreneurial loans as well as embark on developing innovative sustainable financing models with strategic partners to attract investment in rural areas.

## 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main Appropriation	Adjusted Appropriation	Revised estimate	Mediu	m-term estii	mates
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	212 797	229 338	272 892	266 236	281 236	281 236	210 323	202 245	204 896
Sale of goods and services other than capital assets	24 523	20 764	27 601	10 132	10 132	10 132	11 734	11 615	12 157
Entity revenue other than sales	2 180	3 222	2 329	3 424	3 424	3 424	2 123	2 187	2 274
Transfers received	173 637	201 086	236 335	248 928	263 928	263 928	192 564	184 385	186 244
of which:									
Departmental transfers	153 573	188 767	221 148	248 928	263 928	263 928	192 564	184 385	186 244
Other transfers	20 064	12 319	15 187	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	12 457	4 266	6 627	3 752	3 752	3 752	3 902	4 058	4 220
Other non-tax revenue	-	-	-	-	-	-	-	-	-
Total revenue before deposits into the PRF	212 797	229 338	272 892	266 236	281 236	281 236	210 323	202 245	204 896
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	212 797	229 338	272 892	266 236	281 236	281 236	210 323	202 245	204 896
Expenses									
Current expense	150 399	165 814	190 547	169 927	184 927	184 928	176 385	186 186	188 322
Compensation of employees	73 959	79 378	81 692	93 310	93 310	93 407	99 809	107 635	113 713
Goods and services	69 592	79 674	108 838	76 564	91 564	91 503	76 556	78 528	74 585
Interest on rent and land	6 848	6 762	17	53	53	18	20	23	24
Transfers and subsidies	35 647	24 064	56 559	85 953	85 953	85 953	23 998	5 963	6 291
Payments for capital assets	2 359	2 382	2 890	4 464	4 464	4 463	4 718	4 586	4 444
Payments for financial assets	13 394	17 318	22 896	5 892	5 892	5 892	5 222	5 510	5 839
Total expenses	201 799	209 578	272 892	266 236	281 236	281 236	210 323	202 245	204 896
Surplus / (Deficit)	10 998	19 760	-	-	-	-	0	(0)	(0)

Non-tax revenue is expected to decrease significantly in the 2019/20 financial year to R210.323 million due to a decrease in the transfers received from the Department of Rural Development and Agrarian Reforms (DRDAR). The decrease is projected to continue throughout the 2019 MTEF period.

Transfers received have increased from R173.637 million in 2015/16 to a revised estimate of R263.928 million in the 2018/19 mainly due to an increase in the funding for Magwa Tea Estate and Amajngqa Macdamia Nut Project that is funded through Land Bank.

In 2019/20, transfers received are projected to decrease significantly R192.564 million due to a decrease in the funding from Magwa Tea Estate and Amajngqa Macdamia Nut Project. Over the 2019 MTEF, transfers received will decrease to R186.224 million by 2021/22.

Compensations of employees has increased from R73.959 million in 2015/16 to a revised estimate of R93.407 million in 2018/19. In 2019/20 the compensation of employees is projected to increase to R99.809 million and increase marginally through out the 2019 MTEF.

Goods and Services are projected to increase from R69.592 million in 2015/16 to a revised estimate of R91.503 million in 2018/19 due to a increased funding for livestock commercialisation project. In 2019/20, the goods and services are projected to decrease to R76.556 million and increase marginally through out the 2019 MTEF.

Transfers and Subsidies have increased from R35.647 million in 2015/16 to a revised estimate of R85.953 million in 2018/19 due to Magwa Tea Estate and Amajngqa Macdamia Nut Project. Over the 2019 MTEF these are projected to decrease significantly to R6.291 million in the 2021/22 financial year.

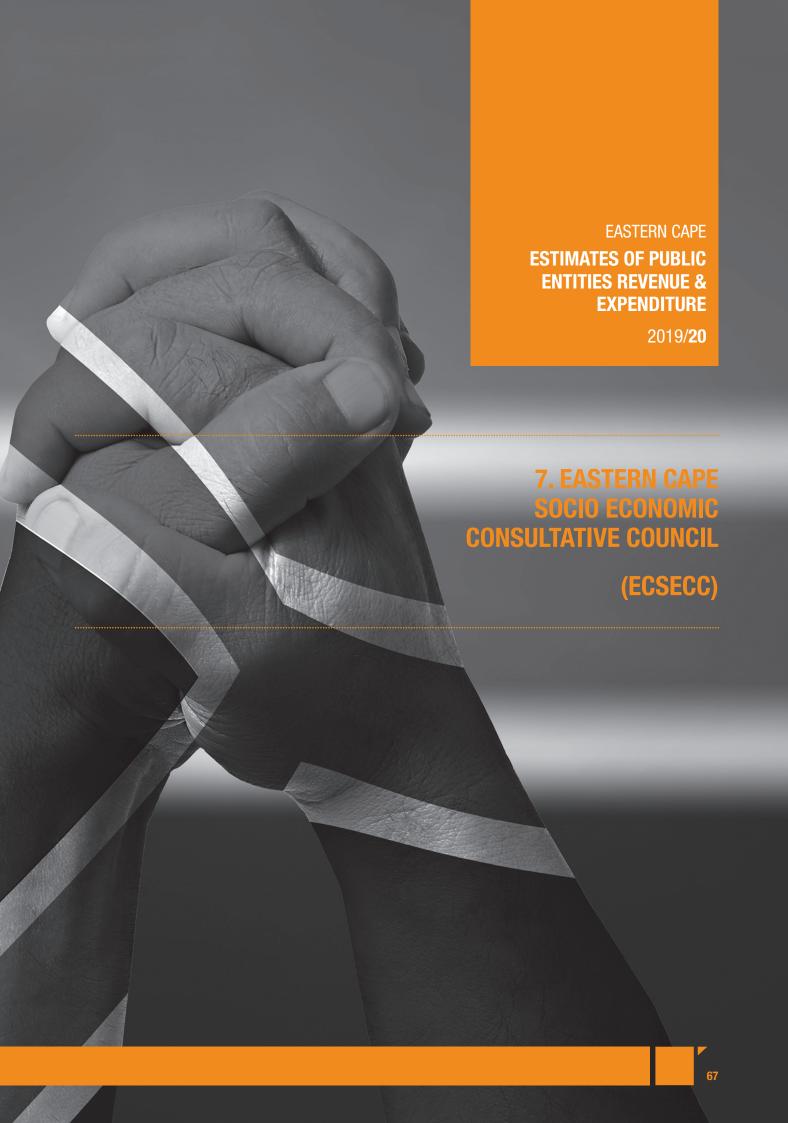
# 10. Personnel Information

Table 10.1: ECRDA Personnel Information

	Au	ıdited outco	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-term receipts estimate		
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	3 220	3 578	3 796	4 024	4 024	4 024	4 237	4 470	4 716
Personnel numbers (head count)	11	11	11	11	11	11	11	11	11
Unit cost	293	325	345	366	366	366	385	406	429
Executive Management									
Personnel cost (R thousand)	4 703	13 514	11 204	12 603	12 603	12 603	12 960	14 529	14 545
of which:									
Chief Financial Officer remuneration (R thousand)	1 608	1 697	1 801	1 921	1 921	1 921	2 048	2 181	2 301
Chief Executive officer remuneration (R thousand)	2 128	2 227	2 363	2 521	2 521	2 521	2 688	2 862	3 020
Personnel numbers (head count)	3	9	7	7	7	7	7	7	7
Unit cost	1 568	1 502	1 601	1 800	1 800	1 800	1 851	2 076	2 078
Senior Management									
Personnel cost (R thousand)	10 757	3 028	3 240	4 480	4 480	4 480	4 791	4 801	6 620
Personnel numbers (head count)	6	2	2	2	2	2	2	2	2
Unit cost	1 793	1 514	1 620	2 240	2 240	2 240	2 396	2 401	3 310
Middle Management									
Personnel cost (R thousand)	22 937	26 405	32 143	34 393	34 393	34 393	34 663	38 112	40 129
Personnel numbers (head count)	31	31	31	31	31	31	31	31	31
Unit cost	740	852	1 037	1 109	1 109	1 109	1 118	1 229	1 294
Professionals									
Personnel cost (R thousand)	3 844	4 136	4 430	5 810	5 810	5 810	8 493	9 295	8 864
Personnel numbers (head count)	4	4	4	6	6	6	6	6	6
Unit cost	961	1 034	1 107	968	968	968	1 416	1 549	1 477
Semi-skilled									
Personnel cost (R thousand)	27 690	27 962	29 947	32 044	32 044	32 044	34 658	36 379	38 743
Personnel numbers (head count)	9	97	87	87	87	87	87	87	87
Unit cost	3 077	288	344	368	368	368	398	418	445
Very low skilled									
Personnel cost (R thousand)	4 028	4 333	4 641	3 980	3 980	3 980	4 243	4 519	4 813
Personnel numbers (head count)	25	25	20	20	20	20	20	20	20
Unit cost	161	173	232	199	199	199	212	226	241
Total for entity									
Personnel cost (R thousand)	77 179	82 956	89 401	97 334	97 334	97 334	104 046	112 105	118 429
Personnel numbers (head count)	89	179	162	164	164	164	164	164	164
Unit cost	867	463	552	594	594	594	634	684	722

The ECRDA is governed by the Accounting Authority (Board of Directors), which consist of 11 non-executive directors. The agency is currently operating with a staff capacity of 153 (excluding the board of directors) and is projecting that the personnel numbers will remain as such over the 2019 MTEF. However, currently there is process aimed at reviewing the capability of its operating model to deliver on its strategic objectives. The outcome of this review may result in changes to the structure and underlying employment costs.







# **EASTERN CAPE SOCIO ECONOMIC CONSULTATIVE COUNCIL (ECSECC)**

## 1. Legislative mandate

The Eastern Cape Socio Economic Consultative Council (ECSECC) is a section 21 company in terms of the Companies Act and is listed as a Schedule 3C public entity in the Public Finance Management Act No. 1 of 1999, as amended and administered by the Office of the Premier (OTP).

#### 2. Vision

A poverty free Eastern Cape where everyone benefits equally from the economy and realise their human capital potential.

## 3. Mission

The mission of ECSECC is to be a multi-stakeholder centre of excellence in applied policy research, development planning and facilitation.

# 4. Strategic objectives

ECSECC's has four strategic goals:

- To facilitate effective and efficient administration and governance.
- To support development policy, strategy and planning in the Eastern Cape Province.
- To be a socio-economic knowledge hub for the Eastern Cape Province.
- To create platforms for multi-stakeholder participation and partnerships.

The goals are supported by the entity's strategic objectives:

- Ensure effective, efficient and development-oriented governance and management;
- Ensure effective and efficient operations and knowledge management;
- To support economic development policy, strategy and planning in the Eastern Cape province;
- To conceptualise and facilitate measures to improve quality in education and training in the Eastern Cape;
- Support the building of a capable developmental state;
- Develop and drive a common provincial infrastructure agenda to support socio-economic development;
- Reduce the rate of new HIV and TB infections using combination prevention methods and a multisectorial approach; and
- Ensure functionality of AIDS councils in the Eastern Cape.

### 5. Main Services

In line with its mandate, the entity's main services are as follows:

- Provide strategic information and policy advice through conducting research and developing socioeconomic publications and data products;
- Development of provincial and regional strategies and plans that will facilitate the growth of the provincial economy; and
- Facilitate partnerships amongst and between the public sector, private sector, higher education, organised labour and civil society for implementation of policy and catalytic projects.

# 6. Programme details

The programme details of the entity are as follows:

- Operations, Finance, Corporate Services and Knowledge Management: The purpose of the programme is the development and implementation of effective and efficient ECSECC management and governance systems and procedures.
- **Economic governance and human resource development:** Support and facilitate economic and human resource development policy, strategy and priority interventions in the province.
- Strategic Planning and Governance: Develops and drives a common provincial agenda for socioeconomic development and support the building of a capable developmental state;
- HIV/AIDS: Assists the province to effectively manage the province's response to HIV/AIDS, TB and STIs.

#### 7. 2018/19 Performance review

#### 7.1 Key Achievements

- In executing its mandate of development planning, ECSECC has focused on regional development and ensuring the district development and integrated development plans are aligned to national and provincial priorities. Long term District Development Plans were developed for O R Tambo District, Alfred NZO District, Nyandeni and Ingguza Hill Local Municipality.
- The Small Harbours Investors Conference was convened, and costal investment projects identified.
- A partnership between ECSECC, Department of Environmental Affairs and Nelson Mandela University was formed to drive Ocean Economy research and planning.
- Integrated reports covering Strategic Infrastructure Projects having a footprint in the Eastern Cape have been developed quarterly. Stakeholder engagements are prioritised for the N2 Wild Coast Road, Mzimvubu multipurpose project and the broadband rollout initiative.
- The Infrastructure Planning and Co-ordination Office (IPCO) has been established in the form of a working team. IPCO monitors implementation of the Eastern Cape Infrastructure Plan and works to ensure that Departments fund and implement priority initiatives.
- A Social Accounting Matrix database was developed, and an economy-wide model was constructed and
  used for fiscal policy simulation in collaboration with South African Revenue Services (SARS), National
  and Provincial Treasury and University of Fort Hare
- Sector plans for the Provincial Implementation Plan for HIV, TB and STIs 2017-2022 has been developed
  by various sectors to ensure alignment in implementation across all sectors. The plan is monitored
  quarterly by the AIDS Council and interventions designed where risks arise.
- A provincial Men's Parliament and World AIDS Day was held.

#### 7.2 Key challenges

Fiscal constraints over the past four financial years has caused pressure on the core operations and on existing human resources. Some MTEF targets have been revised downwards and projects have been consolidated and refocused to achieve greater impact across fewer areas. While the entity continues to provide socioeconomic information and analysis, it has been unable to invest in advanced system development and analytical capability that is required by the province. Administrative costs are kept to an absolute minimum by observing austerity measures and retaining manual administrative systems.

To meet targets, as set out in the Strategic and Annual Performance plan, ECSECC holds joint projects and activities with partners and stakeholders. Regional development planning and investment facilitation in Alfred Nzo and OR Tambo districts has been possible through co-funded projects with district and local municipalities. Research on Industry 4.0 and digital skills was made possible through a partnership with the eSkills CoLab at Walter Sisiuly University. Activities of the Eastern Cape AIDS Council has been supported by partners such as the Department of Health and South African National AIDS Council.

## 8. 2019/20 Performance outlook

The following are the key focus areas over the 2019 MTEF:

- ECSECC will finalise the 5-year implementation plan for the Provincial Development Plan (PDP) in alignment with the MTSF of the 6th Administration. The entity will facilitate its roll-out through Departmental Strategic Plans and District Development Plans.
- The entity's research agenda will focus on: Industry 4.0 and digital skills; provincial and local government planning information; demographic trends, migration and urbanisation; enabling investment; and structural and social drivers of HIV and TB. Partnerships with universities, research institutions and international donor organisations will enable the execution of this agenda.
- Finalisation of the HRD strategy for the province, outlining appropriate responses to labour market and skills challenges, including new opportunities and challenges brought about by digital transformation and Industry 4.0. The strategy will include catalytic initiatives across HRD stakeholders.
- ECSECC will support the OTP to ensure continued functionality of IPCO to drive Eastern Cape Infrastructure Plan (ECIP) implementation. ECSECC will in this regard focus on reporting and monitoring of ECIP, as well as planning alignment between ECIP and governments infrastructure plans.
- ECSECC facilitates stakeholder management and coordination to enable progress on the N2 Wild Coast and Mzimvubu strategic infrastructure projects and thus attendant regional development.
- Economic development with support to manufacturing and industry and strengthen business-government interaction. The entity has a new focus on technology, innovation and digital skills.
- Coordinate and monitor the implementation of the Provincial Strategic Plan & Provincial Implementation
  Plan on HIV/AIDS and Tuberculosis, including resource mobilisation for implementation. The HIV/AIDS
  response has a focus on:
  - o Provincial Prevention Implementation strategy aimed at closing the cycle of transmission will be coordinated, monitored and implemented. The strategy focuses on young women on adolescent girls and young women, men between the ages of 25-35;
  - Coordination and monitoring of 90/90/90 strategy focusing on: HIV counselling and testing, Condom Distribution, Universal test and Treat, treatment as prevention and implementation of new innovations such as home testing; and
  - o Coordination of the establishment of treatment adherence clubs and the Welcome Back campaign.

## 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	44 978	38 521	44 316	41 729	46 178	46 178	44 102	46 552	49 128
Sale of goods and services other than capital assets	-	392	3 725	-	3 571	3 571	-	-	-
Entity revenue other than sales	294	251	412	300	350	350	350	350	385
Transfers received	44 679	37 826	40 167	41 429	42 241	42 241	43 752	46 202	48 743
of which:	-	-	-	-	-	-	-	-	-
Departmental transfers	43 736	37 011	39 158	41 429	41 429	41 429	43 752	46 202	48 743
Other transfers	880	-	-	-	812	812	-	-	-
Sale of capital assets	5	52	12	-	16	16	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	-	-	-	-	-	-	-	-	-
Total revenue before deposits into the PRF	44 978	38 521	44 316	41 729	46 178	46 178	44 102	46 552	49 128
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	44 978	38 521	44 316	41 729	46 178	46 178	44 102	46 552	49 128
Expenses	-	-	-	-	-	-	-	-	-
Current expense	42 423	39 232	43 566	41 729	45 320	45 320	44 102	46 552	49 128
Compensation of employees	30 746	29 523	32 466	32 923	33 181	33 181	35 033	37 026	39 062
Goods and services	11 642	9 709	11 100	8 806	12 139	12 139	9 069	9 526	10 066
Interest on rent and land	35	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	550	56	544	-	858	858	-	-	-
Payments for financial assets	-	-		-		-	-	-	-
Total expenses	42 973	39 288	44 110	41 729	46 178	46 178	44 102	46 552	49 128
Surplus / (Deficit)	2 005	(767)	206	(0)	-	-	0	-	0

Non-tax revenue decreased from R44.978 million in 2015/16 to R38.521 million in 2016/17 due to budget cuts. Slight relief in 2018/19, with the budget increasing to a revised estimate of R46.178 million due to own revenue generation strategies. Over the 2019 MTEF, a marginal increase is expected, moving forward, from R44.099 million in 2019/20 to R49.079 million in 2021/22.

Compensation of Employees (CoE) increased from R30.746 million in 2015/16 to R35.033 million in 2019/20, as a result of inflationary adjustments.

Goods and Services are mainly driven by administration and operational costs. Expenditure has decreased from R11.642 million in 2015/16 to R11.100 million in 2017/18 and increased to a revised estimate of R12.139 million in 2018/19. Over the 2019 MTEF, goods and services remain at R9.069 million in 2019/20 and increase marginally to R10.066 million 2021/22.

# 10. Personnel information

Table 10.1: ECSECC Personnel information

	Aı	ıdited outcoı	ne	Main appropriation	Adjusted appropriation	Medium-term receipts estimate			
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	566	681	671	600	600	600	700	700	739
Personnel numbers (head count)	14	14	13	14	14	14	14	14	14
Unit cost	40	49	52	43	43	43	50	50	53
Executive Management									
Personnel cost (R thousand)	2 649	2 585	3 085	3 075	3 075	3 075	3 194	3 370	3 555
of which:									
Chief Financial Officer remuneration (R thousand)	1 136	1 135	1 368	1 406	1 406	1 406	1 461	1 549	1 634
Chief Executive officer remuneration (R thousand)	1 513	1 450	1 717	1 669	1 669	1 669	1 733	1 821	1 921
Personnel numbers (head count)	2	2	2	2	2	2	2	2	2
Unit cost	1 324	1 293	1 543	1 538	1 538	1 538	1 597	1 685	1 777
Senior Management									
Personnel cost (R thousand)	6 490	5 852	5 876	6 075	6 075	6 075	6 176	6 547	6 907
Personnel numbers (head count)	6	5	5	5	5	5	5	5	5
Unit cost	1 082	1 170	1 175	1 215	1 215	1 215	1 235	1 309	1 381
Middle Management									
Personnel cost (R thousand)	4 573	4 066	5 112	5 447	5 702	5 702	7 234	7 668	8 090
Personnel numbers (head count)	6	5	6	6	7	7	7	7	7
Unit cost	762	813	852	908	815	815	1 033	1 095	1 156
Professionals									
Personnel cost (R thousand)	14 410	14 635	15 513	15 465	15 465	15 465	15 294	16 212	17 103
Personnel numbers (head count)	21	20	19	19	19	19	18	18	18
Unit cost	686	732	816	814	814	814	850	901	950
Semi-skilled									
Personnel cost (R thousand)	2 295	2 047	2 493	2 486	2 486	2 486	2 733	2 897	3 056
Personnel numbers (head count)	9	8	8	8	8	8	8	8	8
Unit cost	255	256	312	311	311	311	342	362	382
Very low skilled	-	-	-	-	-	-	-	-	-
Personnel cost (R thousand)	329	340	387	378	378	378	402	426	450
Personnel numbers (head count)	2	2	2	2	2	2	2	2	2
Unit cost	165	170	194	189	189	189	201	213	225
Total for entity									
Personnel cost (R thousand)	31 312	30 206	33 137	33 526	33 781	33 781	35 733	37 819	39 899
Personnel numbers (head count)	60	56	55	56	57	57	56	56	56
Unit cost	522	539	602	599	593	593	638	675	712

The ECSECC is governed by the Accounting Authority which consists of 14 non-executive directors. The ECSECC is currently operating with a staff capacity of 42 (excluding the board of directors) and is projecting that the personnel numbers will remain constant over the 2019 MTEF.







# **EAST LONDON INDUSTRIAL DEVELOPMENT ZONE (ELIDZ)**

## 1. Legislative Mandate

East London Industrial Development Zone (ELIDZ) was set up in 2002 as a response to the need for a robust catalyst for economic development and industrial diversification in the country. ELIDZ is a State Owned Corporation set up by government through the South African Industrial Development Zones Programme (now the South African Special Economic Zones Programme) to develop, operate and maintain modern infrastructure and to complementary attract strategic investments for the region.

The ELIDZ is owned by provincial government through Department of Economic Development Environmental Affairs and Tourism (DEDEAT) and the Buffalo City Metropolitan Municipality (BCMM). ELIDZ is listed as a Schedule 3D public entity in the Public Finance Management Act (PFMA). It is funded by the Department of Trade and Industry (DTI) (SEZ Fund – Capital Projects) and the Department of Economic Development Environmental Affairs and Tourism for operational expenses.

## 2. Vision

World class Operator of prestigious industrial complex where highly competitive organizations thrive on streamlined business benefits and stimulate regional economic growth.

## 3. Mission

To provide investor solutions and to attract and develop strategic industries that strengthen South Africa's global competitiveness through the development and operation of a thriving, specialized industrial complex.

The ELIDZ pursues its mission to create and deliver:

- a suitable location for the establishment of strategic investments; and
- promotion and development of productive links between domestic and zone-based industries, to
  optimise use of existing infrastructure, generation of employment and creation of technology transfers;
  and the enabling of the beneficiation of local resources by resource-seeking industries.

# 4. Strategic objectives

The entity's mandate is achieved through the following strategic objectives:

- Acquire, designate and appropriately zone strategic parcels of land for the planned future investment and expansion of ELIDZ strategic targeted industries;
- Transact ELIDZ's land assets to locate targeted manufacturing and services industry investments occupying an additional 47.6 hectares of the ELIDZ's net tradable land extent by 2019/20;
- Extend the ELIDZ's manufacturing and services capacity and productive output through the construction and delivery of 10 new infrastructure/superstructure development projects by the end of 2019/20;
- Prioritise, target and promote investment by domestic and foreign investors to secure 23 new investors contributing R2.3 billion worth of private sector investment into the zone; and
- Target and promote investments by domestic and foreign investors that will increase levels of direct employment by zone enterprises to 5 758 by the end of 2019/20.

### 5. Main services

To develop, operate and maintain a modernised infrastructure, location and services that are capable of attracting strategic investments that:

- Promote the export competitiveness of provincial and South African manufactured products and services;
- Strengthen, expand and diversify the provincial economy;
- Enable the efficient usage of natural resources in the zone;

- · Secure advanced foreign production and technology methods; and
- Encourage skills transfer and local intellectual capital development.

## 6. Programme details

#### Operations

The programme is responsible for attraction of targeted investors and investments, development, provision of infrastructure and customized superstructure solutions to investors and management of the ELIDZ property portfolio.

In addition to the above, operations also aim to operate a commercially viable, effective, attractive and sustainable, specialized industrial destination through the pursuit of value–adding strategies, effective planned preventative maintenance, facilities management, and expansions and alterations to existing infrastructure as well as factories in the zone.

#### • Institutional support:

The programme provides strategic direction, guidance and support to enterprise-wide strategic management disciplines that focus on:

- o Company Secretarial Support;
- o Risk Management and Internal Control;
- o Corporate Strategy and Planning;
- o Quality, Safety, Health and Environmental Management;
- o Enterprise Portfolio Management;
- o Enterprise Performance Monitoring and Reporting;
- o Client Relations Management; and
- o Industrial Competitiveness and Innovation

### 7. 2018/19 Performance Review

#### 7.1 Key Achievements

The organisation has managed to transact 1.34 ha of land as of the second quarter. During the period under review, the board approved eight additional investments with a land extent requirement of 10.57 hectares. It is forecasted that a number of these will be transacted by the end of the financial year leading to the land take up of approximately 12 hectares against a target of 11.4 hectares.

For the 2018/19 financial year, the ELIDZ has targeted to implement 3 strategic infrastructure/ superstructure projects that will become catalysts for increased economic activity, growth and diversification of the ELIDZ's investment portfolio. So far one factory has been completed and 2 more are anticipated to be complete before the end of the financial year.

The ELIDZ undertook to sign 5 investors before the end of the financial year, at the moment one has already signed and there are more than 7 that were approved by the board of which funding has already been secured from the DTI. More than 5 investors are likely to sign before the end of the financial year. The total investment for these projects is R2 billion.

The ELIDZ is also currently implementing superstructure projects for MBSA, D Fence, Nulatex and TI Automotive, which were approved by the ELIDZ board in 2017/18.

#### **New Investor Opportunities**

The ELIDZ continues to implement various initiatives to increase its competitiveness and appeal to potential investors. During the second quarter, an investment agreement of R80 million was completed. The ELIDZ continues with active investment promotion and marketing initiatives.

Key to this has been the active engagement with MBSA to refine the ELIDZ offering for new suppliers for the W206.

The ELIDZ continues to prioritise the positioning of the zone as a competitive industrial location. The facilitation of access to investment incentives is a key priority in this regard. To date, 55 percent of the total zone community qualifies for the Customs Controlled Area Enterprise incentive. Of the qualifying enterprises, the ELIDZ has assisted 54 percent of the zone's qualifying enterprises to access this incentive. Efforts are under way to increase this number during 2018/19 financial year. Additionally, the ELIDZ is currently lobbying the DTI to become the first pilot sites for the testing of the new SEZ incentives.

Key to this priority is the growth of the ELIDZ's revenue from its lease and services. In line with this, the ELIDZ has, in the period under review implemented various initiatives to manage its costs, increase own generated revenue and diversify its revenue generation streams. To this end the following initiatives were implemented:

- Review of ELIDZ rental rates; and
- Negotiation with BCMM to reduce the rates and taxes charged to the zone in an effort to reduce the cost
  of doing business in the zone.

#### 7.2 Key Challenges

ELIDZ Investment Promotion efforts are challenged by various factors including the following:

- Current economic climate and declining investor confidence;
- Delays in the operationalization of SEZ incentives, which will improve the SA SEZ Value Proposition;
- Inability for renewable energy generators to swiftly secure power purchase agreements for their renewable energy; this has affected the rate of graduation of these investors through the ELIDZ's investor pipeline; and
- Reduced appetite from Development Finance Institutions to finance investments in the aquaculture sector this has affected the ability of investors in the ELIDZ's pipeline to secure financial closure.
- The small size of the seaport in East London as some of the investors relies on the ships to import and export some of its inputs and outputs.

### 8. 2019/20 Performance Outlook

The following will be the focus areas for ELIDZ over the 2019 MTEF:

- Continue intensifying marketing and selling efforts of the ELIDZ as a suitable investment destination to targeted investors through direct marketing;
- Expedite the signing of investors that have already been approved. The ELIDZ anticipate signing 10 investors approved during the 2018/19 financial year. The approximate investment value is R1.392 billion. This value does not include ELIDZ investment, i.e. top structure, associated with the investment; it is the value of private investment as promised by the investor;
- Continue with intensifying efforts to raise funds for the Mercedes Benz new model suppliers from DTI through the SEZ fund;
- Follow up on the application for the designation of additional parcels of land to accommodate the additional sectors and investors;
- Commissioning of the windfarm project that will reduce the electricity bill of the ELIDZ by about R2.6 million per year;
- Lobby for funding for the aqua culture incubator from the provincial government and the DTI;
- Continue with the electrical upgrade project that would ensure that ELIDZ electricity supply would move 20MVA to 40 MVA capacity; and this would ensure uninterrupted supply of electricity to current and future investors; and

• Promote the SEZ incentives that were approved by National Treasury to investors that are in the zone and prospective investors as well to ensure that at least 40 percent benefit from them.

## 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcor	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	227 880	264 568	886 339	259 704	673 259	673 259	1 491 648	298 629	312 053
Sale of goods and services other than capital assets	106 228	116 565	126 391	144 832	144 832	144 832	169 514	175 551	185 196
Entity revenue other than sales	-	-	-	-	-	-	-	-	-
Transfers received	116 990	144 217	757 848	112 172	525 727	525 727	1 319 134	120 244	123 857
of which:	-	-	-	-	-	-	-	-	-
Departmental transfers	94 932	100 866	106 767	112 172	112 172	112 172	115 604	120 244	123 857
Other transfers	22 058	43 351	651 081	-	413 555	413 555	1 203 530	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	4 662	3 786	2 100	2 700	2 700	2 700	3 000	2 834	3 000
Total revenue before deposits into the PRF	227 880	264 568	886 339	259 704	673 259	673 259	1 491 648	298 629	312 053
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	227 880	264 568	886 339	259 704	673 259	673 259	1 491 648	298 629	312 053
Expenses									
Current expense	194 063	206 137	236 765	259 704	259 704	259 704	288 118	298 629	312 053
Compensation of employees	66 305	60 653	72 678	76 209	76 209	76 209	80 810	91 938	94 199
Goods and services	127 758	145 484	164 087	183 495	183 495	183 495	207 308	206 691	217 854
Interest on rent and land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	11 031	43 351	181 374	-	413 555	413 555	1 203 530	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total expenses	205 094	249 488	418 139	259 704	673 259	673 259	1 491 648	298 629	312 053
Surplus / (Deficit)	22 786	15 081	468 200	0	0	0	(0)	-	0

Non tax revenue increased from R227.880 million in 2015/16 to R886,339 million in 2017/18. The increase was due to transfers received from the Department of Trade and Industry (DTI) for capital projects. Main budget for 2018/19 increased from R259.704 million, to a revised estimate of R673.259 million relating to rollover of transfers from the DTI for the completion of projects that were under implementation. Non-tax revenue will increase to R1.491 billion during 2019/20 of which R1.203 billion of this funding is meant for capital projects. These capital funds will be applied on a project-by-project basis for 2019/20 financial year going forward.

Departmental transfers increased from R94.932 million in 2015/16 to a revised estimate of R112.172 million in 2018/19. Over the 2019 MTEF, the transfers are projected to increase to R115.604 million, R120.244 million and R123.857 million, respectively. These transfers fund the operations and maintenance of the zone.

Included in the non-tax revenue for 2018/19 is the funding for capital projects of R413.555 million that has been approved by the DTI.

Compensation of Employees increased from R66.305 million in 2015/16 to R76.209 million in 2018/19 financial year. The personnel costs escalate due to cost of living and inflation adjustments. Over the 2019 MTEF period, an increase to R80.810 million during 2019/20 is estimated due of filling vacant posts.

Expenditure on Goods and Services has increased gradually from R127.758 million in 2015/16 to an estimated R183.495 million in 2018/19. The increase is due to inflationary factors influencing the operations as well as the increased spending on maintenance of the zonal infrastructure. Over 2019 MTEF, Goods and Services will grow from R207.308 million in 2019/20 to R217.854 million in 2021/22 due to increased maintenance activities, infrastructure planning, the consultants costs as a result more projects underway.

# 11. Personnel Information

**Table 10.1: ELIDZ Personnel Information** 

	Αι	ıdited outcoı	me	Main appropriation	- M			Medium-term receipts estimate		
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22	
Board Members										
Personnel cost (R thousand)	1 024	1 156	1 103	1 284	1 284	1 284	1 348	1 422	1 501	
Personnel numbers (head count)	8	8	8	8	8	8	8	8	8	
Unit cost	128	145	138	161	161	161	169	178	188	
Executive Management										
Personnel cost (R thousand)	11 023	11 114	12 595	13 477	13 477	13 477	14 150	14 929	15 750	
of which:										
Chief Financial Officer remuneration (R thousand)	1 788	2 016	2 565	2 745	2 745	2 745	2 882	3 040	3 207	
Chief Executive officer remuneration (R thousand)	3 010	3 682	4 044	4 327	4 327	4 327	4 543	4 793	5 057	
Personnel numbers (head count)	6	4	4	4	4	4	4	4	4	
Unit cost	1 837	2 779	3 149	3 369	3 369	3 369	3 538	3 732	3 937	
Senior Management										
Personnel cost (R thousand)	-	-	-	-	-	-	-	-	-	
Personnel numbers (head count)	-	-	-	-	-	-	-	-	-	
Unit cost										
Middle Management										
Personnel cost (R thousand)	25 680	20 314	30 108	35 912	35 912	35 912	34 198	40 207	41 005	
Personnel numbers (head count)	29	22	23	23	23	23	23	23	23	
Unit cost	886	923	1 309	1 561	1 561	1 632	1 487	1 748	1 783	
Professionals										
Personnel cost (R thousand)	19 587	18 334	22 069	25 412	25 412	25 412	24 652	27 916	28 102	
Personnel numbers (head count)	32	29	33	33	33	33	33	33	33	
Unit cost	612	632	669	770	770	847	747	846	852	
Semi-skilled										
Personnel cost (R thousand)	8 558	7 978	4 666	5 542	5 542	5 542	4 261	4 874	5 142	
Personnel numbers (head count)	16	14	12	14	14	14	14	14	14	
Unit cost	535	570	389	396	396	396	304	348	367	
Very low skilled										
Personnel cost (R thousand)	1 457	1 757	3 240	3 689	3 689	3 689	2 201	2 590	2 700	
Personnel numbers (head count)	10	10	14	17	17	17	17	17	17	
Unit cost	146	176	231	217	217	231	129	152	159	
Total for entity										
Personnel cost (R thousand)	67 329	60 653	73 781	85 316	85 316	85 316	80 810	91 938	94 199	
Personnel numbers (head count)	101	87	94	99	99	94	99	99	99	
Unit cost	667	697	785	862	862	908	816	929	952	

Number of personnel including board members has decreased from 101 to 94 between 2015/16 and 2017/18. Personnel numbers are anticipated to increase to 99 in 2019/20 due to filling of vacant posts. This level of staffing will be maintained over the 2019 MTEF period.





# **MAYIBUYE TRANSPORT CORPORATION (MTC)**

## 1. Legislative Mandate

The Mayibuye Transport Corporation is governed by the Corporations Transitional Provisions Act of 1995 (Act no. 12 of 1995) with the objective to plan and finance or to establish undertakings for the transportation of passengers at reasonable rates along designated routes and per set timetables. MTC is listed as a schedule 3D provincial public entity in the Public Finance Management Act (Act no. 1 of 1999) under the ownership and control of the Department of Transport.

#### 2. Vision

To be the public transporter of choice.

## 3. Mission

To provide a safe, reliable, affordable public transport service that is responsive to its environment.

## 4. Strategic Objectives

The MTC has the following strategic goals and underlying strategic objectives:

- Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers;
- To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service; and
- Develop the MTC into a fit-for-purpose public transport provider.

#### 5. Main services

The MTC provides public transportation to a population of 2.2 million people in the Buffalo City Metropolitan Municipality area, the Amathole District Municipality, the Chris Hani District Municipality, and the rural surroundings areas of Amahlathi, Raymond Mhlaba, and Enoch Mgijima Local Municipalities.

#### 6. Programme details

The MTC is made up of the following two programmes with its sub-programmes:

#### Administration:

Administration programme comprise of Executive Office, Financial Management and Corporate Services sub programmes.

## Operations:

Engineering sub-programme provides safe and reliable fleet, manages inventory, facilities and infrastructure. It coordinates with the Operations sub-programme which provides passenger transport services, coordinates bus services on all routes, enhances and safeguards revenue streams.

## 7. 2018/19 Performance review

## 7.1 Key Achievements

The key achievements for the 2018/19 financial year are summarised as follows:

- By the end of 2018/19 third quarter MTC has transported over 1,2 million passengers of which 88 000 were students.
- The MTC has on average operated 922 trips each week of which over 98% of the trips were operated on time:
- More than 80 percent of the MTC's customer are satisfied with the services they receive from the entity;

- The MTC has successfully operated the innovative Park and Ride services between East London and King William's Town areas. The service continues to run at full capacity and provides a quality, convenient and affordable transport services for workers travelling between East London and Bhisho, with expansion to include Amalinda proving successful.
- The MTC, in partnership with the Department of Transport and the Transport Education and Training Authority (TETA) has trained and mentored 20 apprentices and 27 interns;
- The entity has not caused any fatal accidents. Passenger safety is a mission-critical imperative, one which the MTC fervently drives by conducting more than 5813 safety checks during the current year. This has greatly assisted the MTC in preventing accidents; and
- The MTC continues to leverage technology to streamline its operations. The objective to digitalise continues to be realised and the Corporation has procured and installed a fleet management system.

#### 7.2 Key Challenges

The challenges faced by the Corporation can be summarised as follows:

- The majority of customers are from poor backgrounds and cannot afford an economic fare. A significant size (30 per cent) of the MTC customer base is unemployed with most customers earning a household income of less than R5000 per month; and
- The bulk of the MTC routes run within the most underdeveloped parts of the Province which results in massive mechanical repair and maintenance costs.

#### 8. 2019/20 Performance outlook

The outlook for the 2019/20 financial year can be summarised as follows:

- The MTC will be better positioned to participate in the Provincial Integrated Public Transport Master Plan through feeder routes and the BCMM Integrated Public Transport System;
- The East London/Bhisho Park and Ride Service will be expanded to include additional collection points such as Gonubie and Greenfields;
- Accreditation of Depot Workshops by Operating Equipment Manufacturers will increase revenue streams, reduce turnaround time and maintenance costs; and
- The ticket sale network will be diversified and provide better access of services to customers

## 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcon	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	144 514	148 622	151 229	151 852	166 852	166 852	161 329	175 929	185 605
Sale of goods and services other than capital assets	27 546	31 280	32 635	37 271	37 271	37 271	40 332	48 157	50 806
Entity revenue other than sales	6 874	1 105	149	-	-	-	-	-	-
Transfers received	109 404	116 029	118 445	114 581	129 581	129 581	120 997	127 772	134 799
of which:									
Departmental transfers	108 990	113 801	117 704	114 581	129 581	129 581	120 997	127 772	134 799
Other transfers	414	2 228	741	-	-	-	-	-	-
Sale of capital assets	690	208	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	-	-	-	-	-	-	-	-	-
Total revenue before deposits into the PRF	144 514	148 622	151 229	151 852	166 852	166 852	161 329	175 929	185 605
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	144 514	148 622	151 229	151 852	166 852	166 852	161 329	175 929	185 605
Expenses									
Current expense	116 993	167 007	143 488	140 978	154 896	154 896	147 992	161 378	170 254
Compensation of employees	62 391	71 972	75 409	74 156	76 044	76 044	77 964	83 783	88 390
Goods and services	54 081	90 089	63 332	62 082	75 046	75 046	66 369	73 663	77 716
Interest on rent and land	521	4 946	4 747	4 740	3 806	3 806	3 659	3 932	4 148
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	-	-	15 235	10 874	11 956	11 956	13 337	14 551	15 351
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total expenses	116 993	167 007	158 723	151 852	166 852	166 852	161 329	175 929	185 605
Surplus / (Deficit)	27 521	(18 385)	(7 494)	-	-	-	-	-	(0)

Non-tax revenue increased from R144.514 million in 2015/16 to a revised estimate of R166.852 million in 2018/19 due to additional departmental transfers received for operations. Over the 2019 MTEF, non-tax revenue increases from R161.329 in 2019/20 to R185.605 million in 2021/22.

Compensation of Employees increased from R62.391 million in 2015/16 to a revised estimate of R76.044 million in 2018/19 in line with revised organisational structure and due to additional positions as well as the cost of living adjustment. Over the 2019 MTEF, compensation of employees increases to R77.964 million, R83.783 million and R88.390 million respectively, as a result of inflationary cost of living adjustment.

Goods and services increased from R54.081 million in 2015/16 to a revised estimate of R75.046 million in 2018/19. This is mainly due to the additional allocation from the Department of Transport to cover operating expenditure escalating due to ageing fleet. In the 2019/20 financial year, the expenditure is projected to decrease to R66.363 million which is the current baseline. Goods and services will increase gradually to R73.663 million in 2020/21 and R77.716 million in 2021/22.

Payments of capital assets decreased from R15.235 million in 2017/18 to a revised estimate of R11.956 million during 2018/19, for the refurbishment of depot and to cover the finance lease instalments. Over the 2019 MTEF, this grows gradually to R13.337 million, R14.551 million and R15.351 million, respectively.

# **10. Personnel Information**

Table 10.1: MTC Personnel Table

	Aı	udited outco	me	Main appropriation	Adjusted appropriation	Revised estimate	Medium-t	erm receipts	estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	2 246	1 378	1 961	1 898	1 898	1 898	2 002	2 113	2 229
Personnel numbers (head count)	9	9	9	9	9	9	9	9	9
Unit cost	250	153	218	211	211	211	222	235	248
Executive Management									
Personnel cost (R thousand)	8 355	8 820	7 489	6 840	6 840	6 840	7 119	7 511	7 924
of which:									
Chief Financial Officer remuneration (R thousand)	1 187	1 427	1 676	1 918	1 918	1 918	2 033	2 145	2 263
Chief Executive officer remuneration (R thousand)	2 017	2 361	2 742	2 894	2 894	2 894	3 053	3 221	3 398
Personnel numbers (head count)	6	7	4	3	3	3	3	3	3
Unit cost	1 393	1 260	1 872	2 280	2 280	2 280	2 373	2 504	2 641
Senior Management									
Personnel cost (R thousand)	4 528	4 795	5 004	5 736	5 736	5 736	5 080	6 891	7 270
Personnel numbers (head count)	5	5	5	6	6	6	5	6	6
Unit cost	906	959	1 001	956	956	956	1 016	1 148	1 212
Middle Management									
Personnel cost (R thousand)	9 984	13 072	11 866	9 133	9 133	9 133	9 297	9 808	10 347
Personnel numbers (head count)	12	16	18	12	12	12	12	12	12
Unit cost	832	817	659	761	761	761	775	817	862
Professionals									
Personnel cost (R thousand)	6 704	6 165	6 120	6 417	6 417	6 417	6 650	7 016	7 402
Personnel numbers (head count)	18	15	13	13	13	13	13	13	13
Unit cost	372	411	471	494	494	494	512	540	569
Semi-skilled									
Personnel cost (R thousand)	32 820	39 120	44 930	46 030	47 918	47 918	49 818	52 558	55 447
Personnel numbers (head count)	219	180	228	245	245	245	245	245	245
Unit cost	150	217	197	188	196	196	203	215	226
Very low skilled									
Personnel cost (R thousand)	-	-	-	-	-	-	-	-	-
Personnel numbers (head count)	-	-	-	-	-	-	-	-	-
Unit cost									
Total for entity									
Personnel cost (R thousand)	64 637	73 350	77 370	76 054	77 942	77 942	79 966	85 896	90 619
Personnel numbers (head count)	269	232	277	288	288	288	287	288	288
Unit cost	240	316	279	264	271	271	279	298	315

Currently, MTC has 9 board members. Personnel numbers (including board members) are planned to remain constant at 287 employees in line with the operational requirements of the entity.





# **COEGA DEVELOPMENT CORPORATION (CDC)**

## 1. Legislative Mandate

The Coega Development Corporation (Pty) Ltd ("CDC") was incorporated in 1999 to develop and operate the Coega Industrial Development Zone ("IDZ") and develop it by attracting foreign and local investment, principally in manufacturing industries with an export orientation.

#### 2. The Vision

Leading Catalyst for Championing of Socio-economic Development.

#### 3. Mission

To provide a competitive investment location, facilitate holistic Infrastructure and value-adding commercial business solutions.

## 4. Strategic objectives

The CDC's objectives are divided into two sections namely, the primary as well as the secondary strategic objectives.

- **Developmental** Promote Small, Medium and Micro Enterprise (SMME) Development, improve contribution to Eastern Cape Gross Domestic Product, increase job creation and improve skills development;
- Financial Increase alternative funding sources and achieve independence from government funding;
- **Customer and Stakeholder -** Attain diversification of customers and/or products and increase growth of operational tenants;
- Internal Process Promote excellence in the delivery of projects;
- Organizational Capacity Improve business processes and systems and optimize staff skills inventory.

#### 5. Main services

The product offerings of the CDC linked to the revenue generation objective are as follows:

## • Industrial Development Zone (Zone Development and Management):

o Industrial estate development – economic infrastructure development, investment attraction and facilities management;

### Non-Industrial Development Zone:

- o Travel Agency Services travel & accommodation (local and international), Visa Applications and conference facilities; and
- o Skills Development Services Accredited training, non-accredited training and conference facilities;

#### External Professional Services:

- o Implementing agency services social infrastructure, enterprise development and facilities management; and
- Management consultancy services research, document management services, SEZ/IDZ studies and planning and business re-engineering.

## 6. Programme details

#### **Programme 1: Special Economic Zone Focus**

The CDC's business focus on the Economic Zone is implemented through the following Business Units and programme:

- Business Development;
- Zone Operations; and
- IDZ Infrastructure Programme.

## **Programme 2: Central Support Services**

The CDC's functional programmes are made possible by the support services provided by:

- · CEO's Office;
- Finance;
- Corporate Services;
- Human Capital Solutions IDZ (SEZ);
- Centre of Excellence;
- SMME Development;
- ICT, Research and Strategy;
- Shared Services; and
- · Cost Engineering Unit.

#### **Programme 3: External Services Focus**

This component of the CDC's business is concerned with extending the reach of the CDC and to play a major role in the socio-economic development of South Africa, whilst generating revenue to help fund the development of the IDZ and the CDC's Corporate Social Investment projects.

## 7. 2018/19 Performance review

# 7.1 Key achievements

In the financial year 2018/19, the Coega SEZ is well on its way in cementing its place as a hub for job creation. The Coega SEZ as at quarter one of the current financial year has secured no less than 4,657 additional construction jobs and further 6,529 operational jobs. These job figures, more than any other, demonstrate the impact that the Coega SEZ has had on the socio-economic development of the Eastern Cape and of South Africa, as a whole.

The Coega SEZ secured 14 new investors with a combined investment value of R860 million. Notwithstanding the absence of full OPEX funding, among some of the key performance highlights in the 2017/18 financial year, the CDC has contributed to the growth of small businesses by awarding over 36% of all procurement spent to Small Micro Medium Enterprise's (SMME's). Of particular significance is the SMME spend, which amounted to R707 million in 2017/18.

During the year under review, Coega won a number of significant local and international awards. These awards are a validation by Captains of Industry of the CDC's achievements.

## These include:

- The Vision 2030 Infrastructure Development Award;
- Sub-Saharan Enterprise Awards Best International Trade
- Marketing Specialist in Africa;
- Exporters Awards IDC Job Creation Award (Merit Award);
- Top Employer 2018 Certified Excellence in Employer Conditions; and

Best Provider of Service to Exporters (Merit Award for Major Accomplishments).

#### 7.2 Key challenges

The CDC has not been able to maximise its growth potential due to the funding challenges relating to the funding of its Operational Expenditure. Provincial Government through grant funding partially funded the CDC's operational expenditure and the organisation had to use self-generated revenue to fund the shortfalls.

#### 8. 2019/20 Performance outlook

Currently, despite uncertainty in the country due to the downgrades by global rating agencies in 2017, there is now cautious optimism given the recent developments re-assuring markets that South Africa is open for business. However, the beginning of 2017 was marked by recession owing to a number of factors such as: water shortages, high electricity tariffs, contraction in manufacturing production, decline of private consumption and private investment as well as slower exports to mention but a few. In his state of the nation address on the 16th of February 2018, the new president vowed to improve the country's dysfunctional state-owned enterprises and cut the bloated public sector to contain rising public debt.

All of this point to a country at works where much still needs to be done to address the triple challenge of unemployment, poverty, and inequalities. Certainly, the CDC has welcomed the investment envoy announced by His Excellency President Ramaphosa to attract \$ 100 billion over the next five years. Such developments would boost investment in the Coega SEZ and position the organisation to achieve its target of 54 secured investors in 2020. In addition, through our external services, we believe that the organisation would continue to create job opportunities and training thus reducing the high levels of unemployment in the Eastern Cape.

## 9. Expenditure Estimates

Table 9.1: 2019/20 Budget and MTEF Estimates

	Au	dited outcon	ne	Main Appropriation	Adjusted Appropriation	Revised estimate	Mediu	m-term esti	nates
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Revenue									
Tax revenue	-	-	-	-	-	-	-	-	-
Non-tax revenue	879 789	786 837	867 289	520 678	878 882	878 882	595 539	646 041	665 487
Sale of goods and services other than capital assets	536 402	560 016	539 374	483 451	483 451	483 451	530 969	574 327	621 976
Entity revenue other than sales	4 768	2 921	3 411	7 227	7 227	7 227	7 950	8 387	8 511
Transfers received	338 619	223 900	324 504	30 000	61 934	61 934	56 620	63 327	35 000
of which:	-	-	-	-	-	-	-	-	-
Departmental transfers	53 000	43 000	40 000	30 000	31 270	31 270	56 620	63 327	35 000
Other transfers	285 619	180 900	284 504	-	30 664	30 664	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
Other non-tax revenue	-	-	-	-	326 270	326 270	-	-	-
Total revenue before deposits into the PRF	879 789	786 837	867 289	520 678	878 882	878 882	595 539	646 041	665 487
Less Deposits into the Provincial Revenue Fund	-	-	-	-	-	-	-	-	-
Total revenue	879 789	786 837	867 289	520 678	878 882	878 882	595 539	646 041	665 487
Expenses									
Current expense	531 903	578 206	565 909	520 678	521 948	521 948	594 715	645 175	665 331
Compensation of employees	261 864	280 244	295 763	300 224	300 224	300 224	325 593	346 756	368 276
Goods and services	267 402	270 875	260 628	220 454	221 724	221 724	269 122	298 419	297 055
Interest on rent and land	2 637	27 087	9 518	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	30 128	257 091	14 320	-	356 934	356 934	824	866	156
Payments for financial assets	-	-	-	-	-	-	-	-	
Total expenses	562 031	835 297	580 229	520 678	878 882	878 882	595 539	646 041	665 487
Surplus / (Deficit)	317 758	(48 460)	287 060	-	-	-	-	-	-

Non-Tax revenue has increased slightly form R879.789 million in 2015/16 to a revised estimate of R878.882 million in 2018/19. In the 2019/20, the non-tax revenue is projected to decrease significantly due to a decrease in the SEZ fund for capital infrastructure.

Transfers recieved decreased from R338.619 million 2015/16 to a revised estimate of R61.934 million in 2018/19 due to a decrease in the SEZ fund for capital infrastructure. Transfers received are expected to further decrease to R35 million by 2021/22.

Compensation of employees increased from R261.864 million in 2015/16 to a revised estimate of R300.224 million in 2018/19. In 2019/20, compensation of employees is projected to increase to R325.593 million and increase marginally through out the 2019 MTEF.

Goods and services decreased from R267.402 million in 2015/16 to a revised estimate of R221.724 million in 2018/19. In 2019/20, goods and services is projected to increase to R269.122 million due to additional funding from the Province for transitional arrangements to comply with SEZ policies and increased marginally through out the 2019 MTEF.

# **10.** Personnel Information

Table 10.1: CDC Personnel Information

	Au	ıdited outcoı	ne	Main appropriation	Adjusted appropriation	Revised estimate	Medium-term receipts		estimate
R thousand	2015/16	2016/17	2017/18		2018/19		2019/20	2020/21	2021/22
Board Members									
Personnel cost (R thousand)	615	675	842	850	850	850	904	962	1 025
Personnel numbers (head count)	9	9	8	8	8	8	8	8	8
Unit cost	68	75	105	106	106	106	113	120	128
Executive Management									
Personnel cost (R thousand)	7 975	6 490	27 479	27 699	27 699	27 699	29 444	31 358	33 397
of which:									
Chief Financial Officer remuneration (R thousand)	776	1 765	2 467	2 713	2 713	2 713	2 884	3 071	3 271
Chief Executive officer remuneration (R thousand)	7 199	4 725	7 358	5 618	5 618	5 618	5 972	6 360	6 773
Personnel numbers (head count)	2	2	7	9	9	9	8	8	8
Unit cost	3 988	3 245	3 926	3 078	3 078	3 078	3 681	3 920	4 175
Senior Management									
Personnel cost (R thousand)	44 145	30 611	22 243	22 505	22 505	22 505	26 084	27 775	29 576
Personnel numbers (head count)	22	16	13	13	13	13	13	13	13
Unit cost	2 007	1 913	1 711	1 731	1 731	1 731	2 006	2 137	2 275
Middle Management									
Personnel cost (R thousand)	78 314	128 257	121 204	131 349	131 349	131 349	139 624	148 700	158 365
Personnel numbers (head count)	138	139	136	131	131	131	142	142	142
Unit cost	567	923	891	1 003	1 003	1 003	983	1 047	1 115
Professionals									
Personnel cost (R thousand)	72 985	62 824	67 427	78 700	78 700	78 700	87 668	93 371	98 425
Personnel numbers (head count)	172	172	168	154	154	154	166	166	166
Unit cost	424	365	401	511	511	511	528	562	593
Semi-skilled									
Personnel cost (R thousand)	57 777	51 498	49 669	36 570	36 570	36 570	39 158	41 703	44 413
Personnel numbers (head count)	575	407	206	172	172	172	177	177	177
Unit cost	100	127	241	213	213	213	221	236	251
Very low skilled									
Personnel cost (R thousand)	668	564	7 740	3 400	3 400	3 400	3 614	3 849	4 099
Personnel numbers (head count)	8	6	184	49	49	49	49	49	49
Unit cost	84	94	42	69	69	69	74	79	84
Total for entity									
Personnel cost (R thousand)	262 479	280 919	296 605	301 074	301 074	301 074	326 497	347 719	369 300
Personnel numbers (head count)	926	751	722	536	536	536	563	563	563
Unit cost	283	374	411	562	562	562	580	618	656

The CDC's personnel numbers (including board members) is projected to increase to 563 in line with the approved establishment of the entity and remain constant throughout the 2019 MTEF.

NOTES		





# **CONTACT INFORMATION**

Private Bag X0029, Bhisho, 5605 Tel 040 101 0157 | Fax 040 101 0707 nomawethu.skoti@ectreasury.gov.za www.ectreasury.gov.za