



DEPARTMENT OF ECONOMIC DEVELOPMENT KWAZULU-NATAL



Vote Four

ANNUAL REPORT – 2004/2005





EXECUTING AUTHORITY



*Dr Zweli Mkhize, MPP – KZN
Minister of Finance
& Economic Development*

SENIOR MANAGEMENT



*Mr Mel Clark –
Head of Department*



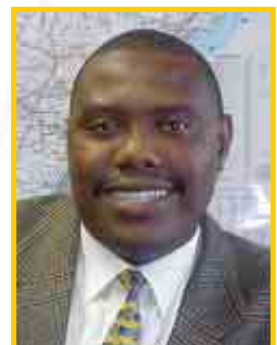
*Mr Wellington Ngcobo –
Chief Financial Officer (Acting)*



*Ms Fikiswa Pupuma –
General Manager for Trade & Sector Development*



*Mr Ranveer Persad –
General Manager for Local Economic Development*



*Mr Sibusiso Myeza – General Manager for
Integrated Business & Economic Empowerment*





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For the year ended 31 March 2005

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PART 1: GENERAL INFORMATION

INTRODUCTION

The Department of Economic Development is part of the KwaZulu-Natal Provincial Administration. Its main focus is the promotion of development and growth in all economic sectors across the province, which is essential for the creation of job opportunities and eradication of poverty in the communities. To meet this noble mandate, the Department had embarked on an intensive Strategic Planning process, which had influenced the kind of programmes and projects that were undertaken during the year under review. However, for each of the programmes and projects to be successfully implemented, it had to be aligned to the Department's Vision and Mission as reflected below:

Vision:

For KwaZulu-Natal to be a thriving, empowered and globally competitive economy.

Mission Statement:

To formulate and implement strategies that create an environment conducive to sustainable economic development in KwaZulu-Natal.

Legislative mandate:

The legislative mandate of the Department of Economic Development arises from the Constitution of South Africa, specifically Section 125, which addresses the executive authority of the provinces, as well as Schedules 4 and 5 of the Constitution:

Schedule 4 sets out the *Functional Areas of Concurrent National and Provincial Legislative Competences*, and specifically includes consumer protection, industrial promotion, provincial public enterprises (KwaZulu-Natal Ithala Development Finance Corporation Act 2 of 1999), and trade. This schedule also covers regional planning and development, as well as urban and rural development.

Schedule 5 details the *Functional Areas of Exclusive Provincial Legislative Competences*, and specifically includes liquor licence administration (the Liquor Act No 27 of 1989) and provincial planning.

It is primarily from these sections of the National Constitution that the Department has been able to fully articulate its mandate to various stakeholders and public.



ANNUAL REPORT 2004 –2005

Introduction By The Head Of Department



Mr Mel Clark – Head of Department

An Annual Report is a time of stock-taking. It's an opportunity to specifically and carefully measure the outputs achieved over a year of work. In the economic development field, this measurement is particularly difficult for a Government Department, as the goals are to reduce poverty, increase growth and empowerment across all parts of the Province. But achieving these goals is not one single act. It is a combination of a large number of seemingly "small" initiatives. The ***Journey To Prosperity*** is undertaken through taking thousands of small steps, but each step is critical and takes one closer to that destination.

Reading this Annual Report will show that during the year under review, the Department undertook over small steps – specific tangible outputs have been achieved and are recorded here. These outputs show that the Department has grown significantly this year in four specific areas.

In our Agri-business division:

- Four pilot citrus/macadamia community orchards in Zululand District were completed,
- The business plan for a Marula Processing Hub and demo micro-processing facility on the Makhathini Flats was done,
- Pre-feasibility studies were completed for:
 - the regional cut-flower hub in the Midlands area,
 - an organic perishable goods pack-house in Umbumbulu,
 - a Chili and Fresh Produce Packaging Hub in Ilembe,
 - an Essential Oils Hub in the Midlands,
 - beneficiation of aloe and as well as livestock produce.
- These pre-feasibilities form the basis for business plans and actual set-up of production for thousands of emerging black farmers and businesses.

As regards Local Economic Development (LED):

- The Provincial LED Policy has been drafted,
- A manual on business planning has been completed and distributed,
- The KZN-LED Monitoring and Evaluation System has been set up,
- As regards the EU-Funded *Gijima* KZN Programme, we successfully launched the Business Enabling Fund in February 2005, and the Local Competitiveness Fund in March 2005 – and to date the response from applicants has been outstanding,
- The Ingwe Rail Tourism project was supported with R1million,
- The LED Plan for the uThukela District was completed,
- Feasibility studies were completed for:
 - A fertilizer factory in Newcastle,
 - The Utrecht Game Park,



- The Newcastle regional airport regeneration,
- The Clothing and Textile hub development in Amajuba.
- These studies also form the basis for communities and entrepreneurs being able to access finance to convert these ideas into actual jobs and income generation.

Turning to our Business Development Division, the following outputs have been recorded:

- Increased support was given to the youth through:
 - our direct investment in the Future Leaders Conference held in July 2004,
 - our support for the Entrepreneurship in Schools Programme & SATET Expo,
 - our investment in the Youth Business/Technology Training Centre.
- Greater direct support to SMMEs was delivered through:
 - our continued support of the eThekweni Small Business Fair;
 - supporting at least 20 entrepreneurs to participate in the 2004 Technology for Women in Business Conference,
 - facilitating access to loans valued at over R1million for 15 applicants to the Business Rehabilitation Trust Fund,
 - establishing the NPI, a Productivity Coaches Programme which will see coaches for business being appointed to work in business centres,
 - continuing to drive the transformation of our Local Business Service Centres into outlets of the Small Enterprise Development Agency (SEDA).

In our Sector Development Division, the following deliverables stand out:

Arts and Crafts:

- The Provincial Craft Practitioners Cluster was established and is operating successfully,
- A database of KZN Crafters was developed and launched at the first KZN Craft Open Day in March 2005,
- Ten crafters were supported to exhibit at SAITEX and another 20 at the SA One of a Kind Expo,
- A further 20 master crafters were trained with the National Productivity Institute, and we are now extending this programme to uMhlabuyalingana and the Big Five municipalities.

Clothing and Textiles:

- The Provincial Clothing Cluster has been initiated and is developing its competitiveness projects,
- An initiative to save the jobs at David Whitehead textiles was started,
- A programme in support of 20 clothing SMMEs in the Bergville area was undertaken with the CSIR,
- The “School Gear” clothing empowerment project was undertaken.

Information and Communications Technology (ICT):

- An ICT Manual, publicizing support services in the ICT sector was completed,
- A feasibility for the establishment of an ICT Hub in the Pietermaritzburg area has been initiated.

Music:

- A “Venues Access Programme” to assist indigenous musicians to access commercially viable venues in KwaZulu-Natal was completed.

Film:

- The Department’s investment in hosting the KwaMashu Film Festival proved a great success.

Furniture:

- The KZN Furniture Cluster was established and developed an industry and BEE database,
- We hosted the industry workshop and the Furniture Manufacturers Indaba and Expo (where the exciting new “A Piece of Africa” brand was launched),
- A learnership programme for the industry was developed,
- At least 20 furniture BEE SMMEs were trained at Furntech,
- A BEE/SMME market opportunities manual has been published in isiZulu and English.

In our Black Economic Empowerment Directorate:

- A BEE measurement framework has been completed,
- A BEE companies database has been developed,
- The uMhlabatizane BEE Awards were successfully held.

As regards our Division dealing with Policy Development and Economic Information:

- The KZN Economic Review 2005 was completed,
- Eleven socio-economic profiles of the district municipalities were completed,
- The 10 year performance review for economic development was finalized,
- A conference on the state of the provincial economy was held,
- The economic development electronic database was established,
- The KZN Franchise Expo, as well as the Women Economic Empowerment Conference, were successfully held,
- The Industrial Development Strategy for KZN was completed,
- A Review of the Labour Market in KZN was finalized,
- The Department's Economic Information Unit was operationalised,
- The business plan for the KZN Film Commission was completed.

In our Business Regulation Division:

Consumer Protection Services:

- The Department achieved a 77% success rate in resolving reported consumer complaints,
- A draft legislation for new consumer protection regime in KZN was developed.

Liquor Licensing:

- About 377 licenses were granted and 194 refused for various reasons,
- At least 284 liquor traders were successfully brought into the legal framework,
- Continued processing of the new draft legislation for liquor licensing.

In addition to the above outputs there are three other business divisions under Vote 4 which are **not** reported here. These relate to the institutions funded under our mandate:

- Trade and Investment KwaZulu-Natal,
- Ithala Development Finance Corporation,
- Dube Trade Port (Pty) Ltd.

These institutions will present their own annual reports to the Legislature and stakeholders.

In summary, it has been a year of work, a year of delivery. There are many areas where the Department is trying to make an even bigger impact, and with the guidance of the Minister responsible for this portfolio, in particular as regards what can and should be done to better bridge the gap between our first and second economy, we will make a bigger difference in the year to come.

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

In conclusion, thanks must go to the two Ministers who guided the Department during this financial year, Mr Michael Mabuyakhulu and Dr Zweli Mkhize. Thanks also go to the management and all staff of the Department who persistently drove a culture of delivery and professionalism in the workplace.

Finally, we express appreciation for the value added by the participation of our stakeholders and communities in the design and execution of the delivery of this Department. We trust that this record of delivery shows that your contribution and sacrifice has born fruit.

A handwritten signature in dark ink, appearing to read 'Mel Clark', written in a cursive style.

Mr Mel Clark
Head of Department

Report Of The Executing Authority:



Dr Zweli Mkhize, MPP – KZN Minister of Finance & Economic Development

My department has made an undertaking to create work and fight unemployment through a number of initiatives. We have developed and financed a focused programme for the growth and development of co-operatives. We have leveraged our public procurement capacity to maximize local enterprise development and broad-based black economic empowerment. Our efforts have aimed at giving the poor an opportunity to step up the economic ladder. These foundations were laid in the 2004/2005 financial year, but have been greatly boosted through the resource allocations made by the Provincial Legislature in support of SMME development, co-operatives and project development, in the 2005/2006 financial year.

The Department of Economic Development is taking the lead in this process as reflected in our vision that we want to transform KwaZulu-Natal into a thriving, empowered and globally competitive economy. For us to achieve this ideal, the Department continuously formulates and implements strategies that create an environment conducive to sustainable economic development in the province.

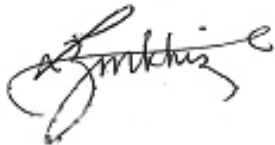
Through a combination of innovative interventions by the Department and our parastatal organizations like Ithala Development Finance Corporation and Trade and Investment KwaZulu-Natal we are working towards the harmonization of these two spheres of our economy. This is being done by creating equitable opportunities for both, which would help ensure a balanced economy where emerging businesses would complement big industries in terms of providing sustainable jobs and quality products and services for diversified markets. Part Two of this report is a living testimony of our endeavours as it shows the progress we have made in some areas like:

- ❑ Agri-business where we have diversified this sector by bringing in new players, especially from historically excluded communities to the beneficiated and specialist sections of agriculture for export market in particular,
- ❑ Local Economic Development (LED), in which the Department was instrumental in helping local authorities realize their economic potential by developing relevant strategies and business plans that help attract potential investors. The establishment of the European Union sponsored *Gijima KZN* initiative had demonstrated our resolve to bring about real economy growth in our localities,
- ❑ Sector Development that helped to identify and promote new economic sectors in the province – like furniture, textiles, information and communication technology and craft. The latter has become the bastion for economic empowerment of the ordinary, but naturally gifted members of our communities,

- ❑ Business Regulations where the Department had the Liquor Bill and Consumer Bill introduced to members of public for comment before being attended by the provincial legislature. Apart from legislative matters relating to the two sub-
- ❑ Divisions, significant progress was made in handling consumer complaints and promotion of consumer education as well as processing applications for liquor licenses,
- ❑ Business Development, through which the Department maintained its support for SMMEs, especially the promotion of youth and women owned enterprises. The national intervention in the empowerment of emerging enterprises through the formation of Small Enterprise Development Agency (SEDA) was reciprocated by the Department,
- ❑ Trade and Investment KZN and Ithala were instrumental in ensuring that we attract more investment and provide financial and infrastructural support to businesses across the province. At the same time the Department is delighted at the level of progress made towards the realization of the Dube Trade Port – the multi-modal logistics planned for La Mercy – on the north of Durban. The multi-billion rand project would be essential in positioning the province as a genuine economic hub.

Then, in conclusion, I would like to thank my predecessor, Mr Michael Mabuyakhulu for the solid foundation that he had laid for this Department. I am also grateful to Mr Mel Clark and his team of managers and staff who had steered the Department over the past years.

Together, let us build a winning province! Thuthuka KwaZulu-Natal – Masisukume Sakhe!



Dr Zweli Mkhize, MPP
KZN Minister of Finance & Economic Development

PART 2: PROGRAMME PERFORMANCE

2.1 Programme Review

Report by the Accounting Officer to the Executive Authority and Parliament/Provincial Legislature of the Republic of South Africa.

Under/Over spending

Programme	Final Allocation	Actual Expenditure	Under/(Over Expenditure)
1. Administration	29,074	26,992	2,082
2. Spatial Economic Co-ordination	16,825	13,278	3,547
3. Business and Sector Development	32,101	29,051	3,050
4. Tourism Trade and Investment	60,872	60,872	0
5. Policy Development	5,381	4,833	548
6. Special Projects	2,644	1,846	798
TOTAL	146,897	136,872	10,025

Overall Comment

The overall under-expenditure amounts to R10.025 million, which is 6.8% of the final allocation. A major portion of the under expenditure resulted from the non-filling of vacant budgeted posts. Furthermore, the suspension of the Liquor Division staff during part of the accounting period, together with the concomitant effect on the administrative and equipment costs, also contributed to this state of affairs.

Administration

The savings in this programme had been earmarked for the refurbishment of additional office space. The occupation of the additional offices had not transpired due to the intention to relocate the offices from Durban to Pietermaritzburg, hence the savings of R2 million.

The delay in filling of vacant posts has resulted in under-spending in personnel costs and with the concomitant effect on service delivery.

Spatial Economic Co-ordination

Blockages in the Public Works Department, including extended delays with regard to tender procedures resulted in the cancellation of construction of the Mudén Multi-Purpose Centre (R1.3million). Although this money was re-allocated during the adjustment estimates, the end of year holiday season and delays in tender procedures for alternative projects meant that these were contracted late in the financial year.

The balance of under-expenditure related to projects planned for completion during the year that were not achieved and the loss of personnel. Due to inadequate tenders being received and/or delays in attaining stakeholder consensus some projects were re-advertised and awarded late in the financial year. These have been budgeted for in the 2005/6 financial year.

The programme lost two Responsibility Managers for the Agri-business and Community Projects sub-programmes towards the middle of the financial year, which affected expenditure and hence service delivery. Overall, the programme remains under-capacitated in terms of staffing – a challenge that will be rectified in the 2005/06 financial year.

Business and Sector Development

Vacant budgeted posts were not filled resulting in unspent funds in Personnel and Administration-related costs. The savings in Personnel were used to fund the over-spending in projects under Professional and Special Services. The balance of the under-spending is due to:

- The activities relating to the Liquor Bill and the conversion of liquor licenses, which is solely dependent on the passing of the new Provincial Liquor Act.
- Systems designing and specification problems relating to the development of the Consumer Management System, where proposals submitted by service providers did not meet the requirements of the Consumer Affairs sub-directorate.
- The slight change in scope of the Entrepreneurship in Schools programme resulting in delays in executing some critical activities.

Trade and Investment

The transfer payments were as budgeted for and there is no variance.

Policy Development

The non-filling of vacant posts resulted in under-spending in Personnel and Administrative related costs. The balance of the variance relates to the KZN Economic Review project being shelved and delays with projects. These have been budgeted for in the 2005/6 financial year.

Special Projects

The bulk of unspent funds are in respect of personnel and administration related costs and they are a result of delays in the filling of vacant posts.

1. Service rendered by the Department

The department renders the following core functions:

- Unlock key anchor investment projects,
- Develop an investment framework,
- Undertake a process of development planning,
- Promote SMMEs,
- Promote Internal Trade,
- Promote local economic development (especially in small towns),
- Effectively manage parastatals as instruments of delivery and economic co-ordination,
- Administration of Liquor Licenses for KwaZulu-Natal and,
- Consumer Protection Services for the Province of KwaZulu-Natal.

Free services

The Consumer Affairs Division of the Department continued to protect, promote and further the rights and interests of consumers in the province of KwaZulu-Natal.

It sees its primary responsibility as the spreading of consumer awareness and developing a rights culture in the province. The division achieves this through two specific interventions viz. Consumer Complaints Handling and Consumer Education.

These services are offered to the general public at no cost.

2. Capacity constraints

The Department experienced notable capacity constraints during the year under review, arising in the main as a result of the delay in the filling of the approved posts. The lack in human resource capacity was experienced most significantly in the line functions of the Department like in Programmes two (2) and three (3).

3. Utilisation of donor funds

The Department entered into an agreement with the European Commission to establish the KwaZulu-Natal support programme. The programme is designed to assist the provincial Department of Economic Development, in partnership with a broad range of stakeholders to accelerate the implementation of LED policies, programmes and projects within the province.

The programme will support LED initiatives, provincially and initially from four selected “learning areas” – the Districts of uMgungundlovu, uMkhanyakude, uThungulu and Ugu. It will soon afterwards be rolled out to all districts other than the eThekweni metropolitan area.

4. Public entities

5. Other organizations to whom transfer payments have been made

- Tourism South Africa – R1 million.

6. Public-private partnership

The Department has launched the Dube Trade Port project with the intention of registering it as a public-private partnership project with the National Treasury in terms of the relevant regulations. The project is in phase one of the PPP process, whereby its feasibility study is being undertaken in preparation of an application for Treasury Authorisation 1 for the project. Dube Trade Port, formerly a subsidiary of Ithala, is now registered as a Section 21 company.

7. Corporate governance arrangements

Risk Management

The Department together with the Provincial Internal Audit Unit produced a risk assessment report in August 2000. This report is being used by the Department to address the material risks to which it is exposed and to establish a strategy for managing those risks. New risks are also identified on a regular basis and these are addressed through the management team as part of their key result areas. The risk assessment report will be updated during the 2005/06 financial year to take into account changes in the business processes.

Fraud Prevention

The Department has accepted the generic Fraud Prevention Plan developed by the Provincial Treasury Internal Audit Unit in terms of Section 3.2.2 of the Treasury Regulations.

Provincial Internal Audit

The Provincial Cabinet resolved that the Internal Audit function would be shared by provincial departments and centralized under the control of the Provincial Audit Committee. The Department continues to utilize these shared services.

Internal Management

The Department has set up formal management structures, which meet regularly to consider policy and governance issues facing the Department. The leadership structure is the Executive Committee (EXCO), which comprises the Head of Department, the Head of Ministry, the Chief Financial Officer and the Programme managers. The Heads of the directorates form part of the Management Committee (MANCO). This forum is used to communicate decisions taken by EXCO and to take strategic decisions on the operational issues facing the Department.

Comments on the effectiveness of corporate governance arrangements

Whilst there has been improvement in good governance, there is clearly a need for further measures to be developed to increase the effectiveness of the governance framework. In essence, the Department has established an internal control unit, through which a much more effective framework for improved corporate governance in the organization will be implemented. In addition, the Department has initiated a process to strengthen the monitoring of the corporate governance practices of the public entities reporting to it.

8. Progress with financial management improvements

In addition to the Public Finance Management Act, the Treasury Regulations and the KwaZulu-Natal Procurement Act, the Department has compiled and operated in accordance with various internal policies and practices, which are in harmony with the abovementioned legislation. These are the Travel Policy, Cell Phones Usage Policy, and Debt Write-off Policy. The Department also manages its fleet of vehicles in terms of the Provincial Motor Transport procedure manual.

It has also geared up towards maximizing compliance with the Provincial Procurement Act, with properly constituted tender evaluation and award committees being established with effective terms of reference. The Department is getting ready for the implementation of the Supply Chain Management Framework, which was expected to be implemented in the Province soon.

In addition, it has instituted a more effective performance management system, which incorporated appropriate records of delegations of financial decision-making and signing authority.

9. Performance information

The Department has set service delivery targets, which are set out in the budget statements at the beginning of the financial year. It then, reports on progress in the attainment of these targets to a number of oversight structures, including the Department's Management Committee (MANCO) which meets at least monthly, the Department's Executive Committee (EXCO) which meets at least monthly, the Parliamentary Portfolio Committee on Economic Development which usually meets monthly, and the Provincial Medium Term Expenditure (MTEC) on quarterly basis.

With respect to the implementation of the departmental service delivery improvements plans; the Department has implemented an internal control structure in the office of the Chief Financial Officer, which will review the monthly reports of departmental managers. This will allow for some independent review and verification of information on performance of the business units of the Department, as well as addressing compliance issues.

10. SCOPA resolutions

Reference to PPAC resolution	Subject	Findings on progress
Resolution 27 of 2004	High vacancy rate	Thirty-five percent at 31 March 2005.
Resolution 26 of 2004	Telephone expenses not recovered	This has not been resolved and is reported in the current financial year. Subsequently a policy has been implemented from May 2005.
Resolution 25 of 2004	Unauthorised expenditure of R219 929 for 1999/2000	Still reflected in note 7 to the 2004/2005 annual financial statements.
Resolution 24 of 2004	Responses to previous resolution of the PPAC	These resolutions have been compiled with, as their responses have been incorporated into other resolutions.
Resolution 23 of 2004	KwaZulu-Natal Business Rehabilitation Trust	All prior year's financial statements have been submitted, but the 2004/2005 annual financial statements have not yet been received to date.

Approval

The annual financial statements set out on page 88 – 129 are hereby approved by the Accounting Officer of the Department of Economic Development: KwaZulu-Natal.



Mr Mel Clark
ACCOUNTING OFFICER
Date: 31 May 2005

2.2. Programme Service Delivery Reports:

PROGRAMME ONE: ADMINISTRATION

SUB-PROGRAMME: *Communications and Information Management*



Communication is the core of any modern business and this is hugely supported by advancements in the information technology that has effectively transformed the world into a small 'Global Village'.

Introduction:

The Department's Directorate for Communication and Information Management is split into two business components – the Corporate Communication and Information Services – all providing support to the Department's line functions and the Ministry. The unit is also operating in partnership with its two Public Entities – Ithala Development Finance Corporation and Trade and Investment KwaZulu-Natal. During 2004/05 Financial Year, especially towards the end of the year, the Corporate Communication of the unit was transferred to the Ministry – while the Information Services (IT) section remained in the Department. This happened in November 2005, which implies that most communication activities were driven from the Ministerial Office. But this didn't divert the unit from its initial objectives since it continued to render services that were inclusive of both the Department and the Ministry. The move to the Ministry had some positive aspects since the gap created by unfilled positions were addressed by the merger of the resources from the Department and the Provincial Treasury.

Aims of the Sub-Programme:

Below is a list of objectives that serve as a guide to the unit's business activities – and are indicative of the kind of services required by the line functions and the Ministry. In this regard, the unit helps promote:

- ❑ Synergy and co-operation among various business components (Internal Communication),
- ❑ Exchange of information and other resources with other outside social partners (External Communication),
- ❑ Transparency through constant provision of information to news media (Media Liaison),
- ❑ Improvement and popularisation of the department's image and activities (Promotions & Brand Marketing),
- ❑ Facilitation of co-operation between the Department and its statutory business partners (Public Entities),
- ❑ Provision of high-level information technology support to the entire Department and Ministry to ensure excellent and uninterrupted service delivery,
- ❑ Co-ordination of personal computers and network support to ensure the efficient implementation of activities by rendering personal computer and network support to the entire department,
- ❑ Development and maintenance of the Department databases to enable line divisions and the department as a whole to capture and obtain electronic information needed for efficient execution of functions in accordance with their mandates, Department's Strategic Plan and legislations,
- ❑ Facilitation of IT training to improve staff effective user of IT assets for improved delivery of services,
- ❑ Development and reviewing of Information Technology Policies and Manuals to ensure that IT assets are not abused,
- ❑ Effective management of an information resource centre and co-ordination of newspapers and periodical supplies.

TABLE: Service Delivery Report 2004/05

OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
Corporate Communication				
Production of Annual Report	Comments by MPPs, public response to content	One annual edition by 31 st August 2004	One annual edition by September 2004	Delays in submitting materials
Publication of Corporate Magazine, IBAMBENI	Public awareness levels after reading the copy	This was a quarterly edition	No printing of the corporate magazine was done because of the move towards the merger with Treasury	The magazine was moved to the Ministry
Publication of internal newsletter, DEDT News	Improved internal information exchange & good relations	This would be printed every two months	The newsletter was not printed due to delays on the restructuring process.	The publication was then relocated to the Ministry
Printing of Business Cards	Demand of cards by staff & number of calls from clients – using details on cards	Quarterly production – but response was made on demand	Thousands of business cards were printed for managers & other staff	Introduction of provincial Coat of Arms raised the demand for more new cards
Compilation of Corporate Manual	Staff understanding of the Department's corporate	Copies for each business unit to be issued after	First edition issued in April and subsequent ones thereafter	Continuous updating of information was effected with new information

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	environment & rules	major changes in the Department		coming
Printing of Strategic Plan Document	Number of people using the document as reference to Department's activities	200 copies in 31 st May 2004	220 copies were printed only in March 2005	Continuous changes in the document prevent production in May
Production of Corporate Calendars	Level of public demand for copies and improved brand image	10000 calendars targeted for September.	By September 2004 printing process started & delivery by October 2004. Due to a high demand for the calendars, a rerun of 4000 was made.	Early printing helped ensure distribution and reprint to meet more demand
Publication of Corporate adverts	Better public awareness about the Department's business operations	Generic advert planned for 12 quality magazines	Adverts were placed on more than 20 magazines (confirm figure)	Discounted rates & changes in the Department led to more adverts
Production of new Display Board	Promotion of Department's attractive brand image	By 30 June 2004 new Display Board to be acquired	The display boards were printed later in the year	Changes in the Department & Provincial Symbol delayed production
Review & Development & Publication of Communication Strategy	Correct positioning of Department's profile for the benefit of clients or public members	January 2005 was target for Communication Strategy review	The process started in December 2004 & new draft was finish by January 2005	Ministerial change influenced the process & content of the plan
Acquisition of corporate merchandise like T-shirts, caps & bags	Entrenched public identification with positive Department's image	Promotional materials to be acquired by 30 th June 2004	Items were delivered in different dates until end of the year	Changes in Department affected the acquisition of promo materials
Provision of reference materials like newspapers & journals	Informed staff and management about various issues on governance & economy	Various newspaper titles supplied daily for managers & staff at resource centre	In addition to daily newspapers different magazines were provided	At some stage newspapers weren't delivered in time, but this was addressed with agencies
Participation in the Annual Royal Show	Number of people visiting Departmental stand & information material consumed	May was the target for the event & Department had a stand with information materials	The Department had a joint stand with Provincial Treasury	The stand was well managed & furnished with range of information
Co-ordinaton of Departmental Social Functions	Better interaction to promote positive corporate culture & information exchange	At least 12 events were planned	Only three events could be organized, eg Women's Day, 10 Days of Activism, Year End Function.	Most of the time & resources were taken by events aimed at external stakeholders
Participation in	Number of people	Every last week	Nine road shows were	Ordinary people get

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Road Show Campaigns	attending events for better understanding of Department's services	of every two months, there would be a Road Show event	held with a target audience of about 6000 per road show – mainly People's Budget events.	opportunities to comment on Department's initiatives
Organising Ministerial Budget Event	Level of attendance for publicizing the content of the Department's Budget	This is normally in March or April – depending on Parliamentary programme	300 Budget Speech copies were printed and distributed during the event. A dinner was organized after the budget debate.	This annual function creates informal discussions between Department & various stakeholders
Hosting Media Briefings	The scope of media reporting of the informed presented for public consumption	Briefings would be held every three months to reflect on projects' progress	At least one media briefing was held and as a result of the restructuring and the reshuffling of the cabinet.	The sessions are crucial as they foster partnerships with media
Co-ordination of Radio Talk Shows	Level of listenership & public participation in phone-ins & responses thereafter	By monthly radio talk-shows on Ukhozi FM for managers & Minister	Line function managers had slots during the first and third week of each month	The shows had been popular & resulted in numerous listeners making enquiries in the Department
Production of Corporate Video	Number of people having access to the production	July 2004 was earmarked for the production	The initiative couldn't take off because of changes in the Department	Final decision of the Department's strategic position would require the supporting materials
Upgrading of Departmental Multi-media facility	Frequency of usage by staff & management of the information aid	This was supposed to be improved in June 2004	Continuous changes in the Department resulted in the eventual drop of the project	The initiative is still an important proposition once strategic changes have been effected
Installation of Close-Circuit Television in the foyer	Level of informed shared with public members while waiting in the foyer	May 2004 was the target period for implementation	The project was abandoned because of possible merger with Treasury	The facility is being planned for the new offices
Development of Video Conferencing Facility	Broaden information sharing scope and save resources	The project was to be implemented in August 2004	The initiative was cancelled to avoid duplications, since Dube Trade Port had acquired it	Department had hardly used the facility at Dube Trade Port

	Information Services			
Management of contracts with State Information Technology Agency (SITA)	Effectiveness in identifying & correcting gaps in service delivery by SITA	Monthly meetings are held with SITA to add to daily contacts	There were only nine monthly meetings held in the past year	After changes in the Department, three meetings couldn't take place

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(SLAs)				
Improvement of the server room		June 2004 was scheduled for the server project	The server room requirements were forwarded to General Administration for consideration when moving to the new floor.	Prospect of moving to another offices affected the project
Co-ordination Track-It Facility	Efficiencies in recording and reporting faults in the network	This is a continuous process	Sometimes the system is erratic when updating Data by giving error messages on proxy server and couldn't function on open window.	The system's licences were purchased from the Premier's Department and were informed of the difficulties experienced.
Development or Purchasing of DTP Software system	The number of documents generated through the facility	The project was expected by June 2004	Excessive costs of other IT services led to the project being compromised	The system and skills were important to save money on printing
Management & Upgrading of Website	Frequent updates of information and number of visitors to the site	By May 2004 the site would be renovated	The upgrading was delayed because of the merger prospect with Provincial Treasury	Final decision on the Department status means that the project will be done in 2005/06
Development of Intranet facility	Minimum costs for internal communication	Same as the website operation	Same as the website undertaking	The project is linked to the website development
Maintenance of Databases like SMME & KZN Rehabilitation Fund databases	Accurate information provided by databases	This is a continuous process	All submitted applications (SMME Database) were captured in the system	There has been few problems reported on the maintenance of databases
Co-ordination of proposals for new databases for Liquor, Consumer and Registry.	These databases help improve efficiencies in information handling & reduce paper work.	The projects are initiated in response to demand by business units.	Three units made proposals that were discussed with SITA – but couldn't be effected pending the availability of resources Metro-filer was purchased to assist in tracking the progress of liquor applicants.	Some units made proposals for their specialist systems – but lacked resources for implementation.
Management of Local Business Service Centre (LBSC) In-touch System.	Easy accessibility by LBSCs' clients.	Weekly updates were performed.	The system is functioning and monthly connections with the main server are done by SITA.	Downtimes were experienced when trying to connect to the main server.
Provision of support to BAS system.	Few downtimes of the RMS System.	This is a continuous process.	The system was installed on the 1 st April 2003 & all	Sometimes the system is slow & many calls have been logged regarding

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			budget controllers are using it.	error message: distribution time out error and continuous shutting down of the system.
Improvement of working space & logistics for One-Stop Info Shop.	Number of people using the centre & volumes of information available in the facility.	The project was scheduled for June 2004.	Some limited physical changes were made in the current facility – but lack of funds & space affected the initiative.	The project would be transferred to Economic Intelligence Unit.
Co-ordination of computer skills training.	Improved utilization of different computer programmes for efficient delivery.	Training would be based on demand by staff & management.	22 staff members have attended courses with SITA since April.	Project is continuous, depending on demand from staff and management.
Development of Master Systems Plan.	The time spent in developing the plan & implementation process.	This plan was scheduled for June 2004.	It was held back because of the merger prospect with Provincial Treasury.	The process would be considered in 2005/06.
Development of Business Funding System.	Provide information of all projects funded by departments & donors.		A web bases database was developed and hosted on SITA servers.	Awaiting LED Unit to provide research information to be populated on the system.

SUB-PROGRAMME: Legal Services



The Legal Services Unit plays a vital role in ensuring that the different business units perform their duties within legally and constitutionally acceptable practices

Introduction:

The Legal Services Directorate has been established within the Department of Economic Development as a legal support unit to the various line functions, including the Offices of the Head of Department and the MEC in order to ensure that there is legal compliance within the entire Department. Therefore the customer base of this Directorate is mainly officials within the Department and the Ministry.

However there are often external interfaces with members of the Portfolio committee and Legal advisors from outside the Department on most matters involving legislative changes.

The Directorate by virtue of its mandate has to only work within the legislative framework of the public service and any other legislation, which has an impact on the Department.

Aims of the Sub-Programme:

The overall objective of this Directorate is to render an ongoing efficient legal advisory services to the Department. In order to achieve the above objective, the following outputs had been undertaken by the Directorate during the financial year 2004/2005:

- ❑ Provide legal support services to the Member of the Executive Committee (MEC), Head Of Department (HOD) and line functions,
- ❑ Co-ordinate in house legal training and development programmes for management,
- ❑ Manage and co-ordinate the Departmental Legislative programmes,
- ❑ Manage and Co-ordinate on behalf of the Department, the Provincial Rationalization of Laws Project,
- ❑ Undertake constitutional and legal research and to provide a legal update to all managers, in term of the newly acquired legal electronic library,
- ❑ Operationalise and maintain an effective and efficient legal services Directorate.

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT / SERVICE	COMMENTS
Advisory capacity to the MEC, HOD and Line Functions	To administer ongoing legal services to the Minister, HOD, Management and line Departments on all matters requiring legal advice	A legally compliant Department with minimized legal risks	Standard templates for contracts; terms of references for matters of procurement; and delegation procedures in terms of requisite authority with checks and balances had been introduced - thereby reducing opportunity for risk	
Provision of Legal Education/Training to Management	Co-ordination of training needs in various fields of law.	Completed report of the analysis of the training needs Detailed management plan of training and education awareness programmes with dates	Training had been conducted on two pieces of legislation impacting directly on the Department, viz The Promotion of Access to Information Act 2000.	Due to the limited available budget – training was limited during the financial year in question
Legal support towards the Legislative Programmes of the Department	Provide an oversight and legal support function with the Ministry and Business regulations Directorate on the Rationalization of current Provincial Legislation Facilitating the drafting and updating of old and new legislation	Identified list of Legislations for rationalization Compliance with Consultative processes relating to Legislation Compliance with legislative drafting processes to obtain certification from State law Advisors	1. During September 2004, this Directorate had commenced with the provincial project of rationalisation of all Provincial legislation – during the reporting period all applicable legislation affecting this Department had been identified and analysed for rationalisation during subsequent phases – phase two of the project was successfully completed. 2. KwaZulu-Natal Liquor	

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	legislation	office. Drafted Bills Publication of relevant Bills and regulations in Government Gazettes	Licensing Bill was approved by Cabinet and tabled at the Provincial legislature; 3. KwaZulu-Natal Consumer protection Bill was approved by Cabinet.	
Continuous legal Education for legal services staff	Conduct an analysis of the training needs required.	Development of a management plan for implementation of the training with scheduled dates Compliance with the Skills Development Act Development of PDP's for all staff	Skills training has been undertaken in terms of the following: 1. Legislation Drafting; 2. PDP's completed and implemented.	
Establishment of an electronic legal library	Establish a direct computer link with Butterworths/ Jutastat or Sabinet on line Obtain updated statutes, gazettes and law reports for dissemination to managers	Updating of all laws and amendments passed in the Legislature both Nationally and Provincially Availability of updated Government Gazette and Provincial Gazettes Availability of legal precedents in terms of latest court judgments	Software and licensees have been purchased for Lexis Nexis	Due to technical problems with the SITA officials - the software is yet to be loaded onto the Department's network.
Management of the Legal Services Directorate	To ensure that that the Directorate is fully established and operational Fill the vacant posts of Legal Secretary and Assistant Legal Admin Officer Establish a legal services directorate	Established and functional legal services Directorate Filled vacant posts	Post of Legal secretary filled during May 2004 – post of Assistant manager – legal services, was advertised and candidates had been interviewed and a recommendation for the appointment of a candidate was made – as at the end of the financial reporting year appointment to this post had not been finalized	Delays have been experienced with the final decision on appointment to the vacant post – the resultant effect is that the post still remains vacant – and therefore the section is operating currently with one contract employee.

PROGRAMME TWO: SPATIAL ECONOMIC CO-ORDINATION

SUB-PROGRAMME: Agri-business



Growing public awareness about healthy practices has helped increase the demand for organic agricultural products that grow naturally without artificial chemicals. Small scale organic farmers are being helped to produce for both domestic and international market

Introduction

Agri-business Unit is concerned with the development of new opportunities for beneficiation of agricultural products and new economic niche market products and pilots. This is done in partnership with respective stakeholders and communities with the intention of promoting the creation of jobs.

Aims of the Sub-Programme:

To facilitate the formulation and implementation of sustainable economic empowerment strategies and initiatives at the local level, by:

- ❑ Leading the process of identifying and piloting new agri-business opportunities, and providing support for value-adding in the agricultural sector, with particular emphasis on promoting Black Economic Empowerment (BEE),
- ❑ Facilitating the removal of obstacles to successful exporting in the agribusiness sector and assisting in optimising the logistics infrastructure and supply-chain management tools for the growth and empowerment impact of agri-business sectors,

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
MARKET INFORMATION MANAGEMENT AND LOGISTICS	▪ Feasibility Report	▪ 1 Feasibility study	Completion of feasibility study	
Market Intelligence System	▪ To have carried out a feasibility study into the development of a quarterly	▪ 1 Feasibility study	▪ Completion of feasibility study	▪ Service provider appointed and inception report submitted.

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OUPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
	market intelligence report and a electronic based market monitoring and analysis system.			Project to be carried over into 2005/06 financial year.
AGRIBUSINESS SECTOR DEVELOPMENT	<ul style="list-style-type: none"> Feasibility Reports Business Plans Project Implementation 	<ul style="list-style-type: none"> 7 Feasibility Studies 4 Business Plans 4 projects implementation and facilitation 		
Zululand Fruit and Nut Phase 1	<ul style="list-style-type: none"> To carry out 1 Feasibility study into the development of pilot Citrus/ Macadamia community orchards in the Zululand District Municipality 	<ul style="list-style-type: none"> 1 Feasibility study 	<ul style="list-style-type: none"> Completion of feasibility study 	<ul style="list-style-type: none"> Feasibility considered successful and has Department of Agriculture & Environmental Affairs buy-in. The four sites have been identified and trees purchased. Project completed in January 2005. Proposals taken forward into fruit based processing development opportunities for 2005/06 financial year.
Zululand Fruit and Nut Phase 2	<ul style="list-style-type: none"> To implement 4 pilot Citrus / Macadamia community orchards 	<ul style="list-style-type: none"> 4 Pilot Community Orchards 	<ul style="list-style-type: none"> Establishment of community orchids 	<ul style="list-style-type: none"> Project Completed
Ladysmith Pecan Nut Phase 1	<ul style="list-style-type: none"> To carry out 1 Pre-Feasibility into the development of a pilot Pecan Nut Hub in the Ladysmith/eMnambithi Municipality 	<ul style="list-style-type: none"> 1 Pre-Feasibility study 	<ul style="list-style-type: none"> Completion of feasibility study 	<ul style="list-style-type: none"> Feasibility considered successful and has Department of Agriculture & Environmental Affairs buy-in. Project completed
Ladysmith Pecan Nut Phase 2	<ul style="list-style-type: none"> To carry out 1 Business Plan into the development of a pilot Pecan Nut Hub in the Ladysmith/eMnambithi Municipality 	<ul style="list-style-type: none"> 1 Business Plan 	<ul style="list-style-type: none"> Completion of business plan 	<ul style="list-style-type: none"> Service provider appointed and inception report submitted. Project to be carried over into 2005/06 financial year.
Marula: Demo Unit	<ul style="list-style-type: none"> To carry out the installation of a micro-processing facility as a demonstration unit on the Makhathini Flats 	<ul style="list-style-type: none"> 1 Marula Demo Unit Project to be implemented in 2nd half of financial year 	<ul style="list-style-type: none"> Completion of feasibility study 	<ul style="list-style-type: none"> Completed. Expanded and consolidated under Natural Resource Based Products Project for 2005/06 financial year
Marula: Business	<ul style="list-style-type: none"> To prepare a Business 	<ul style="list-style-type: none"> 1 Business Plan 	<ul style="list-style-type: none"> Completion of 	<ul style="list-style-type: none"> Project Completed

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OUPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
Plan	Plan for the establishment of a Marula Processing Hub on the Makhathini Flats	<ul style="list-style-type: none"> Project to be implemented in 2nd half of financial year 	business plan	
KZN Cut Flower Hub Phase 1	<ul style="list-style-type: none"> To prepare a Pre-Feasibility for the establishment of a regional cut flower hub in the Midlands 	<ul style="list-style-type: none"> 1 Pre-Feasibility study 	<ul style="list-style-type: none"> Completion of feasibility study 	<ul style="list-style-type: none"> Project completed
KZN Cut Flower Hub Phase 2	<ul style="list-style-type: none"> To prepare a Business Plan for the establishment of a regional cut flower hub in the Midlands 	<ul style="list-style-type: none"> 1 Business Plan 	<ul style="list-style-type: none"> Completion of business plan 	<ul style="list-style-type: none"> Service provider appointed and inception report submitted. Project to be carried over into 2005/06 financial year
Umbumbulu Organic Packhouse	<ul style="list-style-type: none"> To prepare a Pre-Feasibility for the establishment of an Organic Packhouse to serve growers in Umbumbulu 	<ul style="list-style-type: none"> 1 Pre-Feasibility study 	<ul style="list-style-type: none"> Completion of pre feasibility study 	<ul style="list-style-type: none"> Completed
Ilembe Agro-processing Phase 1	<ul style="list-style-type: none"> To prepare a Pre-Feasibility for the establishment of a Chilli & Fresh Produce Packaging Hub in iLembe to serve existing Growers 	<ul style="list-style-type: none"> 1 Pre-Feasibility study 		<ul style="list-style-type: none"> Project Completed
Ilembe Agro-processing Phase 2	<ul style="list-style-type: none"> To prepare a Business Plan for the establishment of a Chilli & Fresh Produce Packaging Hub in iLembe 	<ul style="list-style-type: none"> 1 Business Plan 	<ul style="list-style-type: none"> Completion of business plan 	<ul style="list-style-type: none"> Service provider appointed and inception report submitted. Project to be carried over into 2005/06 financial year.
Jaggery Market Research	<ul style="list-style-type: none"> To prepare a Market Study into Jaggery (sugar) products 	<ul style="list-style-type: none"> 1 Market Research Project Project to be implemented in 2nd half of financial year 	<ul style="list-style-type: none"> Completion of market study 	<ul style="list-style-type: none"> Project Completed
Groundnut Facilitation	<ul style="list-style-type: none"> To carry out the facilitation and project management of the joint Dept of Science & Technology/DED /DAEA groundnuts initiative on the Makhathini Flats 	<ul style="list-style-type: none"> 5-year implementation plan 	<ul style="list-style-type: none"> Development of implementation plan 	<ul style="list-style-type: none"> Project Completed
Ndwedwe Open Pan Mill	<ul style="list-style-type: none"> To establish an operational open pan mill in the Ndwedwe area 	<ul style="list-style-type: none"> Establishment of open pan mill 	<ul style="list-style-type: none"> Establishment of open pan mill 	<ul style="list-style-type: none"> Project has been suspended due to poor delivery by the service provider. Corrective action is underway.

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OUPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
KZN/Midlands Essential Oil Study	<ul style="list-style-type: none"> To carry out a Pre-Feasibility into the development of a regional essential oil hub 	<ul style="list-style-type: none"> 1 Pre-Feasibility 	<ul style="list-style-type: none"> Completion of pre-feasibility 	<ul style="list-style-type: none"> Project Completed
AGRI-BUSINESS SECTOR ANALYSIS				
Aloe Study	<ul style="list-style-type: none"> To carry out a Market Study into the potential of Aloes to create value-adding employment opportunities in KZN 	<ul style="list-style-type: none"> 1 Market Study Project to be implemented in 2nd half of financial year 	<ul style="list-style-type: none"> Completion of market study 	<ul style="list-style-type: none"> The first phase of the project indicated the feasibility of an Aloe industry in KZN. Completed according to Natural Resource Based Product. Project to be carried over into 2005/06 financial year.
Livestock Study	<ul style="list-style-type: none"> To carry out a Market Study into the potential of Livestock to create value-adding employment opportunities in KZN 	<ul style="list-style-type: none"> 1 Market Study Project to be implemented in 2nd half of financial year 	<ul style="list-style-type: none"> Completion of market study 	<ul style="list-style-type: none"> Completed and carried forward in 2005/06 financial year in abattoir and quails project.
Food and Beverage Study	<ul style="list-style-type: none"> To carry out a Market Study into the potential of the Food & Beverage sector to create value-adding employment opportunities in KZN 	<ul style="list-style-type: none"> 1 Market Study Project to be implemented in 2nd half of financial year 	<ul style="list-style-type: none"> Completion of market study 	<ul style="list-style-type: none"> Service provider appointed and inception report submitted. Project to be carried over into 2005/06 financial year
AGRIBUSINESS PARTNERSHIP DEVELOPMENT				
Agri-business Policy and Strategy Support	<ul style="list-style-type: none"> To support 1 National Policy/Strategy Initiative and build inter-Departmental agreements 	<ul style="list-style-type: none"> 1 Policy Initiative 1 Co-operation Agreement 	<ul style="list-style-type: none"> Securing of co-operation agreements between the Department of Agriculture and the Department of Economic Development 	<ul style="list-style-type: none"> Directorate has been actively supporting Trade & Investment South Africa's National Essential Oil Strategy Directorate has signed a Co-operation Agreement with the Department of Agriculture & Environmental Affairs An Agri-Forum Strategy session was held in February

SUB-PROGRAMME: Local Economic Development (LED)**Aims of the Sub-Programme:**

The Local Economic Development (LED) Unit is guided by and implemented within the framework of co-operative governance and mutual intergovernmental relations. Its basic task is to facilitate the formulation and implementation of sustainable economic empowerment strategies and initiatives at local level by:

- ❑ Establishing a broad strategic framework for LED initiatives in the province,
- ❑ Providing strategic LED process support to local and district municipalities and their social partners,
- ❑ Making resources and support available for research, project development and the implementation of strategies at local level,
- ❑ Assisting local stakeholders access resources and support from other spheres of government, donor agencies and private institutions.



Umhungundlovu is among Districts to benefit from the EU-LED Fund

Meanwhile, the significance of the LED Programme in the province had been enhanced by the partnership that had been developed with the European Union that has committed approximately R300 million (between 2003-2009) towards the promotion of Local Economic Development.

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	COMMENTS
Formulating a provincial LED Policy	<ul style="list-style-type: none"> • Production of Draft LED Policy by March 2005 	<ul style="list-style-type: none"> ▪ Meetings with Stakeholders ▪ Develop Terms Of Reference (TOR) for Service Provider (SP) (30/09/04) ▪ Advertise tender (October 04) ▪ Contract SP (November 04) 	<ul style="list-style-type: none"> ▪ Service Provider procured ▪ Departmental meeting held. ▪ Draft LED Strategy available for comments (30/3/05) ▪ In consultation phase ▪ Project to be completed by August 2005
Manual funding criteria	<ul style="list-style-type: none"> ▪ Draft Manual by December 2004 ▪ Final document produced and distributed by February 2005. 	<ul style="list-style-type: none"> ▪ Develop TOR for SP ▪ Contract SP ▪ Manage Contract ▪ Print/Publish Manual 	<ul style="list-style-type: none"> ▪ Final document available for presentation to Management Committee (MANCO) ▪ Awaiting date for presentation of the final document ▪ Project Complete.
Manual on business planning	<ul style="list-style-type: none"> ▪ Draft Manual by December 2004 ▪ Final document produced and distributed by February 2005. 	<ul style="list-style-type: none"> ▪ Develop TOR for SP ▪ Contract SP ▪ Manage Contract ▪ Print/Publish Manual 	<ul style="list-style-type: none"> ▪ Draft manual available ▪ Project finalised by 15/3/05 ▪ Project Complete

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Manual funding criteria Phase 2: User Programme (New)	<ul style="list-style-type: none"> Database design and population of database & applications for interface 	<ul style="list-style-type: none"> Develop TOR for SP Contract SP Manage Contract Conclusion February 2005 	<ul style="list-style-type: none"> User program finalised
Provincial LED Alignment	<ul style="list-style-type: none"> 1 LED workshop held 	<ul style="list-style-type: none"> TOR Approval (27/09/04) Contract SP for Event Workshop Agenda Stakeholder workshop by end 10/04 & follow-up February 2005 	<ul style="list-style-type: none"> 2 workshops with municipalities and other stakeholders held on 06/12/04 and 18/03/05
Project Mapping	<ul style="list-style-type: none"> Mapping of all LED projects in KZN 	<ul style="list-style-type: none"> Discontinued due to provincial Geographic Information System (GIS) project due to difficulties in attaching land parcel IDs of new projects to the map. Budget to be re-allocated. 	
GIS capacity needs assessment	<ul style="list-style-type: none"> GIS Needs analysis 	<ul style="list-style-type: none"> Discontinued due to provincial GIS project. Make sure premier's process goes to sufficient level of detail. Budget to be reallocated 	
LED Monitoring and evaluation	<ul style="list-style-type: none"> Design of Monitoring and evaluation system for LED 	<ul style="list-style-type: none"> Develop TOR for SP Contract SP Manage Contract 	<ul style="list-style-type: none"> Design study completed Draft TOR completed Consultation with Department of Provincial & Local Government (DPLG) and European Union (EU) completed Would be tendered internationally by August 2005
Support for Sisonke	<ul style="list-style-type: none"> Number of projects packaged as part of LED Plan 2 projects packaged by March 2005 	<ul style="list-style-type: none"> Project delays due to absence of completed Sisonke LED Plan. Budget would be re-allocated. 	<ul style="list-style-type: none"> Ingwe Rail Tourism – R1million invested in rehabilitation of the rail line. Project packages developed include Bio-fuel and the Rail-Car concept
Support for Zululand Siyaphambili Programme	<ul style="list-style-type: none"> LED Support Officer for Zululand District Municipality (ZDM) 	<ul style="list-style-type: none"> Meeting with ZDM Municipality Manager (MM) Draft Agreement (done) Job description (done) Agreement with ZDM (end October) Advertised and procured SP for support (December 2004) Appointed SP by 01/1/05 Finalise SP budget 	<ul style="list-style-type: none"> Project re-submitted with revised time frames and budget TOR approved Advert went out by the 22 February 2005 Memorandum of Understanding (MOU) being finalised between ZDM and Department of Economic Development (DED) Tender awarded Contracting still to be finalised for this multiyear project.
Support for uThukela	<ul style="list-style-type: none"> Completed LED Plan ID Projects for funding 	<ul style="list-style-type: none"> Prepare TOR Contract SP Manage SP Contract Manage Stakeholder Liaison process Conclude project (June 2004) 	<ul style="list-style-type: none"> LED Plan completed
	<ul style="list-style-type: none"> Clearance Ports Logistics Centre – Pre feasibility (300 000) 	<ul style="list-style-type: none"> Clarence Ports Logistics Centre – Pre-feasibility study TOR (04/10/04) Advertise tender (October 04) Contract SP (November 04) Contract management (mid November 04) Conclude February 05 	<ul style="list-style-type: none"> Tender not awarded because of the unforeseen developments in both National Freight Strategy and Transnet Freight Strategy and the developments by the Free State Development Agency on the issue Project discontinued – will be subject for grant application to <i>Gijima KZN</i>.

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	<ul style="list-style-type: none"> Buhlebezwe Spice Growers – Project Management & equipment (R500 000) 	<ul style="list-style-type: none"> Buhlebezwe Spice TOR in HOD's office Advertise (end Sept) Contract SP by mid October Business Plan (BP) completed (mid November) Training (November – February) Equipment Procured (February) MEC Handover February 2005 Concluded March 2005 	<ul style="list-style-type: none"> TOR submitted and approved Tender closed on the 14/2/2005 Tender Evaluation Committee (TEC) adjudicated by 25 February 2005 Inadequate tenders received Money leveraged from Ithala (R210 000) and Eskom (R210000) for the project. Department will continue providing technical assistance.
Support for Amajuba	<ul style="list-style-type: none"> LED Plan Complete ID Projects for Funding 	<ul style="list-style-type: none"> Prepare TOR Contract SP Manage SP Contract Manage Stakeholder Liaison process <p>Conclude project (June 2004)</p>	<ul style="list-style-type: none"> Completed
	<ul style="list-style-type: none"> Newcastle Fertilizer Factory Feasibility (R200000) – Phase 1 Feasibility 	<ul style="list-style-type: none"> Prepare TOR Call for proposals completed Solicit quotes Adjudication underway for award of contract by 4/10/2004 Project completed by 16/2/2005 	<ul style="list-style-type: none"> SP Procured and SLA concluded Stakeholder meetings completed Revision of the SLA done and Addendum signed Phase 1 report received Final report due 15 March 2005 Project Completed.
	<ul style="list-style-type: none"> Utrecht Game Park – Facilitation to formalise ownership and institutional arrangements (R200 000) 	<ul style="list-style-type: none"> TOR complete HOD approved TOR by 27/9/2004 Call proposals, adjudicate and award contract by 19/11/2004 Process was to be completed 28/2/2005 	<ul style="list-style-type: none"> Draft report received from the SP Final Report due 28 February 2005 Project Completed.
	<ul style="list-style-type: none"> Marketing strategy for regional airport at Newcastle (R 150,000) 	<ul style="list-style-type: none"> TOR completed by 23/9/2004 HOD to approve TOR by 15/10/2004 Call proposals, adjudicate and award contract by 19/11/2004 Project completed by 28/2/2005 	<ul style="list-style-type: none"> SP appointed and SLA signed Inception report received from SP Phase 1 Report received Progress report meeting scheduled for 18/2/2005 Project Complete.
Support for Midlands Investment Initiative (MII) Carlos	<ul style="list-style-type: none"> Level of funds leveraged from IDC 	<ul style="list-style-type: none"> Support with preparation of business proposals 	<ul style="list-style-type: none"> Relationship between MII and DED redefined Application to IDC being prepared Meeting was scheduled for 24/2/2005 Project still underway.
Support for eThekwin	<ul style="list-style-type: none"> Number of projects supported 	<ul style="list-style-type: none"> Agreement with eThekwin (3Cities) Number of projects supported 	<ul style="list-style-type: none"> Refer to three cities
Buyback centres	<ul style="list-style-type: none"> Feasibility Study Partnership with Mondi 	<ul style="list-style-type: none"> Feasibility completed Partnership established 	<ul style="list-style-type: none"> Project discontinued because the pre-feasibility showed that there is enough supply of buy back centres with eThekwin Municipality including the INK area. The price of recyclable material has decreased by 75% since the project was initiated. Such a project would not be able to sustain itself. Suggestion was that the concept be tested in other parts of the province.
Clothing & textiles	<ul style="list-style-type: none"> Study and develop action plan for Clothing and Textiles in Newcastle 	<ul style="list-style-type: none"> TOR prepared Quotes solicited Tender process completed SP appointed SP Management Study completed and action plan developed 	<ul style="list-style-type: none"> Completed

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Support for KZN-EU LED Programme	<ul style="list-style-type: none"> Stakeholders capacitated to plan and manage LED Economic Environment for LED Improved Monitoring Learning & Research Facility (MLRF) established LED Management functions established and transferred Number of projects supported from 2005/6-2008/9. 	<ul style="list-style-type: none"> Hand over to Sector Dev. Interim Programme Management Unit (IPMU) procured Programme Co-ordinating Unit (PCU) procured Implementation Model Finalised Operations Manual finalised Program Fund Allocations finalised First Call by February/March 2005/6 	<ul style="list-style-type: none"> IPMU work completed PCU procured and became operational in September 2005 Implementation Model finalised and approved Operations Manual for Business Evaluation Fund (BEF) finalised Programme Fund Allocations finalised First Call for Proposals for BEF (January 2005) 1st round BEF awards of R4.7million Local Competencies Fund (LCF) launched on 18th March 2005.
	<ul style="list-style-type: none"> Effective Management of PCU work 	<ul style="list-style-type: none"> PCU procured (07/04) Contract prepared and signed Work-plan 2 completed PCU Mobilisation & logistics Inception Report completed and model finalised (11/04) Meetings with Banks to address private finance (12/04) Management Information System (MIS) designed and operationalised by (March 2005) Operations Manual Completed by (01/05) First call for Proposals by February/March 2005 	<ul style="list-style-type: none"> PCU procured, contract signed Work-plan 2 completed and approved PCU mobilised, provincial offices established, four area offices established and became operational in November 2004 Inception report completed and approved – program launched on 10 December 2004 Several meetings held with financial institutions – agreements still to be concluded. ICT equipment procured Operations manual for BEF complete Call for proposals for BEF in January 2005 Training for BEF underway in four learning areas and in broader provincial forums.
	<ul style="list-style-type: none"> Effective Management of IPMU work 	<ul style="list-style-type: none"> IPMU procured (from Dec 2003) Finance Model Completed (June 2004) Host Organisation Study completed (August 2004) PACA completed (09/04) Systems design completed (10/04) MLRF Study Completed Capacity study completed HIV/Aids Scoping Completed 	<ul style="list-style-type: none"> IPMU work completed
	<ul style="list-style-type: none"> Appointment of DED support staff & estimating other project costs. 	<ul style="list-style-type: none"> Organogram finalised (10/04) Counterparts appointed & trained (03/05) 	<ul style="list-style-type: none"> Organogram approved in December 2004 Counterparts meetings held – needed to fill new posts as per new organogram
	<ul style="list-style-type: none"> Programme Steering Committee (PSC) Management 	<ul style="list-style-type: none"> PSC Meetings held quarterly 	<ul style="list-style-type: none"> 6 PSC meetings held.
Ingwe Municipality (New)	<ul style="list-style-type: none"> Support for Ingwe rail-tourism initiative at Creighton 	<ul style="list-style-type: none"> Memorandum of Understanding (MOU) between municipality, funding custodian and DED prepared and signed Transfer of funds Project completed within 33 weeks from the date of signing 	<ul style="list-style-type: none"> Grant approved by the Legislature in December 2004 MOU between Ingwe Municipality and DED has been signed Funding transferred according to agreements reached. Project due for completion in September 2005.
Umdoni Municipality (New)	<ul style="list-style-type: none"> Completion of LED Plan Human Resources Support for LED 	<ul style="list-style-type: none"> Meeting with Umdoni Municipality Development of MOU Develop TOR for LED Plan and Support 	<ul style="list-style-type: none"> Project Complete

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		<ul style="list-style-type: none"> Contract SP Manage SP Contract Meetings with Stakeholders 	
3 Cities Program	<ul style="list-style-type: none"> Agreements concluded with 3 Cities Resources mobilised for project support 	<ul style="list-style-type: none"> Meetings with uMhlathuze, Msunduzi and eThekweni Develop MOU's Approval for MOU's Mobilise Resources (Human Resources & Finance) 	<ul style="list-style-type: none"> Meetings held with three cities Lack of strategic economic development plans for each of the three cities Delay while we wait for those plans
UMdoni Municipality (New)	<ul style="list-style-type: none"> Completion of feasibility study for the rehabilitation of Umdoni beachfront 	<ul style="list-style-type: none"> TOR prepared and approved Tendering process completed Stakeholder forum established Service provider appointed Project completed by March 2005 	Discontinued. Municipality secured a tenderer who would pursue the feasibility at their own risk.

PROGRAMME THREE: *BUSINESS & SECTOR DEVELOPMENT*

SUB-PROGRAMME: *Business Development*



Emerging entrepreneurs are encouraged to position themselves as potential exporters of their products and services and hence the importance of quality and professionalism is being promoted in the province

Introduction:

The Business Development sub-programme formulates and implements strategies that address three broad critical issues or challenges to contribute effectively in supporting new business start-ups, and extending/sustaining the lifespan of existing small businesses. The critical issues are the Access to Integrated Business Support Services, Quality of Business Support Service, and Sustaining the Integrated Business Support model or approach. The function of the Business Development sub – programme is to facilitate the creation of an enabling environment for SMMEs, allowing them access to opportunities and resources that will enhance their competitiveness and ensure their sustainability.

Aims of the Sub-Programme:

The vision of the Business Development sub-programme is to be a centre of excellence for business support services and SMME development in KwaZulu – Natal. Within this context, the key objectives of the sub-programme are:

- ❑ To provide effective strategic leadership, direction and coordination to business support services and SMME development programmes to stimulate economic growth in KwaZulu– Natal.
- ❑ To create a framework to facilitate the provision of integrated business support services to existing and new SMMEs.

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- ❑ To support the establishment of effective small business support institutions (SMME Support Service Delivery Network).
- ❑ To facilitate the creation of a competitive SMME sector in the province.
- ❑ To support and promote entrepreneurship.

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
Entrepreneurship Support and Promotion (focusing on Youth, Women and the Disabled)	<ul style="list-style-type: none"> ▪ No. of youth operated/owned businesses ▪ Establishment of a youth business incubator/technology training centre ▪ Number of young entrepreneur strained in business management and technical skills ▪ No. of new successful business start – ups <p>No. of schools and tertiary institutions teaching entrepreneurship</p>	<ul style="list-style-type: none"> ▪ To facilitate the development of 20 youth-owned enterprises ▪ Establishment of a youth business incubator/technology training centre ▪ Entrepreneurial training provided to some 100 young people ▪ Entrepreneurial training provided to 1200 young pupils in schools 	<p><u>Establishment of the Youth Business/Technology Training Centre:</u></p> <ul style="list-style-type: none"> ▪ The project steering committee consisting of the Centre for Entrepreneurship – University of KwaZulu – Natal, Thekwini Business Development Centre (TBDC), Durban Institute of Technology, eThekwini Municipality and other stakeholders has been set up, and the Project Manager appointed. ▪ The project steering committee also serves as a Youth Enterprise Development Forum, which serves as a think tank for youth development programmes and sharing of expertise, knowledge, skills and experiences. ▪ The suppliers of equipment and machinery (suitable technology) for the centre have been identified. ▪ A number of young entrepreneurs (candidates for the training) were identified at various workshops on entrepreneurship during the 2003/2004 financial year, and they are ready for training on various technical and business management skills. <p><u>Future Leaders Youth Conference</u></p> <ul style="list-style-type: none"> ▪ The Department collaborated with the eThekwini Municipality and 	

			<p>other stakeholders to host the Future Leaders Youth Conference in Durban in July 2004. The Department played a key role in the project steering committee, which developed an action plan for the conference.</p> <p><u>Entrepreneurship in Schools Programme</u></p> <ul style="list-style-type: none"> ▪ The Department is working closely and consulting with the management of the KZN Department of Education to introduce and get the support/buy-in for the Entrepreneurship in Schools Programme. A number of workshops were convened in this regard, and the outcome has been the agreement of formalizing the partnership of the two Departments through the Memorandum of Understanding (MOU) and is currently being finalized by the legal sections from both departments. ▪ The two Departments already started working together on running a business plan competition in select education regions, and this was showcased in the form of an awards ceremony at the SA Tourism Education & Training (SATET) EXPO 2004 in Durban on 27 August 2004. Some 8100 learners attended SATET EXPO over a period of four days. ▪ A total of 25 schools participated in the business plan competition. The nine learners whose business plans won awards will be assisted to further develop their business ideas. ▪ The Department and (The Department of Trade & Industry) The dti convened a Co-operative 	
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			<p>Development workshop. The purpose of the workshop was to introduce the basic concepts of co-operatives and the Co-operatives Bill.</p> <ul style="list-style-type: none"> Furthermore, the Department participated and supported the eThekweni Small Business Fair 2004. <p>The Department supported 20 emerging women entrepreneurs to participate and attend the 2004 Technology for Women In Business National Conference and Awards in Kimberly, Northern Cape Province.</p>	
Programmes to facilitate or improve SMME access to finance	<ul style="list-style-type: none"> Model for village banking and/or micro finance Number of SMME loans facilitated and approved by the financial institutions/banks Effective mentorship programme to assist small businesses access finance Increased number of the Trust Fund beneficiaries securing loans from financial institutions Effective mentorship programme to assist small 	<ul style="list-style-type: none"> Extended life of the KZN Business Rehab. Trust Fund Assist 50 beneficiaries of the Fund to access trade credit guarantees Assist 10 beneficiaries of the Trust Fund to access loans from the banks Establish an effective management and governance structure of the Trust Fund 	<p>KZN Business Rehabilitation Trust Fund</p> <ul style="list-style-type: none"> Most of the activities to facilitate or improve SMME access to finance relate to the operations of the Trust Fund. The Department continued providing the secretariat and support in terms of the operational expenses of the Trust Fund and coordinated 15 Board meetings and Task Team meetings. In its effort to improve the service delivery capacity of the Trust Fund, the Department appointed the Service Provider to perform the functions of the Accounting Officer of the Trust Fund. The Trust Fund was allocated the office space within the Department offices where all activities of the Trust Fund are carried out. The office is manned by four Officers (from the Service Provider) 	<p>The Trust Fund had to temporarily suspend its operations to streamline and improve its systems and acquire adequate capacity in terms of administrative personnel and offices. The actual service delivery to the clients of the Trust Fund commenced in the third and fourth quarter of the financial year.</p> <p>As a result of the KZN Business Rehabilitation Trust Fund Amendment Act No. 2 of 2003, the lifespan of the Trust Fund was extended for a three-year period ending on 03 February 2007. The remaining period is now just under two years, and it is critical that the Department review the future of the Trust Fund. This process has already started as the discussion paper on the future of the Trust Fund</p>

	<p>businesses access finance</p> <ul style="list-style-type: none"> ▪ Establishment of an effective management and governance structure of the Trust Fund ▪ Review and recommendations on the future of the Trust Fund after 2007 ▪ Effective monitoring, reporting and evaluation mechanism to measure the impact of the programme ▪ Continuous leveraging of resources (funding/finance) for SMME development in KwaZulu - Natal 		<p>on a full time basis.</p> <ul style="list-style-type: none"> ▪ The Trust Fund received 463 applications, of which, 202 were processed in terms of the eligibility criteria of the Trust Fund. A total of 15 guarantees were issued, with a total loan amount of R958 600 being issued by the banks. The average loan amount per applicant is R64 000. ▪ The Department continued providing the secretariat and support in terms of the operational expenses of the Trust Fund and coordinated three Board meetings. <p>SMME Access to Finance</p> <ul style="list-style-type: none"> ▪ The Department continues to maintain the working relationship with the banks and other financial institutions to facilitate SMME access to finance, e.g. ABSA, Peoples Bank, Ithala, Khula. Furthermore, the Department attended a number of meetings coordinated by The dti, e.g. the restructuring of the micro – finance/village bank model, Apex Fund. ▪ Furthermore, the Business Development sub – programme served on the task team for a Centralized Provincial Poverty Alleviation Fund to give input with regards to institutional set up, criteria, process flow (access), etc for the Fund. <p>The information on these different finance products is continuously communicated and used to advise clients accordingly on their enquiries regarding their financial needs in their emerging businesses.</p>	
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			Furthermore, most of the clients were referred and assisted to get support from the different mentorship programmes, e.g. Khula Mentorship and Durban Institute of Technology.	
Improved performance and effectiveness of Local Business Service Centres (LBSC)), including facilitating the establishment of a One Stop Shop small business service centre	<ul style="list-style-type: none"> Facilitate the establishment of a One Stop Shop Small Business Service Centre in partnership with Japan International Cooperation Agency (JICA) and other key stakeholders Facilitate the establishment of the KZN Training Centre in partnership with JICA and other key stakeholders <p>Effective monitoring, reporting and evaluation mechanism to measure the impact of the programme</p>	<ul style="list-style-type: none"> Implementation of a new business management system to ensure sustainability and effectiveness of LBSCs Implementation of a capacity building plan to improve performance and sustainability of LBSCs To facilitate the establishment of Tender Advice Centres (TACs) in Port Shepstone and Ladysmith Initiate and complete the first phase of the research with JICA towards the establishment of a One Stop Shop Small Business Service Centre, and Complete the official application process for 	<ul style="list-style-type: none"> On 09 March 2005, the Department convened a workshop in Pietermaritzburg to discuss the establishment of SEDA in KwaZulu – Natal. The workshop was mainly attended by the District and Local Municipalities, and other key stakeholders in SMME development in the province. The National (Small Enterprise Development Agency (SEDA) provided an overview and background to the SEDA model. After detailed deliberations and discussions, the workshop participants indicated their support and provided input/suggestions for the establishment of SEDA. The Department will convene further meetings (first quarter 2005/06) with District Municipalities with a view of reaching concrete agreements and plans on the establishment of SEDA in their areas of operation. Subsequent to the above, a meeting was convened with eThekweni Municipality with a view of merging the KZN Manufacturing Advice Centre (KZNMAC) Durban office with eThekweni Business Development Centre to establish SEDA within the municipality area. Further consultations in this regard indicate that the agreement will be finalized during the first quarter of 2005/06. 	<p>The Local Business Service Centres (LBSCs) and the KZN Manufacturing Advisory Centres provide a good basis and framework for the establishment and roll out of the Small Enterprise Development Agency (SEDA) in the Province. This is in line with the objectives of the new Integrated Small Enterprise Development Strategy. The strategy seeks to create more effective integration between:</p> <ul style="list-style-type: none"> The first and the second economies of South Africa The private and public sectors and their respective involvement in small enterprise support Different levels and institutions of the public sector Different programmes already existing and those being added Different financing sources to cover the cost of the enterprise support.

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		<p>the JICA Technical Assistance programme for the One Stop Shop Small Business Service Centre</p> <ul style="list-style-type: none"> Facilitate the integration of business support services in KZN in line with the national strategy (within the Dept. of Trade and Industry) Finalize (through diplomatic channels) the submission of the application form for Japan's General Grant Aid for the KZN Training Centre <p>Provide strategic direction and promote effective coordination to SMME support services (e.g. through instruments such as the SMME Service Provider Forum)</p>	<p>The Department facilitated a meeting with Ithala and SEDA with a view of discussing and concluding an agreement to include Ithala Business Centres as part of the SEDA network in the province. These centres will be based in the Ithala, offices which are spread throughout the province. Ithala has committed to establishing 47 centres during the 2005 – 2006 financial year. The Department is leading the process of ensuring that there is continuous engagement between the parties towards the launch of the SEDA in the province.</p> <p>Technical Cooperation with the Japan International Cooperation Agency (JICA)</p> <ul style="list-style-type: none"> During the period under review, the Department hosted the JICA Study Team as part of the follow-up on the KZN SMME Master Study conducted jointly by the Department and JICA in 2001 and completed in 2002. The overall purpose of the technical cooperation with JICA is to share expertise, knowledge, skills, experiences and programmes on SMME development for the benefit of the local small businesses. The focus of the JICA Study Team mission was on conducting further research on the KZN SMME Master Study recommendation to support and improve the capacity of the local SMME Support Institutions (LBSCs), and establish the one-stop-shop Small Business Development 	
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			<p>Centre.</p> <ul style="list-style-type: none"> ▪ The Department and JICA made great progress in preparation towards putting an official application to JICA for the technical cooperation on SMME development, and more specifically, the development of LBSCs. ▪ The Technical Cooperation Agreement was endorsed by the National Treasury, and forwarded through the diplomatic channels to the Government of Japan. ▪ The Hibiscus Business Service Centre (Port Shepstone) established the TAC function. ▪ Funding to the amount of R601 800 was provided to the PMB Business Support Centre to render business support services to small businesses. <p>KZN Training Centre with JICA</p> <ul style="list-style-type: none"> ▪ The Department made progress towards finalizing (through diplomatic channels) the submission of the application form for Japan's General Grant Aid for the establishment of the Automotive and Component Industry Development and Training Centre for Skills Development and Technology Transfer, based in the Province of KwaZulu – Natal. ▪ Furthermore, the Department is currently hosting an Expert from Japan, Mr Yojiro MIYASHITA, for a period of two years to assist with, 	
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			<p>amongst other things, the facilitation of the Application for Japanese Grant Aid for a Production and Skills Development Training Centre in KwaZulu – Natal.</p> <ul style="list-style-type: none"> ▪ The Department convened meetings with The dti, JICA, AIDC and eThekweni Municipality to correct and effect necessary changes to application, and submitted it to the dti to forward to the Embassy of Japan on 30 August 2004. ▪ Convened a meeting with The dti to discuss the merger between Ntsika and NAMAC Trust in preparation for the integration of business support services in KwaZulu – Natal. <p style="text-align: center;">NPI Productivity Coaches Training Programme</p> <ul style="list-style-type: none"> ▪ The Department and the NPI have completed the recruitment of Business Advisors to be trained as Productivity Coaches. ▪ The Productivity Coaches were recruited from the existing LBSCs so as to ensure that there is continuity and the service is available to the SMMEs. ▪ Each Productivity Coach will work with 10 SMMEs during his/her training, and the training programme is having 10 Productivity Coaches. At the end of the programme, there will be 10 Productivity Coaches who will be available in each of the participating LBSCs; and 100 SMMEs will have benefited during the training programme. 	

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Improved international competitiveness of local manufacturing firms	<ul style="list-style-type: none"> No. of companies diagnosed/assessed by the KZN Manufacturing Advisory Centre (KZNMAC) Improved international competitiveness of local manufacturing firms 	<ul style="list-style-type: none"> Continue to provide support to the KZNMAC offices in Durban, Richards Bay, Pietermaritzburg and Port Shepstone. Increase number of Black African firms assisted by the MAC MACs will conduct assessments on approx. 240 small firms, approx. 45 firms should receive International Standards Organization (ISO) certification (annual target) Facilitate the integration of business support services in KZN in line with the national strategy (within the Dept. of Trade and Industry) 	<p><u>KwaZulu – Natal Manufacturing Advisory Centre (KZNMAC) Programme</u></p> <ul style="list-style-type: none"> The Department continued to support the KZNMAC offices in Durban, Richards Bay, Pietermaritzburg and Port Shepstone. An amount of R2,5 million was allocated to the KZNMAC to support their service delivery activities to the SMMEs. The Department is serving on the Board of Trustees of the KZNMAC, and attended board meetings to contribute towards giving a strategic direction to the programme and facilitate continuous focus of assisting small emerging manufacturing firms. <p>During the period under review, the KZNMAC offices conducted 235 assessments on small firms and facilitated the implementation of quality control systems (ISO certificates) in 41 small businesses.</p>	
Other Projects/Programmes				<p>Titanium Beneficiation Initiative (TBI)</p> <p>The Department is collaborating with The dti (project champion) and other stakeholders to conduct a pre-feasibility study into and preparation of a brochure on the concept</p>

				<p>for the beneficiation of titania slag and rutile into TiO₂ pigment in South Africa, preferably in Richards Bay, KwaZulu – Natal. The project steering committee of the TBI completed the pre-feasibility study and the brochure, which will be utilized to attract potential investors into the project.</p> <p><u>Petroleum, Petrochemicals and Plastics Hub Initiative</u></p> <p>Similarly to the TBI, the Department is collaborating with The dti (project champion) and other stakeholders to conduct a pre-feasibility study into the concept of a Petroleum, Petrochemicals and Plastics hub or complex in South Africa, preferably in Durban, KwaZulu – Natal.</p> <p><u>Awesome Africa – Celebrating Ten Years of Democracy in South Africa</u></p> <p>The Department is supporting Awesome Africa to create a multi – faceted platform to celebrate 10 years of Democracy in South Africa through the development and promotion of the music and tourism industry in select regions of KwaZulu – Natal.</p> <p>Job Creation and Outreach Marketing</p> <ul style="list-style-type: none"> ▪ A total of 30 persons representing each of the areas hosting provincial events were identified and participated in various training sessions which included: basic marketing skills and tactics, marketing distribution and awareness of tourist sites in their area. ▪ All 30 will receive
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				<p>continued training and temporary employment in the period leading to their event. A limited number will be selected to market for the Awesome Africa Music Festival.</p> <p>Provincial Events Job Creation</p> <ul style="list-style-type: none"> ▪ All events feature local community staff members in production and technical roles, all have been offered on-going training and will be temporarily employed during events. <p>Temporary Jobs Created by Provincial Events:</p> <p>Project Managers – 5 Technical Managers – 5 Technical Trainees – 12 Stage Managers – 5 Stage Hands/Runners – 10 Admin Coordinators – 5 Community Event Marshals – 80 Handcraft Vendors – 35 Food Vendors – 15</p> <p>The Provincial events were staged in Dundee, Mpophomeni, Inanda, Chatsworth and Clermont. These events started at the end of August through to the end of September 2004.</p> <p>Sound Technicians A mentorship program offered in conjunction with Gearhouse Sound & Lighting is in progress within each of the provincial events locations adding excellent skills transfer value to the technical staff for these events.</p> <p><u>South African Women Enterprise Network (SAWEN)</u></p> <p>After assisting SAWEN to</p>
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				<p>launch the KZN Chapter of this initiative in November 2003, the Department continued to offer support and linked SAWEN to potential business opportunities through the business delegations from UK and Sweden.</p> <p><u>Black Economic Empowerment (BEE) Conferences</u></p> <p>The Business Development sub – programme participated and contributed to the steering committee that was coordinating the BEE Conferences around the Province (PMB event was convened during the period under review).</p> <p><u>Expanded Public Works Programme (EPWP)</u></p> <p>The Department is responsible for coordinating the Economic Sector of the EPWP.</p> <p>The Economic Sector is focusing on developing and supporting small businesses through the procurement of goods and services for government.</p> <p>The Department convened the Economic Sector meeting on 23 March 2005 to expedite the process of getting inputs and comments towards the drafting of the KZN Economic Sector plan.</p>
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SUB-PROGRAMME: *Business Regulation*

Sub-Directorate: *Consumer Affairs*



Each day the Department handles various consumer enquiries, including complaints about unlawful actions by some unscrupulous traders

Introduction:

The Consumer Affairs Division is mandated by both National and Provincial government (a schedule 4 Competency) to protect and promote the interests of consumers. For the period under review, the sub-directorate held several workshops, seminars and developed projects to promote an efficient and effective consumer protection regime. The sub directorate paid particular attention to finalizing the provincial consumer protection bill and developing the requirements to establish a consumer tribunal and the office of the Consumer Protector. Concurrently, the Complaints Handling section was successful in providing redress for approximately 1300 consumers, (written and registered complaints) as well as providing an advisory service for telephonic enquiries.

Aims of the Sub-Programme:

- ❑ To promote the principles of consumer protection by informing the various publics on their consumer rights and responsibilities. This objective utilized both Consumer Information and Education programs and projects listed hereunder.
- ❑ To promote an efficient and effective consumer protection regime through the development of a Provincial Consumer Protection Bill.
- ❑ To operationalize the Complaints Handling service and to act for and on behalf of aggrieved consumers. (Promote Fair and ethical business practices.)

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TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
Output One Consumer Education and Information	<p>1. Electronic Media-Outreach Campaign with Community Radio Stations</p> <p>2. Advertising campaign to inform consumers on their rights and responsibilities.</p> <p>3. Outreach campaign in rural communities</p> <p>4. Workshops at Schools and Trade Unions</p> <p>5. Three key Projects which included Hosting World Consumer Rights Day wherein the Principles of Corporate Good Governance was promoted. Developed a Business Pledge inviting service providers to adopt the principles of Accountability, Probity and Service Excellence. Held several workshops throughout the Province on Sound Budgeting Principles and to adopt a culture of savings.</p>	<p>Consumers and Service Providers</p> <p>Consumers, civics and Ngo's</p> <p>Civics, NGOs and, traditional leaders and councillors.</p> <p>Workers</p> <p>Consumers, Service Providers, Business and Public Entities.</p>	<p>Community Radio: Interviews and live talk in shows. Radio Stations included</p> <p>Imbokodo Sunny South Radio Ikhwezi Ukhozi FM Radio Maputoland East Coast Radio</p> <p>Utilize Billboards, Adverts on public utility transport to promote consumer rights and responsibilities.</p> <p>Education and information workshops, seminars: use of brochures and pamphlets and Multi purpose digital systems. Work Shops and information materials. Topics included Guarantees, Motor Vehicles, Budgeting, the Sheriff, Home Improvements, Buying a House, Credit Cards, the Small Claims Court, and Insurance, Information workshops to inform workers, educators and learners</p> <p>Information materials, Speeches and Work Shop seminars.</p>	<p>This outreach campaign had and extremely positive impact and influenced approximately six million consumers.</p> <p>Positive impact with the capacity of informing in excess of seven million rural and urban consumers on their rights and responsibilities.</p> <p>Positive impact, particularly empowering rural communities with low levels of consumer literacy-on their consumer rights and responsibilities. Successes also included networking with Khula Youth Empowerment and was the lead province-playing an active role in training consumers on micro-lending with the MFRC- Received two awards.</p> <p>Played a positive role in empowering young peoples on their rights and responsibilities. Projects –high impact, particularly promoting the principles of <i>Batho Pele</i> and Corporate Good Governance.</p>
Output Two Complaints Handling	<p>Representing and acting for and on behalf of aggrieved consumers. Negotiation/Dispute Resolution and arbitration.</p>	<p>Aggrieved Consumers Service Providers</p>	<p>Various Pieces of legislation Complaints Handling processes.</p>	<p>Provided redress-success rate 77%-retrieved R 1, 725m for effected consumers.</p>

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Output Three Legislation/Bill	Developed Consumer Affairs Bill-Eight Drafts Compliance – Consumer Protection	Consumers and service providers.	Legislation to protect consumers	Legislation will endorse and promote fair and ethical business practices.
	Developing the National Consumer Policy framework and the National Credit Bill	Consumers and Service Providers Credit Industry	Development of the first draft of the Bill Development of the National Credit Bill	Played a key role in development of policy Played a key role in the development of policy-Draft Bill

SUB-DIRECTORATE: *Liquor Affairs*

TABLE: *Service Delivery Report 2004/2005*

OUTPUT	PERFORMANCE INDICATOR	TARGET	COMMENTS
Liquor licence applications	▪ Number of applications processed	▪ 400 applications to be received and dealt with by the Liquor Affairs Administration.	▪ 449 Applications were received, processed by the Administration for the adjudication by the Board. In total, there were 1089 applications placed before the Board for adjudication. This figure includes the previously postponed matters. The decision of the Board following the adjudication is as follows: 1. 377 applications: Granted 2. 194 applications: Refused 3. 18 Applications Withdrawn 4. 500 Applications Postponed
To facilitate entry of disadvantaged liquor operators into the liquor industry	▪ Number of licensed traders integrated	▪ 2250 traders to be integrated a year, therefore 562 traders to be integrated quarterly.	▪ 284 new traders were integrated to legal framework during this quarter. The target has not been met due to less number of new applications lodged during this period.
Business Regulation inspection	▪ Number of inspections	▪ 2500 target for a year, therefore 1250 is a target for mid term.	▪ Target not achieved. The trade inspection functions have not been devolved by the DTI.
Convert existing licenses in terms of the New Act	▪ Number of licences converted	▪ 7000 files to be converted by mid-year.	▪ The licences have not been converted, as the KwaZulu-Natal Liquor Licensing Bill is pending promulgation in this financial year. Cabinet has already approved the Bill on 18 August 2004. The Bill now proceeds to the Legislature.

SUB-PROGRAMME: Sector Development



The Craft industry is being transformed into one of the most potent economic activities to combat poverty in the communities

Introduction

The Sector Development Sub-Programme of the Department of Economic Development is concerned with the provision of customised support services to priority sectors of the economy to grow their international competitiveness and to meet the needs of the people of KwaZulu-Natal.

Aims of the Sub-Programme

This business unit is determined to:

- ❑ Stimulate the international competitiveness of the KZN economy by leveraging resources through strategic partnerships for implementing economic projects,
- ❑ Enable the retention and creation of sustainable quality jobs through productivity, training, technology and investments,
- ❑ Facilitate the implementation strategic high impact projects that stimulate the international competitiveness of priority sectors,
- ❑ Empower staff to deliver on the Department's mandate.

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TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	ACTUAL PRODUCT/SERVICE	COMMENTS
Arts & craft industry development programme	No of craft producers assisted in gaining access to market opportunities	300 craft producers assisted to gain access to market opportunities 3 training capacity building programmes with ESKOM / SABS & CSIR Facilitated	<ul style="list-style-type: none"> The EDD has established a formal Provincial Craft Practitioners Cluster incorporating all KZN District Municipalities and Craft Service Providers. 	<ul style="list-style-type: none"> This structure provides a forum for co-ordinating all craft projects initiated by the Department of Economic Development (DED).
			<ul style="list-style-type: none"> The Sector Sub Programme staff have secured funding of R50 000 from the National Arts Council for the Zikhulise Community Upliftment Project in Empangeni. 	<ul style="list-style-type: none"> This project provides a range of training in pottery and beadwork. The project with benefit 30 crafters.
			Database of KZN Crafters <ul style="list-style-type: none"> A comprehensive database of KZN Crafters has been developed. 	The database was publicly launched at the Craft Open day on 29-03-2005. The database can be accessed from the departmental website: www-kzn-deat.gov.za
			<u>Bat Centre Women's Day Initiative</u> <ul style="list-style-type: none"> This event was successfully held resulting in the DED supporting an event which showcased KZN's finest arts & crafts and indigenous music 	
			SA International Trade Exhibition (SAITEX) <ul style="list-style-type: none"> The EDD assisted 10 KZN crafters exhibit at SAITEX from 4-8 October 2004. The project was undertaken in partnership with TIK. 	Competitions to select crafters to exhibit at the SAITEX Exhibition were held in Ugu, eThekweni, uMgungundlovu, uThukela, uMzinyathi and Zululand.
			One of a Kind Exhibition 30 crafters were assisted to attend the exhibition at the Sandton Convention Centre in May in Johannesburg	
			Craft Commercialisation & Productivity Cluster <ul style="list-style-type: none"> The Sector Sub Programme has successfully completed a partnership programme with the NPI to train 20 master crafters from Durban & surrounds to produce high quality products. The project has been so successful that similar initiatives are being undertaken in uMhlabuyalingana and the Big Five Municipalities. 	<ul style="list-style-type: none"> Master crafters were provided with training in basic business skills to ensure export readiness. A Hand over Ceremony was held in June for the master crafters who successfully completed the training programme. A marketing manager has been appointed to set up marketing focus groups in Durban, Cape Town & Johannesburg to market the goods produced. Woolworths has placed an initial order to purchase the goods produced by the Durban based master crafters.

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			Craft Open Day <ul style="list-style-type: none"> The DED successfully partnered with the National Dept of Arts & Crafts & the Provincial Dept of Arts Culture & Tourism to host the craft Open Day on 29 March 2005. 	At the event, the provincial database and website were launched and representation from all District Municipalities was ensured. The King and the MEC for Economic Development were keynote speakers and the event was widely reported on national and provincial media.
Development of SMME opportunities in targeted sectors	No of SMME opportunities facilitated	10 small entrepreneurs within the aluminium sector supported	A study identifying BEE SMMEs and support projects to kick start downstream opportunities for BEE SMMEs in Aluminium & Stainless Steel Sectors has been completed.	
		New SMME opportunities in the footwear sector facilitated	A study identifying support projects to regenerate the Footwear Industry in KZN has been completed.	
		12 new SMME opportunities in the furniture sector facilitated	A study identifying BEE SMMEs and Market Opportunities for Furniture Industry BEE SMMEs has been completed. This study has supported the establishment of a Furniture Industry Cluster for KZN	
Development of the clothing sector	Establishment of clothing sector cluster to identify market opportunities and support required of government Existence of niche market report to identify appropriate product and market niches	Fully functioning cluster by March 2005 <ul style="list-style-type: none"> 1 complete niche market report 	Clothing & Textiles Industry Cluster <ul style="list-style-type: none"> A Programme to initiate a Clothing and Textiles Cluster for the province was initiated. 	<i>This included detailed interviews with industry stakeholders and workshop held on 18-03-2005 at the Durban Country Club.</i> <i>The project will culminate in the development of two business plans for cluster implementation. This project will be rolled over to the next financial year.</i>
			David Whiteheads Project <ul style="list-style-type: none"> This project was undertaken to ascertain whether the liquidation of the David Whiteheads company in Tongaat could be prevented and alternative investment sought. 	
			Regional Clothing Development Centres Phase 1 of this project has been completed and implementation is to be rolled over to the next financial year.	
			A training programme was held for 20 clothing SMMEs in Bergville in May 2004. The programme was held together with the CSIR.	

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			<u>School Gear project</u> – the project involves the establishment of community co-operatives linked to school clothing. The project is being piloted in 3 areas.	
Development of the ICT/Electronics sector	No of mentorship programmes established between new entrants & established players		<u>Information & Communication Technology (ICT) Cluster for KZN</u> A Service Provider has been appointed and the 1 st phase of this project has been completed. This included detailed interviews with industry stakeholders and a workshop was held on 05-04-2005.	The project will culminate in the development of two business plans for cluster implementation. This project will be rolled over to the next financial year.
	No of opportunities in ICT Sector identified		ICT SMME Manual ▪ This project will publicise support services for ICT SMMEs in KZN.	
			ICT HUB – uMsunduzi The project maximises the ICT opportunities that arise from the citing of parliament in uMsunduzi. It being initiated in partnership with the uMsunduzi Municipality and links with the Edendale Development Initiative.	The study involved: ▪ Mobilisation & Strategic Confirmation ▪ Situational Analysis of ICT in Pmb & Study Area ▪ Development of ICT Strategy ▪ Strategy Implementation Framework ▪ Local Content & Skills integration model ▪ Support Model and Institutional Support <i>In the next financial year, focus will be placed on seeking potential investors and undertaking an implementation plan in partnership with uMsunduzi & National Stakeholders.</i>
Development of the music industry sector	No of small business opportunities	2 small business opportunities projects by March 2005 1 fully functioning music industry cluster by March 2005	Venues Access Programme To assist indigenous musicians access commercially viable venues in KZN This project was successfully concluded at the end of March and to fast-track traditional performance venues identified and concerts planned.	
Support for the Film Industry			The DED sponsored the hosting of the KwaMashu Film Festival	
Development of the wood and wood products sector	Existence of industry cluster in improve industry collaboration		Furniture Industry Cluster A Cluster Committee has been established, together with sub committees. The committee is representative of large and small industry and labour.	Together with industry representatives the Cluster has achieved the following by April 2005: ▪ Finalised industry database & BEE Database ▪ Hosted broad industry Workshop & Furniture Manufacturers Indaba

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				<ul style="list-style-type: none"> Developed KZN Furniture Industry Brand Identified & finalised Clustering opportunities for BEE Firms Established industry Joint Action Groups Facilitated market intelligence for targeted branding strategy Identified Trade Shows for firms to participate Established linkages with national initiatives Developed learnership programme for the industry Published industry newsletter/resource document A Data Base of the KZN Furniture Industry has been developed. <p><i>A Furniture Industry Resource Manual has been published and is being circulated to all service providers</i></p>
			<p>BEE Opportunity Realisation</p> <ul style="list-style-type: none"> A workshop was held with 60 BEE /SMME Furniture producers at the Sun Coast Casino on 21 September. Furniture Industry BEE/SMME market opportunities were identified & presented to the workshop (resource document available in English and Zulu) BEE/SMME project steering committee established comprising representatives from the Midlands, South Coast, Zululand and eThekweni Training of 20 BEE SMMEs has been concluded at Furntech Offices in Springfield Park. 	
	No of trade shows attended	2 trade shows exhibitions attended Initiate European KZN Design and Marketing Partnership by March 2005	<p>A Marketing Committee has been established to lead the marketing of the KZN Furniture industry nationally & internationally. It has identified lead projects, which it will be participating in, and initiating.</p> <p>A KZN Furniture Industry Expo was held on February 2005</p> <p>Service providers have developed a branding strategy for the industry which was launched at the Indaba</p>	

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			International consultants have completed an international marketing strategy for the province	
	No of training initiatives supported	Secure partnership with Durban Institute of Training	A Training Committee has been established to lead training and capacity building initiatives in the KZN Furniture Industry. The Committee is focussing on implementing 3 projects, which will seek to ensure that the design competence of industry is enhanced.	
Interim Project Management Support			Services providers provided interim project management support to realise all of the Sector Projects	

SUB-PROGRAMME: Black Economic Empowerment

Government is determined to accelerate socio-economic equity in the province & some private businesses are also helping in encouraging historically disadvantaged communities

Aims of the Sub-Programme:

The Black Economic Empowerment Division is tasked amongst other things, with the responsibility of promoting socio-economic equity in the province, by ensuring that black people do benefit from government policies aimed at addressing racial imbalances in the economy. The unit has to work closely with government Departments, public entities and the private sector to provide guidance with regard to the implementation of BEE – as well as monitoring the progress made and challenges being experienced in the process of effecting Black Economic Empowerment.

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	COMMENTS
BEE Strategy	Strategy document	Produce 1 Strategy document by end of March 2005	Final document was received in February 28, more stakeholders requested to give more input.
KZN BEE status Measurement	Document with measurement tools	Production of BEE measuring tool	Project to be completed in March 31. Scope of this project has been increased to extend beyond Measuring tool.
BEE Database	A Database of Black Economic Empowerment Companies developed	Comprehensive database divided into small, micro, medium in different sectors.	Project due to be completed on March 31, other government departments with similar objectives requested to be catered for, which is time consuming as now consultation was required.
UMyezane Awards	1 UMnyezane award event for 2004/5 to take place on the 9 and 10 February 2005.	Appointment of service provider to manage the event.	Project was completed on the 10 th of February 05.
		Leveraging of funds 7 canvassing for sponsorship.	
		Compilation of a profile of candidates for the UMnyezane award	
		Setting up of Steering Committee to drive the process	

PROGRAMME FOUR: TRADE AND INVESTMENT

This programme relates to the operations of the parastatal companies under the Department's control – the Ithala Development Finance Corporation and Trade and Investment KwaZulu-Natal. In addition the Dube Trade Port project also forms part of the entities controlled by this Department. These entities receive their official transfer payments from the Department and produce their own Annual Reports that reflect their yearly utilisation of their allocations in relation to their strategic mandates. For the purposes of this report, the activities of Ithala, Trade and Investment and the Dube Trade Port are only summarised in Part Two under the Management Report as presented by the Accounting Officer. As said, more information on their annual performance is captured in their own Annual Report documents.

PROGRAMME FIVE: POLICY DEVELOPMENT AND ECONOMIC INFORMATION & RESEARCH

SUB-PROGRAMME: *Economic Information and Research Services*



The advent of new technology like computers is making it possible to access volumes of information for research

Aims of the Sub-Programme:

The objective of the Economic Information and Research Services is to collect already existing data and information to support the strategic formulation process of the department

Reflected below is the brief overview of the sub-programme's service delivery report.

TABLE: *Service Delivery Report 2004/2005*

OUTPUTS	PERFORMANCE INDICATOR	ANNUAL PERFORMANCE AGAINST TARGET	
		TARGET	ACTUAL
1. Critical KZN socio-economic indicators	Number of socio-economic reviews produced	1 KZN socio-economic review	1 socio-economic review
2. Socio-economic profiles of 10 district municipalities	No. of district municipal profiles	11 district municipal profiles	11 socio-economic profiles of district municipalities

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3.Ten-Year Performance Review	No. of reviews	1 performance review of the Department over the last decade (1994-2003)	1Ten-Year Performance review of the Department
4. Conference on the state of the KZN economy	No. of conferences held	1 conference	1 conference held
5. Establishment of an electronic resources centre	No. of accessible electronic data bases	3 accessible electronic databases	3 accessible electronic databases
6. KZN Franchise Expo and Women Economic Empowerment Conference	No. of Expo and conferences	1 Expo and conference	1 Expo and Conference

SUB-PROGRAMME: Policy Development

Aims of the Sub-Programme:

This unit is primarily responsible for the provision of strategic economic advice to the Department to ensure that economic information available is used effectively and efficiently in accordance with the basic economic priorities of the province.

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	COMMENTS
POLICY			
Public private partnership study	<ul style="list-style-type: none"> Existence of report analysing trends 	<ul style="list-style-type: none"> Commission service provider to undertake study, as part of MOU with UKZN by September. 	<ul style="list-style-type: none"> No CPC approval was granted. This study was re-advertised and completed
KZN economic review	<ul style="list-style-type: none"> Existence of report analysing economic development trends 	<ul style="list-style-type: none"> Commission service provider to undertake study, as part of MOU with UKZN by September. 	<ul style="list-style-type: none"> No CPC approval was granted. This study was re-advertised but a tender committee decided not to continue with the project since an Economic Information Unit would be established in the new year.
IDS strategy	<ul style="list-style-type: none"> Existence of an IDS strategy 	<ul style="list-style-type: none"> 4 Stakeholder workshops and one report to be completed by September 	<ul style="list-style-type: none"> 4 workshops were held, covering municipalities, business, organised labour and government. Document has been edited and printed and distributed widely.
Labour market review	<ul style="list-style-type: none"> Existence of report 	<ul style="list-style-type: none"> Commission service provider to undertake study, as part of MOU with UKZN by September. 	<ul style="list-style-type: none"> No CPC approval was granted, so tender resubmitted. Considerable portion of review completed.

PROGRAMME SIX: SPECIAL PROJECTS**Aims of the Sub-Programme:**

The objective of this unit is to help the province participate in the world economy by becoming part of the global supply chain. Most of the projects in this division have defined life-span and hence referred to as Special Projects which are inclusive of initiatives such as Industrial Development Zones and indeed, undertakings aimed at facilitating the development of modern logistics required for a competitive world economy.

TABLE: Service Delivery Report 2004/2005

OUTPUT	PERFORMANCE INDICATOR	TARGET	COMMENTS
SPECIAL PROJECTS			
Economic Information Unit	<ul style="list-style-type: none"> Establishment of Unit by year end 	<ul style="list-style-type: none"> Commission service provider to investigate feasibility of establishing the Economic Information Unit 	<ul style="list-style-type: none"> Terms of reference completed, project manager appointed work has been completed.
Film Industry Feasibility Film Commission	<ul style="list-style-type: none"> Establishment of mechanism to support film commission Establishment of KZN Film Commission (KZNFC)	<ul style="list-style-type: none"> Commission service provider to complete two studies, one being a feasibility regarding the KZNFC; host stakeholder workshops. Series of stakeholder workshops convened Appointment of service provider to operationalise the Film Commission i.e. develop budget, operational plan, business plan, convene stakeholder meetings etc 	Studies completed; workshops hosted Terms of reference for establishment of commission to be completed and service provider procured: A budget, operational plan, business plan and articles of association were developed, potential board members were canvassed and stakeholder workshops were convened. Finally options were provided regarding the establishment of the entity, namely the statutory or a Section 21 route as the vehicle to pursue.
Film Industry Support	<ul style="list-style-type: none"> One Local project supported 	<ul style="list-style-type: none"> Final assistance to Greater Durban Television (GDTV) 	Financial support given for the hire of a transmitter GDTV will broadcast between June – July 2005
MA logistics programme	<ul style="list-style-type: none"> MA programme established 	<ul style="list-style-type: none"> Facilitate the operationalisation of the course. Review of course is completed, 	Course commenced with first intake of students
MA Logistics Programme – Review	<ul style="list-style-type: none"> Existence of one Feasibility Report 	<ul style="list-style-type: none"> Commission course review. 	<ul style="list-style-type: none"> Feasibility completed
PMB Economic Review	<ul style="list-style-type: none"> One locally based review completed 	<ul style="list-style-type: none"> 1 study completed and 1 workshop convened 	<ul style="list-style-type: none"> 1 study completed and 1 workshop convened, participants included the chair of the KZN chamber of Business
Lamontville multi media centre	<ul style="list-style-type: none"> Establishment of township media centre with municipality support 	<ul style="list-style-type: none"> Agree on TOR with eThekweni municipality regarding establishment of Centre. Appoint service provider to establish centre 	<ul style="list-style-type: none"> Although part of the interviewing panel, no agreement between the Department, municipality and service provider, thus no longer involved in project.
Southern Industrial Development	<ul style="list-style-type: none"> SIB projects established 	Finalise agreement with eThekweni municipality and	Due to delays in facilitating the agreement, this project was halted

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		secure one partnership agreement secured between DED and said municipality.	and it was decided that money to be transferred to LED, in particular to the three cities initiative.
Midlands logistics network	<ul style="list-style-type: none"> Existence of report detailing logistics and trade in the area 	<ul style="list-style-type: none"> Agree on TOR with Msunduzi municipality regarding MNL study Finalise ToR Appoint service provider 	<ul style="list-style-type: none"> Msunduzi Municipality has embarked on study and need no financial assistance for Department at this stage. Money to be reallocated. We nevertheless continued to be part of steering team and report was completed.
Project management support	<ul style="list-style-type: none"> Existence of report and project management assistance dealing with the Trade Gateway 	<ul style="list-style-type: none"> Facilitate operationalisation of discussions around trade gateway 	<ul style="list-style-type: none"> The project management aspect of this initiative was discontinued. However Department were responsible for hosting a series of stakeholder meetings dealing with the John Ross Highway. KZN Department of Transport has now taken over project.
Innovation Support Centre (ISC)	<ul style="list-style-type: none"> Support provided to facilitate establishment of centre 	<ul style="list-style-type: none"> Finalise agreement between eThekweni, University of KwaZulu-Natal, Department of Science and Technology and World Bank around establishment of ISC 	<ul style="list-style-type: none"> R175 000 transferred to the Innovation Support Centre, which will as a result receive substantial funding from the World Bank. The money transferred was less than we budgeted for.

PART 3: REPORT ON HUMAN RESOURCES MANAGEMENT



Ongoing skills training is essential for the staff and management to meet the changes taking place in the work place.

The Executive Authority Shall:

- In terms of section 92(3)(b) or 133(3)(b) of the Constitution, 1996 include the information set in PSR J3 in the annual report, contemplated in sections 40(1)(d)(i) and (3) and 65(1)(a) and (2) of the Public Finance Management Act (PFMA), 1999 and paragraphs 18.3 and 18.4 of the Treasury Regulations
- In accordance with section 65(1)(a) of the Public Finance Management Act (PFMA), 1999 within one month after the accounting officer for the department received its audit report, table in the relevant legislature that annual report, and simultaneously submit that annual report to the relevant treasury, the media and the public.

The statistics and information published in this part of the annual report are required in terms of regulation III J.3 of the Public Service Regulations and have been prescribed by the Minister for the Public Service and Administration for all government departments within the Public Service.

The statistical tables provide high-level information on key human resource issues. The information aims to empower legislatures, the media, the public and other key stakeholders to monitor whether departments:-

- Are exercising the powers granted under Public Service and Public Finance legislation in a responsible manner,
- Are achieving national transformation priorities established by the Cabinet, for example, affirmative action.

1. - Service Delivery

As part of its programme to implement its Strategic Plan, the Department was expected to develop service delivery indicators that would help illustrate progress being made and challenges experienced in the process of service delivery. These are summarised and reflected in Part Two of this report.

2. - Expenditure

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary bands (Table 2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

TABLE 2.1 – Personnel costs by programme, 2004/05

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
Administration	26 992	9 333	241	2979	34.6	90
Spatial Economic Coordination	13 278	3 112	112	7326	23.4	30
Business & Sector Development	29 051	6 357	47	15 040	21.9	61
Tourism, Trade & Industry	60 872	0	0	0	0	0
Policy Development	4 833	1 488	10	2929	30.8	14
Special Projects	1 846	0	0	1508	0	0
TOTAL	136 872	20 290	410	29 783	14.8	195

TABLE 2.2 – Personnel costs by salary bands, 2004/05

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (levels 1-2)	0	0	0
Skilled (level 3-5)	1 295	6.2	83
Highly skilled production (levels 6-8)	6 393	31.5	138
Highly skilled supervision (levels 9-12)	5 783	28.6	198
Senior and Top management (levels 13-16)	6 819	33.7	483
Total	20 290	100	195

The following tables provide a summary by programme (Table 2.3) and salary bands (Table 2.4), of expenditure incurred as a percentage of salaries, overtime, homeowners allowances and medical aid. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

TABLE 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Aid by programme, 2004/05

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	% of personnel costs of programme	Amount (R'000)	% of personnel costs of programme	Amount (R'000)	% of personnel costs of programme	Amount (R'000)	% of personnel costs of programme
Administration	6 508	69.7	2	0.02	108	1.2	421	4.5
Spatial Economic Coordination	2 151	69.1	-	-	15	0.1	95	2.7
Sector & Business Development	4 325	68	-	-	65	1	240	3.7

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Policy Development	926	62.2	-	-	7	0.5	28	1.9
Special Projects	-	-	-	0.02				
TOTAL	13 910	68.6	2	-	195	0.9	784	3.8

TABLE 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Aid by salary bands, 2004/ 05

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	% of personnel costs of salary bands	Amount (R'000)	% of personnel costs of salary bands	Amount (R'000)	% of personnel costs of salary bands	Amount (R'000)	% of personnel costs of salary bands
Lower skilled	0	0	0	0	0	0	0	0
Skilled	941	74.8	2	0.2	22	1.7	61	4.7
Highly skilled production	4 709	74.1	0	0	116	1.8	358	5.6
Highly skilled supervision	4 326	75.2	0	0	58	1	198	3.4
Senior and Top management	3 934	58.4	0	0	0	0	167	2.4
Total	13 910	68.6	2	0	196	0.9	784	3.9

3 – Employment and Vacancies

The tables in this section summarise the position with regard to employment and vacancies.

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables:- programme (Table 3.1), salary band (Table 3.2) and critical occupations (Table 3.3). Departments have identified critical occupations that need to be monitored. Table 3.3 provides establishment and vacancy information for the key critical occupations of the department. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

TABLE 3.1 – Employment and vacancies by programme, 31 March 2005

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administration	78	51	34.6	0
Sector & Business Development	44	36	18.2	0
Spatial Economic Coordination	21	11	47.6	0
Policy Development & Special Projects	8	6	25	0
Total	151	104	31.1	0

TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2005

Salary band	Number of posts	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Lower skilled	0	0	0	0
Skilled	16	15	6.3	0
Highly skilled production, Permanent	58	46	20.7	0
Highly skilled production, Temporary				
Highly skilled supervision	54	29	46.3	0
Senior and Top management	23	14	39.1	0
Total	151	104	31.1	0

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TABLE 3.3 – Employment and vacancies by critical occupation, 31 March 2005

Critical occupations	Number of posts	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administrative related, permanent	55	45	18.2	0
Bus and heavy vehicle drivers, Permanent	-	-	-	-
Communication and information related, permanent	6	5	16.7	0
Finance and economic related, permanent	-	-	-	-
Financial and related professionals, permanent	32	11	65.6	0
Finance clerks and credit controllers, permanent	-	-	-	-
Food services aids and waiters, permanent	-	-	-	-
General legal administration and related professionals, permanent	-	-	-	-
Human resource clerks, permanent	-	-	-	-
Human resource clerks, temporary	-	-	-	-
Human resources related, permanent	17	11	35.3	0
Library, mail and related clerks, permanent	-	-	-	-
Light vehicle drivers, Permanent	2	2	0	0
Logistical Support	-	-	-	-
Messengers, porters and deliverers	1	1	0	0
Other administrative and related clerks and organisers, permanent	-	-	-	-
Secretaries and other keyboard operating clerks, permanent	21	15	28.6	0
Senior Managers, permanent	17	14	17.7	0
TOTAL	151	104	31.1	0

The information in each case reflects the situation as at 31 March 2005. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.

4 – Job Evaluation

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally.

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002.

The following table (Table 4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

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TABLE 4.1 – Job Evaluation, 1 April 2004 to 31 March 2005

	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled	-	-	-	-	-	-	-
Skilled (Levels 3-5)	18	9	50%	7	77.8%	-	-
Highly skilled production (Levels 6-8)	53	3	5.7%	1	33.3%	-	-
Highly skilled supervision (Levels 9-12)	61	13	21.3%	11	84.6%	1	7.7%
Senior Management Service Bands A	14	5	35.7%	-	-	-	-
Senior Management Service Bands B	4	3	75%	-	-	-	-
Senior Management Service Bands C	1	-	-	-	-	1	-
Senior Management Service Bands D	-	-	-	-	-	-	-
Total	151	33	21.9%	19	57.6%	1	3%

The following table provides a summary of the number of employees whose own positions were upgraded due to their post being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

TABLE 4.2 – Profile of employees whose positions were upgraded due to their posts being upgraded, 1 April 2004 to 31 March 2005

Beneficiaries	African	Asian	Coloured	White	Total
Female	5	-	-	-	5
Male	6	-	-	-	6
Total	11	-	-	-	11
Employees with a disability					0

The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

TABLE 4.3 – Employees who have been granted higher salaries than those determined by job evaluation, 1 April 2004 to 31 March 2005

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Total Number of Employees whose remuneration exceeded the grade determined by job evaluation in 2003/ 04	None	None	None	When the post was evaluated it was already filled and in terms of PSR, you cannot decrease the salary of the employee due to evaluation

Table 4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

TABLE 4.4 – Profile of employees who have been granted higher salary bands than those determined by job evaluation, 1 April 2004 to 31 March 2005

Beneficiaries	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male					
Total	0	0	0	0	0
Employees with a disability					

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[If there were no cases where the remuneration bands exceeded the grade determined by job evaluation, use the following table as TABLE 4.3]

Total Number of Employees whose remuneration exceeded the grade determined by job evaluation in 2003/04	0
--	----------

5 - Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the department. The following tables provide a summary of turnover rates by salary band (Table 4.1) for critical occupations (Table 4.2). (These "critical occupations" should be the same as those listed in Table 2.3)

TABLE 5.1 – Annual turnover rates by salary band

Salary Band	Number of employees per band at beginning of period	Appointments	Terminations	Turnover rate
Lower skilled	-	-	-	-
Skilled	15	9	4	26.7
Highly skilled production	44	-	2	4.5
Highly skilled supervision	26	2	1	3.9
Senior Management Service Bands A	12	1	1	8.3
Senior Management Service Bands B	2	1	1	50
Senior Management Service Bands C	1	-	-	-
Senior Management Service Bands D				
Total	100	13	9	9

TABLE 5.2 – Annual turnover rates by critical occupation

Occupation:	Employment at beginning of period	Appointments	Terminations	Turnover rate
Administrative related, permanent	41	2	6	14.6
Bus and heavy vehicle drivers, Permanent	-	-	-	-
Communication and information related, permanent	5	-	-	-
Finance and economic related, permanent	-	-	-	-
Financial and related professionals, permanent	11	-	-	-
Finance clerks and credit controllers, permanent	-	-	-	-
Food services aids and waiters, permanent	-	-	-	-
General legal administration and related professionals, permanent	-	-	-	-
Human resource clerks, permanent	-	-	-	-
Human resource clerks, temporary	-	-	-	-
Human resources related, permanent	11	-	-	-
Library, mail and related clerks, permanent	-	-	-	-
Light vehicle drivers, Permanent	2		1	50
Logistical Support	-	-	-	-
Messengers, porters and deliverers	1			
Other administrative and related clerks and organisers, permanent	-	-	-	-
Secretaries and other keyboard operating clerks, permanent	15	9	-	-
Senior Managers, permanent	14	2	2	14.3
TOTAL	100	13	9	9

Table 5.3 identifies the major reasons why staff left the department. Figures are also provided for the previous three years for comparative purposes.

Table 5.3 – Reasons why staff are leaving the department

Termination Type	Number	% of total Terminations
Death	1	11.1
Resignation	4	44.4
Expiry of contract	2	22.2
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	1	11.1
Restructuring Package (Excess)	1	11.1
Medical retirement	--	-
Total	9	100

Table 5.4 – Promotions by critical occupation

Occupation:	Employees 1 April 2004	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Promotions to another notch within a salary level	Notch promotions as a % of employees by occupation
Administrative related, permanent	41	-	-	36	87.8
Bus and heavy vehicle drivers, Permanent	-	-	-	-	-
Communication and information related, permanent	5	1	20%	5	100
Finance and economic related, permanent	-	-	-	-	-
Financial and related professionals, permanent	11	1	9.1	11	100
Finance clerks and credit controllers, permanent	-	-	-	-	-
Food services aids and waiters, permanent	-	-	-	-	-
General legal administration and related professionals, permanent	-	-	-	-	-
Human resource clerks, permanent	-	-	-	-	-
Human resource clerks, temporary	-	-	-	-	-
Human resources related, permanent	11	7	63.6	9	81.8
Library, mail and related clerks, permanent	-	-	-	-	-
Light vehicle drivers, Permanent	2	-	-	2	100
Logistical Support	-	-	-	--	-
Messengers, porters and deliverers	1	-	-	1	100
Other administrative and related clerks and organisers, permanent	-	-	-	-	-

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Secretaries and other keyboard operating clerks, permanent	13	-	-	10	76.9
Senior Managers, permanent	16	-	-	-	-
TOTAL	100	9	-	74	74

Table 5.5 – Promotions by salary band

Salary Band	Employees 1 April 2004	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Promotions to another notch within a salary level	Notch promotions as a % of employees by salary bands
Lower skilled	0	0	0	0	0
Skilled	14	-	-	14	100
Highly skilled production	46	4	8.7	41	89.1
Highly skilled supervision	25	5	20	19	76
Senior Management Service Bands A	16	--	-	-	-
Total	100	9	9	74	74

6 – Employment Equity

6.1 Total number of employees (including employees with disabilities in each of the following occupational categories as on 31 March 2005

<u>Occupational categories</u>	Male				Female				<u>Total</u>
	<u>African</u>	<u>Coloured</u>	<u>Indian</u>	<u>White</u>	<u>African</u>	<u>Coloured</u>	<u>Indian</u>	<u>White</u>	
Legislators, senior officials and managers	2	2	3	2	3	0	1	1	14
Professionals	5	0	0	0	4	0	2	1	12
Clerks, Temporary									
Clerks, Permanent	21		1	1	41	0	9	5	78
Service and sales workers	-	-	-	-	-	-	--	--	-
Skilled agriculture and fishery workers	-	-	-	-	-	-	-	-	-
Craft and related trades workers	-	-	-	-	-	-	--	-	-
Plant and machine operators and assemblers	-	-	-	-	-	-	-	-	-
Elementary occupations	-	-	-	-	-	-	-	-	-
Total	28	2	4	3	48	0	12	7	104

6.2 Total number of employees (including employees with disabilities in each of the following occupational bands

<u>Occupational Bands</u>	Male				Female				<u>Total</u>
	<u>African</u>	<u>Coloured</u>	<u>Indian</u>	<u>White</u>	<u>African</u>	<u>Coloured</u>	<u>Indian</u>	<u>White</u>	
Top Management		1							1
Senior Management	2	1	3	1	4	0	1	1	13

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Professionally qualified and experienced specialists and mid-management	4	0	1		5	0	2	1	15
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	17		2	1	30		4	1	54
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents, Temporary	-	-	-	-	-	-	-	-	-
Semi-skilled and discretionary decision making	-	-	-	-	11	-	5	3	18
Unskilled and defined decision making	3	-	-	-	-	--	-		3
Total	26	2	6	2	50	0	12	6	104

6.3 Recruitment for the period 1 April 2004 till 31 March 2005

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management									
Senior Management					2				2
Professionally qualified and experienced specialists and mid-management		0	0	0	0	0	1	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	-	-	-	-	4	-	2	1	7
Semi-skilled and discretionary decision making	-	-	-	-	2	-	2	1	2
Unskilled and defined decision making	-	--	-	-	-	-	-	-	-
Total		0	0	0	8	0	5	2	13

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6.4 Promotions for the period 1 April 2004 to 31 March 2005

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	--	-	-	-
Senior Management									
Professionally qualified and experienced specialists and mid-management	2	-	-	-	3	-	-	-	5
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	-	-	-	2	-	-	-	3
Semi-skilled and discretionary decision making	-	-	-	-	1	-	-	-	1
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	3				6				9

6.5 Terminations for the period 1 April 2004 till 31 March 2005

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	1				1	-	-	-	2
Professionally qualified and experienced specialists and mid-management	-	-	-	-	-	-	-	2	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	-	-	-	2	-	-	-	4
Semi-skilled and discretionary decision making	1	-	-	-	-	-	-	-	1
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	4	-	-	-	3	-	-	2	9

6.6 Disciplinary action

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	4	0	0	0	3	0	1	0	8

6.7 Skills development (In terms of Bursaries)

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	-	-	-	-	-	-	-	-	-
Professionals	-	-	-	-	-	-	-	-	-
Technicians and associate professionals	2	-	2	-	5	-	-	--	9
Clerks	5	-	-	--	9	-	1	2	17
Service and sales workers	-	-	-	-	-	-	-	-	-
Skilled agriculture and fishery workers	-	--	-	-	-	-	-	-	-

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Craft and related trades workers	-	-	-	-	-	-	-	-	-
Plant and machine operators and assemblers	-	-	-	-	-	-	-	-	-
	7	-	2-	-	14	-	1	2	26

7 – Performance Rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary bands (Table 7.2) and critical occupations (Table 7.3).

TABLE 7.1 Performance Rewards by race, gender and disability, 1 April 2004 to 31 March 2005

	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African, Male	19	24	79.2	19.9	1049
Asian, Male	1	3	33.3	1.4	1440
Coloured Male	0	0	0	0	0
White Male	1	1	100	1.3	1258
African Female	38	46	82.6	37.4	985
Asian Female	8	10	80	8.7	1082
Coloured Female	0	0	0	0	0
White Female	3	5	60	3.6	1022
TOTAL	70	89		72.3	

TABLE 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2004 to 31 March 2005

Salary Bands	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee
Lower skilled	0	0	0	0	0
Skilled	13	15	86	6.9	527
Highly skilled production	41	47	87	45.5	1108
Highly skilled supervision	16	27	59	15.4	961
Total	70	89		67.8	

TABLE 7.3 – Performance Rewards by critical occupations, 1 April 2004 to 31 March 2005

Critical Occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Administrative related	56	59	66.3	57.9	981
Finance and Economics related	7	11	12.4	7.2	655
Financial and related professionals	7	19	21.3	7.2	379
Senior Managers	0	-	-	-	-
Total	70	89	100%	72.3	

TABLE 7.4 –Performance related rewards (cash bonus), by salary band for Senior Management Service

Salary Band	Beneficiary Profile	Total Cost (R'000)	Average cost per employee	% of SMS wage bill
	Number of beneficiaries			

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	Number of beneficiaries	Number of employees	% of total within band			
Band A	0					
Band B	0					
Band C	0					
Band D	0					
Total	0					

TABLE 7.5 –Performance related rewards (pay progression), by salary band for Senior Management Service

TABLE 7.3-1 Performance related rewards (pay progression), by salary band for Senior Management Service				
Salary Band	Beneficiary Profile			Average cost per annum per employee
	Number of beneficiaries			
	Number of beneficiaries	Number of employees	% of total within band	
Band A	0			
Band B	0			
Band C	0			
Band D	0			
Total	0			

8 – Foreign Workers

The Department did not have any foreign workers during this period.

9 - Leave utilisation for the period 1 April 2004 to 31 March 2005

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2). In both cases, the estimated cost of the leave is also provided.

TABLE 9.1 – Sick leave, 1 April 2004 to 31 March 2005

GRADE (SALARY BAND)	Total days	Per cent certification	Number of Employees using sick leave	% of total employees using sick leave	Average per employee	Estimated Cost (R'000)
Lower skilled	-	-	-	-	-	-
Skilled	106	65	10	14.9	10.6	24
Highly skilled production	192	67.5	30	44.8	6.4	82
Highly skilled supervision	118	76.2	19	28.4	6.21	88
Top and Senior management	38	86.8	8	11.9	4.8	40
Total	454	70.9	67	100	6.8	234

TABLE 9.2 – Disability leave (temporary and permanent), 1 April 2004 to 31 March 2005

GRADE (SALARY BAND)	Total days taken	Per cent certification	Number of Employees using disability leave	% of total employees using disability leave	Average per employee	Estimated Cost (R'000)
Lower skilled	0	0	0	0	0	0
Skilled	120	120	1	1	120	25.5
Highly skilled production	-	-	-	-	-	-
Highly skilled supervision	-	-	-	-	-	-
Top and Senior management						
Total	120	120	1	1	120	25.5

Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

TABLE 9.3 – Annual Leave, 1 April 2004 to 31 March 2005

GRADE (SALARY BAND)	Total days taken	Average per employee
---------------------	------------------	----------------------

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Lower skilled	0	0
Skilled	276	18.4
Highly skilled	950	20.7
Highly skilled supervision	413	14.2
Top and Senior management	173	12.4
Total	1812	17.42

TABLE 9.4 – Capped leave, 1 January 2004 till 31 December 2004

GRADE (SALARY BAND)	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2004
Lower skilled	0	0	0
Skilled	0	0	0
Highly skilled	22	22	22
Highly skilled supervision	0	0	0
Top and Senior management	0	0	0
Total	22	22	22

The following table summarise payments made to employees as a result of leave that was not taken.

TABLE 9.5 – Leave payouts for the period 1 April 2004 till 31 March 2005

REASON	Total Amount (R'000)	Number of Employees	Average per employee (R'000)
Leave payout for 2004/05 due to non-utilisation of leave for the previous cycle	97	11	8.8
Capped leave payouts on termination of service for 2004/05	322	3	107
Current leave payout on termination of service for 2004/05	95	9	10.5
Total	514	23	22.3

10. HIV/AIDS & Health Promotion Programmes

TABLE 10.1 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	

TABLE 10.2 – Details of Health Promotion and HIV/AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Have you designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	✓		Mr Logan Naidu

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2. Do you have a dedicated unit or have you designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.		✓	1 EAP Practitioner was only employed on 1 July 2005
3. Have you introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.		✓	The EAP Practitioner was only employed on 1 July 2005. Hence programs are only now being initiated
4. Have you established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		✓	
5. Have you reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	✓		The Recruitment, Selection and Benefits Policies and practices
6. Have you introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.		✓	
7. Do you encourage your employees to undergo Voluntary Counseling and Testing? If so, list the results that you have achieved.		✓	Refer to 3 above
8. Have you developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.		✓	Refer to 3 above

11 – Labour Relations

The following collective agreements were entered into with trade unions within the department.

TABLE 11.1 – Collective agreements, 1 April 2004 to 31 March 2005

If there were no agreements, then use the following table

Total collective agreements	None
-----------------------------	------

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

TABLE 11.2 – Misconduct and discipline

Outcomes of disciplinary hearings	Number	% of total
Verbal warning	0	-
Written warning	2	25%
Final written warning	0	-
Suspended without pay	2	25%
Not guilty	4	50%
Case withdrawn	0	
Dismissal	0	
Total	8	100%

TABLE 11.3 – Types of misconduct addressed at disciplinary hearings

Type of misconduct (based on annexure A)	Number	% of total
Car Accidents		
Poor work performance		
In-subordination	1	100%

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Unauthorised absence		
Total	1	100%

TABLE 11.4 – Grievances logged for the period 1 April 2004 till 31 March 2005

	Number	% of Total
Number of grievances resolved	1	50%
Number of grievances not resolved	1	50%
Total number of grievances addressed	2	100%

TABLE 11.5 – Disputes logged for the period 1 April 2004 till 31 March 2005

	Number	% of Total
--	--------	------------

TABLE 11.6 – Strike actions for the period 1 April 2004 till 31 March 2005

Total number of persons working days lost	41
Total cost (R'000) of working days lost	115
Amount (R'000) recovered as a result of no work no pay	115

TABLE 11.7 – Precautionary suspensions for the period 1 April 2004 till 31 March 2005

Number of people suspended	7
Number of people who's suspension exceeding 30 days	7
Average number of days suspended	365
Cost (R'000) of suspensions	632

12 - Skills development

This section highlights the efforts of the department with regard to skills development.

12.1 Training provided for the period 1 April 2004 to 31 March 2005

Occupational Categories	Gender	Number of employees received training	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	6		3		3
	Male	8		2		2
Professionals	Female	17		11		11
	Male	13		8		8
Technicians and associate professionals	Female					
	Male					
Clerks	Female	45		37		37
	Male	15		10		10
Service and sales workers	Female					
	Male					
Skilled agriculture and fishery workers	Female					
	Male					
Craft and related trades workers	Female					
	Male					
Plant and machine operators and assemblers	Female					
	Male					
Elementary occupations	Female					

	Male				
Sub Total	Female	68		51	51
	Male	36		20	20
Total		104		71	71

13 – Injury on duty

The following tables provide basic information on injury on duty.

TABLE 13.1 – Injury on duty, 1 April 2004 to 31 March 2005

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary Total Disablement	0	
Permanent Disablement	0	
Fatal	0	
Total	0	

14. Utilisation of Consultants

Table 14.1: Report on consultant appointments using appropriated funds

Project Title	Total Number of consultants that worked on project	Duration Work days	Contract value in Rand
Development of a catalogue LED	6	45	R 178 524.00
Development business pledge	1	45	R 933 090.00
Food Sector	1	180	R 591 000.00
Agri Business Market information support services	3	90	R 673 740.00
Pelican nuts	6	150	R 487 863.00
KZN Cut flower	6	80	R 483 040.80
Ilembe Agri Business Processing Hub	1	180	R 486 552.00
EIU	4	180	R 500 000.00
Appointment of an LED Officer for ZDM	1	90	R 588 000.00
Total	29	1040	R 4 921 809.80

**REPORT OF THE AUDIT COMMITTEE ON
VOTE 4 – ECONOMIC DEVELOPMENT**

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee Members and Attendance:

The Audit Committee consists of the members listed hereunder and met 5 times as per its approved terms of reference.

Name of Member	Number of Meetings Attended
R Morar (Chairperson)	5
BP Campbell	5
BS Khuzwayo (Adv)	4
ADK Leisegang	5
DSD Shabalala	1
RK Sizani (Adv)	0
RW Green-Thompson (Prof)	3

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1)(a) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except as stated below.

The Effectiveness of Internal Control

We cannot comment on the systems of internal control as the Internal Audit Unit did not conduct any internal audit assignments during the year under review.

The quality of in year management and monthly / quarterly reports submitted in terms of the Treasury Regulations and the Division of Revenue Act

We cannot comment on the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and the Department during the year under review.

Evaluation of Financial Statements

We have:

- Not reviewed the audited annual financial statements to be included in the annual report;

- Taken into consideration the Auditor-General's management letter and management response;
- Not reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit.

We concur and accept the conclusions of the Auditor-General on the annual financial statements and are of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

[Handwritten signature]

.....
R MORAR: Chairperson
On behalf of the Audit Committee

16/8/05

Date:

PART 5: ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements for KwaZulu-Natal - Department of Economic Development for the year ended 31 March 2005

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**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL
LEGISLATURE ON THE FINANCIAL STATEMENTS OF VOTE 4 – DEPARTMENT OF
ECONOMIC DEVELOPMENT FOR THE YEAR ENDED 31 MARCH 2005**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 88 to 129, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Department of Economic Development at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Liquor licence fees

Treasury Regulation 7.2 states, inter alia, that the accounting officer of an institution must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, safeguarding, recording and reconciliation of information about revenue.

An amount of R3 691 000 (2003-04: R3 396 000) reflected in note 3 of the financial statements was not reconciled to the licences granted by the Liquor Board during the year which is indicative of a lack of policies and procedures to reconcile revenue by management. Consequently, I was unable to perform adequate audit procedures to verify the completeness of this amount disclosed in the financial statements.

4.2 Leave discounting

The leave discounting amount per the Personnel and Salary System (PERSAL) of R88 161 did not agree to the Basic Accounting System (BAS) amount of R170 452, resulting in a difference of R82 291.

4.3 Payments split in order to avoid tender delegations

Payments to suppliers for the same or similar services were split in order to avoid tender delegations in two instances where amounts exceeded the R200 000 threshold for the inviting of tenders. The total payments to these suppliers amounted to R311 790 and R373 601.

4.4 Suspense account not cleared

The pension recoverable account of R62 380 was not cleared and set off against the corresponding debtor at year-end, thereby overstating the debtor and creditor balances in the financial statements.

4.5 Weaknesses in internal control

- **Duplication of payments**

Duplication of payments to suppliers during the year was identified from the expenditure sample selected in respect of seven invoices amounting to R68 161. This was due to payments on the accounting system not being adequately reviewed prior to payments being authorised.

- **Journal vouchers not supported**

Supporting documents for 54 journal vouchers could not be provided for audit purposes, while no evidence of authorisation of 48 of these vouchers could be found. Also, a further 13 journal vouchers and supporting documents could not be provided for audit purposes.

- **Supporting documents**

Supporting documents for 12 payments selected from BAS, totalling R353 615, could not be provided for audit purposes.

- **Confirmation from treasury of voted funds**

The voted funds receivable per note 12 of the financial statements reflect an amount of R4 505 000. Confirmation from the Provincial Treasury indicated an amount of R4 437 529, resulting in a difference of R67 471.

- **Understatement of recoverable revenue**

An amount of R120 989 relating to bursary defaults by employees of the department was not recovered from these employees and was not included as part of recoverable revenue in note 3 of the financial statements.

- **Interest not raised**

The department did not raise interest on outstanding staff debts. This is in contravention of Treasury Regulation 11.5.1, which states that interest must be charged on debts to the state at the interest rate determined by the Minister of Finance. An amount of R511 011 was reflected as outstanding for more than one year per the debtors age analysis at 31 March 2005.

- **Annual risk assessment**

A risk assessment in terms of Treasury Regulation 3.2.1, which states that the accounting officer must ensure that a risk assessment is conducted at least annually to identify emerging risks of the institution, was not performed by the department.

4.6 Non-submission of financial statements

The KwaZulu-Natal Business Rehabilitation Trust Fund (currently in the process of listing as a provincial public entity) had not submitted its financial statements by 31 May 2005 as required by section 40(1)(c) of the PFMA.

4.7 Audit flavours - vacancy rate

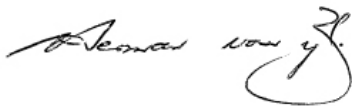
The department reflected a vacancy rate at year-end of 35 per cent which is in excess of the acceptable norm of 5 per cent. The high level of vacancies impacts on and impairs service delivery.

5. Previously reported matters

Further to the matters reported above, my audit findings on the progress made with previously reported matters are attached as annexure A of this report. Attention is also drawn to page 19 of the report of the Accounting Officer disclosing progress on Provincial Public Accounts Committee resolutions.

6. APPRECIATION

The assistance rendered by the staff of the Department of Economic Development during the audit is sincerely appreciated.



H van Zyl for Auditor-General

Durban

30 July 2005



A U D I T O R - G E N E R A L

ANNEXURE A

PROGRESS MADE WITH PREVIOUSLY REPORTED MATTERS

PREVIOUSLY REPORTED MATTERS

Reference to previous audit report	Subject	Findings on progress
Audit report, paragraph 4.2	Unauthorised expenditure	regarding a fraudulent cheque payment amounting to R219 929, which originated in the 1999-2000 financial year. The amount continues to be included in unauthorised expenditure, and hence resolutions 72/2003 and 25/2004 of the PPAC have not been complied with.
Audit report, paragraph 4.3	Personnel expenditure: unexplained difference in expenditure	This matter was resolved in 2004-05 and is accepted.
paragraph 4.5	Telephone expenses not recovered	The telephone management system installed in April 2002, to manage telephone usage by employees and recover all costs relating to private calls, was not functioning as intended and hence all private telephone costs were not recovered. The same matter was again reported on in the 2004-05 management letter.

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended
31 March 2005**

Annual Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Annual Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 5 of 2004. The following issued, but not yet effective Standards of Generally Recognised Accounting Practice have not been fully complied with in the Annual Financial Statements: GRAP 1, 2 and 3.

1. Basis of preparation

The Annual Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

2. Revenue

Appropriated funds

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of National/Provincial Expenditure. Unexpended voted funds are surrendered to the National/Provincial Revenue Fund, unless otherwise stated.

Departmental revenue

Tax revenue

A tax receipt is defined as compulsory, irrecoverable revenue collected by entities. Tax receipts are recognised as revenue in the statement of financial performance on receipt of the funds.

Sale of goods and services other than capital assets

This comprises the proceeds from the sale of goods and/or services produced by the entity. Revenue is recognised in the statement of financial performance on receipt of the funds.

Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory receipts imposed by court or quasi-judicial body. Revenue is recognised in the statement of financial performance on receipt of the funds.

Interest, dividends and rent on land

Interest and dividends received are recognised upon receipt of the funds, and no provision is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the Statement of Financial Performance of the department and then transferred to the National/Provincial Revenue Fund.

Revenue received from the rent of land is recognised in the statement of financial performance on receipt of the funds.

Sale of capital assets

The proceeds from the sale of capital assets is recognised as revenue in the statement of financial performance on receipt of the funds.

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended
31 March 2005**

Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

Local and foreign aid assistance

Local and foreign aid assistance is recognised in the statement of financial performance on receipt of funds. Where amounts are expensed before funds are received, a receivable is raised. Where amounts have been inappropriately expensed using Local and Foreign aid assistance, a payable is raised. In the situation where the department is allowed to retain surplus funds, these funds are shown as a reserve.

3. Expenditure

Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system. The expenditure is classified as capital where the employees were involved, on a full time basis, on capital projects during the financial year. All other payments are classified as current expense.

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

Short-term employee benefits

The cost of short-term employee benefits is expensed in the Statement of Financial Performance in the reporting period when the final authorisation for payment is effected on the system. Short-term employee benefits, that give rise to a present legal or constructive obligation are disclosed as a disclosure note to the Annual Financial Statements and are not recognised in the Statement of Financial Performance.

Long-term employee benefits and other post employment benefits

Termination benefits

Termination benefits are recognised and expensed only when the final authorisation for payment is effected on the system.

Medical benefits

The department provides medical benefits for its employees through defined benefit plans. Employer contributions to the fund are incurred when the final authorisation for payment is effected on the system. No provision is made for medical benefits in the Annual Financial Statements of the department.

Post employment retirement benefits

The department provides retirement benefits for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system. No provision is made for retirement benefits in the Annual Financial Statements of the department. Any potential liabilities are disclosed in the Annual Financial Statements of the National/Provincial Revenue Fund and not in the Annual Financial Statements of the employer department.

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended
31 March 2005**

Other employee benefits

Obligations arising from leave entitlement, thirteenth cheque and performance bonus that are reflected in the disclosure notes have not been paid for at year-end.

Goods and services

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system. The expense is classified as capital if the goods and services was used on a capital project.

Interest and rent on land

Interest and rental payments resulting from the use of land, are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system. This item excludes rental on the use of buildings or other fixed structures.

Financial transactions in assets and liabilities

Financial transactions in assets and liabilities include bad debts written off. Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending available to the department. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts.

Unauthorised expenditure

Unauthorised expenditure, is defined as:

- The overspending of a vote or a main division within a vote, or
- Expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is approved by the relevant authority, recovered or written off as irrecoverable.

Irregular expenditure

Irregular expenditure, is defined as :

expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act
- the State Tender Board Act, or any regulations made in terms of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

It is treated as expenditure in the Statement of Financial Performance. If such expenditure is not condoned and it is possibly recoverable it is disclosed as receivable in the Statement of Financial Position at year-end.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure, is defined as:

expenditure that was made in vain and would have been avoided had reasonable care been exercised, therefore

- it must be recovered from a responsible official (a debtor account should be raised), or
- the vote. (If responsibility cannot be determined.)

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended
31 March 2005**

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

4. Transfers and subsidies

Transfers and subsidies include all irrecoverable payments made by the entity. Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system.

5. Expenditure for capital assets

Capital assets are assets that can be used repeatedly and continuously in production for more than one year. Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

6. Investments

Investments include; Investments in Associates; Joint ventures; Investments in controlled entities and other investments.

Investments are shown at cost. On disposal of an investment, the surplus/(deficit) is recognised as revenue in the Statement of Financial Performance.

7. Receivables

Receivables are not normally recognised under the modified cash basis of accounting. However, receivables included in the Statement of Financial Position arise from cash payments that are recoverable from another party, when the payments are made.

Receivables for services delivered are not recognised in the Statement of Financial Position as a current asset or as income in the Statement of Financial Performance, as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the Annual Financial Statements.

8. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks, short term investments in money market instruments and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Payables

Payables are not normally recognised under the modified cash basis of accounting. However, payables included in the Statement of Financial Position arise from advances received that are due to the Provincial/National Revenue Fund or another party.

10. Lease commitments

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the Annual Financial Statements. These commitments are not

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended
31 March 2005**

recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on the cash basis of accounting. Operating lease expenditure is expensed when the payment is made.

Finance lease expenditure is expensed when the payment is made, but results in the acquisition of the asset under the lease agreement. A finance lease is not allowed in terms of the Public Finance Management Act.

11. Accruals

This amount represents goods/services that have been received, but no invoice has been received from the supplier at the reporting date, OR an invoice has been received but final authorisation for payment has not been effected on the system. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

12. Contingent liability

This is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or

a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the Statement of Financial position, but the information is disclosed as part of the disclosure notes.

13. Commitments

This amount represents goods/services that have been approved and/or contracted, but no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of financial position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

14. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investment and/or loans capitalised. On disposal, repayment or recovery, such amounts are transferred to the Revenue Fund.

15. Recoverable revenue

Recoverable revenue represents payments made and recognised in the Statement of Financial Performance as an expense in previous years due to non-performance in accordance with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended
31 March 2005**

16. Comparative figures

Where necessary, comparative figures have been restated to conform to the changes in the presentation in the current year. The comparative figures shown in these Annual Financial Statements are limited to the figures shown in the previous year's audited Annual Financial Statements and such other comparative figures that the department may reasonably have available for reporting. Reclassification of expenditure has occurred due to the implementation of the Standard Chart of Accounts. It is not practical to present comparative amounts in the Cash Flow Statements as this would involve reclassification of amounts dating back to the 2002/03 year-end.

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

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DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4
APPROPRIATION STATEMENT
for the year ended 31 March 2005

Appropriation per Economic classification									
	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current payments									
Compensation to employees	21,660	-	-	21,660	20,290	1,370	93.7%	26,362	20,591
Goods and services	58,381	-	-	58,381	51,569	6,812	88.3%	57,139	46,585
Interest and rent on land	-	-	-	-	-	-	0.0%	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	0.0%	-	-
Transfers & subsidies									
Provinces & municipalities	105	-	15,425	15,530	15,482	48	99.7%	98	56
Departmental agencies & accounts	61,205	-	-60,872	333	-	333	0.0%	105,928	105,928
Universities & technikons	-	-	-	-	-	-	0.0%	-	-
Foreign governments & international organisations	-	-	-	-	-	-	0.0%	-	-
Public corporations & private enterprises	-	-	27,447	27,447	27,447	-	100.0%	-	-
Non-profit institutions	2,000	-	18,000	20,000	20,000	-	100.0%	-	-
Households	289	-	-	289	289	-	100.0%	34	67
Gifts and donations	-	-	-	-	-	-	0.0%	-	-
Payment on capital assets									
Buildings & other fixed structures	-	-	-	-	-	-	0.0%	-	-
Machinery & equipment	3,257	-	-126	3,131	1,670	1,461	53.3%	2,344	1,043
Biological or cultivated assets	-	-	-	-	-	-	0.0%	-	-
Software & other intangible assets	-	-	126	126	125	1	99.2%	356	168
Land & subsoil assets	-	-	-	-	-	-	0.0%	-	-
Total	146,897	-	-	146,897	136,872	10,025	93.2%	192,261	174,438

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Detail per programme 1 - Administration
for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
1.1 Ministry									
Current payment				-		-	0.0%	3,463	3,383
Transfers and subsidies				-		-	0.0%	65	39
Expenditure for capital assets				-		-	0.0%		
1.2 Finance & General Administration									
Current payment	18,730			18,730	17,789	941	95.0%	16,267	14,935
Transfers and subsidies	119		-1	118	15	103	12.7%	14	49
Expenditure for capital assets	1,026		-53	973	432	541	44.4%	688	340
1.3 Human Resource Management									
Current payment	3,766		-139	3,627	3,214	413	88.6%	3,342	2,951
Transfers and subsidies	26		1	27	7	20	25.9%	6	6
Expenditure for capital assets	222		47	269	267	2	99.3%	333	238
1.4 Communication, Publicity & Information									
Current payment	4,865		139	5,004	4,971	33	99.3%	4,464	4,678
Transfers and subsidies	33			33	4	29	12.1%	4	4
Expenditure for capital assets	287		6	293	293	-	100.0%	287	59
Total	29,074	-	-	29,074	26,992	2,082	92.8%	28,933	26,682

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Economic classification	2004/05						Payment as % of final appropriation %	2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000		Final Appropriation R'000	Actual Payment R'000
Current payments									
Compensation to employees	9,784			9,784	9,333	451	95.4%	12,312	11,142
Goods and services	17,577			17,577	16,641	936	94.7%	15,224	14,806
Interest and rent on land				-		-	0.0%		
Financial transactions in assets and liabilities				-		-	0.0%		
Transfers & subsidies									
Provinces & municipalities	43		-	43	26	17	60.5%	55	30
Departmental agencies & accounts	135			135	-	135	0.0%		
Universities & technikons				-		-	0.0%		
Foreign governments & international organisations				-		-	0.0%		
Public corporations & private enterprises				-		-	0.0%		
Non-profit institutions				-		-	0.0%		
Households				-		-	0.0%	34	67
Gifts and donations				-		-	0.0%		
Payments for capital assets									
Buildings & other fixed structures							0.0%		
Machinery & equipment			-126	1,409	867	542	61.5%	952	469
Biological or cultivated assets	1,535			-		-	0.0%		
Software & other intangible assets			126	126	125	1	99.2%	356	168
Land & subsoil assets							0.0%		
Total	29,074	-	-	29,074	26,992	2,082	92.8%	28,933	26,682

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Detail per programme 2 - Spatial Economic Co-ordination
for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
2.1 Local Economic Development									
Current payment	6,285			6,285	4,693	1,592	74.7%	5,454	4,177
Transfers and subsidies	1,020			1,020	1,005	15	98.5%	4	4
Expenditure for capital assets	190			190	187	3	98.4%	133	114
2.2 Agri-Business									
Current payment	6,974			6,974	5,838	1,136	83.7%	7,560	6,794
Transfers and subsidies	26			26	2	24	7.7%	6	3
Expenditure for capital assets	264			264	49	215	18.6%	187	135
2.3 Community Projects									
Current payment	1,650			1,650	1,207	443	73.2%	3,332	1,271
Transfers and subsidies	301			301	291	10	96.7%	2	2
Expenditure for capital assets	115			115	6	109	5.2%	47	46
Total	16,825	-	-	16,825	13,278	3,547	78.9%	16,725	12,546

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current									
Compensation to employees	3,501			3,501	3,112	389	88.9%	3,844	3,204
Goods and services	11,408			11,408	8,626	2,782	75.6%	12,502	9,038
Transfers & subsidies									
Provinces & municipalities	14			14	9	5	64.3%	12	8
Dept agencies & accounts	44			44		44	0.0%		
Non-profit institutions	1,000			1,000	1,000	-	100.0%		
Households	289			289	289	-	100.0%		
Capital									
Machinery & equipment	569			569	242	327	42.5%	367	296
Total	16,825	-	-	16,825	13,278	3,547	78.9%	16,725	12,546

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Detail per programme 3 - Business & Sector Development
for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
3.1 Business Development									
Current payment	8,543		-673	7,870	7,424	446	94.3%	11,309	12,599
Transfers and subsidies	51			51	3	48	5.9%	6	5
Expenditure for capital assets	296			296	87	209	29.4%	170	68
3.2 Liquor Licensing Administration									
Current payment	4,215			4,215	3,736	479	88.6%	4,509	3,777
Transfers and subsidies	22			22	4	18	18.2%	5	4
Expenditure for capital assets	134			134	124	10	92.5%	45	32
3.3 Consumer Affairs									
Current payment	6,833			6,833	5,623	1,210	82.3%	6,306	5,710
Transfers and subsidies	33			33	6	27	18.2%	6	6
Expenditure for capital assets	193			193	43	150	22.3%	253	110
3.4 Black Economic Empowerment									
Current payment	4,399		485	4,884	4,826	58	98.8%	3,555	534
Transfers and subsidies	20			20	1	19	5.0%	2	
Expenditure for capital assets	112			112	34	78	30.4%	240	49
3.5 Sector Development									
Current payment	6,022		188	6,210	6,016	194	96.9%	6,485	4,107
Transfers and subsidies	1,033			1,033	1,004	29	97.2%	4	1
Expenditure for capital assets	195			195	120	75	61.5%	160	19
Total	32,101	-	-	32,101	29,051	3,050	90.5%	33,055	27,021

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current									
Compensation to employees	6,786			6,786	6,357	429	93.7%	7,572	5,600
Goods and services	23,226		-	23,226	21,268	1,958	91.6%	24,592	21,127
Transfers & subsidies									
Provinces & municipalities	38			38	18	20	47.4%	23	16
Dept agencies & accounts	121			121	-	121	0.0%		
Non-profit institutions	1,000			1,000	1,000	-	100.0%		
Capital									
Machinery & equipment	930			930	408	522	43.9%	868	278
Total	32,101	-	-		29,051	3,050	90.5%	33,055	

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

**Detail per programme 4 - Tourism, Trade & Investment
for the year ended 31 March 2005**

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
4.1 Tourism Development & Promotion Transfers and subsidies							0.0%	45,000	45,000
4.2 Beach Tourism Protection Services Transfers and subsidies				-		-	0.0%	16,882	16,882
4.3 Cultural Tourism Promotion Transfers and subsidies				-		-	0.0%	4,000	4,000
4.4 Trade & Investment Promotion Transfers and subsidies	15,425			15,425	15,425	-	100.0%	14,146	14,146
4.5 Trade & Investment Project Financing Transfers and subsidies	27,447			27,447	27,447	-	100.0%	16,000	16,000
4.6 Richard's Bay IDZ Transfers and subsidies	18,000			18,000	18,000	-	100.0%		
Total	60,872	-	-	60,872	60,872	-	100.0%	96,028	96,028

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Economic classification	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current									
Compensation to employees				-		-	0.0%		
Goods and services				-		-	0.0%		
Interest and rent on land				-		-	0.0%		
Financial transactions in assets and liabilities				-		-	0.0%		
Transfers & subsidies									
Provinces & municipalities			15,425	15,425	15,425	-	100.0%	96,028	96,028
Dept agencies & accounts	60,872		-60,872	-		-	0.0%		
Universities & Technikons				-		-	0.0%		
Foreign governments & international organisations				-		-	0.0%		
Public corporations & private enterprises			27,447	27,447	27,447	-	100.0%		
Non-profit institutions			18,000	18,000	18,000	-	100.0%		
Households				-		-	0.0%		
Gifts and donations				-		-	0.0%		
Capital									
Buildings & other fixed structures				-		-	0.0%		
Machinery & equipment				-		-	0.0%		
Biological or Cultivated assets				-		-	0.0%		
Software & other intangible assets				-		-	0.0%		
Land & subsoil assets				-		-	0.0%		
Total	60,872	-	-	60,872	60,872	-	300.0%	96,028	96,028

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Detail per programme 5 - Policy Development
for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
5.1 Policy Development									
Current payment	2,032		-147	1,885	1,438	447	76.3%	2,806	1,760
Transfers and subsidies Expenditure for capital assets	16		-1	15	3	12	20.0%	1	1
	28			28		28	0.0%		
5.2 Economic Information & Research Services									
Current payment	3,265		147	3,412	3,357	55	98.4%	966	454
Transfers and subsidies Expenditure for capital assets	5		1	6	1	5	16.7%	5	1
	35			35	34	1	97.1%	10	
Total	5,381	-	-	5,381	4,833	548	89.8%	3,788	2,216

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Economic classification	2004/05							2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current									
Compensation to employees	1,521		-	1,521	1,488	33	97.8%	1,104	600
Goods and services	3,776		-	3,776	3,307	469	87.6%	2,668	1,614
Transfers & subsidies									
Provinces & municipalities	5		-	5	4	1	80.0%	6	2
Dept agencies & accounts	16			16	-	16	0.0%		
Capital									
Machinery & equipment	63			63	34	29	54.0%	10	
Total	5,381	-	-	5,381	4,833	548	89.8%	3,788	2,216

Detail per programme 6 - Special Projects
for the year ended 31 March 2005

Programme per subprogramme	2004/05							2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
6.1 Special Projects									
Current payment	2,462			2,462	1,727	735	70.1%	3,683	45
Transfers and subsidies	22			22	-	22	0.0%	9,902	9,900
Expenditure for capital assets	160			160	119	41	74.4%	147	
Total	2,644	-	-	2,644	1,846	798	144.5%	13,732	9,945

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Economic classification	2004/05							2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current									
Compensation to employees	68			68	-	68	0.0%	1,530	45
Goods and services	2,394			2,394	1,727	667	72.1%	2,153	
Transfers & subsidies									
Provinces & municipalities	5			5	-	5	0.0%	2	
Dept agencies & accounts	17			17	-	17	0.0%	9,900	9,900
Capital									
Machinery & equipment	160			160	119	41	74.4%	147	
Total	2,644	-	-	2,644	1,846	798	146.5%	13,732	9,945

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Notes to the Appropriation Statement for the year ended 31 March 2005

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 8 (Transfers and subsidies) and Annexure 1 (A-K) to the annual financial statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.

3. Explanations of material variances from Amounts Voted (after virement):

3.1 Per programme:

	Voted Funds after virement		R'000	
Administration		26,992	2,082	7.2%
	occupation of the additional offices had not transpired due to a decision by the MEC to relocate the office from Durban to Pietermaritzburg, hence the savings of R2 million.			
Spatial Economic Co-ordination	16,825	13,278	3,547	21.1%
	Two Managers left the Department during the year and a departmental decision was made not to fill these posts as well as other vacant posts in this programme. This resulted in an underspending of approximately R 1,3 million in personnel, administrative and equipment costs. Delays in the following projects make up the balance of the underspend in this programme : (1) LED Policy (R450000) Held back in anticipation of policy guidelines released by National Government. (2) Logistics Study Ladysmith Region (R300000) Held back pending the outcome of discussions between the Local Municipality and Transnet (3) Buhlebezwe Spice Growers (R500000) This tender was rejected by the internal tender committees and sent back to the Directorate for revision.			
Development	32,101	29,051	3,050	9.5%
	A major portion of the underspending is as a result of non-filling of vacant budgeted posts and the suspension of the Liquor Division staff during this period, together with the concomitant effect on administrative and equipment costs. The balance of the underspending is as result of : (a) Implementation of activities relating to the Liquor Bill and the conversion of liquor licences which is solely depending on the passing of the new Provincial Liquor Act. (b) R 800 000 which was allotted to the development of a Consumer Management System was unspent due to delays from SITA on forwarding their proposals and service providers listed on the database that did not meet the sub-directorate requirements and specification in the terms of reference. (c) The slight change to the scope of the Entrepreneurship in Schools programme resulted in delays in executing some critical activities.			
Tourism, Trade & Investment	60,872	60,872	0	0.0%
Policy Development	5,381	4,833	548	10.2%
	Following a poor response to the tender, management decided to shelve the KZN Economic Review project (R 200 000) since it was too soon from the last KZN economic review. The Industrial Development Strategy project and PPP study was over budgeted resulting in a savings. Due to unforeseen delays with the Labour Market project the final payment had been carried forward to the next financial year. The non-filling of the Deputy Manager post resulted in underspending in personnel costs and with it the concomitant effect on administrative and equipment costs.			
Special Projects	2,644	1,846		30.2%
	The non-filling of vacant posts resulted in savings of approximately R 500 000 in personnel, administrative and equipment costs. The Trade Gateway project (R200 000) was shelved due to a decision made at a stakeholder meeting which included Provincial Treasury that their involvement in some of the projects might prejudice their tendering for similar projects at a later stage.			

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Notes to the Appropriation Statement for the year ended 31 March 2005

3.2 Per economic classification:	R'000
Current expenditure	
Compensation of employees	20,290
Goods and services	51,569
Interest and rent on land	
Financial transactions in assets and liabilities	
Unauthorised expenditure approved	
Transfers and subsidies	
Provinces and municipalities	15,482
Departmental agencies and accounts	
Universities and technikons	
Public corporations and private enterprises	27447
Foreign governments and international organisations	
Non-profit institutions	20000
Households	289
Payments for capital assets	
Buildings and other fixed structures	
Machinery and equipment	1,670
Heritage assets	
Biological assets	
Software and other intangible assets	125
Land and sub soil assets	

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

**Statement of Financial Performance
for the year ended 31 March 2005**

	<i>Note</i>	2004/05	2003/04 R'000
REVENUE			
Annual appropriation	1.	146,897	192,261
Statutory appropriation	2.	-	579
Departmental revenue	3.	3,967	3,525
	4.	26,491	-
TOTAL REVENUE		<u>177,355</u>	<u>196,365</u>
EXPENDITURE			
Current expenditure			
Compensation of employees	5.	20,290	20,591
Goods and services	6.	51,569	46,585
Total current expenditure		<u>71,859</u>	<u>67,176</u>
Transfers and subsidies		63,218	106,051
Expenditure for capital assets			
Machinery and Equipment	9.		1,043
Software and other intangible assets	9.	125	168
Total expenditure for capital assets		<u>1,795</u>	<u>1,211</u>
TOTAL EXPENDITURE		<u>136,872</u>	<u>174,438</u>
NET SURPLUS/(DEFICIT)		40,483	
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>40,483</u>	<u>21,927</u>
Reconciliation of Net Surplus/(Deficit) for the year			
	13.		18,402
Departmental revenue to be surrendered to revenue fund	14.	3,967	
Local and foreign aid assistance	4.		
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>40,483</u>	<u>21,927</u>

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

**Statement of Financial Position
as at 31 March 2005**

	<i>Note</i>	2004/05 R'000	2003/04 R'000
ASSETS			
Current assets		38,057	7,030
Unauthorised expenditure	7.		348
Cash and cash equivalents		36,925	
Receivables			
Voted funds to be surrendered to the Revenue Fund	13.		4,438
		1,008,607	
	12.	1,008,607	
TOTAL ASSETS		<u>1,046,664</u>	<u>7,030</u>
LIABILITIES			
Current liabilities		38,057	6,975
Voted funds to be surrendered to the Revenue Fund	13.	10,092	
Departmental revenue to be surrendered to the Revenue Fund	14.	415	194
Bank overdraft	15.		6,386
			395
Local and foreign aid assistance unutilised	4.		-
Non-current liabilities			
TOTAL LIABILITIES		<u>38,057</u>	<u>6,975</u>
		<u>1,008,607</u>	<u>55</u>
Represented by:			
Recoverable revenue		-	55
Capitalisation reserve		1,008,607	
TOTAL		<u>1,008,607</u>	<u>55</u>

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

**Statement of Changes in Net Assets
for the year ended 31 March 2005**

	<i>Note</i>	2004/05 R'000	2003/04 R'000
Capitalisation reserve			
Opening balance		-	
Transfers		1,008,607	
Closing balance		<u>1,008,607</u>	<u>-</u>
Recoverable revenue			
Opening balance		55	
Debts recovered (included in departmental receipts)		<u>-55</u>	
Prior year adjustment			<u>55</u>
Closing balance		<u>-</u>	<u>55</u>
TOTAL		<u><u>1,008,607</u></u>	<u><u>55</u></u>

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

**Cash Flow Statement
for the year ended 31 March 2005**

	<i>Note</i>	2004/05 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		178,815
		146,897
Departmental revenue received		3,967
Local and foreign aid assistance received	4.	26,491
Net (increase)/decrease in working capital		1,460
Surrendered to Revenue Fund		759
Current payments		-71,195
Transfers and subsidies paid		-63,218
Net cash flow available from operating activities	17.	45,161
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets		-1,795
Net cash flows from investing activities		-1,795
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in loans received		-55
Net cash flows from financing activities		-55
Net increase/(decrease) in cash and cash equivalents		43,311
Cash and cash equivalents at beginning of period		-6,386
Cash and cash equivalents at end of period		36,925

Notes to the Annual Financial Statements for the year ended 31 March 2005

1.

1.1

Included are funds appropriated in terms of the Appropriation Act for Provincial Departments (Equitable Share)

	Final Appropriation R'000	Actual Funds Received R'000	Variance over/(under) R'000	Total Appropriation 2003/04 R'000
Administration		26,992		28,933
Spatial Economic Co-ordination	16,825	13,278		16,725
Business & Sector Development	32,101	29,051	3,050	33,055
Tourism, Trade & Investment	60,872	60,872	-	96,028
Policy Development	5,381	4,833	548	3,788
Special Projects	2,644	1,846	798	13,732
Total	146,897	136,872	10,025	192,261

Explanation of material variances including whether or not application will be made for a rollover.

	Note	2004/05 R'000	2003/04 R'000
2. Statutory Appropriation			
Minister and deputy ministers salaries			579
		-	579
3. Departmental revenue to be surrendered to revenue fund			
Description			
Tax revenue		3,691	3,396
Sales of goods and services other than capital assets		36	101
Recoverable revenue received		240	28
Total revenue collected		3,967	3,525
Departmental revenue collected		3,967	3,525

4. Local and foreign aid assistance

4.1 Assistance received in cash	Opening Balance	Revenue	Expenditure	Closing balance
Name of donor and purpose				
Local				
Foreign				
European Union		26,491		26,491
	-	26,491	-	26,491
Local and foreign aid unutilised			26,491	
Closing balance			26,491	-
Purpose of Foreign Aid : (1) Build sustainable partnerships between LED				

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

5. Compensation of employees		2004/05 R'000	2003/04 R'000
5.1 Salaries and wages			
Basic salary		13,894	
Performance award		-	30
Service Based		1,040	
Compensative/circumstantial			
Other non-pensionable allowances		2,398	2,671
		17,390	17,770
5.2 Social contributions	Note	2004/05 R'000	R'000
5.2.1 Short term employee benefits			
Pension		2,102	2,053
Medical		795	765
UIF		-	1
Bargain council		3	2
		2,900	2,821
Total compensation of employees		20,290	20,591
Average number of employees		104	101
6. Goods and services			
Advertising		6,557	
Attendance fees (including registration fees)		411	333
Bursaries (employees)		103	107
		1,745	1,765
Computer services		904	
Consultants, contractors and special services		29,783	31,116
Courier and delivery services			
Drivers licences and permits		2	
Entertainment		687	745
	6.1	698	432
Equipment less than R5 000		211	30
Freight service		-	16
Government motor transport		253	
Inventory		1,206	1,774
Legal fees		506	62
Maintenance, repair and running costs		105	
Operating leases		3,749	2,857
Personnel agency fees		492	
Photographic services			
Plant flowers and other decorations		126	
Printing and publications		418	
Resettlement costs		67	78
Subscriptions		178	
Storage of furniture		9	
Owned and leasehold property expenditure		813	738
Translations and transcriptions		1	
Travel and subsistence	6.3	1,405	2,588
		1,098	
		51,569	46,585

Notes to the Annual Financial Statements for the year ended 31 March 2005

	<i>Note</i>	2004/05 R'000	2003/04 R'000
6.1 External audit fees			
Regulatory audits		698	432
Total external audit fees		698	432
6.2 Inventory			
Domestic Consumables		19	78
Learning and teaching support material			320
Other consumables		27	29
Parts and other maint mat		-	119
Stationery and Printing		1,160	1,228
Total Inventory		1,174	1,774
6.3 Travel and subsistence			
		1,405	2,588
Total travel and subsistence		1,405	2,588
7. Unauthorised expenditure			
7.1 Reconciliation of unauthorised expenditure			
Opening balance		348	348
Unauthorised expenditure awaiting authorization		348	348
7.2 Unauthorised expenditure			
Incident			Total
encashment of fraudulent cheque by an ex-employee of Provincial Treasury, utilising Department of Economic Development voted funds.	Provincial Treasury has forwarded copies of the investigations and letters of progress to this Department. In late 2004 Provincial Treasury's indicated in their last letter that they were going to apply for the case to be re-opened. A follow up letter to Provincial Treasury has since then been issued. We are awaiting a response from Provincial Treasury.		
This amount was journalised by Provincial Treasury on 31 March 2004.	We received no supporting documents from Provincial Treasury. A letter has been issued to the Internal Audit Division, Provincial Treasury to provide this Department with support documents. We are awaiting a response from Provincial Treasury.		
			348
Transfers and subsidies	Note	R'000	R'000
Provinces and municipalities	ANNEXURE 1B & 1C	15,482	
		-	105,928
Public corporations and private enterprises	ANNEXURE 1F	27,447	
Non-profit institutions	ANNEXURE 1H	20,000	
Households		289	67
			106,051

Notes to the Annual Financial Statements for the year ended 31 March 2005

9. Expenditure for capital assets				2004/05	2003/04
					R'000
Machinery and equipment		ANNEXURE 4		1,670	1,043
Software and other intangible assets		ANNEXURE 5		125	168
Total				1,795	1,211
10. Cash and cash equivalents					
Consolidated Paymaster General Account				36,925	
				36,925	-
11. Receivables					
		Less than one year	One to three years	Older than three years	Total
Amounts owing by other entities	ANNEXURE 6				374
Staff debtors	11.1	118	225	62	405
Clearing accounts	11.2		5		5
		118	604	62	784
11.1 Staff debtors					
Miscellaneous				3	630
Old Tax Debt				12	
Persal Disallowance				4	
Private Telephone & Cellphone Call debts				72	
				96	
Salary & Allowance Overpayments				79	
Salary Reversal & Deduction Accounts				120	
Tax Debt Account				12	
Supplier debts				8	
				406	630
Clearing accounts					
Deduction accounts				5	
				5	-
Investments					
Investee	Nature of investment				
Finance Corporation	Share Capital			1,008,582	
African Bank	Share Capital			25	
				1,008,607	

The Department previously expensed the cost of investments. In the year under review these investments are now stated at cost in the interest of accurate reporting. As the entry was raised in the current year, there are no comparative figures.

Notes to the Annual Financial Statements for the year ended 31 March 2005

13. Voted Funds to be surrendered to the Revenue Fund	2004/05 R'000	2003/04 R'000
Opening balance	-4,438	
Transfer from Statement of Financial Performance	10,025	18,402
Voted funds not requested/not received		-22,840
Received during the year	4,505	
Closing balance	<u>10,092</u>	<u>-4,438</u>

14. Departmental revenue to be surrendered to revenue fund

Opening balance	194	
Transfer from Statement of Financial Performance	3,967	3,525
Transfer from local and foreign aid assistance**		
Paid during the year	-3,746	-3,331
Closing balance	<u>415</u>	<u>194</u>

Bank overdraft

Paymaster General Account		6,386
---------------------------	--	-------

16. Payables – current

Description

		30+ Days	Total	Total
Amounts owing to other departments	ANNEXURE 7	962		15
Clearing accounts	16.1	80	80	-
Other payables	16.2	17	17	380
		<u>-</u>	<u>1,059</u>	<u>395</u>

Clearing accounts

Description (Identify major categories, but list material amounts)

Deduction accounts	6	
Other clearing accounts	74	
	<u>80</u>	<u>-</u>

Other clearing accounts include Pension Recoverable Account 62 and T&S Advance 11

16.2 Other payables

Description

(Identify major categories, but list material amounts)

Other payables		380
Debt receivable accounts	17	
	<u>17</u>	<u>380</u>

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

Notes to the Annual Financial Statements for the year ended 31 March 2005

17. Reconciliation of net cash flow from operating activities to surplus/(deficit)	2004/05 R'000	2003/04 R'000
Net surplus/(deficit) as per Statement of Financial Performance	40,483	
(Increase)/decrease in receivables – current	1,460	
Increase/(decrease) in payables – current	664	
Surrenders		
Capital expenditure	1,795	
Net cash flow generated by operating activities	45,161	

18. Appropriated funds and departmental revenue surrendered		
Appropriated funds surrendered	4,505	
Departmental revenue surrendered	-3,746	
	759	-

These amounts are not recognised in the financial statements and are disclosed to enhance the usefulness of the financial statements.

	Note	2004/05 R'000	2003/04 R'000
19. Contingent liabilities			
Liable to	Nature		
Housing loan guarantees	Employees	391	435
Other guarantees	ANNEXURE 3	75,713	96,314
Capped Leave Commitments		2,564	3,323
		78,668	100,072

- During the year under review, three high court actions were lodged against the department in respect of the issuing of liquor licenses.
- Comparative figures for Other Guarantees have been restated in line with the confirmation received from the Development Bank of South Africa.

20. Commitments			
Current expenditure			
Approved and contracted		2,350	733
		2,350	733
Capital expenditure			
Approved and contracted			
Approved but not yet contracted		-	1,907
		-	1,907
Total Commitments		2,350	2,640

Accruals				
By economic classification	30 Days	30+ Days	Total	Total
Goods and services	2,863	980	3,843	1,169
Machinery and Equipment			-	108
			3,843	1,277

DEPARTMENT OF ECONOMIC DEVELOPMENT - VOTE 4

	2004/05 R'000	2003/04 R'000		
Programme 1	2,049	359		
Programme 2	415	18		
Programme 3	1,329	900		
Programme 5	48			
Programme 6	2			
	<u>3,843</u>	<u>1,277</u>		
22. Employee benefits				
Leave entitlement	4,735	4,069		
Thirteenth cheque	594	558		
Performance awards		1,053		
	<u>5,329</u>	<u>5,680</u>		
23. Leases				
23.1 Operating leases	Buildings & other fixed structures	Machinery and equipment	Total	Total
Not later than 1 year	3,796	146	3,942	2,894
	4,954	228	5,182	5,755
	844	10	854	
Total present value of lease liabilities	<u>9,594</u>	<u>384</u>	<u>9,978</u>	<u>8,649</u>
24. Senior management personnel				
	No of employees			
- The Minister, Deputy Ministers, Director-General		-		
- Deputy Director Generals	1	648		611
- Chief Directors	2	1,068		1,007
- Directors	11	5,012		6,271
		<u>6,728</u>		

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

ANNEXURE 1C**STATEMENT OF CONDITIONAL AND NON-CONDITIONAL GRANTS/TRANSFERS PAID TO MUNICIPALITIES**

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2003/04	
	Revenue Act R'000	Roll Overs R'000	Adjustments R'000	Total Available	Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000	Amount spent by municipality R'000	% of available funds spent by municipality %	Division of Revenue Act R'000
Ethekweni Municipality (Regional Service Council Levy)					57	54.3%	57	57	100.0%	98
Provincial Agency (Trade & Investment KZN)	15,425			15,425	15,425	100.0%	15,425		100.0%	14,146
	15,530	-	-	15,530	15,482		15,482	15,482		14,244

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

STATEMENT OF TRANSFERS TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

STATEMENT OF FINANCIAL POSITION - GOVERNMENT AND PUBLIC ENTERPRISE FINANCE							
	EXPENDITURE						2003/04
(NAME OF PUBLIC CORPORATION /PRIVATE ENTERPRISE)	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Current
	R'000	R'000	R'000	R'000	R'000	%	R'000
Public Corporations							
Ithala Development Finance Corporation	27,447			27,447	27,447	100.0%	27,447
							16,000
Subtotal		-	-	27,447	27,447		27,447
							16,000
Total	27,447	-	-	27,447	27,447		27,447
							16,000

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

**ANNEXURE 1H
STATEMENT OF TRANSFERS/SUBSIDIES TO NON-PROFIT INSTITUTIONS**

NON PROFIT ORGANISATION	TRANSFER ALLOCATION			EXPENDITURE		2003/04
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %
Transfers						
Richard's Bay IDZ	18,000			18,000	18,000	100.0%
Ingwe Corporation	1,000			1,000	1,000	100.0%
South African Tourism Authority	1,000			1,000	1,000	100.0%
				-		0.0%
	20,000	-	-	20,000	20,000	
						-
TOTAL	20,000	-	-	20,000	20,000	-

Annexures to the Annual Financial Statements

ANNEXURE 1I
STATEMENT OF TRANSFERS/SUBSIDIES TO HOUSEHOLDS

	TRANSFER ALLOCATION				EXPENDITURE		2003/04
	Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Transferred %	Final Appropriation Act R'000
Transfers							
Leave Gratuities	289			289	289	100.0%	34
	289	-	-	289	289	100.0%	34
Total	289	-	-	289	289	100.0%	34

- List by major category

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

**ANNEXURE 2B
STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO CONTROLLED/PUBLIC ENTITIES AS AT 31 MARCH 2005
(Only Public and Private Entities)**

Name of Public Entity	Nature of business	Cost of investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000		Valuation of Investment R'000	
		2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Controlled entities									
Ithala Development Finance Corporation	Financial Services	1,008,582	1,008,582					1,008,582	1,008,582
Subtotal		1,008,582	1,008,582					1,008,582	1,008,582
Non-controlled entities									
Other non controllable entities									
African Bank of Southern Africa	Financial Services	25	25					33	25
Subtotal		25	25					33	25
Total		1,008,607	1,008,607					1,008,615	1,008,607

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

**ANNEXURE 3
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - LOCAL**

Guarantor institution	Guarantee in respect of	Original Guaranteed capital amount R'000	Opening Balance 01/04/2004 R'000	Guarantees issued during the year R'000	Released during the year R'000	Guaranteed interest outstanding as at 31 March 2005 R'000	Closing Balance 31/03/2005 R'000	losses i.r.o. claims paid out R'000
First National Bank / NBS Old Mutual Peoples Bank / Fidelity Ithala Development Corporation	Housing	151	184				184	
		51	147		44		103	
		43	43				43	
		24	37				37	
			24				24	
		269	435		44		391	
Development Bank of South Africa	Other Loans advanced to Mangosuthu Technikon		1,546		357			
Development Bank of South Africa	Loans advanced to KwaZulu-Natal Ithala Development Finance Corporation		94,768		20,244		74,524	
		-	96,314	-	20,601	-	75,713	-
	Total	269	96,749	-	20,645	-	76,104	-

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

ANNEXURE 4**PHYSICAL ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2005**

	Opening Balance	Additions	Disposals	in	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	2,995	1,670	-	-	-	4,665
Computer equipment	1,355	1,089				2,444
Furniture and office equipment		500				
Other machinery and equipment	585					666
	2,995	1,670	-	-	-	4,665

PHYSICAL ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2004

	Opening Balance	Additions	Disposals	in	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
EQUIPMENT	1,952	1,043	-	-	-	2,995
Computer equipment	740	615				
Furniture and office equipment	787	268				1,055
Other machinery and equipment	425	160				585
	1,952	1,043	-	-	-	2,995

This is a movement schedule as at 1 March 2003

Disposals only relate to amounts included in the opening balances and the additions columns. If you have a disposal, the amount written off should be equivalent to the carrying value of the asset.

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

ANNEXURE 5
SOFTWARE AND OTHER INTANGIBLE ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2005

	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	168	125				293
	168	125	-	-	-	293
SOFTWARE AND OTHER INTANGIBLE ASSET MOVEMENT SCHEDULE AS AT 31 MARCH 2004						
	Opening Balance	Additions		Transfers In	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software		168				168
	-	168	-		-	168

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

**ANNEXURE 6
INTER-GOVERNMENTAL RECEIVABLES**

	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2005		31/03/2005	31/03/2004
	R'000	R'000	R'000	
National Departments				32
Agriculture & Environmental Affairs			215	1,370
			34	36
Legislature			1	1
Health				58
Office of the Premier				110
Northern West				
Other			13	
	-		374	1,614
TOTAL	-	-		1,614

**Include all amounts owing by National and Provincial Departments as well as all Public Entities,
Constitutional Institutions and Trading Entities**

**Annexures to the Annual Financial Statements
for the year ended 31 March 2005**

INTER-DEPARTMENTAL PAYABLES – CURRENT

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2005	31/03/2004	31/03/2005	31/03/2004
	R'000	R'000	R'000	R'000

Amounts included in Statement of financial position**Current**

Royal Household		1
Works	12	14
National Departments		
Premier	907	
Transport	41	
Subtotal	<u>962</u>	<u>15</u>
Total		<u><u>15.00</u></u>