



General Information
PART: 1

Velile Soha
Guitarist making music for a living (Langa)

GENERAL INFORMATION

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1.1 Submission of the annual report to the executive authority

I have the honour of submitting the 2004/05 Annual Report of the Department of Economic Development and Tourism in terms of the Public Finance Management Act, 1999.



BRENDON ROBERTS
ACCOUNTING OFFICER
 31 May 2005

1.2 Introduction by the head of the institution

Inward focus

For a number of years the Department has been engaged in excellent but small-scale work, with limited impact on the wider economy. This was particularly so in relation to its role in promoting large-scale participation in the economy by the previously disadvantaged and the presently marginalised.

If it were to maximise its impact, the Department needed to be re-orientated, its work needed to be re-organised and it needed to be re-structured.

This, then, was the dominant theme of inwardly focused work during the reporting period.

Re-orientation

By the end of the fiscal year, after many, many hours of self-examination, discussion and planning, the Department had been re-orientated. In future, we will intervene in the economy in a meaningful way, by using highly specific initiatives. Most of these will be outsourced. Our role is to develop strategy, select the most critical policy levers, and shape interventions to give effect to these. We will monitor, evaluate, and if necessary, adjust our interventions. The scale and/or intensity of our initiatives will be increased significantly.

Re-organisation of work

Our work was re-organised around two major themes: economic growth/competitiveness and economic participation. The existing regulatory function was extended to become proactive in creating a fair business environment. The usual support activities were deepened and broadened.

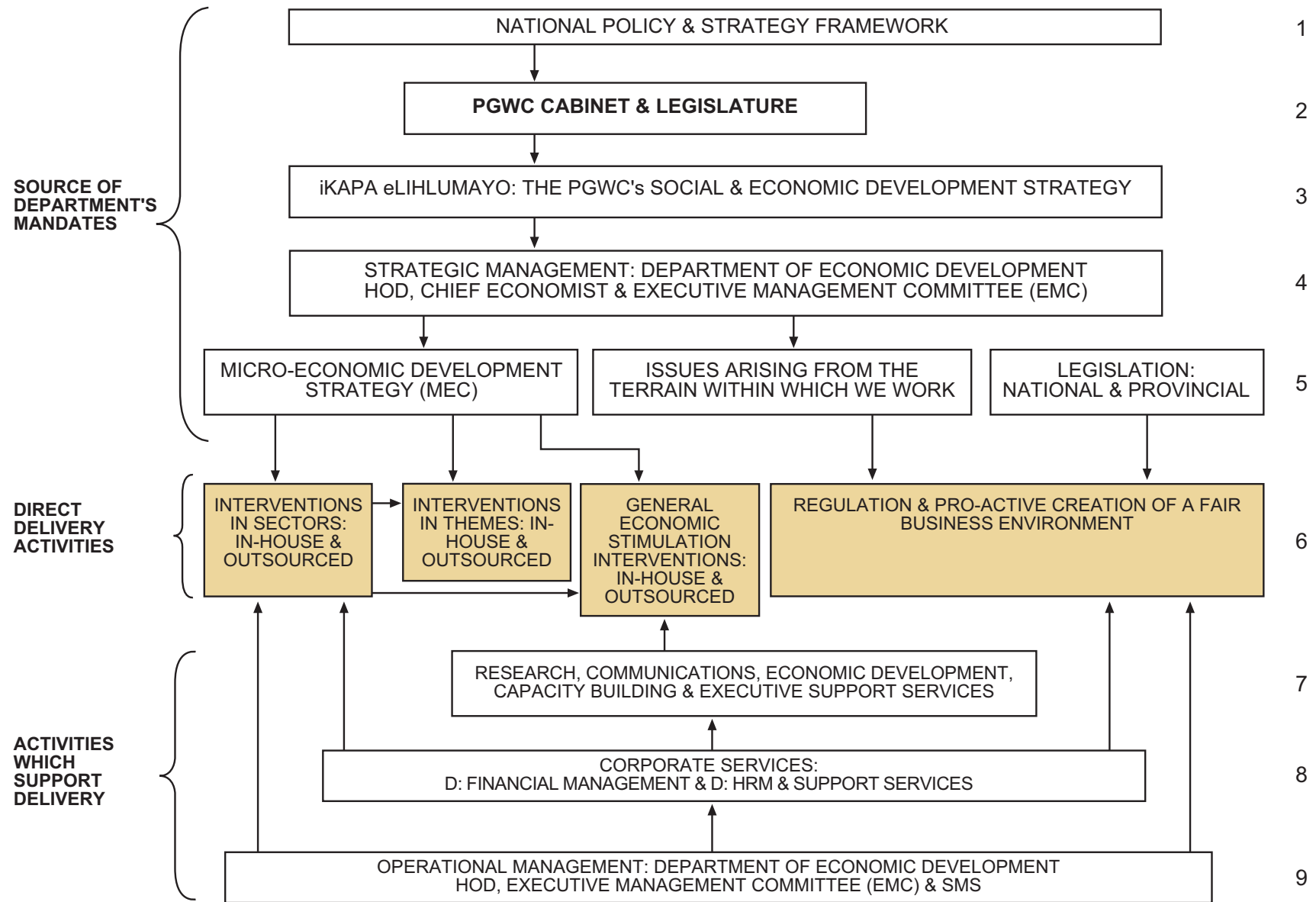
Re-structuring

We proposed to Cabinet a significant increase in staff. Cabinet supported the increase, which will be effected in two annual phases. This massive business re-engineering was informed by the need to develop a machine which was responsive to and able to deliver on the Micro-economic Development Strategy (MEDS). The MEDS will consist of sector-based and theme-based research and analysis, and will recommend highly targeted policy levers to be considered to generate meaningful shared, sustainable, and labour-absorbing growth. **Table 1.2.1: The reorganised Department of Economic Development and Tourism** on page 3 illustrates the work of the Department and the alignment thereof to the national and provincial contexts.

With the strategy and the re-orientated and re-organised structure in place, what we needed was the financial resources to give effect to the strategy. This was motivated for, and very significant provisions have been made for the next three fiscal years.

The only delay we may face in delivering optimally could be delays in the filling of posts.

Table 1.2.1: The Reorganised Department of Economic Development and Tourism



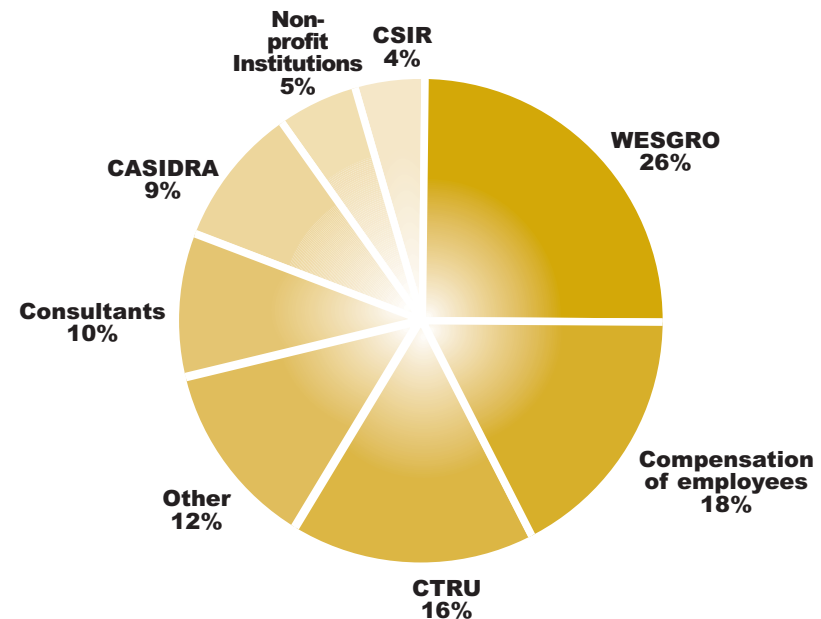
Use of funding

The tale of the tape measure pretty much shows the "old" approach and focus of the Department. We spent more than 93% of our revenue on a relatively few items, namely:

- R31,7 million went to WESGRO for the film studio (R15 million), the rapid response capacity (R10 million) and its basic grant to perform its core functions (R6,7 million).
- R22,18 million was spent on the compensation of employees.
- R20,53 million was used to fund the CTRU.
- R15,74 million was provided to fund the remaining budget spend, including transfers to municipalities; travel and subsistence; advertising; Auditor-General's fees; training and staff development; and capital equipment.
- R12,2 million was used to outsource services to consultants.
- R11,7 million went to CASIDRA mainly as our agent to set up the RED Door operation and to capitalise the iKapa/ABSA SMME Fund that provides access to finance for Small Enterprises.
- R6,81 million was provided to 18 non-profit organisations to undertake certain interventions in the economy.
- R5,55 million was managed as a rural economic projects development fund on our behalf by the CSIR.

Table 1.2.2: Significant expenditure (>R5 million) by the Department:

WESGRO	R31,700,000
Compensation of employees	R22,182,084
CTRU	R20,532,000
Other	R15,749,839
Consultants	R12,206,953
CASIDRA	R11,700,000
Non-profit institutions	R6,818,000
CSIR	R5,550,000
TOTAL	R126,438,876



Outward focus

The flagship intervention in the economic participation portfolio that was launched this year was the RED (Real Enterprise Development) Initiative. Our first two RED Door offices were established in the two urban Presidential nodes of Khayelitsha and Mitchell's Plain. Dramatic early success was achieved and enormous energy went into preparation of the roll-out of the next six RED Door offices.

Local Economic Development is expected to be accelerated dramatically through the establishment of Die Plek Plan. Huge amounts of energy went into its conception and the shaping of details. Die Plek Plan aims to send highly skilled agents into rural municipalities and urban areas to identify or define and fast-track significant local economic development projects. They will be supported by a sophisticated head office operation. Initial responses from municipalities were very warm and welcoming.

The rising stars in the industry development portfolio were:

- Oil and Gas: Huge progress was made behind the scenes in both the service hub, and the exploration and production ends of the oil and gas industry with economy-enhancing investment and development initiatives set to be announced in the next fiscal year.
- Contact Centres: The star-performing services sector was the Call Centre and BPO sector. A successful promotional trip to the UK and the Netherlands by the Premier and the portfolio MEC led to a huge surge in enquiries and investments from these major source countries.

Among the major shifts in emphasis is the way the roles of the public entities changed:

- WESGRO's role as an industrial development agent saw it manage the investment of R60 million of a combination of public funds in the film studio project. In addition, WESGRO managed the R10 million purchase of Novel Garments SA in order to rescue jobs in Atlantis.
- The Destination Marketing Organisation began trading as Cape Town Routes Unlimited (CTRU) and our budgetary contribution to it as our tourism marketing agent nearly tripled.

In the Fair Business Environment portfolio the two significant developments were:

- The finalisation of the Liquor White Paper, which will form the basis of Provincial Liquor Legislation.
- The roll-out of advice offices linked to the Office of the Consumer Protector reached our initial goal of 28, and the use of the free call centre line has led to a dramatic increase in cases resolved.

For the rest, staff delivered services, exerted positive influence and undertook meaningful initiatives. The many big and small successes which they achieved are detailed in the remainder of this report.

1.3 Information on the Ministry

April 2004 saw the National and Provincial Government elections taking place, after which a new Cabinet was formed. With this reshuffle, the Ministry of Tourism's functions were included in the Ministry of Finance and Economic Development under Vote 3: Provincial Treasury. Funds for the Ministry were shifted to Vote 9: Environmental Affairs and Development Planning via the 2004 Adjustment Estimate process, and the Department no longer hosted the Ministry.

1.4 Mission statement

The Department of Economic Development and Tourism's vision is encapsulated in the vision of the National Growth and Development Strategy and the vision of iKapa eliHlumayo.

The National Growth and Development Strategy's vision is one of a South Africa which is:

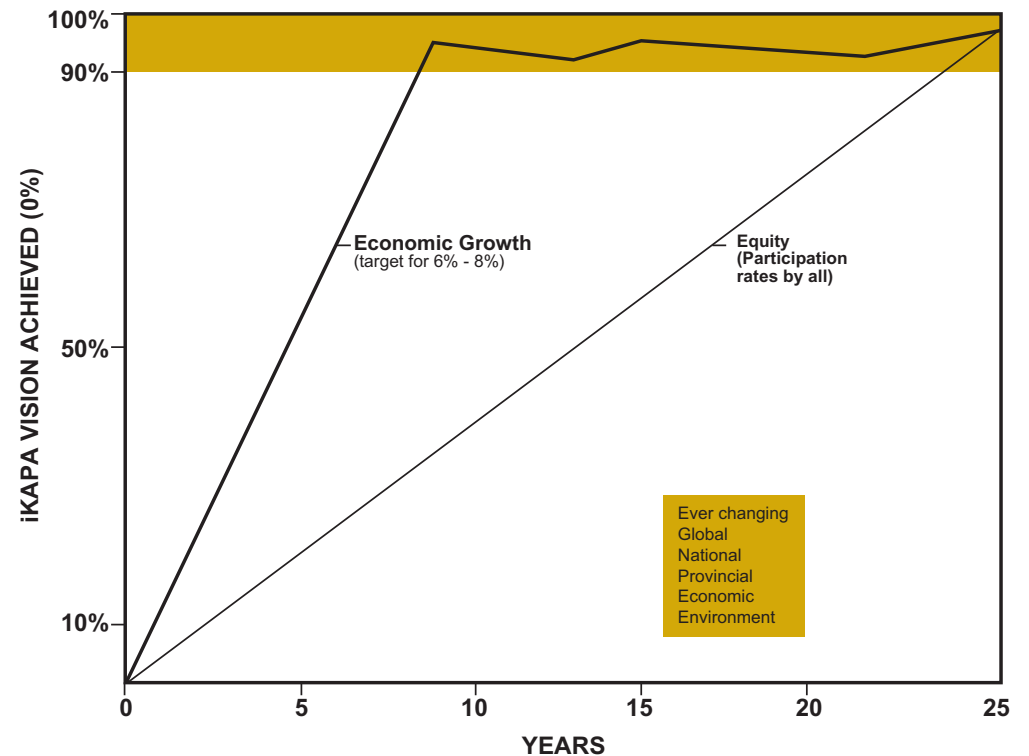
- The leading emerging market and destination of first choice for investors, while retaining and expanding social equity and fair labour standards.
- A productive economy with high levels of service, a highly skilled workforce, and modern systems of work organisation and management.
- A society in which there are economic opportunities for all, poverty is eradicated, income inequalities are reduced and basic services are available to all.
- A society in which our people, our most precious resource, are given the opportunity and support to develop to their fullest potential.
- A society that promotes the values of social equity, fairness, and human dignity in the global economy.

iKapa eliHlumayo's vision is one of a Western Cape which offers dignity, equity and prosperity to all those who make it their home.

In essence, our vision is one of a shared, sustainable, growing, labour-absorbing and globally competitive economy.

The Department's mission is a commitment to drive key economic sectors that will grow the economy in a manner that will create decent work for entrants into the labour market and to ensure that we reduce the number of people dependent on social welfare. We aim to grow and transform our economy through micro-economic interventions and to ensure that we meet social, economic and environmental equity outcomes.

Table 1.4.1: Vision for achieving growth and equity over the next 25 years



1.5 Legislative mandate

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999)

To regulate financial management in the Department to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively and to provide the responsibilities and authority to persons entrusted with financial management in the Department.

Annual Division of Revenue Act

To provide for the equitable division of revenue, including conditional grants, between the three spheres of government.

Public Service Act, 1994 (Act 103 of 1994) and Regulations, 2001

To provide for the organisational structure and administration of the Department and for Human Resource Management which includes the regulation of conditions of employment, terms of office, discipline, retirement, and discharge of staff members of the Department.

Labour Relations Act, 1995 (Act 66 of 1995)

To regulate and guide the Department in recognising and fulfilling its role in effecting a harmonious and democratised workplace.

Basic Conditions of Employment Act, 1997 (Act 75 of 1997)

To provide regulatory prescripts in addition to the Public Service Act (1994) and the Public Service Regulations (2001) regarding the conditions of employment of staff in the Department.

Skills Development Act, 1998 (Act 97 of 1998)

To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the national qualification framework contemplated in the South African Qualifications Authority Act (1995); to provide for learnerships that lead to recognised occupational qualifications; to provide for the financing of skills development by means of a levy scheme and a national skills fund; and to provide for and regulate employment services.

Skills Development Levies Act (Act 9 of 1999)

To provide for the imposition of a skills development levy.

Promotion of Access to Information Act, 2000 (Act 2 of 2000)

To give effect to the constitutional right of access to any information held by the state and any information that is held by another person, which is required for the exercise or protection of any rights.

Occupational Health and Safety Act, 1993 (Act 85 of 1993)

To provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and

machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with activities of persons at work; and to establish an Advisory Council for Occupational Health and Safety.

Western Cape Constitution, 1996 (Act 1 of 1998)

Employment Equity Act, 1998 (Act 55 of 1998)

To regulate the process and procedures of the Department in achieving a diverse and competent workforce broadly representative of the demographics of the Western Cape and eliminating unfair discrimination in employment towards implementing employment equity.

Western Cape Investment and Trade Promotion Agency Law, 1996 (Act 3 of 1996)

To establish the Western Cape Investment and Trade Promotion Agency (WESGRO). WESGRO's function is to promote trade and investment.

Liquor Act, 1989 (Act 27 of 1989)

When the national Liquor Act, No 59 of 2003 came into effect during the 2004/05 financial years, the Liquor Act, No 27 of 1989 became the default provincial legislation that will regulate the retail and micro-manufacturing sector of the liquor industry until replaced by the proposed provincial liquor legislation.

Liquor Act, 2003 (Act 59 of 2003)

The Liquor Act No 59 of 2003 came into effect during the 2004/05 financial year and replaces the Liquor Act, No 27 of 1989. It introduces a three-tier system into the liquor industry and will regulate the manufacturing and distribution tier. It provides for the devolution of functions relating to the distribution tier to the Provincial Minister and it requires the Provincial Liquor Licensing Authority to provide it with statistical information relating to the retail and micro-manufacturing tier.

Businesses Act, 1991 (Act 71 of 1991)

The Businesses Act is assigned national legislation that provides for the regulation of informal trading by municipalities, subject to monitoring of the relevant bylaws by the Provincial Minister. It further provides that the Provincial Minister may act as an appeal

authority in instances where municipalities refuse applications by certain types of businesses for licences to trade.

Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003)

To establish a legislative framework for the promotion of black economic empowerment; to empower the Minister to issue codes of good practice; to publish transformation charters; to establish the Black Economic Empowerment Advisory Council; and to provide matters connected therewith.

National Small Business Amendment Act, 2003 (Act 26 of 2003)

To provide for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; to provide guidelines for organs of state in order to promote small business in the Republic; and to provide for matters incidental thereto. The amendment was to repeal all provisions pertaining to the National Small Business Council and to empower the Minister to facilitate and establish an Advisory Body to represent the interests of small business.

Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

Municipal Systems Act (2000)

To provide core principles, mechanisms and processes to enable municipalities to move progressively towards social and economic upliftment of communities and to ensure access to essential and affordable services.

Municipal Finance Management Act, 2000 (Act 56 of 2000)

To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.

Western Cape Consumer Affairs (Unfair Business Practices) Act, 2002 (Act 10 of 2002)

It is expected that the regulations applicable to the legislation will be completed and that the legislation will come into effect in the 2005/06 financial year.

Marine Living Resources Act, 1998 (Act 18 of 1998)

To provide for the conservation of the marine ecosystem; the long-term sustainable utilisation of marine living resources; and the orderly access to exploitation, utilisation and protection of certain marine living resources. Furthermore, these objectives must ensure that the control over marine living resources is exercised in a fair and equitable manner to the benefit of all the citizens of South Africa as well as to provide guidance on other related matters.

National Environmental Management Act, 1998 (Act 107 of 1998)

To provide for co-operative, environmental governance by establishing principles for decision-making on matters affecting the environment; institutions that will promote co-operative governance and procedures for co-ordinating environmental functions exercised by organs of state; and to provide for matters connected therewith.

National Bio Diversity Act, 2004 (Act 10 of 2004)

To, within the framework of the National Environmental Management Act, provide for:

- the management and conservation of biological diversity within the Republic and of the components of such biological diversity;
- the use of indigenous biological resources in a sustainable manner; and
- the fair and equitable sharing among stakeholders of benefits arising from bio prospecting involving indigenous biological resources.

White paper on Environmental Management Policy 1997

The policy document sets out the vision, principles, strategic goals and objectives as well as regulatory approaches that government will use for environmental management in South Africa. It was developed to serve as a guideline to manage all matters relating to the environmental policy prior to the adoption of the National Environmental Management Act (1998).

Policy for the management and allocation of commercial fishing rights (2005)

A policy document outlining the management principles and procedures for commercial fishing rights and the reasoning and rationalisation behind the allocation of these rights.

National policy framework for Agriculture (1998)

A nationally based policy framework regulating the Agricultural industry in terms of products and materials arising from Mining, Forestry and Agriculture, to ensure the sustained growth and development of the industry and the efficient and effective utilisation of scarce resources.

The National Integrated Manufacturing Strategy (IMS 2003)

A technologically advanced national approach implemented through the Department of Trade and Industry (dti) aimed at bringing together all role-players in the industry to develop a collective vision with the purpose of ensuring sustainable development and growth and that technological resources are developed, focused and proficiently utilised.

The Advanced Manufacturing and Technological Strategy (AMTS 2004)

A technologically advanced provincial policy in line with iKapa eliHlumayo principles and the Department's strategic priorities which will concentrate more on sector-based initiatives rather than the broad-based IMS. These initiatives will be implemented through the Council for Scientific and Industrial Research (CSIR).

The Integrated Tourism Development Framework (ITDF 2002)

The ITDF spatial economic plan that reviews tourism potential, supply patterns, possible product portfolios and routes, and attempts to match these with the demand from primary and secondary domestic and international markets servicing the destination.

National Tourism Amendment Act, 2000 (Act 8 of 2000)

To amend the Tourism Act (1993), in order to further regulate the composition of the South African Tourism Board and to promote and maintain a sound working relationship between the board and the provinces.

National Tourism Second Amendment Act, 2000 (Act 70 of 2000)

To amend the Tourism Act (1993). Provisions in the Act include: further training and registration of tourist guides; a code of conduct

and ethics for tourist guides; procedures to lodging complaints; and disciplinary measures.

Provincial Western Cape Tourism Act, 2004 (Act 1 of 2004)

To provide for the establishment of the Destination Marketing Organisation (DMO). The main purpose of the DMO is to promote the growth and transformation of the tourism sector in the Western Cape.

Provincial Cape Town International Convention Centre Act, 2000 (Convenco Act 8 of 2000)

To provide for the Province's shareholding in the Cape Town International Convention Centre Company and for the funding provided to the Company by the Province.

White Paper on Sustainable Tourism Development and Promotion (2001)

The White Paper on Sustainable Tourism Development and Promotion in the Western Cape provides the policy foundations and competitive strategy for the Western Cape to become a leading global tourism destination.

Electronic Communications and Transactions Act, 2002 (Act 25 of 2002)

To establish a formal structure to define, develop, regulate and govern e-commerce in South Africa. The Act is "an enabling" piece of legislation which, inter alia, attempts to provide functional equivalents for paper-based concepts.

E-Government Policy (DPSA 2001)

The policy spells out the e-government vision; defines the benefits to be achieved in the process; sets priorities by identifying focus areas for immediate attention; defines the generic prerequisites that must be in place for advancements in the key areas to succeed; and gives specific recommendations on how to deliver results in each focus area, thereby preparing the Western Cape for the Knowledge Economy of the 21st Century.